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The Siege of Berlin

THERE can be no denying that the situation the Russians have created in Berlin is alarming. There is, fortunately, no reason to suppose that it will lead to open war—neither side is ready to die for Berlin. It may yet end happily by the re-opening of rail and road communication between Berlin and the western zones. But if this is the outcome, it is as well to realise that it will be by courtesy of Mr Molotov—a commodity that cannot be greatly relied upon. The Russians have shown that they are both willing and able to put the three western zones of Berlin under siege. If they do not choose to press such a siege home now, they may choose to do so later. What is alarming is to discover how little the Western Powers had—apparently—foreseen such a siege or prepared for it. They have apparently for weeks been playing poker with the Kremlin without properly examining their own hands.

The essential facts in this situation were predictable six months ago, after the four Foreign Ministers failed to agree about the future of Germany in their London meeting. The details were predictable three months ago. The Russians made it clear, by one piece of obstruction after another, that they were ready to hinder, reduce or stop all traffic coming into Berlin from the West by road, rail, canal and even air. There was dangerous tension on this account as long ago as April 1st, when new traffic regulations were introduced by the Russians at 36 hours' notice. The Russians also made it clear that their measures to restrict traffic into Berlin would keep pace with the progress of the three Western Powers towards an agreed plan for the political and economic reconstruction of their zones of Germany. Currency reform would mark for the Russians the climax of the Western challenge to their policy in Germany, the point at which they would retort by challenging both the right and the power of the Americans, British and French to remain in effective occupation of three quarters of Berlin. That climax came on June 18th.

The responsible leaders of Western policy have also been at pains to declare how ready they were for such a trial of strength. Mr Bevin has several times publicly announced the British determination to stay in Berlin. He told the Labour Party Conference that he would stay, "regardless of the provocation offered"; he told the House of Commons the same. General Clay said that nothing short of war would be able to move the Americans. On each occasion these declarations have been applauded, not just for the Palmerston touch but because the public assumed that methods of maintaining the Western position in the city had been examined and prepared. They assumed that the dangers of bluffing would be obvious both to the Foreign Office and to the State Department, that the Russians were being taken at their word. Yet in spite of all this, there are unmistakable signs of both Britain and America being taken by surprise and compelled to improvise methods of supplying Berlin.

Mr Bevin's carefully weighed but firm statement on Wednesday left no room for doubt about the Western determination to do everything possible to keep Berlin supplied. But it still leaves some doubt whether it can in fact be accomplished. Over 2,000,000 Germans, as well as three garrisons, have to be fed. That is the minimum task, demanding

men. And in this later crisis of excommunication it seems that his Communist party has not split wide open as Moscow clearly expected it to do. Tito's followers still look to Belgrade, not to the Kremlin. If, however, the technique of internal disintegration fails, what weapon is left to the Russians save that of open force? Yet there are no Russian garrisons in Jugoslavia, and Tito is well armed. Thus, for the moment, Russian policy seems to have reached an impasse.

The Western Powers are in a happier state, for in the short run at least they need do nothing. Marshal Tito is no friend of theirs. On the contrary, his first pronouncement of policy since "excommunication" includes a violent attack on the "imperialist West." It would be a diplomatic *gaffe* of the first order if the Western Powers were to begin making him advances simply because he has turned his back on the Kremlin. They have time to reflect, to weigh the case, to wait on developments.

Nevertheless, the rift in the monolithic East raises one question which the Western Governments would do well to consider. Much in their attitude and policy towards the East has been determined by the belief that Russian control over East European policy was both welcome and complete. The underlying assumption has been that the West must expect a solid, undifferentiated *bloc* stretching from the Oder eastwards and that any policy put forward by a "satellite" would necessarily have Moscow's approval and would probably give Russia some advantage. This assumption is no longer self-evident. There is thus a case for re-examining some aspect of the Western Powers' relations with Eastern Europe on their own merits without reference to the supposed advantage or disadvantage of the Soviet Union. Where in the past a policy, otherwise advantageous, has been rejected simply on the possibility that it could strengthen the Soviet Union, it might now be reconsidered. In particular, trade relations might be reviewed in this light. Clearly, such a revaluation hardly amounts to a change of policy. At first, at least, it represents no more than a change of attitude, a new attention, a greater flexibility. But it might secure certain concrete advantages to the West and it would certainly do nothing to dispel the belief made evident by Tito's defiance—that Eastern Europe has more to resent and fear in domination by the East than in any pressure, real or supposed, from the West.

The World and the Dollar—II

Dollars—An American Problem

THE first article of this series pointed out that there is a fundamental divergence between American and European views of the future course of economic relations between the nations. The Americans believe in the possibility of a return to a multilateral, more or less freely trading world, in which there will be no general dollar shortage, but all currencies will be freely convertible into each other, so that anyone who holds any other currency will be able to get dollars for it if he wishes to, and in which there will consequently be no need for the United States Government to make any special supplies of dollars available. On the other side stand the Europeans, who find it very difficult indeed to believe that, in four years' time—or, indeed, at any time in the 1950's—they will be able to possess themselves of as many dollars as they would like to use. In short, it is a divergence of view between those who believe the dollar problem is temporary and those who fear it is likely to be permanent.

It is very important that the European forecast of an everlasting dollar shortage should not be misunderstood. It does not, for example, mean that Europe will never be self-supporting—that is, that ERP will fail. In American ears, it is true, the two things sound identical, because to be short of dollars is to be short of money, which is to be dependent on charity. Fully three-quarters of the difficulties that arise in the mutual understanding by different peoples of each other's economic problems arise from the natural tendency of every country to identify its own currency with "money." In the days of the old German Reparations controversy, twenty years ago, the man in the street was genuinely puzzled to understand how Germany could be so prosperous internally and yet have difficulty in paying the reparations bill. If the German Government was short of "money," why could it not increase taxes? Similarly, it is reported that the showing in New York of the coloured film of Princess Elizabeth's wedding presents left on the American audience the impression that all the talk of a scarcity of dollars in England must be nonsense. The truth is that, in the present international financial crisis there are two quite separate problems. One is the specifically European problem, that the nations of Western Europe cannot at present pay for the supplies they need from the outside world. This problem, it is reasonable to hope, will be solved by 1952. As European production revives and as the terms of trade swing back, the balance of payments of Europe with the rest of the world, regarded as a whole, will come back into equilibrium. There is every reason to suppose that, by 1952, Western Europe will be paying its way, and that it will be able to earn as much as it needs of every currency in the world except the dollar (and possibly the Canadian dollar).

But the second problem is that the balance of payments of the United States is also out of equilibrium, though on the other side, and it is very much more difficult to see grounds for hoping that it will right itself by 1952. The dollar shortage may not then be so acute. It may then even be possible for the European nations to earn enough dollars to cover their irreducible minimum purchases in the United States, so that no further grants or loans may be necessary. But it seems most unlikely that the European nations will be able to balance their dollar accounts without maintaining the most rigid economy in purchases from North America and practising the strictest husbandry of any dollars they can earn. In 1948 it is possible to regard the dollar shortage as something for which the remedy must be sought in Europe. By 1952 it will probably be clear that it is an American problem.

The forecast that there will still be a dollar problem in 1952 could be supported by an elaborate statistical argument based on the recorded figures of the American balance of payments. But no statistics, however elaborate, can provide absolute proof of what lies in the future. And no very elaborate statistics are required to establish the fact that there is at least a strong risk that the American balance of payments will still be out of equilibrium, on the credit side, in four years' time—or, to use language more strictly, that it would be out of equilibrium if there were then a return to multilateral, non-discriminating, unrestricted trade as envisaged in the ITO Charter. It is enough for the argument of these articles to establish the risk, not the certainty. It is enough to establish the conclusion that it is safer to base plan-making for the world of the 1950's on the assumption that there will be a dollar shortage than on the assumption that there will not.

What, after all, is it that is to be relied upon to balance the American accounts? The dollar was strong enough in the 1920's and the 1930's, and clearly everything that has happened since has made it relatively stronger. It is true that the present extreme shortage of dollars may well be mitigated. As production elsewhere in the world recovers, there will be alternative sources of supply for many of the things for which America now has a virtual monopoly. It is true that America's need to import some raw materials is rising; oil is the prime example. But the oil reserves of the world are to a great extent American-owned, so that the dollars provided for the rest of the world by their exploitation are many fewer than might appear. It is true also that there is much talk in America of foreign lending operations; but loans merely postpone the shortage of dollars, since they have to be repaid eventually, and in the meantime interest has to be paid on them. Moreover, the difficulty about relying on loans as a cure for the shortage of dollars is that the very same shortage makes it doubtful whether the borrower will be able to meet his obligations and thus scares off all private lenders.

There is also the possibility—of which much has been heard from America in recent months—of a series of devaluations of the European currencies—that is, a rise in the exchange value of the dollar. But it is doubtful whether this, though it would help, would do the trick. We have learned in Britain in the last few years how little we can dispense with American goods, however expensive they become. And what exactly are the British goods of which billions of dollars' worth could be sold in America if the pound were cheaper? Perhaps if there were willingness to let the dollar rise sky-high and to admit unlimited amounts of European goods at low prices without any increase of tariffs—perhaps if these processes were free to continue indefinitely, a point would eventually be reached at which the accounts would be balanced. But this is quite chimerical; it is certain that neither the American nor the European Governments would contemplate such very wide movements. Within the range that Governments will allow, it is very difficult, even after all these allowances have been made, to see how the United States is going to purchase so much from the rest of the world as to create the supply of dollars that the rest of the world would need to pay for what it would buy from the United States if it were free to buy as much as it would like to. The European nations may not be so cruelly embarrassed by their lack of dollars as they are now. But it is overwhelmingly probable that they will have to watch their dollar expenditure very carefully—much more carefully than they will need to watch their expenditure of any other currency.

Clearly, however—and this is another misunderstanding that needs to be clarified—this state of affairs cannot fairly be imputed to the United States for blame. It is not—it will not be—America's fault. It is true that the American tariff is still high, and that though praiseworthy efforts to lower it have been made in the past fifteen years, they have all been part of carefully calculated bargaining to increase American exports *pari passu* with American imports, so that no net relief has been given to the balance-of-payments problem. But the dislocation between the dollar and the other currencies of the world is far larger than can be explained by any mistakes of political action. It might even be that if the American tariff were abandoned completely, the problem would still remain. It is fashionable, on this side of the Atlantic, to contrast the skill with which Britain managed the international currency system in the last century with America's refusal to "behave like a creditor." But these complacent comparisons are really quite unjustified. It was easy for nineteenth-century Britain to behave like a creditor; it is difficult for America. There is no precedent in economic history for the phenomenon of the United States, a country whose needs to buy from the rest of the world are relatively so elastic, and the urgency of the world's demands for whose products is so great, that a natural balance is almost impossible of attainment. It is nobody's fault, but a position that has to be accepted and allowed for. It is foolish to utter preachments at a country which, with all its faults, has shown itself generous beyond all precedent. But it would also be foolish to pretend that the facts are other than they are.

The most important of these facts for everybody to grasp is that the shortage of dollars is—or very soon will be—an American problem. Europe can make itself once more self-supporting. But if, when that has been done, there is still, as seems likely, a shortage of dollars, that will be a problem that it will be beyond Europe's power to solve. Europe will nevertheless have to take account of its existence, and the concluding article of this series will discuss some of the consequences for long-range policy that would follow.

Science and Planning

(By a Correspondent)

THE polite and seemingly esoteric deliberations of the Royal Society's Conference on Scientific Information may seem at first sight to have only a specialist interest. This Conference, at which the Dominions and the United States were represented, was summoned in response to a general desire for consultation upon methods of improving the flow of scientific information. In many fields of science the research worker finds it increasingly difficult to keep abreast of the growing volume of highly specialised papers published in hundreds of periodicals throughout the world. The development of library and information services demands co-ordination, and even some standardisation, of publication. Three of the four sections of the agenda dealt with such innocuous topics as improvements in abstracting, indexing and reviewing services. The fourth, however, was concerned with the production and distribution of scientific papers which is the foundation of the whole system, and in which any proposal for drastic change is inevitably controversial.

The organisation of scientific publication is based at present upon a wide diffusion of responsibility and control among a large number of societies. The societies have grown over the years, in response to the needs of scientists and scholars, and the cement which keeps the system together is precisely that "overlapping" of functions which all planners abhor. The integrity and independence of these societies and their publications constitute a guarantee of scientific freedom, since the research worker has that liberty of choice between two or more journals for the publication of his results which is the only final safeguard against scientific censorship.

The proposals put forward by Professor J. D. Bernal had already been favourably considered at a conference of the Association of Scientific Workers (which is not a learned society, as is sometimes supposed, but a trade union with a left-wing leadership), and provided in effect for a form of nationalisation of the machinery of scientific publication. They were based on a quantitative and statistical analysis of the situation, completely ignoring such qualitative factors as the initiative, devotion and competitive zeal of editors (who are mostly unpaid)—qualities which could hardly survive the transplantation to a bureaucratic regime. The essence of the scheme was that the individual paper, and not the bound-up journal, should henceforth be the unit of publication; that "National Distributing Authorities" should be set up to receive manuscripts, send them for reference

NOTES OF THE WEEK

Economic Vandalism

The end of the London dock strike closes one of the most senseless and regrettable episodes in British industrial history. A dispute over the disciplinary action taken by the Dock Labour Board, using machinery which had been fully agreed to by the trades union, brought the port of London to a standstill for over a fortnight and nearly succeeded in creating a sympathetic strike at every port in the country. The decision to proclaim a State of Emergency, backed up by the best broadcast ever made by Mr Attlee, and the pinch of the empty pay packet, undoubtedly contributed to the strike's collapse. But probably the most important reason was the united hostility to the unofficial strike on the part of the Government, of organised labour and of the unorganised consumer who will bear the brunt of this *jeu d'esprit*.

The reasons for its flare-up cannot be explained in terms of Communist plots. It is highly doubtful if Moscow wishes attention to be directed to British Communism at this moment or could have engineered this strike had it wished. Once begun, the leadership of the unofficial strike undoubtedly passed to the Communists, but that does not explain why the dockers preferred to follow them rather than press for revision of the disciplinary clauses of the dock labour scheme through their union which had originally negotiated it. The underlying causes were, first, a lack of confidence between the dockers and the higher officials of the Transport and General Workers Union and a general feeling that the latter had deserted to the "boss class" and could no longer be relied on to represent the men's interests. Secondly, there was an inchoate feeling of resentment at the discipline imposed by the dock labour scheme as against the old days of casual labour. Consequently, once a lead had been given, the dockers preferred the dramatic course of direct action to the slow process of negotiation through their union for the vindication of their eleven mates.

The dock strike has raised two major issues. First, if the Transport and General Workers Union is too large and amorphous to retain the confidence and represent the interests of the various trades who compose it, ought it not seriously to consider putting its house in order? If it cannot participate in the running of industry without its officials losing touch with the men, there is a strong case either for getting new officials or for introducing better methods of keeping them in touch with the feeling of diverse interests which they represent. No union which has a sense of its responsibility, to the nation and to its own members, ought to be able to witness—without severe self-analysis—the deplorable spectacle of the failure of its General Secretary to carry any weight with the dockers.

The strike has raised an even wider question. In the postwar British economy, stripped of all its reserves, such a stoppage creates far graver problems than in any previous era. It is, therefore, vital to discover what safeguards the nation can erect against the recurrence of such wilful acts of economic vandalism. To outlaw the right to strike would be unthinkable under the present or any other British Government, and a half measure would, as the Taft-Hartley Bill in the United States has shown, be worse than useless. The answer is surely that in Great Britain, where the machinery of industrial conciliation has become so highly involved, the strike, whatever its value as an ultimate sanction, has become a clumsy and obsolescent weapon, a rusty bludgeon used where a surgeon's probe is needed. The dockers gained nothing by this strike (they actually lost some £250,000 worth of wages) that they could not have achieved by other means. Only the leaders of the Labour movement can educate the mass of the workers to the realities of modern industrial organisation, and instead of searching for scapegoats they would do well to take their coats off to the job.

* * *

Master Pact for ERP

The negotiations on the master pact for ERP have been successfully completed and in the House of Commons on Tuesday, Sir Stafford Cripps was able to announce the Government's readiness to accept the terms. The most unacceptable provision—which appeared to remove from Britain the power to regulate its own exchange rates—has been removed, others are modified (the details are discussed in a Note on page 27) and altogether the Americans have clearly gone almost all the way to meet legitimate British objections presented by Sir Oliver Franks.

Since this is so, it is to be hoped—but hardly perhaps to be expected—that the debate on the agreement, fixed for next week in the House of Commons, will be both discreet and informed. Few subjects rouse such parliamentary diatribes as the wrongdoing, real or supposed, of the Americans. The lunatic fringe on the Left are always ready with cries of "capitalist bloodsuckers," while the Right goes off into a passionate and resentful defence of Empire directed against a nation of Colonel McCormicks. And in between the two extremes, the number of Members who can match sobriety of approach with real information on international monetary and commercial policy is unhappily limited. It is therefore possible that American policy may come in for some rough handling next week, which would be not only injudicious but unjust.

The negotiations have shown once again that the first thoughts of the American Administration are usually very different from its final conclusions. The original draft is often prepared by "enthusiastic lawyers" with a passion for precision and for guarding against all eventualities. This precision is sometimes wounding since it tends to assume that America's partners in the world are twisters and must be tied hand and foot. But subsequent discussion invariably produces an acceptable text, and Members of Parliament would do well to remember that the pact before them is not the first thoughts of three weeks ago but a fair and reasonable negotiated agreement. Uninformed mudslinging does nothing but harm from whichever side of the Atlantic it may come.

* * *

July 5, 1948

Next week there comes into force in this country the most comprehensive social security scheme that the world has yet seen. Any one of its four parts is a major administrative measure: by national insurance virtually the whole population is covered against the normal hazards of life; by industrial injuries insurance the whole working population is covered against accidents or disease attributable to their employment; by national assistance the old poor law is finally broken up and a minimum income is guaranteed by the State to every person who can prove his need; by the national health service all medical, hospital, dental and ancillary services are to be available, free, to every man, woman and child in the land.

When, just over a year ago, July 5, 1948, was declared to be the appointed day for these four measures, the dollar crisis was at hand, and Mr Dalton was shortly to announce the cuts in the import programme. But if the announcement of the date seemed unpropitious then, how much more so does the date itself seem now—with the worsening of Britain's terms of trade and the heavy blow dealt at its whole economy by the dock strike. It is possible to argue that the worse a country's economic position, the more necessary a scheme of social security to look after the unemployed. It is fashionable to argue that, in any case, social security places no new burden on the national income, but merely redistributes it; Mr Bevan is never tired of arguing that the shorter the country's supply of doctors, nurses and hospital beds, the more necessary is a national health service to ensure that they go to those who need them most. These arguments are far too comfortable. They encourage people to believe that social security need not be worked for and involves no abstention from consumption. As for the health service, one has only to look at the daily advertisements of posts to be filled in it to see what a heavy additional burden its organisation alone is placing on the country's manpower.

The Beveridge Report captured the imagination of the country by the simplicity of its aim—the abolition of want. But it appeared when the people were united by war and were working, as never before, to win it. The social security scheme, which is based on the report, is launched in far less auspicious circumstances; yet the very difficulties of the time make it a test of the people's will to work and ability to practise self-denial. If these are forthcoming, the scheme is large enough and bold enough to arouse the admiration and envy of other democracies. It will not do so if it becomes merely one more liability of a bankrupt, pensioned nation.

* * *

Warsaw Manifesto

Mr Molotov appears to have found it anything but plain sailing in Warsaw last week, whither he had summoned the seven Foreign Ministers of eastern Europe to meet him. His purpose was to produce an Eastern reply to the Western statement of what

had been agreed in London about the political and economic rehabilitation of western Germany. What eventually emerged was the communique of June 24th, four newspaper columns long, which reflected all the embarrassments of Moscow. What was put in to please the eastern capitals could not fail to irritate the Germans. What was put in to please the Germans could not fail to arouse the suspicions of the Czechs, Poles and Jugoslavs. It is probably this divided loyalty which accounts for the absence of any positive evidence of Russian intention to set up in eastern Germany a rival to the promised government in Frankfurt.

Nine-tenths of the Warsaw communique was indictment of the Western governments on all the old counts, but with heaviest emphasis on their aggressive intention in reviving the industry of the Ruhr and allowing "German Chauvinism to rear its head." Mr Bevin and his colleagues of the six-power conference are accused of violating Potsdam, desiring to liquidate the Control Council and the Council of Foreign Ministers, of stopping the demilitarisation of Germany, of splitting the country's economy, of imposing a government and constitution on the western Germans in undemocratic fashion, and of ignoring completely the claim of Germany's victims to reparations.

This is all old stuff, and there is not the slightest doubt that the Russians—and their satellites—believe some of it to be true; or at least they are afraid that much of it might become true in time. Russia's strongest card in eastern Europe is the genuine fear of German revival; yet its strongest card in Germany is the bait of frontier revision that it can offer to the nationalists east and west of the Elbe.

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For the moment that bait has been taken off the hook. The Warsaw communique says firmly that the Oder-Neisse line on which the new Poland faces Germany is "an inviolable frontier, a frontier of peace." But another bait has taken its place. In the fourth of the five points which the communique puts forward as a policy for Germany the demand is for

> conclusion of a peace treaty . . . in order to withdraw occupation troops of all Powers from Germany one year after the conclusion of the peace treaty.

The full implications of this demand have to be carefully thought about by anyone who advocates resumption of Four-Power talks on Germany. They mean, in fact, the abandonment of Western Europe by American and British forces—for what would be left in Austria would be unimportant. Russian troops would be withdrawn a short distance, American troops a vast distance. Is this really desired by the western Germans or by their French and Benelux neighbours? What price would the Russians pay in such a bargain?

Otherwise, the Warsaw communique restates Russian terms for a Four-Power settlement in Germany much as they always have been: Russian share in joint control of the Ruhr "for a definite period," agreed establishment of a "provisional, democratic, all-German government consisting of representatives of democratic parties and organisations," and agreement on ways of completing Germany's demilitarisation and the fulfilment of its reparations obligations. Not a word about economic unity, about the rights to be guaranteed by a future German constitution, about the organisation of economic recovery or about the immense value in reparations already taken out of the Russian Zone. In fact, the Warsaw statement belies the peaceful talk of Mr Stalin and Mr Molotov, and is just another move in the Berlin blackmail.

* * *

Communist Anxieties in Palestine

Communist propaganda has been taking an aggressive line about Count Bernadotte and his efforts as United Nations mediator for Palestine. This is probably Russia's answer to the Security Council's refusal of its request to be represented there, like the United States, France and Belgium, by a contingent of military observers. Mikunas, the secretary of the Israeli Communist Party, who is touring eastern Europe in search of unspecified help for the Palestine Jews, told a press conference in Prague that the Count was an emissary of Anglo-American imperialism. Dr. Moshe Sneh, leader of the group that wants a Soviet orientation in Israel, has been more specific. As quoted by Tass, he told a correspondent of the New York *Daily Worker* in Tel Aviv that the Count was "most likely preparing a new Munich for the state of Israel." He accused him of partiality to the Arabs and predicted that he would

> conduct political negotiations in the spirit of the new Anglo-American compromise, under which the Jews were to yield the Negeb and Israel was to be incorporated into a federation of an enlarged kingdom under Abdullah, while Haifa was to become a joint harbour. At this price the Arabs were to recognise the Jewish State as an accomplished fact.

The scheme referred to is a new version of a line of thinking once popular among Zionists, and has therefore a plausible ring. Moreover, an Anglo-American agreement is feared, not only by the Russians and their friends but also by many Jews, who naturally prefer their Truman in a mood of Zionism unchastened by the thought of American world interests. Count Bernadotte's royal background alone makes him suspect to east European Jews, traditional levellers who are still the dominant force in Israel.

Territorially, the Negeb is in fact, apart from the small garrisons cut off by the Egyptians—the occasion this week of a reported violation of the truce—lost to Israel. It is mostly desert and not worth fighting about. As for Haifa, the Jews, as their recent formal complaint on this subject shows, are vitally concerned that the Kirkuk oil should begin to flow again through the pipeline to the refineries. In order to secure this, they will certainly have to make concessions. If it comes to bargaining they are bound to consider King Abdullah's need for a commercial outlet to the sea.

On the political side, the suggested concession of a titular sovereignty to King Abdullah may seem far-fetched, and there is yet no evidence that such an idea would appeal to either party. But as Dr Sneh has pointed out, "actual control would probably be divided between Britain and the United States; Britain would continue to dominate Transjordan and the United States the state of Israel." This again is no more than a recognition of present facts, and is the main reason why neither Britain nor the United States, can easily tolerate a resumption of fighting. Jewish prospects are inevitably bounded by the extent of America's willingness to support them.

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Divisions in Israel

A broad settlement of this kind, however little it departs from the actual situation produced by six months' fighting, would raise more problems than it solves. First, there is the fate of the hundreds of thousands of Arabs who have been terrorised into leaving their homes. The United Nations, which precipitated this violence, has a duty to them as much as to the Jews. It will be hard for the Arab kings to persuade Arab public opinion, exploited by the Mufti, to acquiesce in their permanent expatriation.

Secondly, in Israel the position of Mr Ben Gurion and his government is not enviable. On its right is the Irgun, which had every reason until last week to expect the co-operation of the Palmach—the Government's commando force—in so small a matter as breaking an Anglo-American truce. When the Palmach instead was ordered to liquidate the Irgun, there was a moment of doubt whether it would do so, since it had itself successfully resisted an attempt of Mr Ben Gurion a month previously to dissolve it. It did, however, remain loyal, and the Irgun men either came quietly or went underground, thus avoiding an immediate civil war.

On the left is the Sneh group, which wants to turn Israel into a militant outpost of Soviet Russia. Left and Right mean very little in Israel today, and it is by no means impossible that the Irgun will join up with the Sovietising opposition. Things are now being made more difficult for them in their principal western strongholds, America and South Africa. American-Jewish papers have been refusing their advertisements, and they have been hindered from collecting funds—if the American authorities had done this during the Mandate, terrorism would have ceased. In South Africa, Revisionist offices have been raided by the police. Despite these symptoms of American responsibility for Israel, there will be a great deal of world Jewish sentiment in favour both of Irgun and Sneh. If economic conditions in Israel are adverse—and they can hardly be favourable in the immediate future—this sentiment will combine with social discontent to make things difficult for Mr Ben Gurion and his third force.

A Palestine settlement is much more likely to founder on these more direct issues, the uprooted and homeless Arab refugees, the internal Jewish pressures, than on broader questions of recognition and sovereignty.

* * *

The Monopoly Bill

Close and constructive committee work has considerably improved the Monopoly Bill, which passed its third reading on Tuesday. A useful addition to the original draft is the definition

in broad terms, to which experience will add a more definite content, of the "national interest" which it is the Monopoly Commission's business to safeguard. Its educative value will be enhanced by the provision that "reports of a general character, based on accumulated experience," should be published from time to time on particular types of restrictive practice. There is virtue, also, in the new provision that the Board of Trade should report annually on the activities of the Commission and on the requests and suggestions received.

Two major weaknesses remain. The Commission is to have no power to inquire into, or comment upon, the behaviour of statutory monopolies; and restrictive labour practices remain outside its scope. On the face of it this is obviously a pity. But there is some force (even though not as much as Government spokesmen make out) in the contention that public interest in nationalised industries has a statutory safeguard, and that trade union bargains call for a different approach. Moreover, the Commission looks like being quite sufficiently burdened for the time being. Mr Belcher told the House that the Board of Trade had already received enough *prima facie* information to provide "several alternative programmes" for the first year's work; which is another way of saying that the Commission cannot possibly get through all that it should get through in the time. To postpone the logically desirable extension of its competence until some other Government sees fit to pass an amending Act may not really be a bad thing.

In the end, it is the spirit in which the Commission works, and the response which it receives, rather than the letter of its constitution, which will be important. Mr Wilson's closing speech indicated at once the strength and the weakness of the project. It might, he said, expose one or two rackets, but it would be applied particularly to "rooting out" the lack of enterprise which might be associated with restrictive practices. There is the rub. One cannot "root out" anything so essentially negative as lack of enterprise. It is the rackets which need rooting out, and the lack of enterprise which should be pilloried. If the unenterprising are indifferent to the pillory, there is nothing the Government can do about it—except to brandish that threat of nationalisation which Dr Dalton has already indicated as the proper punishment, not for sluggishness, but for enterprise crowned with undue success. The Labour party has still a lot of thinking to do on the subject of business and commercial enterprise.

* * *

All Carrots, No Sticks

The Agricultural Charter is one of the sorriest efforts ever to emanate from the Conservative Central Office. As an attempt to win back any wavering voters among the agricultural community, it may have some temporary success—unless, indeed, the farmers remember that fine words butter no parsnips. As an attempt to draft a workable agricultural policy for a beleaguered Britain, the Charter never once comes to grips with economic realities.

The Conservatives, of course, would indignantly deny this. They would say that they are the economic realists in demanding a 50 per cent increase (over prewar) in the output of British agriculture and in declaring their readiness to give the highest priority in materials and financial aid for all schemes of rural development. But targets, as the Labour Government, too, would do well to realise, do not by themselves constitute a policy—especially targets such as these whose practicality is not backed by a single scrap of evidence, either technical or economic. With such a wealth of agricultural talent in the House of Lords, it is strange that the prospects for British farming are not better analysed and expounded.

Can Britain actually manage to grow 50 per cent more food than prewar? There are those in high places who would say that it cannot be done at all, and there are others who would say that it could only be done at a prohibitive cost which would grievously hurt the whole economy, and not least the export drive. Again, is it economically justifiable to give schemes for agricultural development and the improvement of rural amenities a still higher priority than that which they already receive? Only in a political pamphlet is it possible to give a strong affirmative answer without bothering about the effect on other urgent claims for scarce resources. Finally, what is the size of the bill which consumer and taxpayer must pay between them for implementing the Conservatives' grandiose schemes? And how is the payment of this bill, which must in any case be extremely large, to be squared with the Tories' other plans for reduced taxation?

These questions are not answered—are not even asked. In one sense, perhaps, this does not matter, since the output targets which the Conservatives propose cannot in any case be achieved by the policy laid down elsewhere in the Charter. This policy amounts to extending the Labour Government's guarantee of assured prices and markets to farmers so as to make it virtually unlimited, whilst stripping away such safeguards as exist for raising agricultural efficiency. The Agriculture Act rightly limits the taxpayers' obligation to pay a guaranteed price for farm produce to such amounts "as in the national interest it is desirable to produce in the United Kingdom." This qualification the Conservatives would remove in order to give the British farmer "real confidence." But how, under a Tory dispensation, is the farmer to be persuaded to produce the types of food which the nation needs at a price which it can afford? Certainly not, it seems, by direct compulsion—for under their proposals Government supervision would be curtailed, the activities of county agricultural committees restricted, and the use of compulsory cropping directions permanently abandoned. Certainly not by the use of new marketing machinery—for the Charter would reinstate the prewar producer-controlled Marketing Boards, despite the emphatic insistence of the Lucas Committee that farm produce which has become in effect "the taxpayer's property" should on no account be marketed by sectional interests. But how then? The one other possible safeguard of the public interest—and it is a very good one—would be the intelligent and firm use of the price mechanism so as to steer production in the right directions and raise efficiency; but it is a possibility of which the Tories seem totally unaware.

The Conservatives' idea of securing a productive and efficient agriculture seems to be to write the farmers a blank cheque, sit back and hope for the best. There is no reason to believe that this attitude would even produce much increase in output—certainly the present Government's efforts along the same lines are not being conspicuously successful. Since the interests of taxpayers and consumers are not considered at all, there is every reason to expect the result to be extremely costly to an impoverished nation. For agriculture, however, the policy is one of all carrots and no sticks.

* * *

Children Out of School

The Report of the Central Advisory Council for Education on the out-of-school activities of schoolchildren contains some sensible generalisations about the needs of children and the environment in which these needs can be served. When dealing with the deficiencies in the environment it is sympathetic and realistic, but when it outlines its recommendations for reform it leaves reality far behind. "The need is so urgent," say the Council, "that a special effort must be made without delay to provide facilities at least comparable to those which are already in existence for the use of the older age group"—i.e., those provided by the Youth Service. Education authorities are to "increase and improve by every possible means facilities for the play and recreation of children outside of school hours," setting up special sub-committees for the purpose; voluntary bodies should receive official grants, a paid or trained staff should be recruited, sites, equipment and material should be acquired, libraries developed, concerts, plays, exhibitions fostered by the Arts Council. . . . Very nice, too. But from what other uses are the manpower, the materials, the sites, the books and so forth to be diverted?—a more pertinent enquiry than the old cynical cry of "Where's the money to come from?" Creches, nursery schools, hospitals, home help services, clinics are all desperately understaffed; schools are short not only of teachers, but of space, of furniture and equipment, of books, materials and tools; indeed, the whole educational system, in the throes of reform, is as messy as a half-rebuilt house—a description which might also be applied to the national economy in general. This is hardly the moment to launch an ambitious new social service.

Plenty could, of course, be done in a small way, and the time may come when the whole programme will be possible. But in the last resort children's out-of-school activities depend more on their parents than on anything else. The proper scope of civic action is the long-run provision of an environment in which family units can flourish; not in a desperate and expensive attempt to do the family's job for it.

First Fortnight of Currency Reform

The success of currency reform in the western zones of Germany in its initial economic purpose was devastatingly abrupt. On the second working day after the announcement of the new currency, a manufacturer at Erlangen stated that out of his 900 workers, only one was sick. He had been accustomed to a sickness rate of about 15 per cent. On the third day, manufacturers at Nuremberg said that absence from factories from all causes had fallen from 18 or 20 per cent to 2 or 3 per cent. Makers of heavy engineering products, which could not be used for payment of wages in kind and were difficult things to barter with, had been starved of labour in the days of the cigarette currency; within the first week of the new money, a manufacturer of heavy transformers and electric motors was getting a steady trickle of applicants for jobs. Works managers in many towns reported that timekeeping and works discipline had suddenly improved.

Producers and traders had in the same moment become anxious to sell their goods. In a Westphalian town, men's suits were seen in a shop-window for the first time since the fall of Hitler—for sale on July 1st when the clothes ration comes into force. Housewives strolled down the streets gazing in astonishment at the shopwindows—at shoes, leather handbags, tools, perambulators, bicycles, cherries in baskets, young carrots tied in neat bundles. In the early morning, farmers had been seen making their unaccustomed way into town with produce for sale, a little uncertain what were the legal channels for selling it. In Düsseldorf, the *Land* Ministry of Economics was considering a plan for cutting its staff by a third. Firms, worried about their bank balances, were thinking on the same lines, but were studying too how to increase production. At Göttingen and other overcrowded universities, students with wives and families were writing to former employers whom they had left for the career of student a year or two ago. Clearly the reform of the currency in the western zones is having painful effects for large numbers of people. But it is bringing out goods and making people anxious to work. It remains to be seen whether the work can be provided for them.

The third currency reform law was put out on Saturday with one hitch. In Frankfurt, and perhaps elsewhere, the banks failed to deal with the queues before the law appeared. For eight hours, therefore, some cool-headed men had the opportunity to unload money after the terms of conversion were known. This was the less fortunate as the amount convertible without inquisition was fixed at 5,000 marks instead of 3,000, as was at first expected. It could not do any decisive damage, and the whole operation was, as the surgeons say, successful. The patient's recovery will now depend to some extent on the German authorities, to whom it is left to prepare detailed measures for the "spreading of burdens." They will be responsible for taxing capital assets and increments. They will have the first voice in industrial credit policy. Their task will require a difficult mixture of imagination and self-restraint.

* * *

Strike Tactics in Italy

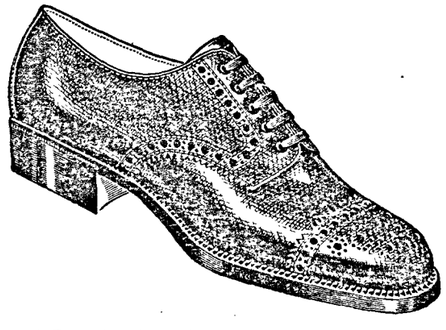
Recent strikes in northern Italy are like the first sparks that fly from a steel cutter. They have been struck by the Christian Democrat government's attempt to tackle the appalling problem of surplus labour in industry. But they would have caused little alarm at this stage if the Communists had not determined to prevent workers being dismissed, however overloaded with labour employers may find themselves in a period of limited raw materials and sticky markets. This extra labour on their payrolls is a legacy of the liberation period, when dismissals owing to lack of available work had to be forbidden if the unemployed were not to grow to vast numbers. Now, however Italian exports are competing with those of other nations, and one of the contributory causes of high industrial costs is excessive staffing.

There are over two million unemployed in Italy, and probably at least as many more redundantly employed. While the only long-term solution is increased emigration, Signor De Gasperi's new government also recognises that a change—at least in interpreting the present labour laws—is essential for industrial health. Whatever is to be done needs courage, and it is for this reason that no government has dared to make a final move until now, when a strong and fresh mandate from the people has been obtained. Signor De Gasperi knows that the boldest measures are expected of him.

From the point of view of local Communist tactics, these strikes represent the first major action since the electoral defeat last April. But orders to strike have undoubtedly come from the Cominform,

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and they fit in with the main line of Communist policy as outlined by Pietro Secchia, Deputy General Secretary of the Italian Communist Party, in the Cominform journal on June 15th. He pointed out that the battle had reached a new and tougher phase. There must be "no concession to those who advocate 'the worse things get, the better it will be for us,' but a resolute struggle against the opportunist influences of Social Democracy." In other words, war with the capitalists must be intensified, and revolution will be a method of carrying out policy.

A notable new development in the tussle between Communists and non-Communists within the Italian trade unions is the formation on June 17th of an Independent Trade Union Alliance. This embraces Christian Democrat, Right-wing Socialist, and Republican members, and has drawn up a seven point programme to fight the Communist policy of political strikes. For the time being the Alliance will remain within the CGIL (Italian TUC). But its formation shows that the Communists will not get things all their own way with the workers.

* * *

Brussels Touch for Africa

The Anglo-Belgian talks on colonial problems which ended this week in London have opened up yet another field for the practical co-operation envisaged in the Brussels Pact. No miracles such as doubling colonial production overnight have resulted, but officials of the Colonial Offices of both countries have met and prepared the way for continuous routine contact in future. As a method of co-operation it is sound and sure, though it is bound to seem humdrum to the hasty.

The object of this co-operation between the Powers of the Brussels Pact is to make the relationship between the colonial departments of the five countries as close as the relationship now existing between different departments in one country. In other words, the head of the African section in the Colonial Office here should, when the need arises, consult his colleague in Brussels as readily as he now discusses problems with the Board of Trade or the Foreign Office. By this means co-operation becomes almost a matter of routine, stripped of the fuss and paraphernalia of diplomatic negotiations. The talks with Belgium and earlier talks with France have gone a long way towards bringing about this new relationship.

The great danger of grandiose schemes for joint international projects in the colonies—and particularly in Africa—is that they foment charges of "super-exploitation" now prevalent among colonial peoples. The Africans see the European powers combining together to rob them of their land and their natural wealth. Political unrest follows, jeopardising the administration of the colonial governments and making the many benefits the Africans have received go sour on them. If such schemes had any real chance of producing quick returns there would be some purpose in the new imperialism. As they have in fact only the remotest chance of early success, it is senseless, as well as wrong, to incur the wrath of colonial nationalists by even suggesting them.

The type of co-operation which Britain, France and Belgium are now arranging between themselves has no such purpose. Its aim is to improve the administration and services in the different colonies. Production may eventually increase, but it will be the result of better conditions and not of exploitation.

* * *

Old Answers on Civil Defence

Lord Hall's reply to a debate on civil defence in the House of Lords last week had some good new points as well as some bad old ones. He revealed that the Government's policy for securing a balanced distribution of industry through the country is watched and contributed to by advisers from the Air Ministry; that the Civil Defence Committee has representatives of the Chiefs of Staff on it; that the battle of the Exchequer with the local authorities over the cost of civil defence has been joined after long preliminary skirmishing—as in 1938—and that a start will be made in training instructors next January.

But to the major criticisms offered by the debate the Government spokesman had really no reply. Consultation with industry has not begun; there is no sign that the civil defence service will get its own staff college and foothold in the Ministry of Defence; and the tempo of organisation and research is not—to use Lord Bridgeman's phrase—"operational." The chain of command in Whitehall still reflects the now out-dated assumption that civil defence is less important than the running of an army or an air force. That assumption is likely to continue so long as its

organisation is only one of the multifarious interests of the Home Office, and so long as the Minister responsible is not a full member of the Defence Committee of the Cabinet.

The stock reply to this argument—used again by Lord Hall—is that the Minister attends the meetings of the Committee "when civil defence is discussed." This reply reveals again the refusal to acknowledge, what members of the fighting services now admit, that there is hardly a single question of defence organisation or planning which is not affected by the capacity of this country to withstand air attack at short notice. The Opposition should continue to raise this point again and again. Until it is conceded, the subject will get neither the attention nor the priority that it deserves. It was pointed out in the debate that in the United States the recently formed civil defence department is under a Minister of Cabinet rank reporting directly to the Secretary of Defence, and it is known that this arrangement was decided on after a close study of British experience.

* * *

Risks on Rail

Last year, 121 people were killed in train accidents—the worst record since 1915. Sir Alan Mount's annual report on this sorry year is detailed and candid. Between the wars, 32 people on the average were killed in train accidents. How has it happened that the risk has increased four-fold during 1947? Inquiries into last year's train accidents showed that the human factor accounted for most of the accidents and casualties. Eleven out of the thirteen accidents into which formal inquiry was made—they caused 98 out of the 110 deaths—might have been avoided by greater care and stricter attention to duty by the railwaymen immediately concerned.

Last year was indeed a trying one for railway staffs, hampered by shortage of skilled operating men, poor coal and arrears of maintenance work. But Sir Alan finds the main cause in "a lessening of concentration" arising from unsettled times after the strain of six years of war. Lower physical fitness and slower mental reactions, he finds, have played their part in this lack of vigilance. Some of the accidents were caused by want of care or disregard of rules in fog working. But the report shows that three of last year's train accidents, involving 35 fatalities, were due to the failure of drivers to obey semaphore signals, and it reopens the question—stressed in more than one of last year's accident reports—of automatic train control, which would have prevented these disasters. A survey of accidents since 1912 shows that 24 per cent of the fatalities of the past 36 years might have been saved by automatic train control, which protects the driver against failure to act upon signals by giving him audible warning and by applying the brake automatically if he does not acknowledge it.

The simplest form of automatic train control has long been in operation on the high-speed lines of what, until the end of last year, was the Great Western Railway. In railway circles, there has always been argument whether this system was necessarily the best, and whether expenditure on other improvements, such as colour light signalling and track circuiting (a technical means of avoiding signalmen's errors) might not be preferable to the development of automatic train control. Whether these controversies have disappeared with the nationalisation of the railways is perhaps doubtful. But there are signs that railway officers are more single-minded than they used to be on the question of automatic train control. It was recommended by two committees, in 1922 and in 1930, and Sir Alan puts the cost of the system at "hundreds" of pounds per track mile, compared with "several thousands" for colour light signalling and track-circuiting. The difference in cost is striking; although the more expensive systems would hardly be justified in open country, automatic train control, as last year's accidents so largely showed, is valuable on all sections of main running track. A fuller investigation of present costs and possibilities of installing automatic train control equipment seems to be desirable. Meanwhile, the Chief Inspecting Officer has made out a strong interim case.

* * *

Trade Unionism Run Mad

The Wages Boards set up under the Catering Wages Act are gradually issuing their Orders fixing wages rates and conditions of service in the different sections of the very complex catering trades. Under pressure from the skilled advocacy of the trade unions concerned, they appear to be drawing up very rigid rules which are likely to have surprising results in some branches of the hotel and restaurant trades.

At the annual meeting of Gordon Hotels, Ltd., Major-General G. P. Dawnay gave some examples of the working of the Orders so far as hotels are concerned. It has been decided that overtime rates must be paid for any excess of hours worked over 8 per day, not over 48 per week. In a hotel, which inevitably has slack days and busy days, such a rigid arrangement must inevitably lead to much overtime being paid, even when total hours worked are in fact low. General Dawnay estimates that in his company's hotels, the result is to require over 25 per cent more pay for no more work. Secondly, the new Orders prescribe heavy penalties when the hours of work are "spread over" a large part of the day—as is, of course, inevitable in a hotel. A worker whose basic wage is 16s. 4d. a day may, on a busy day at the weekend, have to be paid 51s. for the day "in spite of the fact that the total work done during the week does not exceed the statutory 48 hours, and that on the long weekend days the worker may have four or five hours completely off duty each day." Thirdly, at Bank holidays, when every hotel worker expects to have to work hard, triple rates have to be paid. The 51s. mentioned in the second example would become 75s. 9½d. (for one day's work) if it were a a Bank holiday. The chairman of another hotel company has given some even more fantastic examples. In a small country hotel where no night staff is kept, the worker who opens the front door in answer to a ring after it has been closed for the night would have to be paid 2s. 10d. if it was after midnight and therefore an emergency. But if it happened before midnight the opening of the door would be reckoned part of the day's work, would be subject to the overtime and "spread over" clauses and might therefore cost as much as 16s. 2½d.

*

This is trade unionism run mad, and sanctified with the force of law. If the result were likely to be only a transfer of money from the pockets of hotel proprietors—or their customers—to those of their employees, it could be written off merely as one more example of the present day tendency to demand much more money for much less work. But in fact the result is likely to be a great falling-off in the standard of service in the British catering trades, already none too high. Staff will be instructed not to answer bells except at stated hours, meal times will become rigid, hotels will restrict themselves at Bank holiday times to the bare minimum of their legal obligations of service—that is, a glass of beer and a desiccated sandwich to *bona fide* travellers only. For those who want to prove that trade unionism means economic reaction, here is some magnificent evidence.

It is doubly unfortunate that these disabilities should be forced on the hotel industry just at a time when a campaign is being waged to attract the tourist to this country. According to the annual report of the Travel Association, the tourist trade in 1947 "represented the largest single item of Britain's export trade with America, and exceeded in value the export of any single manufactured commodity to the United States." "It will, therefore," the report concludes, "be more than ever necessary to redouble our efforts to attract visitors from the Americas." It would seem to be a case for a little planning or co-ordination between the Board of Trade and the Ministry of Labour—or just for common sense in the Wages Boards.

* * *

Warfare in Malaya

The outbreak of Communist guerilla terrorism in Malaya has certainly been a carefully prepared and planned revolt. Yet it appears to have taken the authorities by surprise far more than it should have done. Malayan officials knew well that there were hidden away in the country large stocks of arms and ammunition, both from Japanese dumps and from supplies provided by SEAC to anti-Japanese guerillas during the war; they knew also, or should have known, that the Chinese Communist organisation was firmly established and was committed to a revolutionary line. But no serious steps seem to have been taken to deal with the situation until the organised killings had begun, and even now the local press shows the alarm of European residents at the lack of any assurance that reinforcements for the small force available in Malaya have been called for.

There seems, indeed, to have been a return of Malayan officialdom to that peculiar complacency which was so characteristic of it before the war, when anybody who suggested taking precautions against a Japanese invasion was told that he was losing his nerve and had better take sick leave. The brave pooh-poohing of impending dangers is not so difficult for high officials, who in any case will enjoy whatever police protection there is; but it is quite another matter for a scattered European population who have to take the consequences of the campaign of violence carried on by roaming armed bands. There is nothing to show that there is anything like a national rising; the Malays seem to be taking no part in it at all, and Chinese who adhere to the cause of the Kuomintang are as much targets for the Communist sub-machine-guns as the European planters, foresters and mining engineers.

The rebels are said to number no more than 5,000, but these are well organised, well armed and trained in guerilla tactics; it will not be at all easy to round them up, and if order is not re-established quickly there will be a heavy drain on the finances of Malaya and prolonged disruption of its economic life—which it is an object of Communist policy to bring about. It would be far more economical in the long run to send immediately a strong force to Malaya and use it to make an end of the terrorism before it becomes a permanent institution. Even then military measures are not enough; every effort must be made to enlist the active support of all elements of the population not involved in the revolt, and to remedy any genuine grievances which may have contributed to popular discontent. The Colonial Secretary would do well to make a trip by air to Kuala Lumpur and report directly to the Cabinet.

* * *

World Health Campaign

Ethiopia has one native doctor to look after twelve million people; Great Britain has 62,000 doctors to look after 46 million people. It is to create the permanent machinery whereby such discrepancies can be removed and all peoples everywhere can be given "the highest attainable standard of health" that the World Health Organisation met at Geneva on June 24th. It is the first time that it has met as a fully-fledged specialised agency of Uno.

The Interim Commission of the WHO was established nearly two years ago, after more than sixty nations had signed the constitution of the organisation at the United Nations International Health Conference at New York. In April, the twenty-sixth member state of the United Nations ratified the constitution, thereby making it possible for invitations to the first assembly to be sent to 73 governments, eighteen United Nations specialised agencies and non-governmental agencies, and the occupation authorities in Germany, Japan and Korea.

The WHO is much more comprehensive, both in its aims and in the powers it possesses, than any of its predecessors in the field of international health co-operation, such as the Paris *Office Internationale d'Hygiène Publique* and the Pan-American Sanitary Bureau. Their work was largely restricted to preventing the spread of infectious diseases; they had no executive powers, but could only advise, collect and distribute technical information and act as liaison organisations between national health administrations. The constitution of the WHO states that "health is a state of complete physical, mental and social well-being, and not merely the absence of disease and infirmity." To make this conception of health a reality all over the world, the WHO is empowered "to take all necessary action."

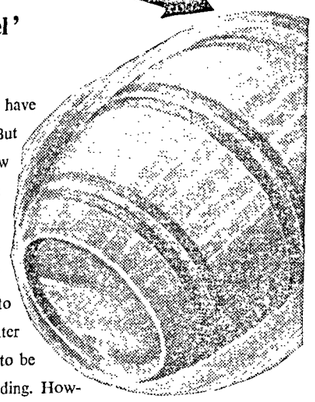
The lines upon which the WHO will work have already been laid down by the interim commission. It has created eleven expert committees for pioneering work in the control and prevention of disease, and has undertaken an extensive field services programme under which aid has been extended to fourteen countries. The campaign against malaria—to take but one of the four priority programmes proposed for the WHO—has already been well begun by the interim commission. In Italy and Sicily, where during the war people thought that DDT meant *domani dormiamo tranquilli* (tomorrow we'll be able to sleep soundly), the commission has been carrying on the work begun by Unrra. As a result only thirty deaths from malaria were recorded during 1947, compared with 250 in 1946 and 360 in 1945. In Greece, after the commission had last year sprayed about 65,000 houses with DDT, the incidence of the disease dropped from as much as 80 to 85 per cent in some areas to as little as five per cent. The WHO proposes to carry on this campaign by promoting production and distribution of insecticides and drugs and by collecting and distributing technical information.

It is refreshing to note that Russia and its satellites have been thoroughly helpful in the work of the interim commission. It is to be hoped that this co-operation will be continued in every one of the forty-eight fields in which the WHO proposes to operate; and, equally, that the United States will not allow groundless fears of the policy of the Organisation to deter it from making the great contribution which it undoubtedly could make.

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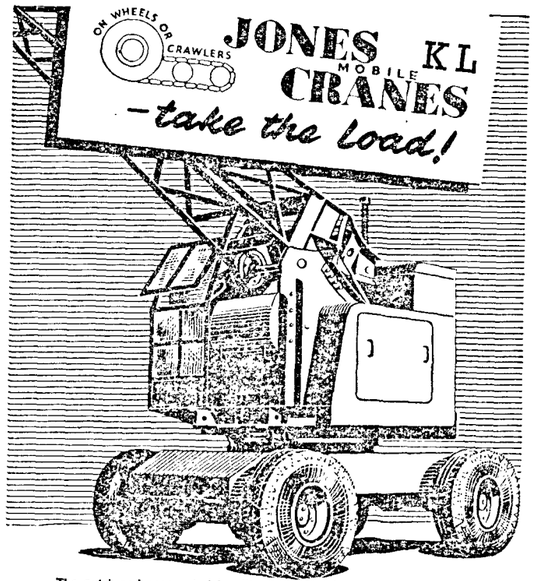
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Colonel Lancaster's Proposals

With only a few weeks to go until the publication of the first annual report of the Coal Board the debate last week on its performance was necessarily unfruitful. Only Mr Gaitskell had marshalled facts and figures behind him; the Opposition speakers, with the exception of Colonel Lancaster, wallowed in speculation and recrimination. Colonel Lancaster's proposals were, however, shrewd and specific, and deserve careful consideration.

The organisation of the Coal Board is over-centralised and top-heavy. A swollen headquarters staff creates its own labours instead of reducing those at the periphery; like South American armies the proportion of generals to NCOs is hardly designed for efficiency. Colonel Lancaster outlined a new system of organisation to overcome these difficulties. Instead of nine elaborate Divisional Boards reproducing the National Board in miniature, and controlling 49 areas, he proposed 30 Area Boards, each representing a capital of £10 million to £15 million, with their own boards of management. These would be the real centres of organisation with full responsibility for their affairs. To ensure a free flow of information from areas to headquarters there would be four provincial centres, at which the chairmen of the Area Boards would meet regularly. Lastly, but by no means least, the staff of the Coal Board would be halved. The details of this scheme require more investigation, but the two main principles behind it deserve attention. The first is that the getting of coal is essentially a problem of local management and responsibility must be devolved to the maximum extent consistent with central planning; secondly, the Central Board's functions should be limited to planning and the allocation of priorities.

* * *

Monopoly in Limbs

Even before the new health service formally comes into being, an issue, small in itself but one that raises a principle of great importance, has arisen. Early this year, the Ministry of Health, appalled at the responsibilities imposed on it by the National Health Service Act, asked the Surgical Instruments Manufacturers' Association for its co-operation in seeing that patients, entitled under the Act to free surgical appliances and artificial limbs, would obtain them. The Ministry pointed out that it had no organisation of its own for carrying out its obligations, and that the help of private firms making appliances and limbs was therefore essential. Not long afterwards, however, the Ministry seems suddenly to have awoken to the fact that another Government Department, the Ministry of Pensions, has a large organisation for supplying artificial limbs to Service patients and to those civilian patients who are referred to it by the Ministry of Labour. Without further discussion, therefore, it appointed the Ministry of Pensions its agent for buying all appliances and limbs needed by health service patients. It was later announced, again without discussion, that all supplies of artificial limbs would be obtained from the contractors to the Ministry of Pensions.

Three points of importance emerge from this decision. First, it is a matter of policy that ought never to have been decided without reference to the Central Health Services Advisory Council, and the fact that this body is only now being appointed does not justify the Ministry of Health's precipitate action. Secondly, it flouts the principle of a patient's free choice, for the Ministry of Pensions' surgeon will prescribe the type of limb required, and must prescribe the model made by one contractor. Thirdly, it establishes a very unhealthy monopoly in the production of limbs, for although the other limb-makers will still in theory have private trade, in practice under the health service this will be so small that it will not be worth their while to carry on. No one disputes that the limb supplied by the Ministry of Pensions contractor is a good one or that the utmost care is taken to fit individual requirements—this was indeed the conclusion of the Cohen Committee in 1945. But the Committee also considered that limb-making and fitting was a process capable of infinite improvement, and it is this ceaseless experimenting in new devices and designs that is now threatened.

Recently Mr Bevan told deaf people that it is easy for people to go on suffering if they suffer in silence. "You must make a row," he said, "or no one will take any notice of you." The twenty thousand maimed patients of one private limb-making firm which is being forced out of business have protested most vociferously. Is Mr Bevan going to take any notice?

Letters to the Editor

Truce in Palestine

SIR,—You may care to know how Jewish opinion, which you would probably call "moderate," reacts to the sort of article appearing in your June 5th number, p. 918. The idea that the truncation of Israel by the excision of Upper Galilee and the Negeb offers the slightest basis of any negotiation with any Jews at all is entirely grotesque. Indeed, the whole comment rests on the arrogant assumption that the Arabs must be granted peacefully what they ignominiously failed to achieve in war. Since they do not recognise the November resolution and have put their trust in the arbitrament of military action, it is the results of that action which must be the starting point of discussion.

As you know, the effects of Arab invasion of five armies for four weeks have yielded the following result: The State of Israel is in possession of its entire territory, of the whole of Western Galilee and of Jaffa, of the new city of Jerusalem and of the greater part of the road between Jaffa and Jerusalem.

In the circumstances, to persuade Israel to revert to the November 29th resolution will require a major diplomatic effort likely to succeed only if there is a genuine Arab attempt to recognise facts and to show some respect for the international award. Some weeks ago, the British press was unanimous in declaring that the basis for partition must be the *de facto* situation arising from the interplay of military forces. No doubt they did so in the expectation that the *de facto* position reached after Arab invasion would be more favourable to Arab interests than the terms of the November resolution. That is not the case. Even in the Negeb, Egyptian forces are operating exclusively in Arab-held territory, and even in that territory, their situation is becoming increasingly difficult and embarrassing. In the Jewish-assigned Negeb, there is no Egyptian foothold at all. In other words, if the November demarcation deviated from the true balance of force, it did not do so in favour of the Jews; and Arab opinion may come to look back wistfully to the genuinely pro-Arab elements of the November resolution which gave the Arabs a territory in advance of their military capacity to defend, a new unit of Arab independence, and a system of economic and social union which went far to redress the balance in their favour.

Surely it must appear obvious to any realist that you cannot wage a war of aggression, ignominiously lose that war, and then expect the fruits of victory. It is to live in a real wonderland to imagine the Jews giving up the entire Galilee and the entire Negeb, which they have held without major difficulty against the invaders. If they give up anything, it will be purely in accordance with the November resolution. Speaking as one of those most anxious for compromise and for an Arab-Jewish settlement,

From *The Economist* of 1848

July 1, 1848

CONSTITUENTS who regard and treat their members as "mere acoustic tubes, through which their commands are blown to the legislative chamber," and who endeavour to reduce them to this level, must be content to be served by an inferior order of men. No man fit to be a *representative* will submit to be a *delegate*. He will not choose to perform a service which might be as adequately performed by a letter, or a paid agent. He goes to Parliament as an integral portion of the collective wisdom of the nation—to consult with others how the welfare of the state may be best promoted; and if he is worthy of this high position, he will not allow himself to be degraded into the minor and the medium of the changing passions, or the shallow caprices of any section of the people. If the people wish to be well and honestly served, they must be careful not to convert their service into one which no man with a due regard to his own character can render. They must treat their representatives in such a manner as to render the position one of honour, not one of invidious, closely-watched laborious slavery. Otherwise, they may rely upon it, the connexion will be sought by none but the servile, the incompetent, and the interested. "Gentlemen," said Mr Burke, "we must not be peevish with those who serve the people. For none will serve us while there is a court to serve, but those who are of a nice and jealous honour. . . ."

I must tell you that I personally would not remain in a room in which your line from Samakh to Majdal was even discussed.—Yours faithfully,

AUBREY S. EBAN

Office of the Acting Representative to the United Nations, Provisional Government of Israel, 16 East 66th Street, New York, N.Y.

[Mr Eban begs more questions than could be answered in a page of type.—EDITOR.]

Communism in South-East Asia

SIR,—The article "Communism in South-East Asia" appearing in the current edition of *The Economist* underlines the concern which is being felt with regard to Communist influence in the region.

In that article, however, you describe the nationalist struggle in the East for independence—especially in Indonesia—as being largely influenced by ideological and world-political considerations. You also say that Communist influence in Indonesia has prevented the success of solutions by negotiation with the Dutch.

May I remind you that, from the very beginning, non-Communist nationalists such as Soekarno, Hatta, Sjahrir and Amir Sjarifoeddin have held the reins in Indonesia. Without support from the outside world, they have imprisoned Communist insurgents such as Tan Malakka.

It is to be regretted that these leaders have not been supported in their pursuit of a non-Communist, independent Indonesia by the Netherlands in particular, and by the West in general. Instead, the Netherlands policy has been, from the commencement, directed against the Republic, which it has attempted to dismember and dislocate—with the aim of creating chaos in Republican territory.

One after the other, Sjahrir and Sjarifoeddin have been forced to resign as a result of the undue claims of the Netherlands Government. Hatta now remains, and if he, too, fails to arrive at a satisfactory agreement with the Dutch, it may be assumed that the non-Communist leaders of Indonesia have not succeeded in leading their people to independence.

Note should be taken that in the recent Economic Conference the Republican application for associate membership was supported by almost all Asiatic countries. Has this gesture of sympathy been made because the Republic is "Communist made"? I hope that the West will understand that, unless the nationalist demands of Eastern countries are satisfied, Communism will flourish. Communism should be combated by non-Communist strength in the country itself, supported by the Western countries.

Western democracy should not attempt to combat Communism by oppressing the struggle for independence. If it does, in the long run it will be the West itself which will be harmed.—Yours faithfully,

O. SOETRISNO

26, Harcourt Terrace, S.W.10

Coupons for Sale

SIR,—Your recent article under this heading leads one to consider the general problem of rationing and whether it is still a merely temporary institution, as is usually supposed. There would seem to be at least two possible arguments indicating that some form of rationing is likely to remain as a permanent feature of the economy.

1. Since scarcity is a relative concept, there will presumably always be scarce goods. If the idea becomes widely accepted, as seems at least possible, that scarce goods should not be rationed "by the purse," then there will always be a case for rationing by law.

2. The implications of full employment do not seem to me (speaking with some diffidence as one not really competent to analyse the matter) to be completely appreciated. The "new" economics has shown that unemployment is the result of the failure of demand to be effective enough to absorb all the available goods. Full employment on the other hand depends on the maintenance of a level of effective demand sufficient to consume all the goods which can be placed on the market. It seems as though the high percentage of unemployment between the wars was part of the price paid to secure plenty in the shops, and that full employment implies chronic shortage (i.e., a high level of effective demand). This argument, of course, is not entirely separate from the first, but is of a more theoretical nature.

The practical problem of abolishing rationing appears to depend on the answer to the question: When does a commodity cease to be scarce? The answer must surely be an arbitrary one.—Yours faithfully,

R. J. HEATHORN

29 Drummond Gardens, Epsom, Surrey

Too Much Equality

SIR,—The article "Too Much Equality" in the June 5th issue of *The Economist* recalls the following quotation from de Tocqueville:—

> There is, in fact, a manly and lawful passion for equality that incites men to wish all to be powerful and honoured. This passion tends to elevate the humble to the rank of the great; but there exists also in the human heart a depraved taste for equality, which impels the weak to attempt to lower the powerful to their own level and reduces men to prefer equality in slavery to inequality with freedom. Not that those nations whose social condition is democratic naturally despise liberty; on the contrary, they have an instinctive love of it. But liberty is not the chief and constant object of their desires; equality is their idol: they make rapid and sudden efforts to obtain liberty and, if they miss their aim, resign themselves to their disappointment; but nothing can satisfy them without equality, and they would rather perish than lose it.—Yours faithfully,

J. M. BARKER

20 North Wacker Drive, Chicago 6, Ill.

The Supply of Capital

SIR,—As a maker of capital equipment for practically every industry, I have read with rather special interest your three articles on the need for increasing the rate at which such equipment is installed.

Needless to say, I am in complete agreement with this vital necessity. On the other hand, if a policy of economic restriction is again pursued, as before the war, what possible incentive can there be for any one to install more efficient equipment to produce more, when more cannot be purchased? Had our monetary policy been so geared that the full resources of the nation were used instead of about 80 per cent, there is little doubt that engineering concerns could have greatly improved and increased the productive equipment of Britain.—Yours faithfully,

ANTONY VICKERS.

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AMERICAN SURVEY

The Republican Ticket

(From Our US Editorial Staff)

"THE international bankers," the *Chicago Tribune* complained last Friday, "have taken the Republican Party for the third successive time." The defeat of the Old Guard was, in fact, more decisive this year than in 1944. At that time Mr Dewey was saddled with Mr John Bricker to keep him company. Last week the attempts of the isolationists to capture the Vice-Presidency were shattered by the indignation of the delegates and the choice of Mr Warren, the Governor of California, was received with enthusiasm by the convention (except for a few neighbouring States now engaged in a private war with California) and by the press.

In almost all respects Mr Dewey's nomination for President was the result of careful playing of the game according to the accepted rules, with the significant addition of techniques—impossible before the days of radio—borrowed from Goebbels and the science of psychological warfare. The organising genius was Mr Herbert Brownell, a ruthless political scientist in a position where tradition expects the false *bonhomie* of a hard-drinking ward-heeler. Mr Brownell uses threats where Jim Farley would have used promises. There was, perhaps, some unconscious symbolism in the fact that refrigerators were given away in the Dewey headquarters—not cigars.

One example will show his methods. It had been known, for some time, that the block in the Pennsylvania delegation controlled by Senator Martin would vote for Governor Dewey on the third, if not the second, ballot. The news that the Senator would withdraw from his "favourite son" position and come out for Mr Dewey in the first ballot would not, therefore, by itself, have made much stir or improved the New Yorker's ultimate chances. But Mr Brownell made it a sensation. He called a press conference on some unrelated subject and dropped into his remarks the statement that "You'll be surprised when you hear who's going to make the nominating speech." Then he left the kettle of rumour to boil for a few hours to such effect that, when the Senator announced that he, Edward Martin of Pennsylvania, would nominate Mr Dewey, the news was accepted as a fresh triumph and the beginning of a rush to the bandwagon.

*

While the "Dewey Blitz" (as Messrs Stassen and Taft were careful to call it on all occasions) was going ruthlessly on to victory in the city, those who attended Convention Hall were paying nostalgic tribute to the Loved Ones. It is the function of a conservative party to maintain a warm feeling for the past, but the Grand Old Party certainly gave exceptional evidence of attachment to the middle section of its name. Until late in the evening of the second day no reference was made to any Republican President except Abraham Lincoln and Theodore Roosevelt. Then it was that the Speaker of the House, Joseph Martin, closing his speech with the stirring words: "In our maturity, with the help of God, let us greet the future," turned to greet—Herbert Hoover.

Mr Hoover, as it turned out, provided the only glimmer of quality during the first three days—until Representative Judd made the nominating speech for Harold Stassen at two o'clock on Thursday morning. Mr Hoover's appearance on the platform provoked the first genuine applause and he did what the mellow elder statesman of a party should do—he told his audience what they faced when coming into power and warned them that "If you follow the counsel of those who believe that politics is only a game to be played for personal advantage, you are wasting your time and effort." The election and the Democratic Party (except once—in an approving phrase) were never mentioned in his speech, which dragged the whole proceedings out of the squalor in which they had settled.

Before Mr Hoover, in speech after speech there had been nothing but unoriginal attack on the New Deal, or Harry Hopkins, or Franklin Roosevelt (by implication rather than by name—and by some remarkably ineffective attempts at mimicry), on Mr Truman's off-the-cuff comment "I like Old Joe" and on the Communist inspiration of the Democratic Party. There were no verbal infidelities to be spotted. Never once was a noun found in bed with an adjective to which it had not been married for centuries. Foundations were firm, solidarity unshakable; partisanship was narrow—and there was no place for it; taxes were oppressive, unemployment was chronic and the fringe was lunatic.

The crudity of the circus showmanship of the meetings in the Hall, inevitable to some extent with such masses of men, was heightened by the concentrated candlepower of the mammoth searchlights (five on each side of the hall) and the battery of floodlights above and to the front of the platform which the newsreels and television demand. This was the first convention followed, on television, by the public as far west as Chicago and the effect on the speakers was not edifying. They neglected their immediate audience, the delegates they had supposedly come to impress, in favour of the unseen, but larger, audience which television gave them. They spoke to the cameras, dressed for the cameras and gestured to the cameras. Governor Green even spent a week experimenting with make-up for the cameras. In the end, when he was temporary chairman, he gave the queer impression of being, not the chairman of a convention, but a popular film actor playing the part of chairman. He used the gavel to provide action for the watchers—not to bring the meeting to order.

*

To go from Convention Hall—where experienced observers were shaking their heads and beginning to remark that, if this went on, the Democrats could win after all—into the hotels in the city was to leave dreamland for a more tangible world. Nostalgia for the Hooverian period was certainly indicated in the sign at Mr. Taft's headquarters urging delegates to "save what's Left, with Taft" (though it may be pardonably assumed that they meant to save what's right) but the Senator himself would have seemed (and been considered by the National Committee) a dangerous revolutionary had he gone to the Hall and expressed his ideas. Though his machine, surprisingly enough, turned out to be inefficient and the vulgarity of the displays out of keeping with the candidate's personality, Senator Taft's own dignity and character were most impressive. There were many who, though never before in sympathy with his policies, began to hope that he could somehow defeat the inhuman efficiency of the Dewey machine.

Mr Stassen emerged from the convention a bigger man than he went into it. During the gruelling five days he seemed to resolve the doubts which had ruined the later stages of his campaign. His following was young and idealistic. The minor demonstrations at his hotel headquarters and the major effort at the Convention Hall when his name was put in nomination had much of the atmosphere of a college football game. The boos from the gallery that greeted the placing of Mr Dewey's name in nomination, the tears and cries of "No" at the motion, a day later, for his nomination to be made unanimous, and the applause that greeted Representative Judd's nominating speech for Mr Stassen showed the fervour of his support, which had

a quality usually reserved for third-party candidates (Mr La Follete in 1924 and Mr Wallace this year, for example) and not seen in a major party since the days of Woodrow Wilson. It was Mr Stassen's duty to see that his supporters were not disillusioned and that they kept their ideals intact. He succeeded. He was the most wooed man of the convention. Every other candidate was trying to buy him with the Vice-Presidency, but he remained unbought. He was so afraid that he would be suspected of a deal that he refused Mr Dewey's support for the second post even after the Presidential nomination had been made.

All conventions are founded on geography, physical and economic. They exist to permit the necessary brokerage among regions and interests. In the prayers that open, the singers that entertain, and the speakers that address the convention, there is proportional representation of denomination, race, sex and residence. And, in the choice of a Vice-Presidential candidate to run with a New Yorker, only the Middle and Far West could be considered. The Middle West offered (apart from Mr Stassen) a variety of isolationists—all willing and eager—some of whom believed themselves to be the holders of firm promises. But an isolationist would only have weakened the ticket. Mr Dewey wanted it strengthened. Only Mr Stassen or Mr Warren could do that. In the end Mr Warren was persuaded on the understanding that he would be given a real job. He will bring the votes of many independents who would have been scared away by a Dewey-Halleck or Dewey-Bricker combination.

Mr Dewey's international position will be subjected to some strains. With Mr John Foster Dulles at the State Department and Senator Vandenberg still Chairman of the Foreign Relations Committee, continuity of foreign policy should be assured. But Senator Martin must be repaid for his timely renunciation and Senator Martin is the representative of the Grundy faction in Pennsylvania politics, the strongest high-tariff group in the country. The party platform throws no light on the subject. For all the excellent work put in by Senator Lodge, it finished up with enough escape clauses to allow almost any policy to find justification in its pages, even if, unlike party platforms in the past, it is taken seriously. But Mr Dewey has been moving steadily over the past five years—ever since his speech at the Governors' Conference at Mackinac Island—away from isolationism and he is an able enough politician to realise as well that it has no political future.

If Mr Dewey is elected, his administration will be efficient—even ruthlessly efficient. If its intentions are less liberal than those of Mr Truman, they will certainly be more predictable. Policy will not change on the advice of the last caller and programmes will not be thrown wistfully on the waters of Congress—never to return. The new birth of the Republican Party, for which some hoped, the return to the ideals of Lincoln, has not taken place. Equally, the party has not, as it might easily have done, and as the Old Guard would have had it do, committed suicide by choosing a Bricker or a Joe Martin to lead it, if elected, to destruction. Mr Dewey will solidify and strengthen the party without taking it into any new paths. In eight years' time, presuming that he has a second term, he will be able to hand it on in good shape to his successor.

Monopolies and Movies

[FROM A CORRESPONDENT IN CALIFORNIA]

THE judgments recently delivered by the Supreme Court, condemning the selling activities and practices of the major motion picture companies, are likely to lead to a new set of manœuvres in the rearguard action that those companies have now been fighting for more than ten years. The more optimistic of the interests likely to profit by these decisions—the independent theatre owners—are already claiming some of the fruits of victory, but many more decisions are likely to have to be won at many more appellate stages, before the complexities and ramifications of the corporate structures of the major companies are fully revealed and, after disclosure, forced into some conformity with the Sherman Anti-trust Act.

The eight companies under attack have not all been found equally guilty of the monopolistic activities with which they have been charged, but the degree of their guilt seems roughly to be measured by the extent of their theatre holdings and leads to the cynical conclusion that the suspect operations vary in direct ratio with the opportunity to indulge in them.

Of the 18,000 cinema theatres in the United States, 17 per cent are owned, either wholly or in part, by one or other of the Big Five—Paramount, Loews, (Warner Brothers, Twentieth-Century-Fox or RKO. Superficially this seems to be a reasonable percentage; but when the earnings of these 3,000 theatres are revealed as accounting for at least 45 per cent of the gross box-office take, it seems clear that mere consideration of the size and modernity of the "trust" theatres cannot account for the discrepancy between their earning ability and that of those that are independently owned. The Supreme Court has borne out this reasoning by its finding that the independent exhibitors have been the victims of "discriminatory practices and predatory activities."

The recent decisions seem likely to affect the position and policy of the major companies in two distinct ways. First, a succession of civil actions is threatened by independent theatre owners who claim to have been adversely affected by the monopolistic activities of the Big Five. Under the Sherman Act a successful plaintiff can recover exemplary damages and, in one of the decisions upheld by the Supreme Court, damages of $375,000 were awarded to an independent exhibitor who had proved loss of only $125,000. There are said to be some sixty such actions already filed, in one of which damages to the tune of $8,000,000 are being claimed. Under the stimulus of the Supreme Court decisions, it is probable that this is only the beginning of a nation-wide series of such suits, although each action will have to be decided on the basis of the particular monopolistic practices alleged to be prevalent in the particular Federal District in which the case is brought. Though the sums thus involved may become enormous, it is not too much to suppose that the major companies have been forewarned for some time of the penalties which they might possibly incur and have made suitable appropriations to reserve.

*

Much more important, however, both structurally and from the point of view of policy, is the forthcoming clash between the Department of Justice and the major companies. By a judicial procedure available to a party charged under the Anti-trust Act, he can put forward a scheme of corporate re-organisation which will, he claims, cure his corporate structure of its guilt. The proceedings then become something of a bargaining match between the defendant and the Department of Justice, with the judge acting in some sense as arbitrator. This procedure of the "consent decree," which has been frequently employed by the motion picture companies, leads as can be imagined to almost infinite variations on the themes of what stock-holding constitutes control and what degree of control constitutes monopoly. It is in this direction that the ingenuity of the defendants' lawyers, both in court and in the exercise of corporate wiles and devices, has been successful in delaying the final issue and seems likely to continue that success.

The fruits of such bargains have been under fire in the Supreme Court, and, indeed, one of the appellate decisions recently delivered, which returns a crucial case to the court of first instance for what amounts to a retrial, contains the phrase, "The District Court should be allowed to make an entirely fresh start on the whole of the problem" in order to pave the way "for a more effective decree"; to which the exhausted

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

layman is apt to exclaim "This seems to be where I came in, ten years ago."

It seems, therefore, that the independent theatre owners are premature in hailing these judgments as the break-up of the theatre circuits. A valuable delay has been won by the more powerful interests, although during the interim there will, no doubt, be many real attempts to reform selling practices to avoid allegations of conspiracy and to direct theatre holdings into entities more remote from the parent companies.

While the main basis of the attack on the major companies has been that they conspired with each other in restraint of trade, they are individually under fire as perfect examples of the type of vertical trust at which the Sherman Act is specifically aimed. The five principal defenders each combine within themselves the functions of producer, distributor and exhibitor or, more explicitly, of manufacturer, wholesaler and retailer. Of the three remaining defendants, Universal and Columbia are producers and distributors, while United Artists are distributors alone.

It is only the combination of the functions of distributor and exhibitor that has been severely attacked by the Department of Justice: for while it is easy to imagine how a corporation, in its function as a distributor of motion pictures, can come to terms with itself in its function as an exhibitor, to the exclusion or detriment of third parties, in the production field, where such imponderables as stories, star values and artistic merit may come to be assessed, charges of unfair and discriminatory practices are much harder to substantiate. The independent producers have even slighter grounds for counting on judicial relief than the independent exhibitors.

At the time of the imposition of the British duty, the true independent producer, distributing in most instances through United Artists, was already in a bad way. His enforced and reluctant refusal to permit the distribution of his product in Britain as some sort of reprisal against the duty looked like his *coup de grâce*. Since then, the Johnston-Wilson Agreement, although hailed as a green light to independent production, has done nothing to improve his position, nor does it seem likely that the recent decisions will set these wheels turning once more.

Since even the major producing companies, in their more relaxed moments, admit that the competitive stimulus of a healthy independent industry is required, there is a general feeling of regret in Hollywood that the Department of Justice, however difficult the task, did not focus some of its attention on the monopolistic tendencies which are alleged to have stifled individualism in production.

American Notes

No Strike in Coal

The industrial weather seems to be set fair for the Democratic Convention and the election campaign. Judge Goldsborough's blessing for the miners' pension plan sought by Mr Lewis cleared the way at once for a new soft coal contract and relieved the Administration of the disagreeable necessity of seeking yet one more injunction against Mr Lewis under the Taft-Hartley Act, which Mr Truman attempted, unavailingly, to veto. A welfare fund of $40 million has been accumulated from royalty payments under the 1947 contract, but Mr Lewis and the owners have never reached agreement on the size of the pension and eligibility requirements. This was the cause of the strike earlier this year, which was called off when Senator Bridges was appointed a trustee of the welfare fund and supported Mr Lewis's plan. But the mineowners, through their representative among the three trustees, have been fighting a rearguard action against paying pensions on the scale endorsed by Senator Bridges and Mr Lewis.

Judge Goldsborough not only found that the Bridges-Lewis plan did not contravene the Taft-Hartley Act, as urged by Mr Van Horn, the trustee appointed by the coalowners; he also ruled that expenditures from the fund could be initiated by two of the three trustees, waved aside actuarial considerations, and approved the granting of $100 a month pensions to miners, who, at 62, had spent 20 years in the mines, even if they were no longer employees of the coal companies.

A court victory for Mr Lewis is a novelty, but in this instance it will not be begrudged. In a country where Government old age pensions are still in the rudimentary stage, the justice of the

demand for private old age security in a dangerous, essential, and dirty occupation is widely conceded, however much it may be regretted that it consolidates Mr Lewis's labour empire.

But if the contract signed last week seals Mr Lewis's victory, it also supports the owners' contention that the present contributions are insufficient to finance his ambitious welfare plans. In addition to a wage increase of 12½ cents an hour, or $1 a day, the owners' royalty payments to the welfare fund are increased from 10 to 20 cents a ton; and it is thought that the replacement of the "negative" Mr Van Horn may also form part of the settlement. The steel companies with "captive" coal mines concurred with special reluctance, in view of their hopes of avoiding any wage increases in steel. It is estimated that the settlement will add 40 to 50 cents a ton to the cost of coal, an annual total of $225 million.

The surrender to the third round of wage increases and the inevitable ensuing price increases is now virtually complete. The railroads are still technically being run by the Army, but there are rumours of a face-saving device to settle the second-round dispute which prompted Government control, and of the managements' resignation to even further rises. The other major dispute, the maritime strike, which is frozen by an 80-day injunction, may prove more intractable, for the union hiring halls, which come under the Taft-Hartley ban on the closed shop, are widely considered to be indispensable to stable industrial relations and union security in the shipping industry.

* * *

Half-Open Door for DPs

After two years of prompting, Congress at last has opened the immigration door a crack, to admit 205,000 DPs in the next two years. This is a victory for the men of good will who have worked night and day to offer the traditional American haven to Europe's homeless; it is a belated atonement for the failure even to debate the Stratton Bill last year.

But the victory has been achieved at a heavy price. The compromise between the restrictive Senate Bill and the liberal House measure has come down so heavily on the side of the Senate that four of the conferees refused to sign, and two only did so reluctantly. The Stratton Bill set 400,000 as America's fair share of the dispossessed. The total now to be admitted is made up of 200,000 DPs who were in Allied camps not later than December 22, 1945, 2,000 anti-Communist Czech refugees, and up to 3,000 European orphans under 16. In addition, 15,000 aliens already in the United States before April, 1948, will be allowed to stay permanently, but Congress must pass on each case.

The restrictions in the Senate version which only lightly veiled anti-Jewish and anti-Catholic prejudice have all survived, though they have been somewhat eased. The end date of December, 1945, bars the entry of the 10,000 to 15,000 Jews who fled from Polish pogroms in 1946. At least 30 per cent of the DPs to be admitted must be agricultural labourers, and at least 40 per cent must come from countries annexed by a foreign Power, that is the Baltic countries. Half of the regular German and Austrian quotas are set aside for the Volksdeutsche, nationals of Poland, Hungary, Czechoslovakia, Rumania, and Jugoslavia who are of German blood. Further priority is given to construction, domestic, clothing, and garment workers, but they must displace no American from his home or his job. Rigid sifting will ensure that no Communists slip through. The only liberal provision which survived allows the number of unfilled places in the first year to be carried forward into the next, but future immigration quotas will be heavily mortgaged to meet the present emergency. It has to be recognised that the call of humanity might have gone unheeded if there had not been a pressing need to replenish the vanishing farm population of the Middle West. But when to the specific restrictions of the Act are added the technical requirements with which all American immigrants must comply, it may not be very much easier for a Displaced Person to enter the United States than for a camel to go through the needle's eye.

* * *

Mr Ploeser's Steel Surprise

The discovery that the Selective Service Bill, as finally passed, gave the Administration power to allocate steel for defence orders (as well as the authority to force industry to accept such orders, which has always been included in "draft" legislation) confirmed the impression that Congress was too dazed to know what it was doing in its rush for adjournment. It is difficult to judge who was more taken aback: the Congressmen who had consistently denied the need for compulsory allocations, the Presi-

dent who had as consistently demanded them, the industrialists who had almost forgotten their earlier fears that the defence programme would necessitate such allocations, or Representative Ploeser, who had proposed the amendment. He had intended only to assure steel supplies for small businessmen who wanted to undertake defence contracts, and was as surprised as everyone else when it was pointed out that this amendment applied to steel for *all* defence requirements. Indeed, these innocent professions of ignorance arouse a suspicion that the amendment was designed not as a magnet for the votes of small businessmen, but as a mine under the President's attack on Congress for refusing him the powers which, according to his assertion, are essential. For this reason, Mr Ploeser's gift horse may not be entirely welcome to the Administration, but at least its mouth bears looking into; its teeth are available for immediate use, while the President has asked only for stand-by authority.

Industry soon recovered from the discovery that its Congressional watchdog was not only asleep but treacherous—Mr Ploeser is a Republican. Rallied by cries of "red tape" and justified by wartime experience, businessmen are indignantly insisting that if steel is allocated, allocation of other scarce metals will inevitably follow, and that Mr Ploeser has left the term "defence contract" open to wide interpretation. He has also left the duty of deciding when allocations are necessary to the Defence Department, whose ideas of necessity have always inclined to exaggeration. Industry may come to regret that the civilian National Security Resources Board has not been given more encouragement in the preparation of plans for industrial mobilisation.

In practice, a situation may well arise in which industrialists, unwilling to use for defence orders the steel which is so difficult to obtain, may press the Administration to open Mr Ploeser's surprise package, instead of leaving it on the shelf, as the Administration seems prepared to do, at least until the defence programme is expanded further. The knowledge that it is there will not be without its effect, and for the moment there is said to be sufficient steel for military purposes. Mr Ploeser may also be responsible for future friction between the Departments of Defence and of Commerce, since compulsory allocations for defence may interfere with the latter's schemes for ensuring steel supplies for certain categories of essential goods, such as freight cars, housing and atomic energy requirements. These voluntary allocations were authorised by Congress last year and, ironically enough, have just begun to get going, after much delay. But Congress has also chosen this moment to decree that they must terminate on March 15th, although steel supplies are expected to remain short for at least a year, in spite of a current production rate of nearly 90 million tons a year.

* * *

Farm Stop-Gap

Price guarantees to the farmer are one aspect of the New Deal which the Republicans, in an election year, have no desire to liquidate. Agricultural prices are still so high, in most cases, as to make the question of government support appear academic, but after President Truman's taunts it was politically unthinkable to allow the war guarantees to lapse, without putting anything in their place. The deadlock between the House and the Senate seemed almost insoluble until the very last hours of the session, but the weary conferees were sent back four times until they produced an agreed version. The Aiken Bill, which the Senate had passed, would have initiated a retreat to a somewhat lower level of guaranteed prices and a revision of the whole system. The House, every member of which is up for re-election this year, is much more sensitive to controversial reforms, and was determined merely to extend, with slight alterations, the generous wartime supports inherited from the Democrats.

The conferees eventually broke the deadlock by accepting both proposals. When the present system expires at the end of this year, price supports at 90 per cent of parity will be extended for another twelve months with the single change that supports for perishable commodities may be reduced to 60 per cent of parity. At the beginning of 1950, there will come into effect Senator Aiken's proposals to modernise the concept of parity and to stabilise the farmer's income by relating the level of support to the size of the crop. (These provisions were discussed in detail in a Note in *The Economist* of June 5, 1948.)

The Republicans will point to this synthetic Bill as proof that they have been able to combine two overriding and not always harmonious requirements of any farm programme: present assurances to the farmers which will produce both the votes the Republicans want and the food the world needs, with a recognition that in the near future (though not before the election returns are in) the parity system must be overhauled, at some pain to some farmers, to avoid a permanent freezing of production in an antiquated pattern and to prevent the government from being involved in catastrophically large liabilities when prices fall. In fact, the inclusion of the Senate proposals is viewed more as a political compromise than a firm commitment; the House, by postponing their effective date, has reserved the right to amend them, and has gambled instead that there will be no sweeping declines in food prices before 1950. A farmer in the polling booth in 1948 is worth two tax-payers in opposition in 1950.

But even the Aiken proposals mark a great increase in the guarantees extended to farmers by the New Deal before the war and once thought revolutionary. To take into account the past ten years of farm prices in determining parity will weight the whole concept even more heavily in the farmers' favour. A hungry postwar world has no reason to regret the bargain whereby the Roosevelt Administration extended the wartime level of farm price supports for two years after the end of hostilities in return for the farm lobby's support of the Price Control Act. But it is an odd reflection that the Republicans, who have eliminated every trace of controls, are gladly continuing to pay the price of their acceptance.

* * *

End of the Nickel Fare

For many years New York City boasted that its Underground system provided the longest ride in the world for five cents. (The terrors of the rush-hour, which make it the world's most uncomfortable ride, are less advertised.) The five-cent fare was part of Tammany's legacy to the city; it was implied that New Yorkers were getting something for nothing, like free coal and blankets and picnics, and for years opposition to the five-cent fare has been regarded as equivalent to political suicide.

But today Tammany has lost its teeth, and the five-cent fare has become an intolerable burden on the city's finances. Even in the old days, with the interest charges on the purchase price of the lines being met by the city budget, the cheap five-cent fare was an illusion. But the situation was bearable as long as the public's nickels paid the operating costs. In 1946, however, the nickel could no longer be stretched to cover operating expenses constantly being expanded by new wage demands. The city had to take over an operating, as well as a capital, deficit. Without an increased fare next year the city would have had to allocate $51 million at least to the operating deficit alone.

Mayor O'Dwyer decided to take the bull by the horns by raising the fare to ten cents on July 1st. If New Yorkers must now pay ten cents for a five-cent ride, it is no bad measure of inflation. (The real cost of the ride is nearer 12 cents.) For the city government is as much a victim of inflation as any of its citizens. Despite a billion dollar budget, larger than those of many sovereign states, the wealthiest city in the world is pinched to find the funds to maintain its hospitals, sanitary services, libraries and schools. There is, of course, a rising standard of the services a great city should supply, but the cost of providing them has also risen sharply. City employees demand and need higher wages. Mayor O'Dwyer has taken a long overdue step towards a "New Look" in New York City's government.

Shorter Notes

The New York newspaper *PM* has now been taken over from Mr Marshall Field by Mr Bartley Crum and Mr Joseph Barnes, who were first associated as supporters of Mr Wendell Willkie. Mr Crum is a Californian, who resigned as vice-chairman of the Progressive Citizens of America when they endorsed Mr Henry Wallace as Presidential candidate; he was a member of the Anglo-American Commission of Inquiry on Palestine. Mr Barnes was foreign editor of the *New York Herald-Tribune*. Their declared purpose is to produce a paper which gives honest news, is good to read and gives "a daily reminder of our own strength to all of us who believe that American democracy is worth fighting for." It is to be a morning paper and will be called the *New York Star*.

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The value of United States imports dropped in April to $524,700,000 from the March total of $638,500,000; exports declined by $19.4 million to $1,111,400,000. The commodities most seriously affected by the April fall in imports were rubber, wool, coffee, cocoa, sugar, wood pulp and copper, while cotton and coal were among the exports which declined. However, during the first four months of the year, imports were coming in at an annual rate of 21 per cent above that of last year.

THE WORLD OVERSEAS

Berliners Carry On

(From our Special Correspondent)

BERLIN today has the air of urgency and resolution and the sense of taking part in decisive events that are missed so badly in Frankfurt and Düsseldorf. Mr Bevin in the Commons on Wednesday praised Berlin in terms which, three years ago, would have been inconceivable; but to have been there in the past critical week is to feel that his praise was not overdone. In Berlin people are not complacent about the threat under which they live. It confronts them at too close quarters. But neither are they disposed to yield to it.

Ten days ago, on June 23rd, industrial wages fell due and could not be paid, for it was then that the Soviet authorities called in the currency. At the beginning of this week the confusion of opposite currencies was still such that the managements were quite doubtful about being able to pay their workers during the week. The obligation to stand in endless queues at the banks and currency issue offices was another fact tending to keep people away from work. Indeed, it became known that different conversion rates from the old mark to the new Eastern mark might be obtained at different issue offices, and that the arrangements at each office changed from day to day. The most profitable way to employ time was therefore not to work but to go round from one issue office to the next; some firms sent their cashier out to reconnoitre and exploit any inconsistencies, and some individuals naturally did the same. But most of them went to work in spite of the currency war, in spite of the power cuts and the cessation of coal supplies, and in spite of the utter uncertainty of the course which politics and public finance would take in Berlin for the next twenty-four hours.

Beyond these uncertainties was the further doubt about food supplies: if the Soviet blockade of the Western sectors continued, how long would it be before the food ran out? What could the Western Allies do so that they would not have to leave Berlin in the lurch? The average worker knew no answer to questions of this kind, which were, indeed, questions to which nobody could give him an answer. But he still went to work. By Monday it was supposed among many officials (Germans and Allied) that industry in the Western sectors of Berlin had come to a general standstill, but in this they were wrong. It was a natural supposition; there seemed, in the circumstances, nothing else that could happen. One electrical equipment factory in Western Berlin on Monday had half of its usual power supply cut off; with the other half, maintained in the face of difficulty by careful planning by the city administration, the factory was keeping up considerably more than half of its normal production. Testing of finished products and other activities which could be postponed until a later day were suspended, but the lathes continued to turn. Another big factory in the same district (because it was not on a separate circuit from the surrounding quarter) was totally deprived of power, but this too did not stop working. While half the employees were out queuing for their new currency, the remaining half carried on with such hand labour as could be used, processes being reorganised to concentrate on work that could be done without power.

Total Reliance on the West

To see a great mechanised factory with its machines silent and its workers carrying on is a strange experience. One saw and felt in the workshops a grim cheerfulness, a determined calm, a unanimity of feeling, that recalled nothing so closely as the population of London at its best during the German bombings. Work in these circumstances was not a routine, but a demonstration. And, indeed, the management and works council of the factory made this clear by the plans they were preparing for the coming weeks. Productive work could not be maintained indefinitely without power, but in the once great electrical industry of Berlin there is always room, nowadays, for clearance and reconstruction; the damage left by the war, and the greater damage left by the few weeks of Russian dismantling before the Western Allies moved in, left a task of almost inestimable dimensions. In so far as the torn and littered workshops have already been cleared and restored, it has had to be done for the most part by hand. So has the piecing together of old and damaged machines on which Berlin industry has depended for its revived production.

If, therefore, industrial power remains cut off over a long period, the Berliners propose to concentrate on clearance and on the general effort to restore productive capacity for the future. All this implies a total reliance on the determination and ability of the Western Allies to stay in Berlin. That reliance underlies the whole Berlin scene today. It is the more impressive since these people do not seem to entertain any illusions about the difficulties of the Allied situation; they make the assumption because they see no other on which to act. They are, therefore, and deliberately, compromising themselves utterly with the Western cause.

A big industrial enterprise with several factories, carrying on in these conditions, last week formed an emergency finance committee which meets every morning at eight. It considers what cash it will need to carry the group through the day, and decides on ways of drawing that amount of money and no more. In the early days of this week the relation between the Eastern money and the Western money was still shifting and uncertain, and the only course seemed to be to wait and see. It was already clear that the new Eastern money was scarcely less inflated than the old, and that the exchange position of the Deutschemark was strong. What was not clear about the Deutschemark was how it was to be kept in circulation at all. Only a limited amount of the Western money had been brought to Berlin, and in view of the Western determination not to allow it to become inflated, only a limited amount could be brought. Its appreciation in terms of the newly stamped Eastern money (which began within a few hours of the issue of Western money in Berlin) was too swift to be true, and it would be a mistake to take it as purely a tribute to Western prestige.

Russians Buy Up The Deutschemark

By last Sunday it was clear that the Russian authorities, through dealers stationed around the Brandenburg Gate and in other parts of the city, were buying up every Deutschemark that was offered, and were indifferent to the price at which they bought. German business men quickly drew the conclusion that the Western money would disappear within a few weeks through the combined effects of Russian buying and German hoarding. The Western decision to extend currency reform to Berlin had become no more than a gesture which could not be made financially or economically effective. Even this week, it was doubtful if wages would be paid in full in Deutschemarks in the Western sectors.

It would be foolish, in view of these facts, to imagine that the Russians had attempted a currency reform and failed. Their handling of the currency in the past ten days has been unscrupulous; it has discriminated and shown favouritism, enriched some people unreasonably and as unreasonably impoverished some; it has added to the wasteful disorganisation of economic life and put the common man to untold inconvenience. But it was not a currency reform. The new Eastern money has been used merely as a weapon, first to exclude the invalidated old currency from the Western zones (a serious and necessary measure) and secondly to drive out the new Western currency. Whether it was deflated or inflated has clearly been of no account to the Russians, who are no doubt preparing now for an attempt at currency reform in Eastern Germany when the Western currency has gone from Berlin.

Berlin is conscious of being the centre of the stage; of all its anxieties, the greatest seems to be that the outside world should understand that what happens in Berlin is not merely a local matter but a world matter, and Berliners will explain this courteously to the foreign visitor. No such terrible alertness disturbs the west of Germany. To go from Berlin to Frankfurt this week was to leave the bracing heights for the sleepy hollow, the bright glare for the unexacting shade, the centre of the stage for the wings. Frankfurt is still a provincial town—it may be

irretrievably. It views the great world at a distance and with unshakable unconcern. The bizonal administration has from the first been infected with the atmosphere of its surroundings. Its concerns are local and strictly limited; serious though they may be, they are looked at in office hours—not too early in the morning nor too late in the afternoon—and are shelved on Friday night for the weekend. What happens in Berlin is a matter for mild interest in Frankfurt. From outside Germany it is easy to see Frankfurt as the seat of a German government and the centre from which German reconstruction is to be organised and led. In Frankfurt itself the idea rapidly blurs. And back in Berlin, where after all that has happened life is still lived with speed and intensity, it arouses incredulous laughter.

Elections in Finland

[BY A CORRESPONDENT]

A FREE and fair election on the borders of the Soviet Union is a remarkable thing to happen in 1948. The election campaign in Finland has been as democratic as any in Western Europe. All the traditional parties are in the lists, the press is uncensored, the right of public meeting untrammelled, and none of the two-million-odd voters has the faintest doubt about the secrecy of the ballot. The atmosphere during these last weeks has been calm—perhaps too calm: it may lead to a large number of abstentions, and that could do no one any good.

Each of the political parties is conducting its campaign separately—there are no electoral agreements, no blocs—and there is nothing radically new in the programme of any of them. The Conservatives are making their old appeal to the businessmen and the professional classes. Their slogans are still private enterprise and freedom from controls; it is a platform which is likely to hold their supporters but unlikely to win many new votes. As the main Opposition party they are pleasantly free from responsibility for the hardships of the last three years, but few people can feel that those hardships are the Government-parties' fault. The Agrarians are still the party of the farmers and of the farmers alone: a reduction in the prices of farm-produce is almost the only plank in their platform. The Swedish People's Party still has its appeal for a fairly large proportion of the Swedish-speaking minority, and the Liberal Party will never be without its attraction for intellectuals.

The new interest in this election centres in the duel between the Social Democrats and the Finnish People's Democratic League (SKDL), which is the polite name for the Communists and their fellow-travellers.

The Social Democrats are traditionally the largest party in Finland. At the last election, that of March, 1945, they suffered for the intransigent part they had played in the concluding months of the war against Russia, for the Russian ban on their beloved leader Tanner, and for the secession of some of their members into splinter groups and into the SKDL. The SKDL secured the play-for-safety-with-Russia votes. The result of the 1945 election was to divide the 200 parliamentary seats as follows: Conservatives 28, Agragrians 49, Swedish People's Party 15, Liberals 9, Social Democrats 50, SKDL 49.

Communist Setbacks

The question is how many seats the Communists will lose in the election of July 1st and 2nd. No one, not even the typical Communist Party member, expects it to gain. At the general election of 1945 the SKDL vote was 25 per cent; at the municipal elections of December, 1946, it was 19 per cent; at the trade union elections during the early part of this year its candidates lost more and more ground to the Social Democrats. Its worst setback came in the rumpus this May over the dismissal of the Communist Mr Leino from the post of Minister of the Interior. The Communists demanded his reinstatement. When that failed it demanded that he should be replaced by another Communist. There were deputations and demonstrations and finally a general strike was called. But the Communists' strike was a shocking failure; the most reliable estimates are that only 17 per cent or 18 per cent of the organised workers took part in it.

Yet the SKDL has some very high cards to play in a general election. Its policy of friendship with Russia cannot be gainsaid: no Finnish party dare come out into the open as being against the most cordial relations with Russia. Its rosy picture of conditions inside the Soviet Union cannot be openly contradicted: to declare in the press or on the platform that conditions in Russia are anything but rosy would be an "unfriendly act." Its advocacy of better conditions for the Finnish worker, including higher wages and lower taxes, is irresponsible but not without a strong appeal. And it has a trump card in the form of Russia's remission of reparations.

The announcement from Moscow a few weeks ago that half the outstanding debt to Russia in reparations account would be wiped out came as a great surprise. The Finnish Communists were not slow in claiming all credit for it. Had not the Communist Cabinet Ministers sent an open letter to the Cabinet—incidentally, an unparalleled occurence in Finnish constitutional history—urging that negotiations should be opened with Moscow for the remission of reparations? Had not the preliminary negotiations that followed been conducted by Finnish Communists? Did not the Finnish people owe this easing of their burden to Communist initiative and influence? Whether many Finns are impressed by this propaganda is doubtful. After all, the Communist cry for the last three and a half years has been that the reparation demands were too light, that Finland deserved to suffer more for its crime in fighting Russia, that any talk of remission would be a breach of the armistice agreement.

The general opinion in Finland on the eve of the election is that the SKDL will lose between five and ten of its seats in Parliament. Not more, because the system of proportional representation and the traditional inelasticity of party frontiers in Finland tend to keep election results stable; there has never been a big landslide in a Finnish election. But the loss of even a few SKDL seats would lead to important changes in the Finnish Government. It would mean an end of the coalition which has kept Communist members in the most important Cabinet posts.

Australia—New Zealand Trade Agreement

[BY A CORRESPONDENT]

THE Australian and New Zealand Governments have taken an important step towards the dovetailing of their economies. As a result of a conference in Canberra, which ended on June 14th, the two Dominions have agreed to co-ordinate their economic policies in order that they may become less dependent on imports from North America and Europe. The conference was a logical sequence to the Anzac Pact of 1945, when Australia and New Zealand agreed to set up a regional defence zone in the South Pacific and to promote trade between the two countries. Each Dominion is becoming complementary to the other—raw materials in New Zealand, such as timber and timber by-products, being matched by the new industrial output of Australia such as steel, cement and machinery. Both have now taken the obvious course of combining their resources to their mutual advantage.

The agreement was hastened by the fear of both Dominions that their dollar debts would continue to increase. They fully expect that they may ultimately be limited to those dollars which they can obtain from their own earnings and which are nothing like enough for their present needs. The trade agreement, therefore, aims at reducing their dollar imports by increasing the better organisation of their production at home. Its success will benefit Britain directly, for both Dominions have hitherto drawn extensively on the sterling area dollar pool.

Expansion of Secondary Industry

On a smaller scale, the developments in Australia and New Zealand have been on similar lines to developments in Europe. The lack of dollars, the need to build up strategic resources and the general desire to become less dependent on world markets have led to intensive efforts to expand secondary industries. Steel works, shipbuilding yards and factories have sprung up in Australia at a speed which says much for the vitality of the young Dominion. The population is moving from the country to the great cities, especially on the eastern seaboard, and capital investment has been on an unprecedented scale.

Industrial development in New Zealand has not been so spectacular, but its natural resources, particularly timber, are being worked, and they successfully fill the gaps in Australian production. Neither country is neglecting its main source of income—wool in Australia and dairy products in New Zealand—but both are determined to do their best to avoid the disaster which the lack of foreign exchange would bring.

But the biggest obstacle to the economic union of the two Dominions has still to be overcome: New Zealand has at present a heavy adverse balance of trade with Australia. It buys about £14 million worth of Australian goods annually and sells to Australia commodities worth only £3,000,000. Moreover, despite the high prices of export commodities, New Zealand's balance of payments with the rest of the world is also becoming unfavourable, although its sterling funds are much greater than in 1939. On the other hand, the external trade position of Australia is extremely healthy—its London funds stand at £200 million sterling—and Australia should be able to help New Zealand by loans or other means. Such an offer from one Dominion to another would not only benefit both, but it would also set a practical example of mutual aid which might well be imitated in other parts of the Commonwealth.

Joint Planning by Czechs and Poles

[FROM OUR PRAGUE CORRESPONDENT]

DISCUSSIONS have been in progress here for some time about quotas for the second year of the Czechoslovak-Polish Trade Treaty. The treaty itself lays down a provisional programme for each of the five years it covers, but also says that the annual quotas shall be reviewed each year in the light of previous developments. The trade turnover envisaged for the forthcoming period, July, 1948, to July, 1949, is roughly Kcs. 2,000 million compared with Kcs. 1,500 million during the previous twelve months. Poland as before will send Czechoslovakia mostly raw materials such as coal, zinc, foodstuffs and various chemicals in exchange for Czechoslovak machinery, chemical products and consumer goods of which the chief items will be boots, shoes, tyres, motor cars and cycles.

Of more interest, perhaps, than the actual trade are the various joint committees established under last year's treaty with the wider object of promoting economic co-operation. At the time the treaty was signed it was generally assumed that these committees were intended to pave the way for the gradual integration of the economies of the two countries. Whatever the ultimate intention, this has not been their role so far. Indeed, they have tended to function more as debating societies where mutual problems can be discussed and grievances aired. All accounts of their deliberations agree that the fun, if that is the right word, has often been more furious than fast in spite of the fraternal character of the two regimes. So far at any rate, neither country has made any capital investment on the territory of the other, nor are there any joint enterprises. The reason given is that any such development would constitute an unpermissible infringement on the sovereign rights of the individual States which, according to Slav bloc theory, must be regarded as altogether sacrosanct. It is a theory which some might consider to be at variance with the treatment meted out to individual citizens in these countries, and of course it does not always work out in practice exactly as scheduled. But the theory of the divine right of the People's Republican State has for the moment a vogue and an importance comparable only with that of the ancient theory of the divine right of kings. And it is in the orbit of this theory that the joint Czechoslovak-Polish committees are expected to revolve.

Working Parties of Experts

The main committees deal with such questions as industrial co-operation, the exchange of data on the results of scientific research and planning, how to finance not only current trade but capital investment by a proper allocation of available resources, how to deal with shortages and bottlenecks which threaten the execution of planned deliveries. Finally, and perhaps the most important of all, there is the transport committee.

All these committees set up so-called "working parties" of experts to which technical matters are referred. In the sphere of transport, for example, a working party is at present engaged in considering the many intricate problems arising out of the proposal to construct a canal between the Danube and the Oder. Preliminary indications are that the difficulties may prove insuperable. Some of the experts take the view that there is not enough water in the Oder basin, and that the only way to keep the canal filled would be either to pump water from the Danube or to build the waterway in concrete which would involve constant cleaning. Both methods are so expensive as to make it doubtful whether the proposition is economically worth while.

Transport, or more properly transit, questions provide many occasions for the most uncomradely fury. The Czechs consider rates on Polish railways and rivers too high, and have not hesitated to say so. And the recent Polish gesture in announcing the handing over to Czechoslovakia of part of the port of Stettin to be its very own would have been much more appreciated in Prague had the dues been much lower. Owing to the shortage of dollars and other foreign exchange, a large part of Czechoslovakia's imports from, and exports to, the West are routed through Poland, including practically all its iron ore imports from Sweden, which are nearly four-fifths of its total iron ore imports and about two-thirds of its total requirements of this commodity.

So far as practical results go, the most successful committee appears to be the one on industrial co-operation. The main object of this body is to prevent overlapping and competitive building in industrial development. It has, for example, arranged that the Poles should pay for the plant they are buying to produce power from the low-grade coal deposits near Oswiecim by supplying the power to Czechoslovakia where it is needed for Moravian industry. Similarly, the Czechs produce more coke than they need and the Poles have agreed to take the surplus instead of erecting new coking plant of their own.

Clash of Interests

In the short run, there can be no doubt that it is both economical and expedient to pool resources in this way. But whether the two countries will take the same view when, and if, their industrial sprints develop into marathons is not so certain. Poland is busy with many schemes of industrial development and it is more than probable that one day it will need the Oswiecim power itself. So, conversely, is Czechoslovakia likely to need all its coke if its plans to replace Germany as the industrial supplier of eastern Europe are successful even in part. Therefore, unless integration is the ultimate goal and unless permanent co-operation is now assured in spite of the past history of Czechoslovak-Polish relations, there would seem to be an element of risk in putting one's eggs in somebody else's basket. It is difficult to be inter-dependent economically and independent sovereign states politically at one and the same time.

Meanwhile there is no doubt that the economic inter-dependence of the two countries has increased, is increasing and is likely to increase still further. But even at Kcs. 2,000 million (about £10 million) a year, the volume of trade is not yet colossal. It represents about 6.5 per cent of the total turnover Czechoslovakia hopes to achieve next year. Czechoslovakia's new Government say they intend to increase the turnover with the Slav bloc until it reaches—to quote the Minister of Internal Trade, Mr Krajcir—"40-50 per cent of the total foreign trade." How they are going to achieve this result while the present vogue of the bilateral agreement continues is not explained. Czechoslovakia is still dependent on the so-called West for at least two-thirds of its imports of raw material and the first step towards Mr Krajcir's goal has been to start a big export drive in the hope of acquiring dollars and sterling. Of course if the drive were to fail, Czechoslovakia's imports from the West would have to be correspondingly reduced thus automatically raising the percentage of trade with the Slav bloc. It is to be surmised, however, that this is not what Mr Krajcir either meant or wants.

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THE BUSINESS WORLD

Housing—Programmes and Performance

SEVERAL hints have been given in the past three months —from the Minister of Health, the Minister of Works, and even from the Chancellor of the Exchequer himself—that the house building programme was again to be expanded. The review of housing policy and programmes issued by the Minister of Health last Friday was promised in the White Paper on Capital Investment last December; it represents the sixth change of policy in about eighteen months. That White Paper laid down the total of houses to be completed in 1949 (not 1948) at 140,000, a figure fixed not by reference to any detailed balancing of claims for resources of materials and manpower but strictly by reference to the amount of softwood that was expected to be imported this year. Now the programme is to be increased, even though that means taking a chance on next year's timber supplies.

In no field can plans and figures be more confusing than in house building. Last December's White Paper talked of cuts; tenders approved for new houses were indeed reduced to 6,000 a month during the winter, compared with 11,000 a month in the spring and summer last year. But output of new houses has increased; the latest returns for England and Wales and Scotland show that 20,372 permanent houses were finished in May, the highest figure since the end of the war. That does not sound like a "cut." Indeed, it is the result of reducing the huge over-expansion of work on houses in the early stages and of concentrating greater effort on finishing houses under construction. In the language of last Friday's statement, the programme has been "got into balance"—though that claim cannot yet be made for Scotland, whose programme is still seriously unbalanced. Permanent houses under construction, which reached a peak of 261,161 last October, have been reduced to 218,044; the target of 210,000 houses under construction by the end of June proposed in the White Paper has been largely achieved by cutting the number of new authorisations and by starting construction on an average of only 10,000 houses a month compared with an average of 18,000 in the middle of last summer. More houses are now being finished than are being started, and in order to maintain the present number of houses under construction in England and Wales at 180,000, new contracts have already been accelerated. The statement does not say in terms what output of finished houses is being aimed at; presumably contracts for new building will be let to tally with the output of finished houses, and presumably, too, it is hoped that the number of completed houses will, in any given period, equal the number under construction.

The new statement of policy strongly suggests that the housing programme still enjoys full absolution from the damaging cuts inflicted on the industrial investment programme. If the assumptions at the end of the last paragraph are right, the annual output of permanent houses now contemplated must be of the order of 180,000 in England and Wales, or some 200,000 if Scotland is included as well. The ratio between houses under construction and those completed in a given period depends largely on the productivity of building management and labour. During the last three years, it has been disappointingly low, and recent signs of improvement will have to go a long way before productivity can truly be called satisfactory. Before the war, between 300,000 men and 350,000 men were engaged in housebuilding, producing about 350,000 houses—one house per man per year. There are now 540,000 men in housing work of all kinds (the Capital Investment White Paper anticipated their reduction to 525,000 by June 30th) of which nearly 250,000 are employed on permanent houses. Last year's output of completed houses works out at two men to a house, though the houses were bigger than prewar and the normal ratio might now be better expressed as 1¼ men per house per year; this year something nearer the one for one ratio ought to be shown, simply because the number of houses under construction has been successfully reduced.

By the end of May, 440,235 new houses (including 150,864 temporary houses) had been completed; 223,519 houses were under construction; and 49,571 houses were projected but not begun. This gives a total of 713,325 houses built, building or projected. In addition, 265,644 "units of accommodation" had been provided by repair, or conversion of large houses. Thus 705,879 households have already been accommodated; Mr Bevan's ambition to rehouse the 750,000 families which were estimated in 1945 to lack a separate home will be achieved this autumn. Since 1945, some 2½ million people will have been rehoused. This is an important achievement, comfortably exceeding the building effort of 1920-22; but that effort was a very limited affair compared with the mobilisation of resources for house-building in 1945 and after. The Labour Government was pledged to a maximum effort; it gave housing priority over all other needs for new investment; and it encouraged and forced the local authorities to undertake so much housing work that the industry, instead of being allowed to work steadily towards increased output, became congested and costive before the programme was producing finished results.

Cuts in the rate of new approvals were first imposed in August, 1947, and held until March, 1948. The publication of the revised programme in December thus coincided with a serious lack of balance in the house-building industry. At the beginning of that month, 261,161 permanent houses were under construction, but only 15,398 were completed. The accompanying table illustrates the improvement which has since taken place, an improvement which is partly due to the running down of the temporary housing programme, with all its dislocations and unexpectedly great expense.

GREAT BRITAIN

	New Permanent Houses			Temporary Houses		
	Commenced	Under Construction	Completed	Commenced	Under Construction	Completed
April, 1946	not available	77,190	2,116	not available	21,175	5,017
Nov., „	„	180,930	7,351	„	10,014	18,515
April, 1947	16,790	225,853	9,710	4,164	8,502	4,947
Nov., „	14,049	259,932	15,272	3,510	6,998	3,236
April, 1948	12,444	225,408	18,626	1,284	6,939	2,411
May, „	11,840	218,044	20,372	580	5,475	2,124

So far, the reduction in manpower engaged in housing work has not matched the forecast given in the Capital Investment White Paper (525,000); nor does it promise the further reduction by the end of this year as forecast in the Economic Survey. Concentration on the completion of houses under construction has changed

the distribution of manpower in house building, but it has not done as much as was expected to reduce the total numbers employed. The total has fallen by a few thousands from the

HOUSE BUILDING LABOUR
(000's)

Employed on:	New Houses	Conversions and Adaptations	War Damage Repairs	Total Including Repairs and Maintenance
April, 1946	141	101	101	500
„ 1947	249	52	118	542
„ 1948	263	48	81	550
May, 1948	253	48	79	539

peak of 569,200 reached last September, but unauthorised building work has possibly absorbed as many of the displaced workers as have found employment in essential occupations elsewhere. If there was ever any serious intention to seek a further reduction in the building labour force the acceleration of the programme, coupled with the raising of the limit for unlicensed repairs to £100 a year, is now sufficient proof that the present volume of manpower is to be retained—without appeal to any question whether the nation can afford to devote one-fortieth of its entire labour force (and a far higher proportion of its constructional labour force) to investment work which yields only an indirect return.

Last August, Mr Bevan ordered the suspension of all licences for housebuilding by private persons, in order to give local authorities absolute right of way to accelerate work on their own schemes. He has now modified this attitude. The so-called "speculative building" of houses for sale is still anathema, but local authorities may now issue "when they think fit, some licences" to private persons to build houses for their own occupation. Private building will be limited by the four-to-one ratio which obtained until last August, but the ceiling price (£1,300 in the country and £1,400 in London) has not been reintroduced. Private builders will, therefore, be able to undertake building for owner-occupiers up to a rate of about 40,000 houses a year; houses may be built up to 1,500 feet super, compared with limits of 900 or 1,000 feet imposed by the old maximum prices; and selling prices will be fixed by local authorities on the basis of the cost of similar houses built by

BUILDING FIGURES IN MAY, 1948

	Permanent Houses Completed	Permanent Houses under Construction	War Destroyed Houses Completed	War Destroyed Houses under Construction
Local authority	190,954	187,681	7,349	1,414
Private enterprise	70,390	13,979	17,917	10,009

themselves—a formula which will certainly be open to wide interpretation by the judges in their own cause. But the greater scope for private building, coupled with exhortation to local authorities to modify their previous concentration on three-bedroom houses and to build some both smaller and larger—these changes promise to give much needed variety and flexibility to the housing programme. The present monopoly of local authority building is shown in the table in the previous column.

Private builders have built more than one quarter of the new permanent houses erected since the programme began. But with only 13,979 houses under construction, it was obvious that their independent effort must peter out very soon, unless a more generous licensing policy was adopted. Mr Bevan's concession, therefore, has come only just in time to save this effort —though of course private builders are well occupied on contract building for local authorities.

What are the lessons of recent performance and future programmes for housing? First, housing has provided a copybook example of what happens when too much is attempted in too short a time, but before the various sections of the industry and its suppliers had expanded their scale in consonance with each other. The worst of the inefficiencies which resulted from too much pressure and boost should now be past; the controlling factors in future are raw materials—of which softwood is critical—and the industry's labour force—on which, by inference from the statement, the Government has had second thoughts. In the past, plans have been made for house building which assumed that it was an industry capable of almost miraculous expansion. But changes made in policy have their impact much later; new policy determines the level of building not now, but a year or even two years hence. Every shift of direction entails changes in materials, components and labour, and the over-expansion of the industry in 1946 and its over-contraction last winter have produced chaos and uncertainty. The contraction has not indeed been sustained since the Government discovered subsequently that its decision would plunge the building materials industries into still further chaos, and this it has not had the courage to do, in spite of its planning convictions.

Broadly speaking, the lesson of the new programme is that the Government has simply determined that the present size of the house building labour force is the right size, or at least the irreducible size. More houses will be built next year than was contemplated in the Capital Investment White Paper issued last year; they will evidently have priority over industrial investment work; they will absorb far more manpower than was committed to house building before the war, and far more than can be afforded on any cold calculation of Britain's economic resources and problems. If, with its prewar labour strength, the industry could produce as many houses as it did before the war, any expenditure of dollars on timber would at least be partially offset by the increased exports produced by labour no longer needed in the building industry. These are broad questions of cost. But there are narrower aspects of financial costs for housing schemes, on which, so far, there has been much rumour and few facts. An examination of the evidence about the cost of local authority housing will appear in *The Economist* next week.

The Trade of a Trustee

(By a Correspondent)

THE uncertainties of recent years have led to a boom in will-making. Consciousness of mortality touches prospective executors as well as testators, and there has been a marked increase in the appointment of trust corporations, which legally never die, to act as trustees. The trustee departments of the banks and insurance companies worked at high pressure during the war, and the flood of new business has not abated since. On the other hand, their official competitor, the Public Trustee, whose business steadily expanded up to 1939, has, if anything, experienced some reduction of new executor and trustee cases.

The Public Trustee was set up in 1906 as paid executor and trustee, because large sums were annually misappropriated by private trustees. His office opened for business in 1908 with a staff of six; but at once five hundred letters a day came in and, after only three months, 63 trusts had been accepted. In 1911-12, for the first time, the total number of acceptances exceeded one thousand, and 1919-20 saw a peak only slightly below two thousand. After that year, when the staff stood at 1,200, there was some slackening, though the number of new cases in the next decade never fell below 900

in any year. The department was responsible at March, 1947, for nearly 43,000 (accepted) cases valued at £528 million; of these, 20,593 cases were being currently administered by a staff of 870.

When, half-way through the nineteenth century, commercial companies entered the business of trusteeship, it was said that "the law had frightened every responsible and respectable man out of being a trustee." The pamphleteers were then pressing for a Government official "with safe hands above the reach of avarice," but there appeared in *The Economist* of December 3 and 10, 1853, prospectuses of two companies to "undertake trusts on commission." At this development, an eminent lawyer was moved to outraged protest: "The trade of a trustee! The business of an executor! Fancy it written over a shop door!"—thus expressing his horror that trusteeship, which an old rule of law insisted must be unremunerated, should become an article of commerce. Nevertheless, by 1908, a dozen companies were actively engaged in this businesss, including leading banks and insurance companies. Yet the ghosts of fraudulent joint stock banks still haunted the public mind; and there were failures, though not amongst the trustee companies, after 1908. Thus, the security of the State pledged by the Public Trustee represented such an advantage that, up to 1930, the department had more cases than all its rivals put together and was expanding at a faster rate. But by then the ghosts had been laid; and by 1945, at least two of the trustee associates of the "Big Five" banks were growing at three times the speed shown by the Public Trustee. Today, his annual acceptances are now equalled by the least active of the "Big Five" trustee companies.

The companies do not publish separate details of this branch of their business and the Public Trustee's annual report to the Lord Chancellor has not appeared since 1939. But when these corporate trustees come to administer the property of deceased testators they must obtain a Grant of Probate or Administration from the High Court. The following analysis of the Probate Registry grants, gives some idea of how the executor business is shared:—

PROBATE REGISTRY GRANTS
Years to 31 December

	1913	1923	1933	1936	1945
(1) Total of all Grants issued (England)..	72,067	101,497	139,733	150,914	202,100
(2) Grants to Trust Corporations.....	290	660	2,380	3,330	8,175
(3) *Percentage of* (2) to (1) *by numbers* ...	·402	·65	1·703	2·21	4·05
(4) *Percentage of* (2) to (1) *by estimated values*	·98	1·5	4·5	9·0	..
(5) Grants to Public Trustee.....	200	450	500	500	485
(6) Grants to Other Trust Corporations.	90	210	1,880	2,830	7,690

These figures show how quickly the trustee companies have overhauled the Public Trustee. It is still the exception rather than the rule for a testator to choose a corporate executor, but whereas the average value of estates for the whole country has remained fairly steady at about £4,000, the average value of estates administered by corporations is estimated at well over £10,000; hence the proportion of property annually committed to trustees that goes into corporate care is not inconsiderable.

After the Public Trustee's peak business in 1919-20, an increase in fees slowed down the expansion of the department. This year, after another series of wartime losses (which converted a credit balance of £137,425 in 1939 into a debit of £21,053 at March, 1947), the scale of fees has again been raised. The Public Trustee is statutorily required to administer trusts at "cost price," but apparently all the independent companies have always done the same work for considerably less; the department has been frequently criticised for overcharging, and the new charges enhance the discrepancy between the two scales. It is expected that the companies will shortly announce higher

charges, but even then these are likely to be well below the Public Trustee's new fees.

COMPARATIVE ACCEPTANCE FEES
Per £100 of Gross Capital Value of Estates

Public Trustee	Old Scale	New Scale		Company I	Company II
First £5,000	1	1½	First £20,000.....	½	⅜
Next £20,000	½	1	Next £30,000.....	½	½
Next £25,000	¼	¼	Over £50,000.....	¼	¼
Next £25,000	⅛	¼			
Over £75,000	20	½			
Minimum: £10 up to £500 / £15 above £500		No Change	Minimum £10: £2 2s. up to £300. £3 3s. above £300.		

The Public Trustee's fees were already higher than the companies' before the new scale; yet forty years ago the latter were very much afraid that the former, not needing profit, would undercut their business. An estate valued for probate at £20,000 will pay now £225, when the Public Trustee accepts active duties, against £125 last year; but a number of companies will undertake responsibility for a fee of £100, and others for as little as £75. Other fees taken by Trust Corporations—such as investment or management fees charged on the value of the stocks bought and sold—are much more difficult to assess. The Public Trustee's fee revenue for 1946-47 includes £107,000 out of a total of £314,000 for investment fees, and an analysis of the gross receipts of three trustee companies shows that 45, 40 and 33⅓ per cent of their annual revenue was derived from the same source.

The various fee schedules can, in fact, be compared only by applying them to cases that have actually been administered by a Trust Corporation. This comparison has been made by an experienced trust officer of one of the companies, for a number of cases so chosen that they cover the operation of every type of fee, and an attempt has also been made to compute the costs if an unpaid personal trustee had administered them. Trust Corporations' fees do not cover solicitors' costs. In the ordinary way, to obtain probate of a will and to administer a trust require continuous legal assistance, and a private trustee leaves the business entirely to his solicitors and pays them out of the trust estate. An institutional trustee, with its expert organisation, does not need clerical assistance such as the solicitor provides for the amateur, but it still needs legal guidance; the Public Trustee is as careful as the companies to fortify himself with independent professional advice. Each letter written has, therefore, been priced at five shillings as a fair average of the charge which solicitors, having to write them all, would have made to a private trustee. From this estimated total, the costs actually paid to solicitors by the Trust Corporation have been deducted; the balance should give the "extra costs" which the Trust Corporation did not need to incur. The resultant comparison, for each of four categories of cases, is shown below:—

COMPARATIVE CHARGES FOR ADMINISTRATION

	£	£	£	£
Gross Value of Trust Estate	7,041	2,798	141,894	23,675
Public Trustee's Fees (pre-1948)	96	31	489	258
Fees of Company I	72	17	319	183
Fees of Company II.....	35	8	270	95
"Extra Costs" of Private Individual....	107	5	499	228

The comparison still weighs against the Public Trustee, but with one exception the estimated "extra costs" to a private individual are not so widely different from the Public Trustee's fees. This may lend some colour to the claim that the department works at "cost price."

Small estates are relatively more expensive to administer than large estates. It has been officially estimated that estates under £1,000 cost the Public Trustee £25,000 to administer,

against fee payments of about £3,250 in a recent year. It is no secret that the bigger trusts balance the Public Trustee's revenue account; and fortunately, although about half his cases are worth less than £5,000, the average value of 18,000 accepted probate cases is over £16,000. Yet the average value of the companies' cases has been £4,000 to £10,000 below that of the Public Trustee's cases and at least three companies accept over 50 per cent more cases under £5,000 that he does.

The record of one company presents a distinct challenge to official explanations about the cost of small estates. For many years it has acted as trustee for deceased customers whose assets rarely exceed £1,000. In 1936, it obtained 570 probate grants averaging £873 and in 1945 over 1,000, averaging £1,175. Its acceptance fees are shown under Company II in the second table, and its other fees are also markedly below those of the Public Trustee. Its minimum fee must often operate, for 20 per cent. of its cases are worth less than £300. Its representatives will not admit that it runs its trustee services at a loss; indeed, it is very doubtful whether it could afford to do so. Apologists for the Public Trustee assert that the companies can make by-profits from other trustee work, which a self-contained Public Trustee organisation cannot do. This is undoubtedly true. But such profits are quite indeterminate and, for the customer who seeks service at lower cost, the point is largely irrelevant. On any test, the companies now provide cheaper service.

These comparisons are not without their lessons. The first Public Trustee was an enemy of red-tape and he bequeathed a tradition of sympathetic and understanding administration. Relations between trustee and trust beneficiaries are intensely personal. But as the Public Trustee's organisation grew (without putting out branches except in Manchester) it hardened into a Government Department and the early tradition weakened. On the other hand, the banks, through thousands of branches, enjoy almost daily business contacts and close personal relations with their customers, which inevitably bring in trust business. The banks have also opened trustee departments in provincial centres; since the beginning of this year at least one big bank has added five more such provincial offices to its list. The insurance companies have fewer opportunities for such continuous personal contacts. They are, indeed, sharing in the rapid expansion of trust business, but whilst four individual banks took over one thousand probate grants each in 1945, the insurance companies together claimed less than two hundred. This coming "home to men's business and bosoms" has put the banks far ahead of all competitors in the trade. It is a portent which the Public Trustee has doubtless marked.

Business Notes

Uneasy Markets

The Stock Exchange this week has been trying rather unsuccessfully to trim its sails to the heavy gusts of conflicting influences—the sombre news from Berlin, the Chancellor's reaffirmation of his disinflationary policy, the fears and hopes about the dock strike and the ERP agreements. The dominant influence, inevitably, has been the international news, as may be seen from the fact that the scissors movement between Gilt-edged and equities—with the former tending to rise and the latter to fall—has been interrupted. On Monday, when all influences temporarily pressed in the same direction, there was heaviness throughout the markets. Gilt-edged showed losses ranging to half a point, and the Ordinary share index of the *Financial Times* dropped by 1.4 to 111.7—fully nine points below its post-Budget peak. These declines, however, occurred in very thin markets, and the rebound on the following day was due at least as much to the technical influence of end-account bear covering as to any general change in sentiment. But the movement showed a little momentum at the opening of the new account, thanks to the ending of the dock strike, the relatively satisfactory terms of the ERP agreement, and some hopeful interpretations of the news from Jugoslavia. Since then, uneasiness about the Berlin situation has become a more enveloping influence.

Despite these vicissitudes, the activity in the new issue market continues. Hard on the heels of the £5,000,000 Birmingham Loan came the expected New Zealand conversion operation, announced on the very day that dealings started in the Birmingham scrip—at ⅛ discount, later rising to a fractional premium. More than half this issue was absorbed by conversion applicants, and cash applications had to be scaled down. Of the £19,225,000 of New Zealand 4½ per cent Stock which is to be redeemed, the Dominion is replacing only £16 million and will repay the remainder by drawing upon accumulated sterling balances. The new issue is a 3 per cent stock, 1966-68, offered at par—virtually the same terms as the Birmingham loan, the minimum life of which is one year shorter. It is, however, two years longer than the recent Australian issue, which on the eve of the New Zealand announcement still commanded a premium of ⅛. Another notable operation is the first public issue of equity capital of the old-established business of Whitbread and Company, Ltd., which merits more propitious markets than are perhaps to be expected on Monday, when the lists open. One quarter of the equity is being offered for sale by Baring Bros. and Schröder and Co.—204,880 £1 stock units at 88s. and a similar number of 5s. units at the equivalent price of 22s. (for the two issues rank *pari passu*). The company has an excellent record, and on the basis of the well-covered 20 per cent dividend paid last year the units yield a little more than 4½ per cent at the issue prices.

The Bilateral Agreement

The text of the Economic Co-operation Agreement between the governments of the United Kingdom and the United States belies most of the alleged ferocity of the original draft. It retains the objectionable provisions regarding the use of local currencies to finance American stockpiling of strategic materials. In this respect, however, the hands of the negotiators were tied by Congress, which inserted a clause in the Appropriation Act requiring that up to 5 per cent of these local funds might be expended for such purposes. The local currency fund will also be available to meet administrative expenditure in Britain arising out of the operation of the European Recovery Programme. The resources deposited in sterling as a counterpart of the grants made to Britain will be kept in a special account at the Bank of England in the name of the British Government. There will be credited to it "amounts commensurate with the indicated dollar cost to the Government of the United States of commodities, services and technical information made available to the United Kingdom on a grant basis." The moneys in this account may also be drawn on to meet transport charges on relief supplies and packages from the point of entry into Britain to the consignee. The balance of the sterling in the special account will be used for purposes agreed between the two governments, "taking into account the need for promoting and maintaining internal and financial stabilisation." Among such expenditure the agreement specifies (a) projects for developing the productive capacity of the United Kingdom and other participating countries, (b) exploration for, and additional production of, materials in which the United States may be deficient, (c) retirement of the national debt, especially debt held by the central bank or other banking institutions.

The British Government undertakes by the agreement to "use its best endeavours" to achieve the general objectives already set forth in the agreement which the sixteen Marshall countries signed last April. These include the promotion of industrial and agricultural production "on a sound basis," the stabilisation of the currency, including the establishment or maintenance of "a valid rate of exchange," the balancing of the budget and co-operation with other countries in facilitating and increasing the interchange of goods and services among them. Sir Stafford Cripps in presenting the agreement to the House of Commons made some important interpretative comments on these commitments. The first is that "HM Government is the sole judge of how it shall use its best endeavours and as to what measures it shall adopt." Whatever suggestions of American dictation or even intrusion may have been contained in earlier drafts have been swept away. The second is that the obligation to balance the budget does not preclude deficits over short periods, but

means a budgetary policy involving the balancing of the budget in the long run (how long is not specified in the interpretative notes appended to the agreement).

* * *

Assets in USA

One of the commitments undertaken by Britain is "to locate, identify and put into appropriate use in furtherance of the joint programme for European recovery, assets and earnings therefrom which belong to nationals of the United Kingdom and which are situated within the United States." The clause adds that this "imposes no obligation on the Government of the United Kingdom to dispose of such assets" and Sir Stafford Cripps has said that he was authorised to announce that the measures now in effect in Britain were, in the view of the American Government, adequate fulfilment of this clause.

There is no hint in the agreement of the pressure to modify sterling area arrangements which at one time was being exerted by certain sections of the US administration. The agreement makes it clear that the colonial territories will accede to the ERP agreement and to that extent the sterling area machinery will hold no danger of unauthorised dissipation of American aid. As regards dissipation to other members of the sterling area, the safeguards are, first, the general undertaking of the British Government that the aid obtained from the United States shall be used "for purposes consistent with this agreement" and, secondly, the extremely detailed information which Britain undertakes to make available to enable representatives of the Economic Co-operation Administrator to "follow through" the use of materials and other forms of aid provided under the agreement.

The commitments on commercial policy do not go beyond the Charter of the International Trade Organisation signed at Havana, and even these are subject to the governing phrase limiting the duty of the British Government to "use its best endeavours" according to its own interpretation of what those endeavours should be. The only "spelling out" of these particular commitments is that given in the interpretative notes which specify the types of restrictive business practices which the British Government undertakes to prevent. These include agreements to fix prices, allocate markets, limit production, prevent the development of inventions, in fact all the "sins" against which the philosophy of the Sherman Acts is directed. This clause may conceivably give trouble later if some form of cartellisation of industry is found to be a desirable means of integrating European industry.

The agreement will be debated on Monday and Tuesday of next week in the House of Commons, and if approved will probably be signed on Tuesday evening. If things go according to plan there will, therefore, be no appreciable hiatus between the July 3rd deadline and the formal signature of the bilateral agreement, and, consequently, no period during which Britain will cease to be entitled to Marshall aid.

* * *

Disinflationary Policy Reaffirmed

The Chancellor, it is good to see, has done his best to allay the widespread fears that the Government has been retreating from the disinflationary policy. His firm speech at the final stage of the Finance Bill provided the one heartening gleam in a week-end of sombre news. He denied categorically that there has been in the past two months any change either in the conditions requiring a large budget surplus or in the policy laid down in the budget speech. The purchase tax concessions—notably those on wireless sets, clocks and watches, kitchen furniture and utility fur coats—had all been made, he said, to meet changes in the specific conditions of those particular industries, not because of any general change. "All these industries affected particularly the Development Areas and in all there had been a marked change of demand which threatened rather serious consequences." On the disinflationary policy as a whole, "we must not make any changes which will change the general direction—or even the degree—of our action in this matter."

It is a pity this reaffirmation was not made, as obviously it should have been, at the time the concessions were granted—when the debate was mainly in the hands of junior ministers. Now the Chancellor is obviously determined to make good the psychological damage that has been done. So far, he said—citing precisely the evidence noted recently in these columns—there has been "no general indication of any turn towards deflation, and nothing to show that we need have any fear of any sudden change." Bank deposits in May were £300 million above their level of May, 1947, the note circulation has recently turned slightly upwards again, and the mid-May unemployment figure was below 300,000. So far "there are only the very smallest signs" that disinflation has "accomplished anything at all—though there are signs." Those signs are the very tendencies that have produced the protests against the Government's policy—the recession of demand for certain types of goods. The success of the disinflationary policy will be demonstrated only when the tide of demand has receded sufficiently to throw up surpluses of the less essential goods and thereby to release labour for the key industries. Sir Stafford is to be congratulated on his courage in putting this point quite bluntly. The process of curtailing demand, he declared, "has got to go much further, and . . . it will create some degree of discomfort and hardship."

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Danger of Piecemeal Relaxations

After this unambiguous statement, there is no room for doubt about the Chancellor's own determination; and that is the rock on which the Government's economic policy as a whole is founded. Unhappily, on this difficult issue—in a political sense, the difficulty is undeniable—the attitude of some of his Cabinet colleagues may be less dependable. The Chancellor said that the economy will not have been disinflated until the under-manning of the essential industries has been remedied. If that test—indisputably the right test—were rigorously applied, the disinflationary policy would certainly be followed to the bitter end; and it would be bitter. In the process, the pressure against the policy is bound to grow; it is greatly to be hoped that it will not arise inside as well as outside the Government.

Even now, there are some disquieting signs of waywardness. The unification of policy is not complete. Especially dangerous is the principle of giving relief to soften the impact of disinflation at particular points. Each concession may seem fully justified by the merits of the specific case, and each may look innocuous by itself. But the cumulative effect could easily undermine the whole policy. Indeed, the force behind Sir Stafford's arguments has already been somewhat impaired by three more specific concessions announced almost simultaneously—the abatement of the cuts originally projected in the programme for new housing, the raising of the limit on the repairs that may be undertaken without licence, and the new machinery for permitting "frustrated" export goods to be unloaded on the home market. This last concession looks, on a superficial view, to be entirely reasonable; indeed, in the eyes of the trade interests affected, any other policy would seem to be grossly unreasonable. Yet if business men can always be sure of permission to sell at home what they cannot sell abroad, the pressure upon them to seek export markets and to cater specifically for their needs will be greatly diminished. The new policy, discussed more fully in a subsequent Note, needs to be employed cautiously and with discrimination.

As for the housing concessions, it may be true that they will do no more than absorb resources already available. But some of those resources are needed elsewhere and would eventually be induced to move—if only the Government did not rush in to take up any slack as soon as it appears. When, eventually, there is scope for restoring the cuts in the investment programme, the first priority will undoubtedly be the re-equipment of British industry. On that matter well-informed opinion is now virtually unanimous. It should be reinforced by some calculations made in an article in the latest issue of *Lloyds Bank Review*. Mr Manning Dacey, in the course of a detailed analysis of the national balance sheet in the light of the budget, computes Britain's net investment last year as equivalent to no more than £135 million at 1938 prices, compared with actual net investment in that year of £227 million. It ought to be possible, he contends, to curb inflation without jeopardising Britain's industrial future.

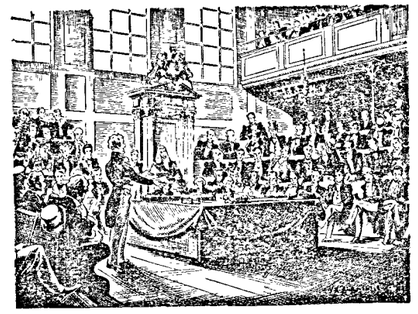
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Inflation in China

The inflation of the national Chinese dollar, or fapi, has ceased to be galloping and has become jet-propelled. The currency, in so far as a quotation for it can be discovered, appears to be depreciating at the rate of about 50 per cent in a fortnight. Last week the black market in Shanghai saw the price of the US dollar rising from 3,000,000 to 4,000,000 Chinese dollars. The Communist victories in the north are completing the fell work begun by the lack of effective budgetary policy of the Chinese Government, and confidence in the currency has now been shaken and destroyed beyond repair. Nothing further has been heard in the last few days of the proposals for a fundamental reform of the Chinese currency based on restoring silver to circulation. Plans for such a development can never have been more than a pipe dream given the absence of an adequate supply of silver

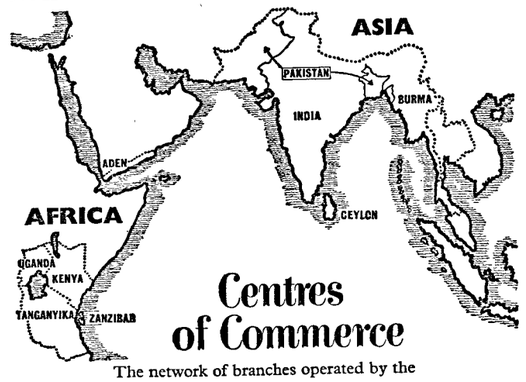
In 1831 The increasing wealth and trade of Liverpool created the necessity for greater banking facilities, and the Bank of Liverpool—Martins Bank, as it is known to-day—was founded in that year. The times were momentous; the Napoleonic wars were left well behind, we were on the threshold of those railway and great mechanical advances which were to lead in the proud progress of the Nineteenth Century, and in the House of Commons Sir Robert Peel was adding lustre to his name.

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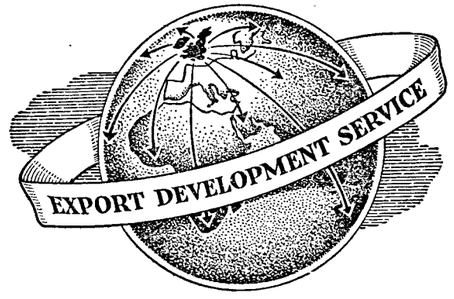


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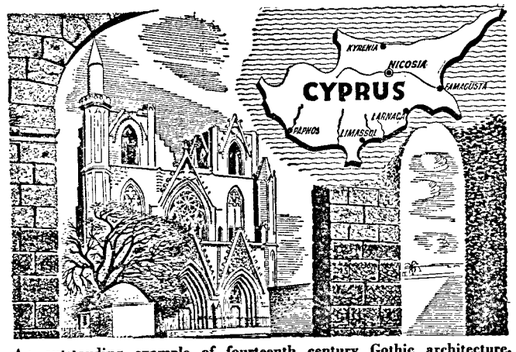
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Subsequent occupation by the Venetians and the Ottoman Empire reduced the fortunes of the island to a low ebb, but from the end of the nineteenth century Cyprus began to recover some of her ancient importance as a centre of Mediterranean commerce. Today the port of Famagusta handles much of the island's trade, though carobs, wines and citrus have replaced the precious stones and silks of former centuries. Full and up-to-date information from our branches in Cyprus on industrial conditions and commercial trends in the island is readily obtainable on request.

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with which to launch an operation of this kind. With the growing disintegration of the currency system in China, there is, however, mounting evidence of an increasing volume of gold traffic with that country. Recent estimates from Hongkong suggest that on balance about a quarter of a million ounces of gold have been entering the mainland each week. A considerable part of that gold makes its way to China through Manila and Hongkong. The usual refinement and reversal of Gresham's law is once again being illustrated. Bad money, having driven out the remnants of the good, can then become so bad as to destroy all confidence in it and so stimulate the search for alternatives such as cigarettes—or even gold.

* * *

Quarter's Revenue Surplus

Meanwhile, the contrast between this year's Budgetary experience and last year's is emphasised by the quarterly Revenue Return—or would be if the account was prepared on the more rational lines employed in the pro forma statement given by the Chancellor in his Budget speech. The quarter's surplus of ordinary revenue over ordinary expenditure amounts, on the conventional basis, to £181 million, or appreciably less than the £220 million "ordinary" surplus in which Dr Dalton took such pride last year. But in fact the bulk of that surplus merely reflected his programme of "clawing back" unspent credits left over from various wartime votes. Most of these purely nominal credits were brought into the account in the first quarter of 1947-48 and were shown in the wholly abnormal contribution of no less than £143 million in that period from Miscellaneous receipts. In the past quarter this item has contributed a mere £14½ million, a difference which much more than explains the apparent decline in the ordinary surplus this year. Indeed, if all receipts from the three principal sources of abnormal revenue—the disposal of war stores, surpluses from trading services, and Miscellaneous receipts—were wholly excluded from the reckoning, the account for the past quarter would still show a surplus of £147 million, in contrast with only £27 million on a similar basis for the first three months of 1947-48.

It follows, therefore, that all the main items of revenue show substantial increases over the year, the most noteworthy being the jump of £49½ million to £183 million in Excise and increases of £22.8 million (to £209 million) in Income Tax and £16.7 million (to £22.2 million) in Profits Tax.

The quarter's experience, on the conventional basis, is summarised in the accompanying table:—

(£ million)

	1st Quarter		Estimate for Year 1948-49
	1947-48	1948-48	
Ordinary Revenue	840·0	791·8	3,765·3
Ordinary Expenditure*	619·8	613·8	2,975·7
	+220·2	+181·0	+789·6

* Excluding Sinking Fund.

Expenditure, it will be seen, shows only a fractional decline from its 1947-48 level, although the year's estimate envisaged a decline of nearly £80 million. Expenditure below the line, moreover, has been heavier than in the corresponding period last year. Loans to Local Authorities have risen from £39.8 million to £70.7 million; £18 million has been advanced to the Coal Board and £17 million issued under the Cotton (Centralised Buying) Act. War Damage payments have required £34.5 million, compared with £21.8 million.

* * *

Controversy on Commissions

The petition sponsored by twenty-six stock exchange firms asking for the withdrawal of the new rules on the sharing of stock exchange commissions, due to take effect next year, has been backed by no less than 1,660 members, including 1,118 brokers and 504 jobbers. Considering that only some 1,300 members voted at the recent election of the Council of the Stock Exchange to which the petition was presented on Thursday, the weight of opinion against the new rules certainly appears formidable. The changes in the rules were confirmed last December; they abolish the sharing of commission with solicitors, accountants and Public Trustee and the trustee departments of the banks, though business passed by the banks themselves is not affected. The new rules had a mixed reception, and representations have since been made, informally and later formally, to the Council on behalf of a group of brokers asking that the question should be reopened and fresh evidence obtained. That opposition has since developed into an effectively organised petition, sponsored by no fewer than 25 firms of brokers.

The circular which was issued on behalf of these firms put forward three main reasons for rescinding the new rules. First, it held that the abolition of sharing of commission was unfair to the agents concerned, and that its restriction to certain agents was illogical. Secondly, the critics urged that the abolition of splitting of commission in these cases will increase the cost of investment and disrupt valuable links between clients and agents; and, thirdly, they declared that the volume of business reaching the House would fall. The circular did not mince words. It brought out into the open the distinction which the new rules create between the banks and other agents—a distinction, it is suggested, which marks the fear that the banks might retaliate if their sharing of commission was abolished. It showed that the public could avoid the consequences of extra costs which were likely to arise through the abolition of shared commission by placing their business through the banks. And it declared categorically that the benefits of abolishing agency rebates would be far outweighed by a reduction in the volume of business because four out of five of the principal channels through which agency business flows to the Stock Exchange were stemmed.

To these forcibly expressed arguments the Council issued its reply last week. It answered few of the points in detail, reiterated its conviction that the new rules were in the interests of members, and emphasised—as it was fully entitled to do—its aim to raise the status of stockbroking as a profession. The general case in favour of the "rate for the job" can be argued as forcibly on the Stock Exchange as outside. But if agency is productive and enables business to be done more expeditiously, the agents are entitled to some return for services rendered. Those are the two logical extremes of the argument. Both sides—the critics with their detailed case in opposition which is sometimes a little overstressed, and the Council, with its generalities and its resort to the prefectorial touch—have, it would seem, failed to bring the extremes any closer.

* * *

Agenda for the Miners

The miners' annual conference, which opens in Whitley Bay on Monday, will be watched with special attention at this moment, with the Coal Board's first annual report due for publication within a few days, and with criticisms of the working of nationalisation more strongly heard than ever before. The miners have plenty of criticisms of their own, and the whole question of the Board's relations with its workers will be discussed on resolutions from Wales; their chief complaint is of the lack of opportunity for workers' participation. The union has itself sent out a questionnaire to local branches and lodges in an attempt to ascertain rank and file opinion of the divisional administrations. But so far the volume of evidence is said to be disappointing.

It is hard to see that the National Union of Mineworkers has serious ground for complaint against the Board. Scarcely a claim that has been advanced by the union since nationalisation has not been gained. The Miners' Charter has become an established fact. The principle of the five-day week has been conceded, minimum wages have been raised, and recently a supplementary compensation scheme for injured and disabled miners has been agreed. And the Board can hardly be accused of undue haste in taking disciplinary measures against absentees or unofficial strikers. Evidence of conflict between the interests of production and the immediate welfare of miners has been visible at every stage in the Board's career. This was the underlying reason for Sir Charles Reid's departure and for the recent resignations of so many divisional officials. The same conflict is apparent in the negotiations now proceeding about a scheme for compensating men who become "redundant" through concentration. Under an existing agreement, payment is made for 12 weeks in addition to unemployment benefit. The miners are asking for 52 weeks' payment instead—and that it should not be confined to men displaced by the concentration scheme. The Board, not surprisingly, considers this claim exaggerated; it has offered to increase the period to 16 weeks. If concentration and reorganisation are to be successfully carried out, the industry clearly cannot afford to create an army of pensioners, who would have no inducement to seek work elsewhere or to train for another trade.

The human and social problems involved in concentration should not be underestimated, and the Board is right to treat them seriously, as its experiences at Waleswood and elsewhere have shown that it must. But it would be wrong, equally, for the Board to allow itself to be deflected from its task of producing coal efficiently and cheaply. From this point of view the miners' proposals are no help, and the present stagnation of coal production can only weaken their case.

Frustrated Exports

Despite the increasing volume of British export trade, some manufactured goods can no longer find overseas markets. In some cases that is evidently due to import restrictions, but in others it results from saturation of the overseas market or from high British costs. Whatever the cause, stocks of these goods have been accumulating in this country and manufacturers are pressing for permission to sell these "frustrated exports" on the home market. Last week, Mr Harold Wilson announced the appointment of a committee of the Association of the British Chambers of Commerce to advise the Board of Trade upon each individual claim. He emphasised, however, that permission would not be granted until the exporters could show that every effort had been made to find alternative markets. Mr Wilson quoted the case of British motor car exports. Last year, forty-eight foreign markets were closed to them; yet alternative outlets had been found, and by last April Britain had established itself as the world's leading passenger motor vehicle exporter. Indiscriminate diversion of supplies to the home market will not be permitted—and quite rightly so. The committee will advise diversion only when it is assured that the goods cannot be sold at a "reasonable price."

These are unexceptionable principles, and it is to be hoped that they will be closely followed in practice. Yet such a policy will not reach the heart of the problem. More radio sets, mechanical lighters, plastic goods and "old look" clothes may have been produced than the export markets can absorb, yet if diversions of accumulated stocks to the home market are permitted without any condition that the rate of output is curtailed, the export drive will be seriously impaired. Unless there is a good chance that alternative export markets will be quickly found, the surplus productive capacity, particularly the labour, must be switched to production of more readily exportable goods or to other essential industries, despite the dislocation and short-term unemployment which might ensue. One means of enforcing such a policy would be to ensure that exporters' priorities for labour, capital equipment and raw materials are quickly revised when their exports are frustrated. It is important that such priorities should not continue to be given for production which is merely serving the less essential or even luxury demands of the home market.

In all this, a distinction must clearly be drawn between those exports which are frustrated by import restrictions and those for which no genuine overseas market exists. Import restrictions may be overcome by bilateral agreements; but exporters are complaining that the Government is not taking a firm enough stand on the inclusion of less essential exports in the trade pacts. For example, British radios may not be exported to Scandinavia whereas Dutch sets can. Where, however, the external markets are patently inadequate, there is no alternative to the diversion of productive capacity, under reasonably close supervision. Even where a large export market exists, there is apparently need for tighter administration, as the admitted leakage of "export" cars to the home market shows.

* * *

Higher Wool Reserve Prices

Wool prices have remained very firm throughout the current season, apart from a temporary break at the end of February, and increases have been particularly marked for better quality combing wools. Consumers are still insistent on quality and the Joint Organisation's stock of combing merino has dwindled rapidly. The main problem now to be solved is the disposal of the stock of medium and coarse crossbred and carbonising wools; the new schedule of reserve prices for the 1948-49 season attempts to provide at least a partial solution. The reserve prices do not pretend to represent the costs of producing wool. They are fixed by representatives of the Governments of the United Kingdom, Australia, New Zealand and South Africa in order to give some measure of stability to the woolgrower and at the same time to assist the disposal of accumulated wool stocks. If any lot of wool fails to reach the appropriate reserve price, the Joint Organisation buys it in and adds it to its stocks.

APPROXIMATE RESERVE PRICES FOR WOOL
(Pence per lb.—Clean Delivered Cost)

Qualities	Fixed Selling Price June, 1946	Approximate Reserve Prices			Current Market Price June, 1948
		Season 1946-47	Season 1947-48	Season 1948-49	
	d.	d.	d.	d.	d.
Merino (64s.)	37	37	40	51	105
Fine crossbred (58s.).....	34	34	36½	41	72
Low crossbred (46s.)	22½	22½	22½	22½	30

The adjustments which have been made bring the different reserve prices more into line with those established in the wool auctions during the past two years. Thus, they take account of the greatly increased prices for merino and fine crossbred wools, and also of the margins between wools differing in quality, length, style and fault. The average reserve prices for the better types have been raised considerably—in some cases by more than 20 per cent—while those of 50's quality and under remain unchanged. By this method it is hoped to impress upon wool growers, particularly in New Zealand where they can exert some control over the quality of the marketed product, the need to produce wool as free from fault as possible.

The Joint Organisation does not disclose its reserve prices, but it has announced that for next season the average increase over 1947-48 for Australian wool will be about 20 per cent (ex-store, greasy basis), for South African about 18 per cent and for New Zealand greasy wool about 4 per cent. It is an open secret that the reserve level for the first postwar season (1946-47) was practically identical with the final schedule of fixed selling prices in force up to June, 1946. Last season, increases of just over 10 per cent were made in the reserve prices for merino, less than 10 per cent for fine crossbreds, while medium and coarse crossbreds were unchanged. Hence, to obtain the average increases in the new schedule, reserve prices for merino must have been raised by 25 per cent, fine crossbreds by 10-12½ per cent and medium and coarse crossbreds again left virtually unaltered. Thus it is possible to calculate the approximate reserve prices for specific qualities; these are shown in the table in the adjoining column, together with the previous seasons' reserve prices and the corresponding current market prices.

On lower quality wools, there is little room for manœuvre between the current market price and the reserve level, whereas merino prices could fall by over 50 per cent before the Joint Organisation was called upon to intervene. So far, reserve prices have had little or no effect on the course of wool prices; if demand is sustained, they are likely to continue to provide only a theoretical floor to the market. But manufacturers, who are now believed to be holding 6-9 months' stock of wool have a higher minimum stock value for the coming season.

* * *

Imperial Tobacco's Short Term Finance

The suggested issue of an additional £10 million ten year notes by Imperial Tobacco has now been made at terms a good deal less favourable than those of the existing £10 million out-

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The Economist

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standing 3 per cent ten year notes 1950-55. The new issue bears a rate of interest of 3¼ per cent and has been placed privately at 99½ per cent. This financing brings the company's total outstanding short term indebtedness up to £56,383,465 (including bank overdrafts to the extent of £26,383,465 as shown on October 31st in the most recent balance sheet). This compares with £50,420,985 of issued capital, consisting of three preference issues totalling £12,857,936 and the ordinary capital of £37,563,049.

A note in *The Economist* on June 12th pointed out that the need for a further increase in the resources of the group has arisen largely from the higher costs of stocks resulting from the increase in the Tobacco Duty last April, although the effect of the Duty has to some extent been mitigated by a reduction in the physical quantity of leaf. Indeed, consideration of the Bonus Issues Tax aside, it is the uncertainty of the future level of stocks which has presented the Board with so much difficulty in deciding on the right level of permanent capital. The problem of funding at least part of the outstanding short term debt will persist, for it is not likely that the company will make any move until the Chancellor has made up his mind on the future of the Bonus Issues Tax.

* * * *

Sugar Prospects and ECA

The international sugar market has felt the full impact of dollar shortage in the past twelve months. The major exporters—Cuba, Haiti and San Domingo—come within the US monetary area, and importing countries have had to restrict their purchases from these sources well below their current needs. Thus effective world demand has been much smaller than world production (which in the current season was only 5 per cent below the 1937-38 output) and stocks have accumulated in the exporting countries. Their weight has been partly lifted by large purchases by the American Government for its occupation areas, but they have not been sufficient to bring supply and demand into balance. Sugar exporters have therefore turned with eager expectation to the prospects for Marshall aid; but it is not at all certain at the moment that ECA grants will afford them any material relief.

The original programme of allocations made by Mr Paul Hoffman proposed that 2,300,000 tons of sugar from Western Hemisphere countries should be included in the first year's American Aid. But even if funds are specifically earmarked in the programme for the purchase of sugar, there is no guarantee that sugar supplies in the recipient countries will be any larger than they have been during the current season. Indeed, granted the probability that the appropriation of funds for ECA will be less than the total amount originally authorised, purchases of sugar are likely to be smaller than a year ago Moreover it will not follow

EUROPEAN BEET SUGAR AND PRODUCTION

	1937-38*		1946-47		1947-48		1948-49
	Area	Production	Area	Production	Area	Production	Area (estimated)
	'000 acres	'000 tons	'000 acres	'000 tons	'000 acres	'000 tons	'000 acres
Belgium	119	240	106	232	126	136	116.
Czechoslovakia	412	741	409	592	421	350	433
Denmark	100	251	106	212	108	152	104
France†	568	969	488	750	568	650	618
Germany	1,042	2,213	805	984	870	772	890
Holland	106	246	111	235	126	220	111
Hungary	93	111	119	66	230	155	247
Italy	257†	352	248	275	289‡	215	297‡
Poland	361†	562	418	419	518	517	544
Rumania	73	76	94	35	124	80	123
Spain	210	151	195	162	200	128	235
Sweden	137	345	135	286	119	237	119
Turkey	66	61	99	106	102	106	136
United Kingdom	313	426	414	600	380	457	401
Others (excluding USSR)	227	341	250	211	236	234	273
Total (excluding USSR)	4,094	7,035	3,997	5,165	4,417	4,472	4,651

* Excludes production in Lithuania, Latvia and Danzig. † Area for sugar only.
‡ May include beets for alcohol manufacture.
Source: C. Czarnikow, Ltd.

that purchases under ECA grants or loans will necessarily form an addition to the purchases which importing countries might otherwise have made independently. To some extent, Marshall Aid sugar will replace sugar which might have been paid for out of importers' own exchange resources. Only recently Mr Strachey admitted in the House that "we cannot afford the dollars for additional supplies and our stocks are only sufficient to maintain the present rate of distribution."

As Messrs C. Czarnikow, Limited, have pointed out in a recent review, the European sugar beet harvest will have an important bearing on the import requirements of these countries. Area under beet for the new season (excluding the USSR) is about 5 per cent larger than in 1947 and 14 per cent above the prewar level. Last season, European sugar production was disappointing owing to the drought; the increased sugar content due to the long spell of very fine weather only partially offset the loss of root weight. The reserve of moisture in the ground in many areas has been less than normal for the time of the year, but there is a good chance that, given favourable climatic conditions, crops may yield a full return, particularly as they have had a good start. If such conditions obtain, European production might be 9 per cent higher than in 1937-38 and 70 per cent above last year's low figure of nearly 4,500,000 tons (raw value); in which case import requirements are likely to be correspondingly reduced.

* * *

More Export Guarantee Facilities

The new Export Guarantees Bill makes no changes in the system of export credit guarantees as it has operated since the end of hostilities. Its purpose is simply to raise the limits of the amounts which the Government may have under guarantee at any one time. The limit on the total of guarantees of all kinds, which was raised from £75 million to £200 million by the Act of 1945, is now to be increased to £300 million, and increases are also proposed in the specific limits which are imposed upon certain particular kinds of guarantees. But although the new bill serves this formal purpose, its significance is more than formal. It indicates not only the growth in export business but a change in its character. In the past two years the amounts granted by policies issued by the Export Credits Guarantee Department has risen by almost 160 per cent; the total for the financial year 1947-48 was £186 million, compared with £72 million in the first postwar year. In the early phase of the export drive, effort was necessarily concentrated upon sales for cash and, indeed, when the scarcity of goods was at its height, exporters frequently found no difficulty in securing payment actually at the time the order was placed. Now, as the pressure relaxes and conditions swing steadily from a sellers' to a buyers' market, it may be presumed that Britain's customers will increasingly expect credit terms. Part of the very large increase in demands for the facilities of the Department in the past year or so may reflect changes of this kind; there is little doubt that this influence upon the demand for the facilities it offers will be increasingly apparent in future.

The policies issued by the Department are not, of course, by any means confined to insurance of credit risks. They cover most of the risks associated with international trade and, since 1945, when the changes made as emergency measures early in the war were consolidated into the peacetime arrangements, all risks have been combined in a single comprehensive policy. Exporters are not obliged to take the full cover unless they wish; they cannot, however, insure against transfer risks—that is, against the possibility that the funds due to them, though paid in foreign currency, cannot be turned into sterling—unless they also insure against the risk of the buyer's insolvency.

* * *

Trade with Chile

The Treasury-Bank of England delegation which is touring South America appears to have achieved considerable success in its negotiations with Chile in Santiago. The only detail to reach London of the new payments agreement which was signed there at the end of last week is that Chile has now entered the transferable account area and has left the group of countries operating "American accounts." This means that British trade with Chile, which hitherto has been conducted on what is virtually a dollar basis, will be conducted in sterling. The technical changes have been made and the necessary instructions sent to bankers in this country. These require that as from June 30, 1948, payments to Chile must ordinarily be made in sterling to a Chilean transferable account or to a Chilean account. The shift of trade with Chile from a dollar to a sterling basis is doubly welcome in that it refers not merely to the strictly bilateral trade between Chile and the sterling area, but to the far wider sphere of operations which Chile will be able to transact in sterling by virtue of its membership of the transferable account group. It should be noted that transferability of sterling in Chilean transferable account will be automatic and will not have to be authorised for each particular transaction. This admission of Chile into the still sizable group of transferable account countries is a significant

token of the slow climb back of sterling to the status of an international currency, from which so great a fall was suffered in August of last year when convertibility had to be suspended.

* * *

FCI's Loss

The report of the Finance Corporation for Industry for the year to March 31st last provides little evidence that the facilities of the Corporation have been used on the increasing scale which had been envisaged when it was launched, under Government auspices, three years ago. Indeed, the total commitments, which have expanded since July 17th last year from £40,733,451 to £41,275,750, are still heavily weighted by the £35 million of finance promised to the Steel Company of Wales. These figures of commitments do not, in any case, measure the volume of business actually done. This is shown in the increase of £2,875,750, to a total of only £4,737,801, in loans and acquired shares. Funds for the requirements of the Corporation have again been largely obtained from bank advances, which have been increased from £1,551,187 to £4,502,714. Owing to the writing off of £90,000 on a secured loan, operations for the year have resulted in a loss of £3,408, bringing the total deficit carried forward up to £28,636. This loss of £90,000 has arisen as a result of the assistance given to a company which had secured a substantial development contract from the Government for work of exceptional national importance. The contract had subsequently to be cancelled and a receiver was appointed to protect the Corporation's interests. The figure represents the total financial loss which must be borne by the Corporation, since the Government is to carry the remaining loss. Participation in enterprises sponsored by Government departments for which other sources of finance are not readily available is certainly an appropriate activity for the Corporation if each project can be judged on its merits. But in other cases such activity is bound to raise difficult questions about the extent of Government responsibility for any losses which may arise. It would be interesting to know on what principles the apportionment was decided in the recent case.

* * *

Associated British Picture Setback

The preliminary profits statement of Associated British Picture Corporation for the year ended March 31st last reveals a fall in profits before taxation from £2,529,479 to £1,502,239. In consequence of this not unexpected result, the final dividend of the company has been reduced from 20 per cent to 15 per cent—following the warning given last February when the interim dividend was cut by 2½ per cent to 7½ per cent. Even the substantial alleviation of the taxation charge, which is provisionally given as £988,338 compared with £1,573,305 in 1946-47, has not prevented a sharp decline in earnings on the highly geared ordinary capital from 67.9 per cent to 30.1 per cent.

These figures confirm what has been patently obvious for a year or more, that cinema attendances had fallen. In fact, the chairman at the annual meeting of the company a year ago suggested that cinema audiences had passed their peak, and the fall which has since occurred has been attributed to lack of new American films and indifferent reception of re-issues, as well as to the basic economic fact of declining spending power. It remains to be seen whether the re-appearance on British screens of Hollywood films will fill the cinemas again. But this week's movement in the shares of film companies, both on the exhibiting and producing sides, have reflected apprehension about the immediate prospect of a recovery in box-office takings. In the meantime, overhead costs of exhibiting, which have been considerably increased in the past year by the new wage scales, will continue to take their toll.

Shorter Notes

The Hungarian Legation in London announced on Wednesday that the time limit for registration of shares held abroad in Hungarian nationalised companies has been extended to August 31, 1948. As a Note in these columns last week pointed out, registration of all holdings by the original date would have been impossible. Bonds, loans and debenture stocks remain exempt from registration. The time limit for registration of shares in banks and other financial institutions expired on Wednesday.

*

The Egyptian Government has decided to reopen the Alexandria cotton futures market at a date to be announced by the Minister of Finance. The new basis for contracts will be long staple (Karnak) and medium staple (Ashmouni). Both Sakel and Giza No. 7 varieties are being suppressed. The new Egyptian crop is expected to yield nearly 670 million lb., or over 10 per cent more than last season's, despite the more severe attacks of the cotton worm.

*

Production of cotton yarns (including waste yarns) in the week ended June 12th—18.44 million lb.—was greater than in any week since the end of the war. The weekly average in May was 16.52 million lb.; in 1947 it was 14.24 million. Recent increases in output will help to swell yarn exports, particularly as the proportion of their production which spinners and doublers may export in excess of their specific export allocations has been raised from 2½ to 4 per cent for the third period of the year.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Rolls-Royce; J. Lyons; Wiggins Teape; Thomas De La Rue; John Brown and Company.

Prices, Year 1948 (Jan. 1 to June 30) High	Low	Name of Security	Price, June 23, 1948	Price, June 30, 1948	Net Yield, June 30, 1948 (*n*)	Gross Yield, June 30, 1948
		British Funds			£ s. d.	£ s. d.
101⅜	101	War Bonds 2½% August 1, 1949-51	101⅛	101⅛	...	1 4 4*e*
101⅛	100⅜	Exchequer Bonds 1½% Feb. 15, 1950	100⅛	100⅛*d*	0 4 0	1 3 4
102⅛	100⅜	War Bonds 2½% March 1, 1951-53.	102⅛	102⅜	0 6 8	1 11 8*e*
102⅜	100	War Bonds 2½% March 1, 1952-54.	102⅛	102⅛	0 14 10	1 19 1*e*
104⅛	101 11/16	War Loan 3½% (after Dec. 1, 1952)	102⅛	102⅜	1 5 10	2 17 5
102⅛	99⅛	War Bonds 2½% Aug. 15, 1954-56.	102⅛	102⅛	1 1 0	2 4 9*e*
103⅛	100⅛	Funding 2½% June 15, 1952-57....	103⅛	103⅛	1 3 1	2 7 6*e*
103⅛	100⅛	National Def. 3% July 15, 1954-58	104⅛*xd*	104⅛*xd*	1 3 10	2 10 1*e*
105	101⅛	War Loan 3½% Oct. 15, 1955-59....	104⅛	104⅛	1 4 9	2 11 8*e*
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	103⅛	103	1 9 10	2 17 3*e*
101	96⅞	Funding 2½% April 15, 1956-61....	100⅛	100⅛	1 7 2	2 10 1*e*
102⅞	98⅛	Funding 3% April 15, 1959-69.....	101⅛	101⅞	1 11 5	2 18 7*e*
114⅛	110⅛	Funding 4% May 1, 1960-90.....	113⅛	113⅛	1 0 10	2 14 11*e*
102⅞	97⅞	Savings Bonds 3% Sept. 1, 1960-70	101⅛	101⅛	1 12 0	2 19 5*e*
96	92⅛	Savings Bonds 2½% May 1, 1964-67	95⅛	95⅛	1 12 11	2 16 3*e*
115⅜	112⅛	Victory Bonds 4% Sept. 1, 1920-76	115⅛	115	1 4 6	2 15 2*e*
101⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	100⅛	100⅞	1 13 2	3 0 9*f*
111	107⅛	Consols 4% (after Feb. 1, 1957)....	110⅛	108⅛*xd*	1 1 10	2 15 9*f*
106⅝	102⅛	Conversion 3½% (after Apr. 1, 1961)	105⅛	105⅞	1 10 4	3 1 9*f*
83⅜	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	76⅛	76⅜	1 16 2	3 6 1*f*
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966).	94⅛	94⅛	1 14 11	3 3 9*f*
100	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96..	97⅛	97⅛	1 15 0	3 2 11*f*
83⅜	74⅛	Consols 2½%	76⅛*xd*	76⅜*xd*	1 16 0	3 5 6*f*
101⅛	96	British Electricity 3% Gtd. 1968-73	99⅛	100⅛	1 13 4	3 0 9*f*
98⅛	93⅛	British Transport 3% Gtd. 1978-88	96⅛*xd*	95⅜	1 15 4	3 3 0*f*
100⅛	95⅜	British Transport 3% Gtd. 1968-73	99⅞	100	1 13 5	3 0 10*f*

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked '*e*'), and those paying 3 per cent or less will be repaid at the latest date (marked '*f*'). (*n*) Net yields are calculated after allowing for tax at 9s. in the £. (*f*) Flat yield * Assumed average life 15 years 6 months.

Prices, Year 1948 (Jan. 1 to Jne 30) High	Low	Last Two Dividends (*a*)	(*b*)	(*c*)	Name of Security	Price, June 23, 1948	Price, June 30, 1948	Yield, June 30, 1948
		%	%		**Other Securities**			£ s. d.
104⅛	101⅛	(*d*)	(*d*)		Australia 3½% 1965-69.....	104⅛	103⅛	3 0 0*f*
94⅛	91⅛	(*d*)	(*d*)		Birmingham 2½% 1966-71..	92	92	3 2 0*f*
101⅛	99	(*d*)	(*d*)		Argentine 3½%	101⅛	101⅛	3 9 0
50 *c*	50 *c*				Anglo-American Corp. 10s...	6⅛	6⅛	3 16 9
10⅜	7⅛	5 *a*	25 *b*		Anglo-Iranian Oil £1.....	8⅛	8⅛*xd*	3 11 8
76/6	62/4½	*g*15 *c*	*g*15 *c*		Assoc. Port. Cem. Ord. Stk. £1	72/6	72/6	4 2 9*g*
38/6	29/6	40 *c*	40 *c*		Austin Motor 'A' Ord. Stk. 5s.	32/6	31/3	6 8 0
84/-	72/9	7 *a*	7 *b*		Barclays Bank Ord. 'B' £1..	77/-	77/-	3 12 9
10⅛	8⅛	†20 *b*	†5 *a*		Bass Ratcliff Ord. £1.....	9	8⅛	2 16 2†
104/9	85/-	8 *a*	12 *b*		British Oxygen Ord. £1.....	5	5	4 0 0
46/1½	37/4½	2½ *a*	6½ *b*		Courtaulds Ord. £1.....	38/-xd	38/-	3 18 11
32/6	25/1	25 *c*	7½ *a*		Distillers Co. Ord. 4s.....	26/3	26/3	3 16 2
32/10½	27/9	8 *c*	8 *c*		Dorman Long Ord. £1.....	29/3	29/9	5 7 7
79/9	68/-	15 *c*	15 *c*		Dunlop Rubber Ord. £1....	70/-	70/3	4 5 6
51/-	44/6	3 *a*	7 *b*	2*	Imp. Chem. Ind. Ord. Stk. £1	47/6	46/9	4 5 9
6⅞	5	1¾ *a*	1¾ *b*		Imperial Tobacco £1.....	6⅝	6⅛	6 5 8
48/9	40/3	10 *c*	10 *c*		Lancs. Cotton Ord. Stk. £1..	42/6	41/10½	4 15 6
56/6	48/6	5 *c*	10 *c*		Lever & Unilever Ord. £1...	50/-	50/-	4 0 0
61/3	47/6	12½ *c*	10 *c*		London Brick Ord. Stk. £1..	53/1½	50/-	4 0 0
66/1½	47/-	25 *c*	31½ *m*		Perkin Pinson Ord. Stk. 10s.	49/-xd	48/6	5 3 1
35⅛	30⅛	†7½ *c*	†7½ *c*		Prudential 'A' £1.....	33⅛	33	2 6 9†
59/3	49/9	12½ *c*	12½ *c*		Stewarts & Lloyds Def. £1..	52/6	52/-	4 16 2
85/7½	73/11½	†12½ *a*	†5 *b*		"Shell" Transpt. Ord. Stk. £1	77/6xd	78/1½	4 18 5†
7⅞	5⅛	12½ *b*	12½ *a*		Tube Invst. Ord. Stk. £1..	121/3	121/3	4 2 5
90/9	73/9	11½ *b*	3½ *a*		Turner & Newall Ord. Stk. £1	75/7½	74/6	4 0 6
93/3	77/-	55 *b*	15 *a*		Woolworth (F. W.) Ord. 5s..	79/-	79/-xd	4 8 8

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly. (*e*) To earliest redemption date. (*g*) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (*i*) To latest redemption date. (*m*) 15 months. Yield Basis 25%. † Free of tax.

THE BRITISH DRUG HOUSES, LIMITED

APPRECIABLE INCREASE IN TURNOVER

INCREASED COSTS AFFECT PROFITS

CONTINUED GROWTH OF BUSINESS

The annual general meeting of The British Drug Houses, Limited, was held on the 25th ultimo at Winchester House, Old Broad Street, London, E.C., Mr Francis H. Carr, C.B.E., D.Sc., F.R.I.C. (chairman of the company), presiding.

The secretary (Mr Antony Rendall, A.C.A.) read the notice convening the meeting and the report of the auditors was read by the representative of Messrs. Price, Waterhouse and Co.

The following is the report of the directors (enlarged so as to incorporate the chairman's statement), which was circulated with the accounts for the year ended December 31, 1947:—

The Chairman, in introducing the report of the directors, recorded with deep regret the death, on June 14th, of Mr F. C. O. Shaw. Mr Shaw joined the board in 1919 and was managing director at the time of his retirement towards the close of 1947. His whole business life was devoted to the company's interests, and it had been, to a very large measure, due to his efforts that the present great demand for its products in almost every foreign market had been built up.

The trading year under review—like its predecessor—has been a period full of difficulties. Though the fuel and power crisis in the early part of 1947 did not, to any great extent, directly hit your company, its indirect repercussions were considerable and costly. It gave rise to many new and unexpected shortages, some of which involved materials vital to wide ranges of our production and presented us with problems for which there were no easy or painless solutions. In some instances the consequent interruptions of production resulted in sharp increases in costs; while the fact that such increases were temporary precluded us from attempting fully to recover them by raising prices.

KEENER COMPETITION

In addition, expenses of many kinds, particularly the cost of labour, increased during the year and competition grew noticeably keener, especially in overseas markets, reducing margins between costs and selling prices and necessitating increased expenditure on sales promotion.

As a consequence of these factors and in spite of an appreciable increase in turnover, profits before taxation fell considerably.

Your directors have taken energetic steps to meet this situation by cutting down expenditure wherever possible and by pressing on with the company's postwar programme of reorganisation and re-equipment. They are confident that your company entered 1948 in a much improved condition to meet whatever difficulties may lie ahead.

PROGRESS OF THE FACTORIES

The re-equipment and modernisation of the London factory—which is still responsible for by far the major part of our production—has progressed well and should be substantially completed in the course of the current year. This will enable your company fully to play its part in supplying the increased quantities of medical and pharmaceutical preparations that seem likely to be required following the introduction of the National Health Service in July, 1948.

The additional premises in Kensal Road, to which we referred in our last report, are now in use and have had concentrated in them a large part of our filling and packaging work. However, the full benefit of the new organisation will only be realised towards the end of this year.

Our new factory at Poole, Dorset, for the manufacture of laboratory and industrial fine chemicals, can now be considered as having overcome its teething troubles, and we can reasonably expect that it will soon take its place as a valuable contributor to our profits. Its output increased steadily during the year and has continued to increase in 1948.

We have not yet succeeded in acquiring a suitable site outside London on which ultimately to build a new pharmaceutical works. Nevertheless, with the assistance of the Ministry of Town and Country Planning and other Ministries, investigations are proceeding. Even if we secure a site, however; it is likely to be some years before we can use it, owing to the restrictions on building and on capital expenditure generally.

OVERSEAS SUBSIDIARIES

The progress of your subsidiary companies has been satisfactory. In Canada the new factory on the outskirts of Toronto has been completed, and 1943 should witness the inauguration of a fresh phase in the life of the Canadian company. Its sales and profits advanced during 1947. Owing to the difficulty of remitting funds to Canada from this country, the Canadian company has had to finance itself by borrowing locally in recent years and, in so far as we have been permitted to do so by the authorities in this country, we have left its profits to accumulate in Canada to help with the financing of its expansion.

The sales of our Australian company also increased during 1947. Although this company's profits before taxation were virtually unchanged owing to increases in costs, its final net profit showed a substantial increase owing to reductions in Australian company taxation.

The sales of the South African company were maintained during 1947, and have been expanding encouragingly in the first months of 1948. We believe that this company, which was only formed in 1945, should soon be able to contribute satisfactorily to our profits.

Our Indian branch, in the confused and difficult circumstances of a year which witnessed greater internal stresses and changes in India than any, perhaps, since 1919, did well to maintain its sales, though with reduced profits. After careful consideration your directors have decided that the time has come to establish a company in India and the British Drug Houses (India), Limited, has been formed. It started trading on January 1, 1948.

EXPORT POLICY

Your company has concentrated during 1947 on the greatest possible increase of its exports consistent with the satisfaction of the needs of the home market, in the knowledge that this was the policy called for in the national interest. As a consequence, over 35 per cent. of our total sales arose from exports; but it must be appreciated that this policy lays us open to a wide range of risks in times like the present, in which exceptional difficulties in the transfer of currencies may arise and sudden changes occur in the

extent to which imports may be allowed into various countries.

In these circumstances it is particularly important that a conservative dividend policy should be adopted and that reserves should be built up as generously as taxation permits.

Consolidated profits before charging taxation amounted to £210,232, as against £287,139 in 1946, the decline being due to the causes described in the earlier paragraphs of this report. The total provision for taxation—assuming the approval of the 6 per cent. dividend on the Ordinary shares recommended below—was £68,067, as against £146,673 last year.

Consolidated profits after providing for taxation, deferred repairs, amortisation, depreciation and directors' fees were £90,362, as against £91,637 last year. Of these consolidated profits £16,649 has been left undistributed in the possession of the subsidiary companies—the main part in Canada.

DISTRIBUTION OF PROFITS

The distributable profit brought forward by the parent company consequently amounted to £73,713.

Including the carry-forward of £4,950 there is therefore available for distribution £78,663.

Of this sum there has been distributed by way of dividend, less tax, on the 5 per cent. Cumulative Preference shares £14,438

Your directors have appropriated to general reserve £30,000

and recommend that a dividend be paid of 6 per cent. on the Ordinary shares, less tax, amounting to £19,800

leaving a balance to be carried forward of £14,425

£78,663

Your directors regard some £13,000 of the transfer to general reserve as in the nature of a special reserve against taxation that may be incurred in some future years as a corollary to the substantial relief from taxation obtained this year in respect of initial allowances on certain capital expenditure.

In recommending a dividend of 6 per cent. on the Ordinary shares, as against 8 per cent. last year, your directors have had in mind:

(i) The decline in trading profits during the year;

(ii) The importance of still further strengthening reserves; and

(iii) The fact that its programme of reorganisation and re-equipment has involved substantial increases in its medium and short-term borrowings.

Your directors would, however, wish to record that in their view your company's trading potential has been greatly strengthened during 1947, especially by measures taken in the last half of that year.

FINANCE

In our last report reference was made to the need to raise additional funds to finance the increased scale of the business, and it was indicated that ultimately it would be necessary to issue further capital. As events have turned out it has seemed preferable to proceed, during what can only be regarded as an interim period, by means of borrowing on medium and short terms. This is reflected on the liabilities side of the parent company's balance sheet by the appearance of the new items of unsecured loans (£250,000)—repayable in 12 to 15 years—and liabilities to bankers on accepted bills (£200,000) and by the increase in the bank loan from £310,000 to £560,000.

Sooner or later part or all of this borrowing will need to be replaced by long-term borrowing and/or by the issue of fresh capital; but for the moment your directors have considered that it was preferable to proceed by using forms of finance which in altered conditions might be allowed to run off, rather than to raise money on more permanent terms with the ultimate risk of over-capitalising the business.

BORROWING POWERS

It was for this reason that your directors sought and obtained the consent of the shareholders last October to an alteration in the articles of association increasing their borrowing powers from the nominal amount of the issued share capital to the nominal amount of the authorised share capital. When obtaining that consent they indicated that they would submit a fresh resolution at the time of the annual general meeting fixing a limit to those borrowing powers that would not be linked automatically to the amount of the authorised share capital.

An extraordinary general meeting has consequently been convened to follow immediately after the annual general meeting, when a resolution will be submitted limiting the directors' borrowing powers to an aggregate amount "not exceeding £1,750,000 or the nominal amount of the issued capital of the company for the time being whichever shall be the greater." This will have the effect of breaking the link between the borrowing powers and the authorised share capital while leaving the borrowing powers at a level that should, in our opinion, be adequate for your company's foreseeable needs.

GROWTH OF BUSINESS

The continued growth of the company's business, to which reference has already been made, is reflected throughout both the consolidated and the parent company's balance sheet. Fixed assets have increased throughout the whole group by £398,416 and current assets by £445,235.

Current assets of the parent company at £2,506,264 exceeded current liabilities by £953,838.

An explanatory comment is perhaps called for on the plant item in the parent company's balance sheet. Since 1925—and up to 1947—plant has been shown at the valuation established in that year plus the cost of subsequent additions less the proceeds of assets sold. Against this accumulating assets figure an accumulating depreciation reserve was built up annually. Your directors decided to alter this method and to show in the balance sheet only those assets actually still in being and the reserves specifically provided against them. Such a change required a detailed review of the assets, and consequently we took the opportunity, when they were being surveyed for insurance purposes by a firm of professional valuers, completely to overhaul our plant register values as at December 31, 1945, and the total net book value at that date was assigned to the individual items in the revised plant registers.

As a consequence the balance sheet now before you shows the assets actually held by the company at December 31, 1947, at their written down values at December 31, 1945, with subsequent additions at cost and the reserve for depreciation provided for those assets in 1946 and 1947. This has been accomplished by reducing both the assets and the reserve for depreciation by the same amount and a similar adjustment has been made in the 1946 comparative figures. The figures for assets disposed of in 1946 and 1947 have also been eliminated. We have also separated loose tools from plant and these are now shown separately.

DIRECTORATE CHANGES

During the latter part of the year Mr G. F. Williams succeeded Mr F. C. O. Shaw as managing director and Mr Geoffrey Eley was appointed deputy chairman. Mr F. C. O. Shaw has relinquished his seat on the Board.

Your chairman and Mr R. R. Bennett, who retired from wholetime executive work with the company at the end of 1946, have acceded to the request of their colleagues to remain on the Board until the end of 1948, but have asked that they may then be released. Their colleagues wish to take this opportunity of recording their gratitude to them for having stayed on after the dates at which they had originally intended to retire and to remind you how much your company has owed to their distinguished and devoted services over more than a quarter of a century.

We would like to express our warm appreciation of the co-operation of the members of the staff at home and abroad throughout 1947 in circumstances of stress and difficulty that must often have proved extremely trying.

The report and accounts were unanimously adopted and the dividends as recommended were approved.

The retiring director, Commander Sir Hugh T. Dawson, Bt., R.N., was re-elected; and the Auditors, Messrs Price Waterhouse and Co., were reappointed.

At a subsequent extraordinary general meeting a resolution was passed altering the directors' borrowing powers.

NATIONAL BANK OF NEW ZEALAND, LIMITED

EXPANSION IN ALL DEPARTMENTS

The seventy-sixth annual general meeting of the National Bank of New Zealand, Limited, will be held on the 22nd instant in London.

Sir Sydney Parkes, the chairman, in his circulated statement refers to the further expansion in all departments of the bank's operations, particularly in the growth of deposits and advances, and the substantial increase in the number of current accounts.

Dealing with the balance-sheet, he states that the increase of £4,180,000 in deposits reflects the general trend of banking figures in the Dominion. Advances increased by £3,601,000

The net profit at £139,550 shows a satisfactory increase, arising mainly from earnings upon a higher level of advances and from tax relief as a result of the recent agreement between the United Kingdom and New Zealand Governments for the elimination of double taxation. In addition to the usual allocations to premises and pension funds a transfer of £50,000 was made to contingency account. The proposed final dividend is 3 per cent. (less tax at 9s. in the £), making 5 per cent. for the year.

Referring to general business conditions, he states that trading continues buoyant and, although there are still shortages in some lines in everyday demand, many types of goods are now in adequate supply.

The Dominion's external trade has run at record levels for the year to December 31, 1947. The net overseas assets of the Dominion stood at £NZ.84,916,000 at March 31, 1948, as against £NZ.99,508,000 a year earlier. The major factor in this reduction was the repayment in London on November 1st last of a maturing sterling loan of £NZ.14,177,000. The secondary industries of the Dominion continue to expand. The building programme, which is the key to the future development of the Dominion, is still heavily in arrear.

Dairy produce graded for export is higher than last year and it is expected that meat production for export will eclipse all previous records. The good season, coupled with high prices at present ruling for wool, will result in a record value for this year's clip.

Prices received for dairy produce and meat under the bulk buying contracts with the United Kingdom Government have in recent years shown smaller increases than have occurred in the general commodity price index. World conditions should ensure for some years a steady market at reasonable prices for dairy produce and meat, but the outlook is less certain for wool as it is a raw material of industry and is sold at auction on the open market.

"SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

ANNUAL GENERAL MEETING

The annual general meeting of this company was held on the 30th ultimo, in London.

Sir Frederick Godber, the chairman, who presided, said: Ladies and Gentlemen, you have received a very full report this year and I have nothing to add to that report. Therefore I propose to put the resolution to the meeting and I will ask Sir Robert Waley Cohen to second it. Before putting it to the meeting, if any of you have any questions you would like to ask I should be glad to do my best to answer them. He proposed that the report and accounts be adopted and that a final dividend on the ordinary capital for the year 1947 of 1s. per share or £1 unit of stock, free of income tax, be paid on July 8, 1948, to those members whose names were on the register on June 11, 1948, and holders of bearer warrants who surrender coupon No. 89.

Sir Robert Waley Cohen, K.B.E. seconded the resolution which was carried unanimously.

Marshal of the Royal Air Force, Sir John Maitland Salmond, G.C.B., C.M.G., C.V.O., D.S.O., Major The Hon. Peter M. Samuel M.C., and the Right Hon. The Viscount Weir of Eastwood, P.C., G.C.B., LL.D., D.L. were re-elected directors. Mr J. W. Boyle, C.B.E., and Sir Kenneth B. Harper, who were appointed members of the board during the year, were re-elected. Messrs Turquand, Youngs, McAuliffe & Co., were re-appointed auditors.

Mr Thomas Borthwick said that he did not want the chairman to declare the meeting at an end before proposing a vote of thanks to him and the board. Mr R. S. Chandler seconded the vote of thanks and the motion was carried with acclamation.

Replying to the vote of thanks, the chairman thanked the members for their continued confidence and said that it was a very great pleasure in the present difficult times, and to some extent times of frustration, to feel that the work done by the board received the approval of the body of shareholders. Times were not easy and he imagined that in the years to come—the next few years in particular—they would not become particularly easier. He assured members that the board would give to their affairs the same conscientious attention which they had always endeavoured to do in the past. It was a unique occasion as it was the annual meeting following the fiftieth anniversary of the company. The company was old because oil was young. It was a young organisation and it was their constant endeavour to keep it young. He believed that the development of the industry was still to a large extent in its infancy, and it was of the utmost importance that they should keep their thoughts young, as they had done in the past, so that in the future they would be prepared to think of new things and go forward with new ideas.

He said he would like particularly to refer to their wonderful team of managing directors in the group of companies of whom they were so proud. Members would realise that a great part of the responsibilty in operating the management of their great concern and its partner the Royal Dutch rested upon the shoulders of that group of managing directors. These men had all grown up in the business and in that respect when people spoke of turning over industry to the workers this was one of the great enterprises of the world which had always been and would always be managed by the workers, because these men had worked their way up with the business and reached the top by sheer merit in the real sense of the word.

The proceedings then terminated.

ANGLO-IRANIAN OIL COMPANY, LIMITED

RECORD TRADING PROFIT

The thirty-ninth ordinary general meeting of the Anglo-Iranian Oil Company, Limited, was held in London, E.C., Sir William Fraser, C.B.E., the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year 1947:—

The trading profi of £33,412,939 exceeds that of any previous year in the history of the company and after providing for United Kingdom taxation, the amount available for reserves and dividends is £18,564,857. From these figures it is evident that the payment of a larger dividend than last year on the ordinary stock would be warranted. In view, however, of the clearly expressed wish of His Majesty's Government in regard to the limitation of dividends, your directors have decided to recommend a final dividend of 25 per cent, less income-tax, making 30 per cent for the year, which is the same as for last year.

Before I describe the main events of the period under review, one outstanding feature of it deserves remark, namely, the public interest aroused in the importance of Middle East petroleum production, in which your company plays so large a role, to the world economy. The western hemisphere's consumption of oil products is now overhauling even the huge petroleum production of the Americas and the world at large looks increasingly to expanding exports from the Middle East to satisfy its needs. Europe in particular will depend mainly on the Middle East for oil supplies and this has recently brought to public attention what has been obvious to the petroleum industry for some years past, that the oil export centre of the world is likely to move from the western hemisphere to the Middle East. That area, where your company found the first oilfield forty years ago in Iran and where it is now so largely interested in various territories, is undoubtedly most richly endowed by nature with petroleum.

PRODUCTION FIGURES

Production of crude oil in Iran during 1947 was 20,194,838 tons. Abadan refinery created another record by processing 18,565,507 tons of oil, which I believe to be the largest throughput ever achieved by any refinery in a year. Our smaller refineries in the Middle East, at Kermanshah in Iran and Alwand in Iraq, have operated satisfactorily during the year at slightly higher levels than in 1946.

The company's relations with the Imperial Iranian Government remain excellent. While the Iraq Petroleum Company made good progress with the construction of the new pipeline to Haifa which I mentioned to you last year, unsettled conditions in Palestine prevent accurate estimation of its likely operation date.

In Kuwait very satisfactory progress has been made.

In our search for oil in other parts of the world, no positive indication of oil in commercial quantities has been found.

REFINERIES

Throughput at the Haifa refinery remained normal at about 4,000,000 tons per annum until December 30 last, when it had to be shut down for twenty-four days following a bomb-throwing incident. Thereafter operations were resumed until April 13 when local conditions enforced a shut-down which still continues.

Our refineries in the United Kingdom have operated satisfactorily throughout the year. Llandarcy processed 420,537 tons in 1947 against a normal capacity of 360,000 tons, this increase being due to operating adjustments, effective towards the end of the year, which will step up capacity during 1948 to the rate of 850,000 tons per annum; this figure is scheduled to rise to 3,000,000 tons per annum by the end of 1949 when the full expansion scheme for this refinery is completed. Grangemouth refinery operated at its normal maximum capacity of 360,000 tons per annum, which will be raised to the rate of 600,000 tons per annum in the current year. We have planned to increase this figure to 1,500,000 tons. In addition to these big increases in our two existing United Kingdom refineries it is our intention to construct a large new refinery in Kent; and it is to be hoped that early approval will be given to what I feel can be regarded as an important national project.

For all our new developments, involving as they do drilling wells, laying pipelines and installing production, refining, transportation and marketing equipment, housing and ancillary services on a large scale, sufficient supplies of steel are a first essential. Without such supplies these large developments, with all their beneficial results to our national economy and European recovery, cannot be achieved. Our company, despite its dollar outgoings for essential equipment and supplies, is now on balance a dollar earner; and every ton of steel we obtain is converted into equipment which can enable us to increase our earnings of foreign exchange.

Our tanker fleet, which a year ago totalled 96 ships of 1,100,000 dead-weight tons, has now increased to 106 tankers of about 1,244,000 tons. Its capacity has thus been almost doubled in the past three years and now exceeds by over a quarter of a million tons our fleet in 1939.

WORLD CONSUMPTION

World consumption of petroleum products expanded at a high rate in 1947. The rapid increase in demand since the war has exceeded the most optimistic estimates and has overtaken the industry's ability, handicapped by war damage and postwar shortages of skilled manpower and material, to augment correspondingly its producing and marketing facilities.

Conditions facing the petroleum industry in the United Kingdom, as elsewhere, continue to be difficult, and even with the resumption of business by the individual companies we shall still not be able to reintroduce our BP brands of petrol and other products for at least six months.

In comparison with prewar the consumption of petroleum products in the United Kingdom has increased mainly in respect of vaporising oil for tractors (in the supply of which our industry has played a vital part in the campaign for additional food production), diesel oil for heavy road transport and buses, and gas oil and fuel oil for industrial purposes. It is of interest to mention that the higher production of steel has been assisted in no small measure by the technical advantages offered by liquid fuel.

RESEARCH

In the important sphere of research our activities continue unremittingly. True efficiency and economy in a progressive petroleum industry require the best talent and equipment for solving present problems and forecasting future needs. Production and refining technique is under constant investigation and development both in this country and overseas, and in its work on the multifarious derivatives of crude oil our research organisation co-operates closely with principal users of our products. Investigations at Sunbury in the new field of fuels for internal combustion turbines are particularly noteworthy, and also researches into the production of valuable new chemical products from our raw materials. One of these, a synthetic soap derived from shale oil, is now being manufactured on a commercial scale in Scotland.

The report and accounts were adopted.

BOOTS PURE DRUG COMPANY, LIMITED

The sixtieth annual general meeting of Boots Pure Drug Company, Limited, was held on the 29th ultimo at Beeston, in Nottingham. The Rt. Hon. Lord Trent, chairman, presided, and in the course of his speech, said:—

We have again had a record year for sales and have beaten last year's figures by as much as 14 per cent., leaving the new shops out of account.

On the drug company balance sheet we have increased the reserve against fall in value of stock. On the opposite side of the balance sheet it will be noticed that stocks are up by over £1,000,000.

A significant point is that a million pounds is locked up in the business for purchase tax. This is a sum upon which, of course, we make no profit and upon which we make a loss if the tax is reduced. The collection of this tax adds substantially to the costs of distribution.

Turning to the profit and loss account it will be seen that the net profits of the group come out at £948,401 against £1,037,509. After deducting profits retained by the home retail companies and the amount they have paid as preference and preferred ordinary dividends, the result is a drug company net profit of £679,428 against £756,470, and there is a balance of £215,846 to be carried forward to next year. Over 65 per cent. of the increased expenditure for the year ended March 31, 1948, was due to increases in salaries and wages.

An analysis of the year's trading shows that, for every £1 we took, the allocation of expenditure was as follows:—

Cost of goods	9s 3d.
Rent, rates, depreciation, carriage, etc.	2s. 4d.
Taxation, including purchase tax	3s. 1½d.
Salaries, wages and pensions	4s. 8d.
Paid to shareholders	3½d.
Retained in the business...	4d.

What of the future? What are the company's prospects? There are far too many imponderables for anybody to be able to answer these questions. Can anyone foresee in what condition the country will find itself six, or even three months hence? Even with Marshall Aid we are living on the scanty remnants of our capital and exhausting our reserves far too rapidly. We are consuming more than we produce and the truth is still concealed from the masses of the people who feel well off because they think they can afford to pay 3s. 6d. for 20 cigarettes and £4 10s. for a ton of coal.

Meanwhile one or two breaks have appeared in the clouds, as far as your company is concerned. There are, for instance, healthy signs of much keener competition in the distributive trades and it may be taken for granted that net profits will increase only in those firms which can show expanding sales and increased efficiency.

There are two or three realists in the Government and it is to be hoped that their counsels will prevail before it is too late. They must know that there is a middle way between the State-shackling of industry and a free-for-all scramble. If that middle path is followed, the prospects for this company—and indeed for Britain itself—will in my opinion be bright.

Any shareholder desiring a copy of the chairman's speech should apply to the Secretary, Boots Pure Drug Company, Limited, Station Street, Nottingham.

J. LYONS AND COMPANY, LIMITED

ANOTHER SATISFACTORY YEAR

MR HARRY SALMON'S STATEMENT

The fifty-fourth annual general meeting of J. Lyons and Company, Limited, was held on the 29th ultimo in London.

The following is the statement of the chairman (Mr Harry Salmon) which was circulated with the report and accounts and taken as read:—

This statement accompanies the report and accounts for the Company's fifty-fourth year which ended on the 31st March, 1948. There are considerable changes in the form of the accounts, and we have included a consolidated balance sheet and profit and loss account for the company and its subsidiaries. These accounts conform to the requirements of the new companies act which comes into force on the 1st July.

YEAR'S RESULTS

The net profit for the year is £591,631, after providing for all charges as shown in the profit and loss account. The figure shown last year as balance from trading account was £985,425. In order to compare the results of the two years, that figure needs adjustment to a net profit basis. It would then become £590,806. The difference arises from a change in the method of dealing with income tax deducted from dividends. The net sum of £269,681 is absorbed by dividends on preference and preferred ordinary stocks for the year, and the net sum of £51,048 has been paid in interim dividends. As you will see in the report, we are recommending the same rate of final dividend as last year, the net amount of which will be £178,666. The unallocated balance added to the carry forward is £92,236.

The Finance (No.2) Act of 1947 imposed additional profits tax of £34,970 in respect of the year ended March 31, 1947. As this was a restrospective charge, we have taken it from last year's profit and loss account balance which was thus reduced to £93,901. The balance now carried forward is £186,137.

BALANCE SHEET ITEMS

In the new form of balance sheet, there is an appreciable amount of regrouping and rearrangement, and there are one or two points to which I should like to draw your attention. The substantial sums which, as you know, have been set aside for the purpose of conserving our resources and providing for any unexpected circumstance have hitherto borne the generic title of "Reserves." There are now separate items for capital reserves and revenue reserves, and an entirely new heading "Provisions." The term "Provisions" means, in the words of the new act, any sum "retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy." The figure of £962,287, shown under this heading, is set aside for two main purposes: the restoration of our establishments, with all their amenities, to their former first-class condition and the general resuscitation of the business. Owing to the restriction of expenditure on decoration and the difficulty of obtaining equipment, our programme of modernisation is very retarded.

On the assets side of the balance sheet, the only change of any significance is in the item "Fixed Assets." Here, we show the method used in arriving at the amount of each kind of asset, namely, cost less amounts written off or provided.

The consolidated balance sheet and profit and loss account show the position of the company and its subsidiaries regarded as a single undertaking. The majority of the subsidiary companies are wholly owned by us, but, in respect of those which are not, there are a number of items in the balance sheet and profit and loss account which show the amounts attributable to the outside shareholders' interests. The accounts closely follow the form of the holding company's accounts, and the figures do not call for separate comment.

During the year, Mr Norman Joseph was appointed an ordinary director. He has had a long and thorough training in the business, and we welcome him to the seat on the Board for which he is qualified by his ability and his devotion to the Company's interests.

I think you will agree that the results of the year are satisfactory. This does not mean that their achievement has been easy, nor that they indicate any amelioration of the conditions which have hampered us in common with industry in general. There has been little relief from the restrictions of all kinds which we have felt for so long.

In conclusion, I should like to thank our employees for their co-operation throughout the year. Our relationship with them is based on sympathy and understanding and an interest in their welfare and happiness, and there is between us and them a strong feeling of mutual respect and loyalty.

CHAIRMAN'S SPEECH

I should like to add a little to the statement which reached you with the accounts.

A great deal is being said about the need to free world trade. Our own government appears to accept this, but it does not take what we think should be the first step of granting a measure of freedom to internal trade, where the present close control so greatly hampers initiative and enterprise.

One form of freedom we urgently need is the right to make our own purchases abroad in place of the present system of government bulk buying. We know that the Government must impose some limit on the amount of money to be spent on imported food, but we think that the money could be used to greater advantage by those who, like us, can call upon the experience and judgment of a long-established buying organisation. We need also freedom from the system under which commodities are allocated to us. That system may be necessary if there is acute shortage of a particular commodity, but we think that when a substantial proportion of prewar supplies of any commodity is available, that commodity should be freed from it. This greater freedom would stimulate competition and increase efficiency and would, we are convinced, best serve the public interest.

The Government is now engaging directly in commerce and industry, including catering. As if in return for that, commerce and industry has to carry more and more of the Government's own burden. In our case this involves hundreds of thousands of hours of office work in a year—a substantial addition to our overhead charges. We have also to bear ever-increasing direct costs and charges. Our constant effort to keep down prices is handicapped by these increases.

CHALLENGE TO PRIVATE ENTERPRISE ACCEPTED

In these conditions, it becomes increasingly difficult to maintain the policy on which this business has been built up, namely, to give the highest value to our customers, to maintain the best conditions of employment for our staff and to give our stockholders a satisfactory return on their investment. All this is perhaps a challenge to us to show the resilience of private enterprise. We accept the challenge and shall do our utmost to preserve and expand the business by the same unremitting effort which has gone to the making of it.

The report and accounts were unanimously adopted.

HARLAND AND WOLFF, LIMITED

SATISFACTORY ACCOUNTS

VARIED OUTPUT OF SHIPS

SIR FREDERICK REBBECK'S SPEECH

The sixty-third annual general meeting of Harland and Wolff, Limited, was held on the 24th ultimo, at the Registered Offices of the Company, Queen's Island, Belfast.

Sir Frederick E. Rebbeck, D.Sc., D.L., Chairman and Managing Director of the Company, presided.

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

The chairman referred to the report of the directors, which it was agreed could be taken as read. He felt sure the stockholders would regard the report and accounts as satisfactory.

Once again, he said, the company have headed the list for the output of ships, notwithstanding increasing difficulties in obtaining adequate supplies of steel and other materials, and the fact that, in consequence thereof, the works were not employed to anything like their full capacity. In 1947 a total of 183,509 gross tons was launched from the company's Belfast and Glasgow shipyards. The output of machinery was 307,000 I.H.P., apart altogether from 49,000 I.H.P. which was completed for land installations and auxiliary purposes.

This tonnage covers an unusually varied programme of new ship construction, consisting of large high-class passenger liners, cross-Channel vessels, cargo liners, oil tankers, and another whaling factory ship, as well as a light fleet carrier for the Royal Navy. Engines for oil pipeline work in the Middle East, for which large orders are in hand, are also now in process of being delivered.

RECONVERSION CONTRACTS

The establishments at Belfast and on the Clyde, as well as the repair works at London, Liverpool and Southampton, have also carried out important contracts in connection with the re-conversion of passenger liners now returning to their normal peace-time occupation, as well as repairs to many hundreds of merchant ships of all descriptions. The execution of this work has certainly enhanced the company's good will.

During the year there has been an almost complete absence of enquiries for new passenger liners, a class of tonnage for which the firm are especially equipped, but the existence of a considerable volume of reconditioning work has so far prevented unemployment in the finishing trades. Orders for other types of ships, particularly tankers, have been freely placed, and the general expectation is that the present state of affairs so far as new shipbuilding contracts are concerned is likely to continue for a year or two at all events.

All shipbuilding is now regarded as coming within the category of exports, and our orders for foreign countries include Norway, India, Holland and Argentina. An important contribution is therefore being made to the Nation's export trade.

MATERIAL SUPPLY PROBLEM

The major problem continues to be the question of supplies of material, the shortage of which is causing delay in the completion of work and preventing the firm from making full use of their capacity. Another cause of delay is the introduction of the shorter working week. Employment throughout the year has been very steady, the total number of workpeople averaging more than 40,000.

The company's engineering works on the Clyde are turning out as much work as is possible with the labour and material available, but they are far short of these two essential requirements, and consequently these establishments also are not being used to their full capacity.

The company's properties and plants have been maintained on a satisfactory basis throughout the year, and all the reconstruction work in connection with air raid damage is completed so far as Belfast is concerned. In this connection a final settlement has now been agreed with the War Damage Commission. There still remains a considerable amount of air raid damage to be put right at most of the Branch establishments, and it will be dealt with as opportunity presents.

PRINCESS MARGARET'S VISIT

The firm were greatly honoured in Belfast in the autumn of 1947 by a visit from Her Royal Highness The Princess Margaret to name the R.M.S. *Edinburgh Castle* under construction for The Union-Castle Mail Steamship Company, Limited, and, as is probably known, Her Royal Highness The Princess Margaret is to visit the company's Govan shipyard in September next for the purpose of launching the M.V. *British Mariner*, an oil tanker which is being built for the British Tanker Company, Limited.

The chairman took the opportunity of expressing the thanks of the Board to all those who had helped the firm in their great programme of work.

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

Thereafter Mr J. S. Baillie, London manager of the company who was recently appointed director, and had retired in accordance with the articles of association, was re-elected.

Mr J. Morrison, Mr F. V. Spark and Mr A. T. Marshall, the directors retiring by rotation, were also re-elected, and the auditors, Messrs Price, Waterhouse and Company, were re-appointed.

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

LONDON ASIATIC RUBBER AND PRODUCE COMPANY, LIMITED

Mr H. J. WELCH'S ADDRESS

The annual general meeting of this company, was held, in London, on the 28th ultimo.

In his address, which was circulated to members with the accounts, the chairman, Mr H. J. Welch, said:—

The year's crop of 12,990,886 lb. compares with 12,216,500 lb. harvested in the last twelve months before the Japanese invasion. The manufacture of Sole Crepe has been expanded much beyond the prewar figures; the 1947 output of 1,097 tons comparing with 556 tons produced in 1941. We hope to produce at least a similar quantity in 1948.

The total of the surplus and reserves amounts to £670,783, and is more than £15,900 in excess of the comparative reserves at the end of 1946.

The credit balance of the Revenue account for the year carried to the appropriation account was £133,761, against £55,399 last year. Before arriving at this figure, £14,555 was charged by way of depreciation of buildings, machinery, etc., and no less than £178,237 had to be provided for taxation.

The directors recommend a payment of a dividend of 12½ per cent., less tax. When considering this dividend they took into account the years during the war in which no dividend was paid, the strong reserves of the company and the apparently good prospects for the current year. They understand that the request of the Government to companies not to increase dividends was not intended to apply to companies such as this, which had suffered directly from the Japanese invasion and from the consequent non-payment of dividends during the war.

The accounts were adopted unanimously.

A.P.V. COMPANY, LIMITED

INCREASED PROFIT AND TURNOVER

DR RICHARD SELIGMAN'S STATEMENT

The thirty-eighth ordinary general meeting of the A.P.V. Company, Limited, was held, in London, on the 24th ultimo.

The following is extracted from the statement by the chairman, Dr Richard Seligman, circulated with the accounts:—

I am pleased to present the directors' report and accounts of your company for the year ended December 31, 1947, which disclose a very satisfactory increase in trading profits. It has been necessary on this occasion to delay the accounts for some weeks in order that a consolidated balance-sheet might be included.

The trading profit, £196,015, is £69,489 more than for the preceding year, and a substantial increase in royalties received will also be noticed.

The net profit, £170,399, is over £58,000 more than for the preceding year, after charging a much larger amount for depreciation.

In February last I was approached by the president of the Federation of British Industries in connection with the Chancellor of the Exchequer's suggestion that dividends should be stabilised. After discussion with my colleagues on the board it was agreed that we should comply with the Chancellor's request.

PURCHASE OF PARAMOUNT ALLOYS

During the year we purchased all the shares of Paramount Alloys, Limited, which has provided us with additional foundry facilities, of which we have been much in need.

I must again draw your attention to the items for stock and work in progress, which together amount to well over £1,000,000. I touched on this subject in my statement last year, and although it is indicative of the volume of work which we have on hand, it is a matter of grave concern to your directors that these figures should be running at such a high level, and energetic measures have been introduced with the object of converting work in progress into finished products. As indicated in my previous statement, the supply position is largely responsible for this state of affairs.

Under the staff profit-sharing bonus, which required £19,018 in 1946, £28,145 is payable in respect of the year under review, this being directly related to the increased net profit earned. A substantially larger amount has also been paid to hourly workers in respect of piece work and production bonuses, which again reflects the improved production which I forecast last year.

CONSOLIDATED BALANCE-SHEET

The consolidated balance-sheet of your company and its subsidiaries indicates how your capital has been employed.

The issued capital, reserves and profits retained total £1,005,487, which has been utilised as follows:—

	£
Excess of current assets over current liabilities	689,624
Fixed assets	311,622
Investment in associated company	3,866
Preliminary expenses	375
	£1,005,487

On the next occasion we shall be able to consider a consolidated profit and loss account in addition to the balance-sheet with comparative figures, but it is apparent from the statement now presented that the group is in a very strong financial position, although the subsidiaries have not yet been able to contribute to the profitability of your company.

RECORD ORDER BOOK

As will be seen from the figures I have given you, the company's activities increased materially during 1947. In spite of the increased turnover we were left at the end of the year with a larger order book than ever before. I do not myself regard such very big order books as by any means an unmixed blessing. In so far as they imply very long delivery dates they cause dissatisfaction on the part of the customer, especially of the oversea customer, where, as is essential in a period of rising costs, an escalator clause is included in the terms of contract.

Your board, while bearing the trend of its markets in mind, is, therefore, doing whatever is possible to increase its productive capacity and considerable progress has already been made in this direction.

NATIONAL NEED FOR EXPORTS

Throughout the year your directors have had in mind the national need for exports and the activities of the whole organisation have been largely devoted to furthering your company's contribution thereto. I am pleased to report that export orders shipped in 1947 amounted to over 37 per cent. of the company's total invoiced sales, a figure well in excess of that demanded by the Government.

In conclusion, may I once more express the great satisfaction with which the Board has watched the efforts of your staff during the year. The difficulties and petty annoyances to which I referred last year have by no means ceased to trouble them, and it is all the more gratifying that they should have been able to produce the results I have laid before you.

The report and accounts were unanimously adopted.

BARRY AND STAINES LINOLEUM, LIMITED

DEMAND REMAINS HIGH

The ordinary general meeting of Barry & Staines Linoleum, Limited, was held on the 23rd ultimo in London.

Sir John N. Barran, Bt. (chairman) in the course of his speech, said: The position is one calculated to give our stockholders confidence. The main feature of the balance sheet is the increased strength shown in our reserves. Demand has continued high, but raw materials have been kept at the same high or even higher costs, and any increase in their controlled supply has been miserably meagre. Our efforts to achieve export targets have been hampered by import restrictions also. To taxation already excessively high has now been added a profits tax which makes a fierce and iniquitous attack on all profits alike, even though "ploughed back." One bright spot has been our dividend from Canada, the highest so far

Unfortunately, the industries of this country must still hack their way through the jungle of inefficiencies, delays, refusals and stintings, with which a self-satisfied bureaucracy continues to clog their path, while pressing for higher export targets and lower prices. These objects are our objects—this industry has already given voluntary and practical evidence of that. We want more abundant output, leading to reduced costs, and to the increased chance for the purchasing public to buy useful things of which they are short. But the key to all this lies in able and alert buying, in skilled and enterprising management, and in the incentive to work hard, inspiring the employees in all grades through lightening of the grevious tax burdens now lying on them and through the assurance that, having earned good money by an honest day's work, they shall be allowed to enjoy it.

The report was adopted.

Statistical Summary

GOVERNMENT RETURNS

For the 11 days ended June 30, 1948, total ordinary revenue was £93,965,000, against ordinary expenditure of £66,143,000 and issues to sinking funds £120,000. Thus, including sinking fund allocations of £2,384,458 the surplus accrued since April 1st is £178,644,373 against £217,892,455 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand): April 1 to June 30, 1947	April 1 to June 30, 1948	9 Days ended June 30, 1947	11 Days ended June 30, 1948
ORDINARY REVENUE					
Income Tax	1309150	186,451	209,202	13,804	21,407
Profits Tax	90,000	12,450	16,250	650	950
Estate, etc., Duties	160,000	42,082	46,750	5,200	4,500
Stamps	55,000	10,350	14,650	600	1,050
Customs	250,000	5,490	56,300	4,854	1,950
Entertainments Tax		11,115			
Betting Duties	1,000	90	75	5	5
Special Contribution	50,000	...	4,600	...	4,600
Total Inland Rev.	1915150	301,693	354,022	25,713	38,512
Customs	820,000	199,807	213,742	19,295	25,584
Excise	726,550	133,500	183,000	23,000	28,400
Total Customs & Excise	1547150	333,407	396,742	42,295	53,984
Motor Duties	50,000	5,755	5,403	...	...
Surplus War Stores	102,000	29,318	18,709	1	...
Miscellaneous Receipts					
Post Office Trading	57,000	20,000	826	20,000	...
Broadcasting Net Receipts	...	...	...	...	...
Wireless Licences	11,000	2,140	2,220	470	540
Crown Lands	1,000	210	180	30	10
Receipts from Sundry Loans	14,000	3,931	2,012	125	...
Miscell. Receipts	68,000	143,592	14,690	106	919
Total Ord. Rev.	3765300	840,046	794,804	88,740	93,965
SELF-BALANCING					
Post Office	150,200	33,700	37,060	2,150	3,300
Income Tax on E.P.T. Refunds	16,000	5,649	2,158	321	218
Total	3931500	879,395	834,022	91,211	97,483

Expenditure	Estimate, 1948-49	Issues out of the Exchequer or net payments (£ thousand): April 1 to June 30, 1947	April 1 to June 30, 1948	9 Days ended June 30, 1947	11 Days ended June 30, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	570,000	112,963	108,825	1,456	1,466
Payments to N. Ireland	45,000	4,882	4,231	696	873
Other Consol. Fund Services	8,000	545	521	226	206
Total	534,000	118,391	113,577	2,381	2,545
Supply Services	2441679	601,414	509,197	51,004	63,598
Total Ord. Expd.	2975679	719,805	613,775	53,385	66,143
Sinking Funds	...	...	2,384	...	120
SELF-BALANCING					
Post Office	150,200	33,700	37,060	2,150	3,300
Income Tax on E.P.T. Refunds	16,000	5,649	2,158	321	218
Total	3141279	759,154	655,377	55,856	69,781

After increasing the Exchequer balances by £294,896 to £3,433,828, the other operations for the week decreased the gross National Debt by £31,098,194 to £25,694 million.

NET RECEIPTS (£ thousand)

P.O. and Telegraph Services	4,820

NET ISSUES (£ thousand)

E.P.T. Refunds	265
Local Authorities (Temporary Loans) Act, 1945, Sec. 3 (2)	3,450
Commutation	7,000
Sundry Credits	413
	11,128

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
2½% Def. Bonds	483	Treasury Bills	27,998
Other Debt:—		Nat. Savings	(-)9
Internal	1	3% Def. Bonds	*2,618
Tax Reserve Certs.	4,868	3% Conv. Loan	50
Treasury Deposits	24,500	Other Debt:—	
		External	5,324
		Ways and Means Advances	14,760
	29,852		50,950

* Including £2,100,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits held by Banks	Total Floating Debt
1947						
June 30	2180·0	2537·3	369·9	...	1412·0	6552·2
1948						
Mar. 14	2160·0	2692·2	416·7	6·0	1239·5	6514·4
,, 20	2160·0	2712·5	403·8	20·5	1249·5	6346·3
,, 31	4910·2		334·8	6·0	1241·0	6492·0
Apr. 10	2160·0	2752·0	328·9	...	1326·5	6567·4
,, 17	2160·0	2750·0	324·4	...	1334·5	6568·9
,, 24	2170·0	2716·9	322·5	...	1349·5	6558·9
May 1	2160·0	2646·3	322·9	...	1336·5	6465·7
,, 8	2230·0	2643·2	319·2	...	1348·5	6195·9
,, 15	2210·0	2643·5	301·0	20·5	1326·5	6501·3
,, 22	2210·0	2652·6	297·8	14·8	1362·0	6537·1
,, 29	2210·0	2620·2	305·3	...	1377·0	6510·5
June 5	2210·0	2616·7	285·2	3·5	1410·0	6525·5
,, 12	2210·0	2608·9	281·7	1·0	1425·5	6525·2
,, 19	2210·0	2595·1	274·0	11·3	1445·5	6578·8
,, 30	2210·0	2607·3	270·5	...	1468·0	6555·7

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
June 27	170·0	288·4	170·0	10 1·45	46
1948					
Mar. 25	170·0	300·5	170·0	10 2·87	30
Apr. 2	170·0	295·1	170·0	10 2·49	42
,, 9	170·0	291·2	170·0	10 2·62	44
,, 16	170·0	287·8	170·0	10 3·15	55
,, 23	170·0	295·1	170·0	10 2·51	42
,, 30	170·0	287·9	170·0	10 2·34	45
May 7	170·0	290·3	170·0	10 1·29	43
,, 14	170·0	292·7	170·0	10 1·36	45
,, 21	170·0	284·5	170·0	10 1·26	43
,, 28	170·0	278·6	170·0	10 1·65	50
June 4	170·0	295·8	170·0	10 1·20	40
,, 11	170·0	277·5	170·0	10 1·79	49
,, 18	170·0	284·6	170·0	10 1·69	57
,, 25	170·0	279·7	170·0	10 1·65	58

On June 25th applications for £170 were made on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 48 per cent of the amount applied for at £99 17s. 3d. and applications at higher prices were accepted in full. Applications for bills to be dated on Saturday were accepted at £99 17s. 3d. and applications at £99 17s. 4d. (maximum). Tenders for Treasury Bills are being offered for July 2nd. For the week ended July 3rd the Banks will be asked for Treasury deposits to the amount of £20 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended: June 21, 1947	Week Ended: June 19, 1948	Totals Apr. 1 to June 19, 1948
Savings Certificates:—			
Receipts	2,200	2,800	27,000
Repayments	2,700	2,850	29,650
Net Savings	*Dr 500*	*Dr 50*	*Dr 2,650*
Defence Bonds:—			
Receipts	2,000	750	9,650
Repayments	672	635	9,795
Net Savings	1,328	115	*Dr 145*
P.O. and Trustee Savings Banks:—			
Receipts	11,256	11,206	140,605
Repayments	13,563	12,415	136,269
Net Savings	*Dr 2,307*	*Dr 1,210*	4,336
Total Net Savings	*Dr 1,779*	*Dr 1,145*	2,141
Interest on certificates repaid	540	515	5,243
Interest accrued on savings remaining invested	2,265	2,521	26,269

BANK OF ENGLAND RETURNS

JUNE 30, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1252,217,940	Other Govt. Securities	128,317,100
In Banking Department	48,029,895	Other Securities	220,314
		Coin other than Gold	12,998
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,853
	1300,247,835		1300,247,835

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	351,659,291
Rest	3,142,961	Other Securities:	
Public Deps.*	14,509,965	Discount and Advances	17,780,715
Other Deps.:—		Securities	32,050,948
Bankers	825,414,306		49,831,663
Other Accts.	92,180,976		
	417,595,284	Notes	48,029,895
		Coin	956,625
	456,268,180		460,268,180

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

COMPARATIVE ANALYSIS

(£ million)

	1947	1948		
	July 2	June 17	June 24	July 1
Issue Dept.:—				
Notes in circulation	1398·8	1250·0	1249·8	1252·2
Notes in banking department	51·5	50·2	50·4	48·0
Government debt and securities*	1449·2	1299·2	1299·2	1300·2
Other securities	0·8	0·7	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Fiduciary issue fixed as	1725·0	1725·0	1725·0	1725·0
Banking Dept.:—				
Deposits				
Public	8·5	14·7	13·6	14·5
Bankers	518·5	364·5	315·8	325·4
Others	95·0	95·6	89·8	92·2
Total	421·7	412·8	419·2	432·1
Securities:—				
Government	351·0	335·8	338·9	351·7
Discounts, etc.	17·7	27·9	25·5	17·8
Other	17·0	20·2	20·9	32·6
Total	386·5	379·9	385·1	401·5
Banking dept. res.	53·5	50·2	51·3	48·7
"Proportion"	12·6	12·3	12·3	11·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
June 24	45	74⅞	176 6	115 3
,, 25	45	74⅞	175 9	115 6
,, 26	Markets	Closed	174 14	115 0
,, 28	45	74⅞	174 4	115 14
,, 29	45	74⅞	174 5	114 15
,, 30	45	74⅞	175 9	115 5

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(1947 Accounts)

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July 10, 1948 — One Shilling

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Crown and Commonwealth

THE quarrels that have arisen over the Government's British Nationality Bill have blown up so suddenly that they have taken the public very largely by surprise. The Bill was passed by the House of Lords (where it made its original appearance) but only after the Government had been twice defeated during the Committee stage. The Commons have given it a second reading this week, but it was evident from the debate that the Opposition still has doubts about it.

The Bill's sponsors, in both Houses of Parliament, have protested that it was not intended to be controversial; it was the fruit of discussion among the legal experts in the United Kingdom and the Dominions, designed to tidy up, by agreement, a number of obscurities in the law of British nationality. The difficulties into which it has run are to be explained by two causes: first, the Commonwealth being largely held together by intangibles, there is a natural tendency for fierce emotions to be aroused by purely verbal and symbolic changes; and secondly, there are some much larger issues of Commonwealth structure just below the surface, upon which even a purely formal Bill might be thought to have some bearing. The debate has been dealing partly with intangibles and partly with unmentionables; there is little cause for wonder that it has seemed to be obscure.

It is clear that, if the term "Commonwealth" is to signify anything real, its member nations must have a special form of association different from the relations normally existing between independent states; likewise it is clear that all its inhabitants, as individuals, must have a common status distinguishing them from persons outside its borders. Hitherto this common status has been that of being a "British subject." This is a term which usage has established, but it has certain ambiguities. It is sometimes interpreted as meaning "subject of Britain," which is wounding to many people in the Dominions who are proud to be members of the Commonwealth but are unwilling to be subjected in any way to the United Kingdom. Its real meaning is "subject of the British King." But this is only to transpose the ambiguity. By an Act of Parliament of 1927 the monarch was declared to be king "of Great Britain, Ireland and the British Dominions beyond the Seas"; he was also Emperor of India, but has renounced this title as part of the legislation creating the Dominions of India and Pakistan. The King has been "His Britannic Majesty" ever since the Act of Union of 1707 merged both the Crowns and the Parliaments of England and Scotland and formed the political unit known as Great Britain. The King today reigns over Great Britain, but he also reigns over countries which have their own separate legislatures and ministers of the Crown.

The King, therefore, is not, except historically and by habitual residence, any more the King of Britain than he is King of Canada or King of New Zealand; he unites in himself the monarchies of these independent and co-equal countries. But unfortunately the only adjective that describes (or that hitherto has been used to describe) the whole group of countries is also the adjective that applies to one of them: the ambiguous word "British." When a Canadian was described as a

"British subject," the exact meaning was that he was a subject of the monarch who was King of Canada and also King of each of the separate countries generally described as the British Commonwealth of Nations. But there is no doubt that in dependent territories the phrase "British subject" has acquired the additional meaning of being under the control and protection of the British nation, of being ultimately governed from Westminster. This meaning tends to cling to the word even in the older Dominions, and still more in the new Dominions, and has been one of the causes of the various movements for establishing distinct national citizenships, holders of which will also have the status of British subjects throughout the Commonwealth. But the passing of special nationality legislation by one member of the Commonwealth tends to induce the others to follow suit, and leads to uncertainty about the exact meaning of the status of British subject. It was the adoption of a law for Canadian citizenship two years ago which raised this question in relations within the Commonwealth, and ultimately led to the introduction of the Nationality Bill now before Parliament.

The disadvantage of the proposed legislation is that it creates for inhabitants of this island a legal category which does not correspond to a real division of the Commonwealth—the category of "United Kingdom and Colonies citizen." This is simply a term to cover the residue of British subjects left after the various Dominion citizenships have been subtracted. They cannot simply be called British subjects so long as that term retains any usage to denote the common membership of the whole Commonwealth: the same term cannot be used indiscriminately to indicate both the common citizenship of the Commonwealth and the specific citizenship of a group of countries within it. But the conception of "United Kingdom and Colonies citizen" is hardly one to evoke a vivid sense of community; it is at once too wide and too narrow. An inhabitant of this island normally has a pride in being British; beyond this he has a sense of solidarity with all the peoples of the Commonwealth, bound together, as they are, by a common allegiance: but such a wider feeling of community does not correspond to a classification which excludes an Australian of British descent but includes a Dyak of North Borneo.

*

It is apparent that any attempt to find a path through these divergent considerations would be difficult. There are people in the Dominions who dislike "subject" as implying subjection, and there are people in this country who dislike "citizen" because they think it calls in question the supremacy of the Crown. And there is the ambiguity of the adjective "British." The Government's Bill attempted to solve the problem by creating two alternative terms, "Commonwealth citizen" and "British subject," which were both to mean exactly the same thing. But it is evident from the debates that the attempt to please everybody has failed. If the Bill really is what the Government say it was intended to be, merely a piece of lawyers' tidying up, it might be better to drop it. The lawyers would have to put up with a certain amount of obscurity and ambiguity. But these are qualities on which the Commonwealth has hitherto thrived, and it is difficult to see what practical difficulties would follow from leaving the whole subject exactly where it is.

But there are wider questions about the form and functions of the Commonwealth which are hardly yet formulated in the public mind, though they are already exercising those who are more closely in touch with Commonwealth affairs. Hitherto the history of the Commonwealth has been one of gradual relaxation of formal ties. It has been a history of successful achievement, and it is therefore tempting to take it for granted that the further history will follow the same lines. New Dominions are coming into existence—in Ceylon, in India, in Pakistan, perhaps elsewhere—and for the first time they are governed and inhabited by peoples who are not of European stock. If these peoples find even the present loose ties of the Commonwealth too binding for them, is it not right to loosen them still further if by that means the new Asiatic Dominions can be kept within the Commonwealth? That policy may be right. But at the moment it seems to be more of an instinctive reaction than a carefully thought out plan; and it is only in the last few months that it has come to be realised that a further dilution of the concept of the Commonwealth, in order to make membership in it acceptable to a wider range of states, may have unfortunate repercussions on the intimacy of relations that now exist among the nations that are already members of the Commonwealth. It is too soon to speak of an argument between the "strict construction" and the "loose construction" of the concept of the Commonwealth; but these differing schools of thought are beginning to appear, and some indication of them is to be found both in the proposals of the Nationality Bill—particularly in the proposals to drop the word "British" from "Commonwealth citizen"—and in the debates on it. It is the shadow of this wider issue, in fact, that accounts for the heat that purely technical proposals have engendered.

*

At present, the chief formal bonds of the Commonwealth are the Crown itself, the Governor-General as representative of the Crown, and the periodic Imperial Conference. All three, it is now apparent, are affected by the present discussions. The part which the Crown plays in the Commonwealth is an extension of its national function, as it has been determined by English history. But the part the Crown plays in the constitution of Eire has already been reduced almost to vanishing point, and it is apparent that if the Asiatic Dominions are to remain within the Commonwealth, republicanism will have to be accepted, not as an exception to the general rule, but as a permitted variant of Dominion status. Have the long-term implications of this for the unity of the Commonwealth been worked out?

Secondly, the title of Governor-General is beginning to be called in question. The title is an anachronism in the Dominions, for it confuses a function of the Crown, which is the same as that of the King relative to Government and Parliament in the United Kingdom, with the role of a colonial governor who has direct executive power and receives instructions from Whitehall. A Governor-General in a Dominion is simply the King's deputy as Head of the State; his proper title is Viceroy, but that word has come to be associated with even greater executive power than a Governor-General's. If it were simply a question of finding the right title, time would doubtless produce a satisfactory solution. But it is becoming apparent that some of the new Dominions find no place in their constitutional ideas for an impartial, universally respected, unifying figure such as the Governor-General has come to be in the older Dominions. If this basic conception also is abandoned, in the effort to keep Asiatic Dominions within the Commonwealth, what will be the consequences as between the United Kingdom and the Dominions? Will more be gained in the new Dominions than is lost in the old?

Finally, there is the Imperial Conference—which can be said to comprehend not only the periodic meetings of Prime Ministers but also the great volume of confidential consultation that goes on from day to day between the Prime Ministers through the High Commissioners' offices in London and the Dominion capitals. The basis of all this is complete mutual confidence and trust. But if the Commonwealth is greater than

Correction.—It was stated in a Shorter Note in The Economist of June 21st that the Government's amendment to the British Nationality Bill making the terms "British subject" and "Commonwealth citizen" synonymous had been defeated in the House of Lords. This was incorrect; the amendment was accepted.

will the system work? Suppose, for example, that Burma had become a Dominion within the Commonwealth, as it was invited to be; and suppose further, as is not impossible, that the Government of Burma falls into hands of men who are barely distinguishable from Communists. Could they be invited to an Imperial Conference and given the great mass of confidential information that is freely provided for the Governments of Canada and Australia? Or, alternatively, would it be possible to have two sorts of Dominions, standing in closer or more distant relation to the United Kingdom, without raising impossibly invidious distinctions? Might not the result be that there would be a reduction in the intimacy of contact between London and Canberra because equal intimacy between London and Rangoon proved to be impossible?

These questions are not asked in any rhetorical sense, or because the answers are obvious. But they are questions that have to be asked and answered before the future form of the Commonwealth is decided. In the past, every step in the development of the constitutional law of the Commonwealth has been most exhaustively discussed by each of its members before decisions were taken. It may be that the present Bill does not commit anybody, even inferentially, to any line of action on these wider issues. But it would be far better that this particular Bill should be held over—in default of a convincing case being made, on strictly practical grounds, for its urgency—than that anybody, here or in the Dominions, should be given any excuse for feeling that a snap decision is being taken on such very important matters.

Palestine—The Map and the Moment

"THERE is a common denominator in Palestine." That is the most important phrase, by far, in the report which the United Nations mediator, Count Bernadotte, has, after weeks of tireless work, submitted to his principals at Lake Success. That common denominator is, he goes on to say, a mutual "recognition of the necessity for peaceful relations between Arabs and Jews in Palestine, and of the principle of economic unity." The basis sounds broad enough. But it is greatly narrowed by mistrust, ill-will, over-confidence, contempt and other emotions nurtured on both sides. Can it become the starting point for negotiating a settlement and, if so, when?

At the moment of writing, Count Bernadotte's four weeks' truce, which ran from June 11 to July 9, is virtually over. And the chances of extending it do not look good. They are being subjected—as will be seen from accounts of Israeli and Arab emotions that are given below—to strain in both Tel Aviv and the Arab capitals. They are also being dallied with at Lake Success, where the Russians are branding the truce as a cover for dark Anglo-American designs, and where the Chinese and Syrians are also belittling its virtues. Indeed, the latest news is of renewed fighting.

Count Bernadotte is not the sort of man to hustle into the arena full of belief that he personally can quickly solve a conundrum that has for nearly thirty years defeated all who have tackled it. His draft suggestions were only a basis for discussion. Their principal items were: that any arrangement should cover Palestine *and* Transjordan; that the resultant "union" should consist of two "members"; that common economic services, including a customs union, should be run by a central council; that autonomy should otherwise be complete except in the control of immigration. Jewish control of immigration was to be complete for two years, but after that subject, in the event of dissatisfaction, to periodic dispassionate review by the Economic and Social Council of the United Nations. The draft also provided that minority rights and the sanctity of the Holy Places should be protected and that refugees had a right to recover possession of homes from which they had fled.

Thus far the plan had many points in common with the Assembly's partition scheme. It differed from it in two respects: it implied that Transjordan, alone of the Arab States, was directly concerned in the settlement, and it curtailed the sovereignty of the Jewish State in dealing with the contentious immigration question. It also differed in the frontier line it suggested. This eliminated the Assembly's proposed criss-cross of boundaries. It suggested that the Negeb should be Arab—which means that Transjordan should reach the sea in the south—and that "the whole or part of western Galilee" should be Jewish—which means that the Jewish coastline should continue northward to the Lebanese frontier. It proposed that Jerusalem should be in Arab territory but with safeguards for its great Jewish community. It also proposed that Lydda should be a "free airport"—a feature without precedent—and that Haifa, in order to continue handling the refining and export of oil piped from an Arab source in Iraq, should be not Jewish but a free port also.

Both parties to the dispute have rejected these suggestions. The Jews dislike the whittling down of their sovereignty in the clauses about "membership" (as opposed to statehood) and immigration; they also dislike a demarcation line less favourable to them, on balance, than the Assembly's line. The Arabs will not discuss the draft because they want a unitary state and no line at all. But is the precise boundary line, though so much discussed, now the most important element in the proceedings? The answer is No. All the years of British experience, and all the months of United Nations experience, go to show that there is no conceivable line of demarcation in Palestine that can be regarded as satisfactory. No amount of moving lines backwards and forwards will suddenly produce a solution. A plan for Palestine stands or falls not so much upon the map to which it is attached, as upon its timing—upon whether, at the moment of impact, the disputants are in the mood to settle or the mood to fight. Will they reach the mood to settle only when further fighting has brought exhaustion or are the stars in favourable conjunction now? An answer to this question is difficult to give categorically, for hazard plays such an important part. Tension in Palestine is at the moment such that the chance bursting of a paper bag can set the guns going. But any attempt to weigh the chances must take into account two factors. One is the state of mind of the Israeli and Arab leaders. The other is the degree of encouragement they are expecting and getting from outside backers.

Inside Israel the mood is, on balance, one of confidence in superior military might, despite what is, for the moment, inferiority in armour and artillery. The outlook was summarised in a letter published in *The Economist* last week from an Englishman who is speaking and working for Israel at Lake Success. Its main theme is that, by virtue of military success beyond as well as inside the boundaries set up by the Assembly, the Jews have a right to be implacable and to ask for more, not less, than the Assembly awarded. Publication of Israeli statements extolling the quality and quantity of arms imported since May 15th lend point to this argument. So does the suborning of two British soldiers who deserted, taking with them two ill-guarded Churchill tanks, on one of the last nights of the British military evacuation from Haifa. Against these portents must be set a statement made by Mr Shertok in Tel Aviv on Tuesday that Israel is still prepared to negotiate "between itself and its neighbours as free sovereign peoples."

In the Arab states also the mood is exalted, irritable and bellicose. Among their people it is traditional to wave weapons

and shout battlecries; there is no easier way to raise a cheer. Declarations that "we are now going to rely on arms," or that "we are marching to Tel Aviv," must be read in the light of tradition and custom. Those Arabs who have their heads screwed on know that their armies advanced unimpeded in May because they advanced mainly into Arab territory, that their lines of communication are now dangerously exposed, and that it would be best to negotiate while their armies are still intact. But exalted Arab crowds take some pacifying, and leaders who are ready to calm them down must be given some tools—in the shape of something to show for their armies' efforts—with which to do the job.

The question of foreign backing for either side is one of importance in the west as well as in the Middle East for, broadly speaking, no moment is the propitious one for settlement unless Great Britain and the United States agree to forgo encouragement to either side. At the same time, Israel can count with certainty upon Russian encouragement. It can also count upon Russian consistency—which some Jews compare favourably with America's waywardness and changeability—in demanding the Assembly's partition line and nothing less. At Lake Success on Tuesday Mr Manuilsky furthered this consistent line by pointing out that Count Bernadotte, in suggesting a reconsideration of the Assembly's partition scheme, had exceeded his functions. On the whole, however, the outside world is holding back from open partisanship. Neither the British nor the American Government has reversed its policy—the Republican platform at Philadelphia was as pro-Zionist as any Jew could wish—but both have seen the dangers of drifting into a war by proxy.

It is just possible, therefore, that Count Bernadotte may be able to persuade both sides to discuss his proposals and to patch up the truce again. But, if he succeeds, it will not be because of any virtue that his plan has over the many other plans that have been proposed. And similarly, if he fails, it will not be because of the line he has drawn on the map or the division of governmental powers that he has proposed. What will produce peace in Palestine is a willingness on both sides to have peace. This is a point on which British policy, for all its fumbling, has always been far more realistic than any of its critics; for the only alternative is a solution imposed by force of arms, which the world outside Palestine has at no time been prepared to carry out. When that time comes, any halfway reasonable plan will work; until it comes, even a plan that was made in Heaven will be rejected by both sides. Unfortunately, the probability is that there will have to be some more fighting before both sides will prefer a compromise to more blockades. If so, then it will be the difficult, but imperative, task of the American and British Governments to see that the outside world—which means themselves—does not get drawn into the fighting. It is a plan for this, not a plan for the government of Palestine, the details of which most urgently require elaboration.

The World and the Dollar—III

The Need for Discrimination

IN two preceding articles, certain conclusions were put forward on the likely future of the dollar as a governing factor in world trade. It was suggested that the United States is unlikely, even in the longer run, to put at the disposal of other nations, by buying their goods and services, the amount of dollars they will want to spend in the United States, that a shortage of dollars—though probably not so acute a scarcity as exists today—is therefore likely to last far beyond the year 1952 which at the moment is somewhat arbitrarily fixed as the year of equilibrium, and that as a consequence of this continuing lack of balance, the European nations will almost certainly be compelled to husband their supplies of dollars and to exercise a vigilance *vis à vis* the dollar which will be unnecessary in the case of other "softer currencies." It remains for this concluding article to draw some of the consequences of this forecast.

Having followed the argument so far, some critics may be inclined to say: "But what is all the fuss about? All you have proved with such elaboration is that nations will not be able to buy American goods if they have not the necessary dollars available. Surely, if they have no dollars, the question of buying in America does not arise. Since, however, all the dollars that are made available by America's purchases abroad will certainly be spent in America under one form or another, why complicate an issue which in essence is very simple—that nobody can spend what he does not possess?"

Unfortunately, it is not nearly so simple. If the outlook for the longer run were a mere continuance of the present position, in which Western Europe cannot pay for what it needs from the rest of the world as a whole, then indeed the matter would be very simple: Western Europe would either have to seek permanent charity or reduce its standard of living. But the position that is assumed in these articles—it cannot be predicted as a certainty, but it is at least as likely as any other—is more complex. By about 1952 Western Europe may be able not only to obtain supplies of many of the things it needs from outside the dollar area, but also to pay for them in some means of payment acceptable to the sellers—and still be short of dollars. And if the simple-minded critic says that it is easy to solve that dilemma—Western Europe can trade with the non-dollar world and cut its trade with the United States to the measure of its dollar earnings—he will be brought right up against the American doctrine of non-discrimination, which says (in substance) that no European country may trade with a non-dollar country any more freely than it does with the United States. Europe, in fact, in the circumstances here assumed, looks like being faced with a most painful dilemma. Either it restricts the whole of its trade to the measure that it can afford to do with the United States—in which case its whole recovery will be handicapped—or else it gives offence to the very nation that has most assisted it, and whose continued friendship is, on political grounds, absolutely essential to its security.

This painful dilemma is at the very centre of the problem. Ever since these matters of international trade and finance began to be discussed between the American and British Governments in the middle of the war, there has been a steady determination on the British side to pretend that it did not exist, and those critics who (like *The Economist*) were tactless enough to point out the dangers of adhering to sweeping doctrines of non-discrimination were told that they were imagining risks that would not mature. It is impossible to keep up this wishful thinking any longer. It is much more likely than not that there will permanently be a dollar shortage, and dollar shortage *plus* non-discrimination means a throttling of world trade. Non-discrimination will have to be argued out with the Americans.

It is, of course, a most delicate subject. To this day, by no means all Americans are free traders. But free traders and protectionists are at one in regarding the doctrine of non-discrimination as the most natural piece of common sense. Why should any nation be allowed to treat American goods worse than it treats other countries' goods? Why, in particular, should a country that has been a beneficiary of American generosity be allowed to treat its benefactor so scurvily? Indeed, even to raise the subject sounds to many Americans like base ingratitude, as if the reward for Marshall aid was to be treated as Europe's worst commercial enemy. It is no wonder that the European Governments have been unwilling to press the matter so long as they could find any excuse for believing that it would not, after all, be necessary. But there is no escape through wishful thinking. The European point of view will have to be stated and re-stated.

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One way by which the argument can be got over to Americans is to lose no opportunity of giving them practical examples of what is likely to happen when non-discrimination is coupled with shortage of dollars. Suppose, for example, that Canada is accustomed to buy large quantities of chocolate from the United States. But let us also suppose that, at the same time, Canada is running short of US dollars and wishes to husband its dwindling supplies for essential imports such as oil or machinery. The only course is to limit or prohibit the import of American chocolate. But, under the workings of non-descrimination, Canada must at the same time also ban the import of British and French chocolate even though Canadian importers have sterling or francs to burn. The ban on American chocolate thus becomes a ban on chocolate as such and the volume of international trade falls more than would have been the case if the rules of non-discrimination had not been applied. And, lest anyone should think the instance fanciful, it occurred last year, when Canada was obliged by the draining away of its US dollar reserves to restrict its purchases in the United States.

It will also be necessary, in any discussions with the United States, to make the point that there is no desire to scrap the doctrine of non-discrimination entirely. It is, in general, an admirable doctrine and one of the things that prevents international trade from degenerating into mere cut-throat chaos. It is entirely reasonable that the nations of the world should accord equal treatment to American goods *so long as they have the dollars to pay for them.* All that is asked is that they should not, in the name of non-discrimination, be forced to refrain from buying each other's goods in circumstances when they could not in any case buy American goods. It should not be impossibly difficult (though it will not, admittedly, be very easy) to draw up rules to cover these contingencies. The embryo already exists in the "scarce currency" clause of the Bretton Woods Agreement, which permits the members of the International Monetary Fund to administer their exchange controls in a discriminatory manner against any member whose currency has been declared by the Fund to be scarce. It is perhaps sufficient criticism of the practical importance of this clause to point out that the dollar is not at this moment "scarce" within the technical meaning of the Fund. It is also a criticism of this clause—as it is also of the various escape clauses of the draft charter of the International Trade Organisation—that it permits departures from non-discrimination only after the emergency of scarcity—which means, in substance, the final exhaustion of the non-dollar world's reserves—has arrived, and not in anticipation of it. Nevertheless, the idea is there, and it could be built upon. What is required is not a set of exceptional escape clauses for use in emergencies, but a new doctrine of international trade which recognises that the exception is likely to be the permanent rule.

Thirdly, it will be necessary for Europeans to insist and to go on insisting that when they say they want to discriminate they do not in any way mean that they want to cut down their trade with America, to "declare economic war on the United States" or anything of the sort. On the contrary, if any prophecy is safe in international trade it is that the non-dollar world's trade with the United States will, for decades to come, be just as large as the United States itself permits. Every last cent of every last dollar that the United States makes available to the rest of the world, whether by trade, by loans or by gifts, will be spent at once on American goods and services. The argument is not that Western Europe's trade with the United States should be cut down, but that its trade with other parts of the world should be allowed to go ahead more rapidly than its trade with America can do. There is no desire that Canada should stop buying American chocolate, but only that, if Canada is prevented by dollar shortage from buying American chocolate it should be allowed to go on buying British and French chocolate.

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The other main issue raised by the likelihood of a continuing dollar shortage requires more positive action by European powers. A continuing dollar shortage means that it will be impossible for Europe to satisfy its complete demand for American supplies, but since some of these supplies—food, for instance, or industrial raw materials or machines—are essential to the functioning of the European economy, if they cannot be bought in America, they must be found elsewhere. The question is whether they exist in sufficient quantities and, if not, what can be done to stimulate their increase or to find substitutes.

There are two reasons why it is difficult to establish the scale of the gap between European requirements and purchasable American supplies. The first is that Western Europe does not yet know how many dollars it will be able to earn in normal times by normal trade. The second is that the availability of



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supplies that do not have to be paid for in dollars is still unpredictable. When the postwar inflation comes to an end and the tide of extraordinary demand recedes, it may be found that the non-dollar supplies of many commodities are more nearly sufficient than now seems likely. But though, for these reasons, the gap between what Europe needs to import to meet its minimum needs and what it will be able to pay for may be smaller than now appears, there is still likely to be a gap of some size.

What can be done to cover this gap? The question is urgent, for at most the nations have five years to develop their plans; they may have considerably less. The moment is also apposite, for in the next weeks the OEEC in Paris will embark on the drawing up of a long-term programme for the Sixteen and clearly the reasonable course in framing such a plan is to fix on one or two priorities and devote the united energies of the Sixteen to their fulfilment.

The first priority is food. Foodstuffs ran away with most of the British loan. They will be a massive part of Marshall Aid. Britain and Western Germany are both entirely dependent upon imported food. Most big towns in Europe are short of it. At present the Sixteen have no concerted long-term policy for increasing supplies of food. Britain has a ground nut scheme; France is starting up another. Governments are considering the possibility of aiming at the cultivation of more cereals and less livestock. But so far there is little forethought and no co-ordination in these various food policies. What is needed is, first, a cool assessment of the likely long-term gap in supplies (which may be much less than now appears), and then a concerted attempt to survey the possibilities of development not only in Europe itself but throughout the non-dollar world. The survey could lead to agreement on specific projects and then to a united strategy to break the bottlenecks in the production of agricultural machinery and in transport which at present are holding up the few food schemes that have been launched. Food is only the most urgent of the European priorities. Coal, steel and power—the basic raw materials of industry—are only less so, and the OEEC's main task should be to produce a combined strategy of production for these main categories.

It is perhaps too much to hope that an ambitious policy of expanding production should be balanced by a concerted effort to make the most practical use of all Europe's dollar resources either from Marshall Aid or from ordinary commercial transactions. In the Sterling Area, the existence of a central dollar pool gives some assurance that essential expenditures will take priority over the less urgent demands and even if a dollar pool for Western Europe is out of the question, and co-ordination of import programmes from hard currency countries, designed to put wheat before chinchillas and steel before Cadillacs, seems an almost essential expedient if the aim of gaining reasonable equilibrium by 1952 is accepted seriously. Admittedly, such a policy would involve some discrimination, for the producers of non-essential American exports would find that Europe's dollars were being reserved for essential American goods while Europe bought its frills and its extras probably at greater cost and with softer currencies. But this is precisely the kind of discrimination which the new rules should be designed to cover—a discrimination designed to increase stability, to restore productivity and thus ultimately to expand trade. If all these things could still be done, as in the golden age of Victorian trade, without plan or effort, America would not find Europe slow to accept America's commercial precepts. It is Europe's tragedy, not its strategy, that it must take thought for tomorrow and do painfully by planning and controlling and even discriminating what could once be left to unfettered free trade.

(Concluded)

NOTES OF THE WEEK

ERP Debated

The debate on European Economic Co-operation ended, as expected, with an enormous affirmative majority. Its range was wide and its level on the whole high, though it must be recorded as yet another missed opportunity for that galvanising lead to national endeavour which neither Sir Stafford Cripps nor any other member of the Cabinet seems, in the last resort, capable of offering. The Chancellor's opening speech was unexceptionable; so was the winding-up speech of Mr Harold Wilson; but apart from those passages which actually elucidated the Agreement both speeches had been made before, had been potted in Reports to the Nation and illustrated on hoardings, to the point of virtual public anæsthesia. The Opposition made the most of its party opportunities, following the well-beaten track—Socialism discredited by reliance on aid from a capitalist state, independence thrown away by Socialist incompetence—and drew a well-merited rebuke from Mr Douglas Jay, who pointed out the inconsistency between Tory complaints that the American Loan had been squandered on consumers' goods and Tory protests at every refusal to import more petrol or tobacco or to release more textiles and furniture. One really cannot both demand a balanced external budget and act as a mouthpiece for the Housewives' League. Equally predictable economic monstrosities emerged on the Labour side—though Labour need no longer be debited with the incredibly tortuous malevolence of Mr Platts-Mills; a new low was struck by Mr Norman Smith, whose analysis of the economics of Marshall Aid rested on the proposition that the United States is forced to give away its products externally because, if they were retained on the home market, standards of life would rise so high that the workers would refuse to work and capitalism would break down. Even Marx never dreamed up that one.

Both sides of the House showed a sober and valuable realisation that Marshall Aid in itself could only mitigate the long-term disequilibrium between the Old and the New Worlds, a disequilibrium more profound than could be accounted for even by war. Most members remained fatalistic about ultimate prospects; the most constructive speech came from Mr R. Mackay, champion of integral Western Union, who envisaged a European free-trade area able to look the United States in the face in productivity, efficiency and consequent trading power. He incidentally provided the final answer to those who offer, as an alternative to tainted dollars, closer trading relations with Russia: a brief statistical survey of Russian export resources as compared to British import needs. On the whole, the debate augurs well for the spirit in which, whatever Government is in power, ERP aid will be used and its concomitant obligations shouldered.

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Beyond Berlin

The time may come when Mr Bevin will feel some gratitude to the Russians for raising the issue in Germany in the simple form that has now been grasped by the British public. So far as can be judged, Mr Bevin has their full support in declaring that neither the starvation nor the victimisation of two million Berliners dependent on the West is tolerable. And most people feel some pride and relief in the knowledge that the challenge to deliver food has enabled the democracies to stick out their jaws, to exercise power without fighting, and to put aside some of their misgivings in the excitement of a great air operation.

But the most difficult and most testing stage of policy lies ahead; and it is doubtful whether British opinion has yet grasped what the issue may become. The air operation cannot go on indefinitely; its main purpose is probably to increase by three or four the number of weeks within which Western diplomacy—now thoroughly co-ordinated between London, Paris and Washington—can wrestle with Moscow policy. If there is no yielding on the Russian side while air deliveries continue, then, as soon as they stop, the Western representations are bound sooner or later to take on the form of an ultimatum—whether that word is used or not. If there is some yielding before that stage is reached, it may well have a merely tactical purpose; for the Soviet Government clearly wishes to discuss the whole German problem again in the Council of Foreign Ministers. Before that proposal is made or entertained, the public in Western Europe and America will have to answer two questions which have been rarely discussed publicly but which cannot be any longer evaded.

The first is this: are the Western Powers prepared to consider a settlement of Germany which would take the western zones out of the European Recovery Programme and transfer the centre of economic and political power from Frankfurt to Berlin? If they are not, they should say so now and explain to the Western electorates how and why West German recovery is vital to ERP. The explanation is one that cannot be given or grasped quickly.

The second question is this: are the vital industries and trade organisation of the eastern zone so integrated with the Soviet economy through Russian-owned companies and concealed reparations arrangements that the Soviet Government is bound—whatever its public statements—to resist any genuine attempt to reorganise Germany as a political and economic unity? In other words, can the Soviet Government itself carry out the kind of settlement it was asking for last December? Will it sacrifice its interests in eastern Germany for the sake of an understanding with the West? The evidence is that it cannot, at any rate in the immediate future.

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If the answers to both questions are negative, what is the use of pretending that a further conference to avert the division of Germany has any chances of success? Mr McNeil pointed out in last week's debate in the Commons that the problem of Germany has already taken up two out of five full sessions of the Foreign Ministers' Council, 61 meetings of their Deputies and 300 hours of discussion at the highest level. Unless Mr Molotov has something new to say, to resume that process, after the strain of "Operation Carter Paterson," would be to give the Kremlin more time for the war of nerves, precious weeks of delay between the ripening and the gathering of the European and Russian harvest. The question underlying the issues raised in Berlin has to be faced now, while public opinion in western Europe is tense with awareness of the obligations it imposes. It has never been better defined than by Mr Marshall in his speech of May 5th to the Foreign Affairs Committee of Congress:

> A fundamental task of the United Nations and of our foreign policy is to dispel the misconceptions of the Soviet leaders and to bring about a more realistic view of what is possible and what is impossible in the relationship of the Soviet Union and the world at large.

* * *

North Atlantic Pact

Action has quickly followed speech in Canadian foreign policy. On June 19th Mr St. Laurent, Secretary of State for External Affairs, spoke in favour of Canada's playing a part in a regional security pact with countries of western Europe, Britain, and the United States. Last Tuesday a Canadian representative was present when talks began between the State Department and ambassadors of the Brussels Pact Powers. This means that statesmen have come to grips sooner than was expected with the problems of a North Atlantic union—union being used in the loose sense now associated with "Western Union."

There should be no illusions about Canadian motives. It is as a neighbour of the United States and Russia that it is interested in regional security, and that interest extends as much to the Pacific as to the Atlantic. But it is also interested in the defence of west European freedom and prosperity, which has different appeals to Canadian business men and proud French-Canadians. In short, although the readiness to consider new obligations in these directions is of direct benefit to the Commonwealth, it is unlikely for the time being to lead to any closer co-operation with Britain in imperial defence. What is more important is the deep impression that Canada's action will make on the European governments which still doubt the sincerity of Mr Bevin's Western Union policy and the support that America is likely to give it.

It should not be forgotten that some advocates of an Atlantic regional arrangement would like to leave out the adjective "north." They would extend it to include South Africa and Brazil. Such sweeping developments are better left alone for the time being. Just as Mr Bevin concentrated in western Europe on the "hard core" of France and the Benelux countries, so Washington is likely to concentrate on the group which is now represented in the talks with Mr Lovett.

Uncertain Government in France

The Schuman Administration resembles a battered ship staggering from reef to reef; yet time and time again the ship avoids disaster, and the rock which should have broken its back slides from under the bows at the last moment. The Government depends upon the maintenance of the Socialist-MRP coalition, and in recent weeks restiveness among the Socialist ranks had been visibly growing. The draining away from their ranks to the Communists and—more seldom—to the parties of the Right continues. Comparisons made between membership in 1946 and today show that, with perhaps two exceptions, Socialist Party membership has fallen in every area. Thus any action, political or economic, which tends to drive away members strikes the Socialist in a mortally tender spot.

Recently, the compromise reached within the Cabinet over subsidies for religious education has been a blow to the old guard of Socialist anti-clericals. A graver threat is the general economic situation, in which, in spite of the Prime Minister's attempts to lower industrial prices, the cost of living has increased very slightly in the last month, whereas the Government had guaranteed its decline. The Communists are as usual exploiting the position and a serious seamen's strike is the latest of a series of sporadic outbursts designed to damage the Government's efficiency without directly challenging its authority.

The Left-wing Socialists are more and more despondent over their chances of resisting Communist competition. They feel that it will be possible to maintain their strength only if they can remove the stigma of coalition from the Socialist record. Accordingly, they proposed at last week's party conference to

> break with all organisations of the Third Force, fight for immediate wage increases and return to the position of a party of Socialism fighting in the ranks of the opposition

—and one more reef appeared above the water in front of M. Schuman's ship. In the event, however, a sizeable majority voted to remain within the coalition, and once again the ship slipped by.

Another reef instantly appeared. To salve the conscience of the Left wing, the Socialist Conference made continuation in the coalition dependent upon certain conditions—the control and reduction of prices, on secular education and, most urgently, on the reduction of the military budget on the morrow of the conference, the military issue came to a head in the Assembly, and the Socialists voted with the Communists by a large majority to defeat the Government project. Once more, M. Schuman's ship threatens to split from end to end.

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Minerals Under the Planning Act

The Town and Country Planning Act came into force on July 1st. Its application will be particularly tricky where the working of minerals is concerned. Minerals, with the exception of coal, are affected in the same general way as other types of development which now require permission from the local authorities to be carried on, and attract the Act's provisions for payment of compensation and imposition of development charges. The more difficult problems concerning minerals have been temporarily deferred. Local authorities are being given eighteen months to decide which mineral workings they will permit to continue or to be started (it is to be hoped they will get adequate guidance on the economic factors); and mineral undertakers get what amounts to a three years' moratorium on the application of the Act's financial provisions.

The Government needs the respite to do some hard thinking—which should really have been done before legislation was introduced, and certainly before it became effective. Mr Silkin's regulations, given for the guidance of the Central Land Board and debated in Parliament recently, are no more than tentative improvisations. Consistently with the general purpose of the Act, it is intended that the development charge shall scoop off in advance the full site value attributable to intended mineral workings, and that the whole of this charge shall normally fall on the owner of the land. If the mineral undertaker is himself the owner, he will be allowed (over and above the initial three years' moratorium) to work a certain and still undetermined proportion of his holdings free of development charge; but this concession is set off against his claims out of the £300 million compensation fund, where it will reduce the amount available to other claimants. Thereafter he becomes liable to the full development charge. If, however, the undertaker is not the owner, an alteration will be necessary in the terms of his lease, which in case of dispute is to be settled by a special tribunal to be appointed by the Lord Chancellor.

This is fair enough in theory. There are very many cases,

however, especially when the lease is an old one, where the owner's royalty is less than the proper development value of the site, from which the undertaker too is drawing a profit. Can it be certain that undertakers will forgo their share of profit in such cases, or will they seek to retain it by raising prices to the consumers of minerals? If enough of them react in the same way, there is nothing to prevent this happening. Another difficulty is that it will be far from easy to assess the correct development charge in advance of the land being worked for minerals; yet, at a subsequent date, the charge may only be varied downwards, not upwards. The Central Land Board may therefore face a dilemma of either charging much less than it should, or of running a strong risk of deterring development and raising the price of minerals.

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A further difficulty is that, owing apparently to legal complications, Mr Silkin is unable to make good his promise to stipulate that the cost of restoring land to its proper state shall be allowed for in the calculation of development charge. This is a serious matter, since in some counties, such as Northamptonshire, the havoc wrought by mineral workings is increasing very rapidly, and specific legislation on the matter is overdue. No doubt, here, as in other matters, the Central Land Board may evolve a practical technique for taking this need into account. But it is not satisfactory that an Act should depend so much on hidden ingenuities and compromises in the field.

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Mr Bevan Hates

Mr Bevan has long stood high on the list of those whom the ordinary citizen, whether his politics be Opposition, non-partisan, or even (one suspects) Labour of the less militant brand, would dearly like to see psychoanalysed. What, one wonders, makes him tick? And how did he get that way? On Sunday, in a speech at Manchester to mark the third anniversary of Labour's accession to power, he answered to some extent both the proximate and the ultimate question. His driving force and inspiration, which would not yield, so he proclaimed, to any cajolery or ethical or social seduction, is a "deep burning hatred of the Tories," who, so far as he is concerned, are "lower than vermin." This may, no doubt, be regarded as a *tu quoque* to Mr Churchill's description of the speaker as a "squalid nuisance" —or was that a specimen of cajolery?—but it has a far more splendidly all-embracing quality; a quality enhanced by Mr Bevan's peculiar use of the word "Tory," which includes, evidently, not only the Conservative Party as such, but the whole system of private enterprise. There is none righteous, none. Tories are bosses and bosses are spivs, and this unholy trinity (not three reprehensibles but one reprehensible) deliberately "condemned millions of people to semi-starvation." Moreover—and here is the ultimate source of Mr Bevan's animus—it reduced him personally, in his youth, to living on the earnings of an elder sister, and exposed him to the insult of being advised to emigrate. (Wistfully, one wonders which Dominion or foreign country it was which so narrowly missed having its history altered.)

It would not be worth while paying much attention to this particular fusillade of gutter-sniping if it were not so deeply symptomatic of one of the chief ailments of the Labour Party; of the envy, malice and all uncharitableness twin-born with its generous idealism and inspiring sense of human solidarity. Other party Governments have been, in varying degrees and at different times, complacent, callous, self-interested or merely inept. None has ever yet been inspired by "burning hatred" and a positive desire to inflict suffering on the objects of that hatred; sentiments faithfully reflected (as may be seen in *Hansard*, though not in the cramped columns of "the most prostituted press in the world") by a very large proportion of the Government's supporters. The Labour Government, said Mr Bevan, would have carried out all its programme by 1950. As paper schemes go, he may be right. But even a far greater and more solid achievement would still fail to compensate for this deliberate and odious injection of personal venom into British public life.

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Tito and Cominform

After a week of invective and inaction, the impression remains that the main cause of the breach between Marshal Tito and the Cominform was the insufficient servility of the Jugoslav Communists to Moscow. World Communist criticism (for instance an authoritative statement by Gheorghiu-Dej, the Rumanian leader) singles out for attack the presumptuous heresy that the puny war effort of Jugoslavia deserves comparison with that of the glorious Soviet Union. And clearly it was blasphemy for Jugoslav Communists to resent the fact that the Soviet intelligence service recruited their own agents in Jugoslavia, preferring their reports to the fraternal information supplied by the Jugoslav Party. Moscow may spy on Belgrade, but if Belgrade shadows Soviet personnel that is sacrilege.

The impression also remains that the accusations brought against the Jugoslav Communists' internal policy are either inaccurate or equally applicable to the other "popular democracies." It is true that the Jugoslav Party has differed from all other East European Communist parties in its secrecy, which has made impossible elections to party offices; but such elections as have taken place within the other parties have merely endorsed candidates put forward by the central committees. It is true that the Jugoslav Party's ranks have been swollen by a mass of recruits whose "grasp of Marxist-Leninist methodology" is elementary; but the expansion of the other parties, especially of the Rumanian and Hungarian, has been relatively much more rapid, and has taken in numbers of former Fascists ("Iron Guard" or "Arrow Cross"). It is true that the Jugoslav Party's Congress is taking place after a long delay; but the "All-Union Communist Party (*Bolsheviks*)" *itself has held no congress since 1939.* It is true that the Jugoslav People's Front contains bourgeois individuals and groups; but these are fewer, and have even less opportunity of independent action, than the similar groups and individuals in the other countries.

The accusations concerning economic policy are to some extent contradictory. The Jugoslavs may have underestimated the "class struggle in the village," but the Rumanian Party has recently publicly castigated itself for the same error, and the other East European Communists have (except perhaps the Bulgarians) done less to encourage voluntary collective farms than have the Jugoslavs. On the other hand, the Jugoslavs are blamed for over-hasty nationalisation of private trade. Here alone it seems that the Cominform has found a Jugoslav action which is out of step with neighbouring countries (though the policy of the latter can hardly be said to be indulgent to private merchants). The Jugoslavs have here gone too far towards Communism, which perhaps explains the use by the Cominform of the epithet "Trotskyist."

To sum up, it still looks as if internal policy is of secondary importance, and that international—or perhaps purely personal—factors determined Moscow's action. But what motive can have been so pressing that it justified such a public exposure of the breach in Balkan-Danubian unity, such a weakening of the Soviet position in Europe?

* * *

"Albania's Heroic Struggle"

One of the most comic documents published since the war is the statement of the Albanian Communist Party's Central Committee on the Tito-Cominform dispute. According to the Albanians, the Jugoslav Communist leaders are "notorious anti-Marxists," who have used "Fascist methods" to "promote the capitalist exploitation of Albania and its people." They have tried to "impose their own treacherous hostile Trotskis" (sic) and to "convert into a colony the country of the heroes of the Albanian National Liberation Army." But the "heroic resistance" of the Albanian Central Committee has triumphed over them. These fine examples of popular democratic rhetoric were followed up by the rupture of economic relations with Jugoslavia and the expulsion of Jugoslav "experts."

The indignation of the oppressed Albanians cannot but provoke a little mirth in the citizens of "western imperialist states" who have been so often told that in Eastern Europe "exploitation of man by man" has almost disappeared.

In fact both governments probably have solid reasons to dislike each other. The Jugoslavs have in the last three years done a great deal for Albania. "Voluntary contributions" of considerable size, wrung from the Jugoslav citizen, have been devoted to Albania's economic reconstruction. Both during and after the war Jugoslav officers helped to organise the Albanian army. Belgrade may reasonably resent this "ingratitude." On the other hand, there are still more than half a million Albanians living in Jugoslavia, in the "autonomous province" of Kosovo-Metohija within the Serbian People's Republic. Official Jugoslav claims that these Albanians enjoy complete freedom and equality of status are received with some scepticism by ordinary Albanians on either side of the frontier, many of whom doubt whether nationalist discrimination has really been abolished by decree from Belgrade. Others consider that, even if it has, dictatorship by Belgrade Communists is no improvement on dictatorship by pre-1941 Belgrade nationalists.

The opportunity of winning popularity at home by exploiting anti-Jugoslav feeling was too good for the Albanian Communists to miss. But with both Greece and Jugoslavia hostile, Albania's position will be precarious. At least in Athens there will be jubilation.

* * *

The Centre Wins in Finland

By the grace of its Russian neighbour, Finland's elections passed off quietly. The results were as expected: the Popular Democrats, composed of Communists and extreme left wing Socialists, lost eleven seats, while the two moderate parties, the Agrarians and Social Democrats, gained twelve. The Popular Democrats still hold 38 seats in the Diet of 200, but the Agrarians and Social Democrats between them hold 111, more than half the total.

The formation of the new government will be the next decisive step. It is early yet to predict who the members will be, as cabinet-making does not start until July 21st and is always a lengthy business in Finland. The next Prime Minister will almost certainly come from either the Agrarians or Social Democrats, and opinion veers at the moment towards Mr Kekkonen, the leader of the Agrarians. It is expected that the Communists will be offered one or two minor government posts, for, though the electorate has clearly swung against them their influence in the trades unions is still great. Among other unions, they control the vital transport workers and stevedores, and there should be no need to stress how much damage can be caused by a dock strike.

The Finns have kept the difficult balance between East and West by a judicious mixture of co-operation and firmness with Russia. There is no reason to change this policy. Moreover, the mere fact that the Communists within have lost ground is a positive reason for placating the Communists without. The two centre parties could, if they wished, dispense with the Communists in the government altogether, but they are keenly aware of their delicate position. There is a clause in the Peace Treaty concerning Finland's obligation to maintain a friendly and non-Fascist government which may at any time provide a plausible pretext for Russian intervention.

* * *

Retrials in Criminal Cases

The Criminal Justice Bill has now received its third reading in the House of Lords. The principal item debated in the House on the Report stage was a new clause proposed by the Government giving the Court of Criminal Appeal the power, on an appeal to it by a convicted person, to order a new trial of any charge on which he was convicted (there can, of course, be no appeal by the Crown where a man is acquitted). The Government's clause, with an amendment moved by the Lord Chancellor, would extend the powers of the Court of Criminal Appeal to order a new trial only of those charges on which the accused had been convicted. Even if he had been before the court on a series of linked charges, there would be no new trial of a charge on which there had been an acquittal.

Once again, this proposal produced divergent views from the lawyers in the House. The substance of the case for the clause was, first, that the present Lord Chief Justice and his three predecessors have all felt that this power should be added to the armoury of relief possessed by the Court. It was not suggested that a new trial was frequently required, but most of the lawyers taking part in the debate were able to put forward at least one instance in which they felt that greater justice would have been done had the Criminal Appeal Court been able to order that the whole case should be heard again. The arguments against the clause were mainly that it was out of harmony with British justice to increase the number of occasions on which an accused person could be put on trial twice. Further, that in many cases, after conviction, details of the previous convictions of the accused are made public for the first time. On the principle that a jury is supposed to try a man on the evidence, not on his criminal record, were a new trial to be ordered after that, details of these convictions would already be public knowledge, and, as a result, the second trial could never be as fair as the first.

Where lawyers disagree a layman must have hesitation in expressing an opinion, but it would seem that on balance the machinery of criminal law will be improved by the inclusion of this clause in the Bill. The fact that the Lord Chief Justice, who so often presides over the Criminal Appeal Court, recommends that this Court should have this power is a very strong argument

indeed. The second reason is that it is dangerous to deprive a court of a useful power on the grounds that the power can be misused. The powers possessed by all criminal courts can be misused. The fact that the ordinary citizen expects, and is given, justice in a criminal court depends far more on the quality of the judges than it does on the technical machinery at their disposal. If the Court of Criminal Appeal only orders a new trial in one case out of a thousand, that is still an argument for giving it the power to make such an order. So far as this country is concerned, such a clause is an experiment, but mankind progresses because experiments are made.

* * *

Haw-Haw on the Third

Last Monday night objectivity ran riot in the BBC's Third Programme. In a programme lasting half an hour listeners heard twenty minutes of almost unrelieved scurrility at the expense of the American Government and people. They learnt among other things that the standard of living of European workers is falling because of American aid and that America has been forcing capitalist clients to buy tinned pork made from pigs which died of dysentery. It was a sickening half-hour—but perhaps it was intended to be sickening as well as boring. The question is now whether this programme called "The Soviet View" should be repeated in its present form once a month—as is intended—or drastically overhauled in conception and execution.

Its purpose is to give the British public a taste of what Russians are given to hear and read in their wireless programmes and newspapers. From that taste, presumably, understanding of the "other fellow's point of view" is intended to grow. By hearing completely one-sided, distorted, abusive treatment of world events, in which Americans are alternately monsters and figures of fun, the British listener is to attain heights of understanding and objectivity hitherto beyond his reach. It is taken for granted by the producers that he knows the difference between *Trud* and *Red Fleet*, that he is aware of the relationship between the Soviet Government and the Tass News Agency, that he is able to decide for himself how much Soviet writers and readers believe in the boring, abusive stuff which passes for comment on current affairs.

The producers should think again. If it is their purpose to improve our understanding of Russia they are certain by this method to fail—for Soviet propaganda has been, is and always will be, boring to any audience brought up with a free press. If it is their purpose to show the crudity of the Communist line they are entering into hopeless competition with the skill, liveliness and dexterity of the *Daily Worker*.

Yet this half-baked experiment reminds one of what used to be a valuable and interesting feature of the British daily press in its more spacious days—the summaries and quotations from the views of reputable foreign newspapers. So long as newsprint remains scarce the BBC could do a valuable job in reviving this feature. There are newspapers in Europe such as *Le Monde*, *Svenska Dagbladet*, *Corriere della Sera*, whose comments on world—and British—affairs are always stimulating and sometimes enlightening. They should have at least an even chance of publicity on the BBC with *Pravda* and its understudies, the tone of whose comment takes the listener back to the heyday of Haw-Haw.

* * *

Book Exports

Books are both a commodity and a means of communication, and free trade in them consequently ran counter to both economic and ideological nationalism. Information recently prepared by the Publishers Association shows the extent to which the export of British books is hampered by both these forces. (Fuller details appear in the *Records and Statistics* Supplement this week.) It is to be expected that Bulgaria and Czechoslovakia (since the purge) would have rigid censorship and a virtual ban on book imports. It is

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not altogether surprising that countries with a limited amount of sterling such as Finland, Greece and Turkey should list books among the British goods which they can only afford in limited quantities. What is quite absurd is to find protective duties used as if the writing and publishing of books was a nascent industry which would be developed by protection. For instance Persia has a 16 per cent tax on books and a rigid licensing system ; Switzerland has a tax of 4d. a pound on books (as if they were carcase meat or screws) ; and in Uruguay a single volume incurs eight shillings' worth of taxes. The United States imposes an *ad valorem* duty, varying with the class of book, of between 3¾ per cent and 10 per cent based on an arbitrary assessment of the book's value. Canada is becoming increasingly an American market while New Zealand refuses to grant supplementary import licences to booksellers.

The consequence is that, although the turnover of the British book trade has nearly trebled between 1939 and 1947 (from £10,507,204 to £30,203,763), the value of exports now accounts for only 24.5 per cent (or £7,412,905), against 30 per cent in 1939. Tariffs have twisted the direction of British book exports and therefore of the means of communicating ideas. While the four British Dominions absorbed 44.21 per cent of the 1947 book exports, the whole of Western Europe (including Scandinavia) took only 11.25 per cent and Central and South America 0.96 per cent. However, the situation will be improved this year by the resumption of book exports to Germany and Japan, two of Britain's best prewar customers. The British Government has itself pursued an honourable policy not only of attempting to obtain the removal of barriers to the export of British books, but of refusing to erect barriers to the import of foreign books except where currency shortage makes it necessary. This is a concrete problem which the British representatives to Unesco would do well to study.

* * *

Democracy Dances

Everyone now knows that democracy is of many kinds—Western and Eastern, bourgeois and popular, political and economic. In Japan, however, where there has always been a tendency for imported schools of thought to be translated into æsthetic rituals, it seems that democracy is being redefined primarily in terms of choreography. At Hiroshima, a city which is said to take a great pride in its tragic fame and to aspire to be the "peace capital" of the world, the chief of police has given orders that all policemen and policewomen must learn Western dancing on the ground that it is essential to democracy. Lessons in boogie-woogie are given in the police station and aversion to the art is considered to betray feudal, militarist and reactionary sentiments.

It is clear that, contrary to the opinions of some sceptical observers, the Japanese really are taking democracy seriously. They are going beyond the conception of it expressed by the man who, when questioned by a correspondent, defined democracy as obedience to the orders of General MacArthur. In the boogie-woogie the individual, even a policeman, will be able to develop his personality without reference to Supreme Allied Headquarters and the shackles of an authoritarian past will fall away of themselves. It is not the first time that the influence of Western civilisation has been absorbed in Japan through the medium of the dance ; more than seventy years ago the ladies of the Court were commanded to waltz so that the European diplomat in Tokyo would notice no lack of *savoir faire* in high places. But that was an aristocratic age ; the tradition of dancing which Africa transmitted to the Anglo-Saxon is better suited to the task of democratising the survivors of the first great experiment in atomic destruction.

There does not seem to be any reason why the idea should be confined to Japan. If political ideas are best embodied in popular dances, is it not possible that nations might acquire by such means a more sympathetic understanding of one another's ideologies than through the repellent motions of verbal controversy ? Perhaps even the Council of Foreign Ministers might attain greater harmony under the sweet influence of Terpsichore. Mr Marshall might bring Benny Goodman with him to conduct a jam session ; a member of Mr Molotov's famous bodyguard might expound Marxism-Leninism so attractively *v prisyadku* that Mr Bevin's heart would melt within him ; and the Soviet Foreign Minister himself might be so entranced by the tap-dancing of Mrs. Braddock that he would forget to object to the next item on the agenda. The world may yet learn wisdom from Hiroshima.

Mr. Chifley Steals a March ?

It is a pity that one of the most important problems of Commonwealth relations is being broached at the Ministerial level in individual rather than joint discussions. The Prime Minister of Australia, Mr J. B. Chifley, has arrived in Britain some four months ahead of the bigger meeting to be held with the rest of his colleagues in the other Dominions. He has brought with him a team of financial and economic experts, and he has made it clear that his chief purpose is to discuss with Britain how best to use the dwindling resources of the sterling area dollar pool. Reports from Canberra indicate that he is likely to ask Britain to guarantee a $60-70 million deficit for Australia in 1948-49. The dollars are required to buy, among other items, tinplate for the canning industry and dyes for worsted materials, both of which are expected to feature strongly in Australia's export drive. Mr Chifley will also doubtless try to discover exactly how much Australia—and New Zealand—will be affected by Britain's economic commitments in Europe and whether the two countries can provide "off-shore" purchases under ERP.

But these two questions—the dollar shortage and the effect of Britain's commitments in Europe on Commonwealth trade—by no means concern the Anzac group alone. They are questions to which the Ministers of Finance in India, Pakistan, Ceylon and, to a lesser extent, in Canada and South Africa, have also demanded an answer. They are, too, among the most important reasons for the Conference of Dominion Prime Ministers to be held in the autumn. They form points of common interest for the Dominions, and the solution of these two questions by the Dominion Prime Ministers in common council would have immeasurably strengthened the bonds of the Commonwealth.

The questions are urgent, and Mr Chifley was right to insist on early discussion. But he is wrong to imply, as he has done, that they were a matter for bilateral negotiation with Britain rather than for a multilateral settlement between all the Dominions. Bilateral talks between officials are indeed essential preliminaries to the wider Conference originally envisaged, but to take them to Prime Ministers' level may provoke the suspicion that Mr Chifley is trying to steal a march on the other Dominions.

* * *

The Neglected Child

The Children Bill passed its final stages last week. Its arrival on the statute book marks the birth of a new and complementary campaign for the neglected child in its own home.* The Curtis Committee dealt only with the child deprived of its home background ; these numbered some 124,000. The present report is concerned with the much larger number of children who, while still living with their families, are suffering from neglect, mental or physical cruelty, destitution or lack of parental control. In the year 1944-5 alone 107,312 children coming from 41,050 families were dealt with by the National Society for the Prevention of Cruelty to Children, and there is every reason for supposing that the numbers of children suffering from neglect is very much larger.

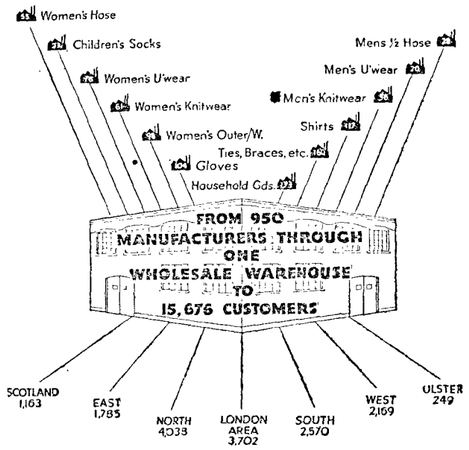
The report is in the best tradition of British social reform. The Curtis report was written with all the majesty of a Government inquiry ; this is a much more modest study, with inadequate funds, by a sub-committee of the Women's Group on Public Welfare. Nevertheless, it is a telling document and bears the stamp of authority ; the members of the Committee were almost all experts and they had the co-operation of the Ministry of Health, the Home Office and the Assistance Board in their inquiries, which included the examination of case histories of mothers serving sentences for child neglect and of widows receiving public assistance.

The report is basically an examination of the family circumstances which cause parents to neglect their children, and more particularly of the circumstances of the mother who is the lynch-pin of the family. In almost all cases the causes are complex, and poverty is frequently, but not always, a factor. The health, physical and mental, of the mother is vital ; large families, poor housing and the father's death or absence appear frequently in the case histories. Improvements in social conditions cannot solve them without much closer contact between the families, who often do not bother to use the social services, and the authorities able to help them. Like the Curtis Committee, this committee finds that there is too much overlapping between the bodies who attempt to intervene—the police, the NSPCC, health visitors, school attendance officers and voluntary bodies—and too great a tendency to remove the neglected child from his home rather than to attempt to improve the home itself. The futility of sending

* The Neglected Child and his Family. OUP 5s.

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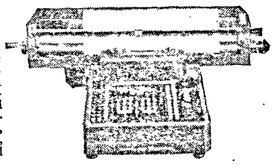
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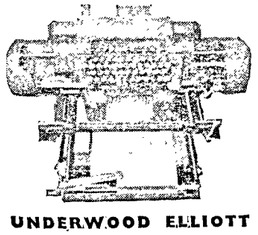
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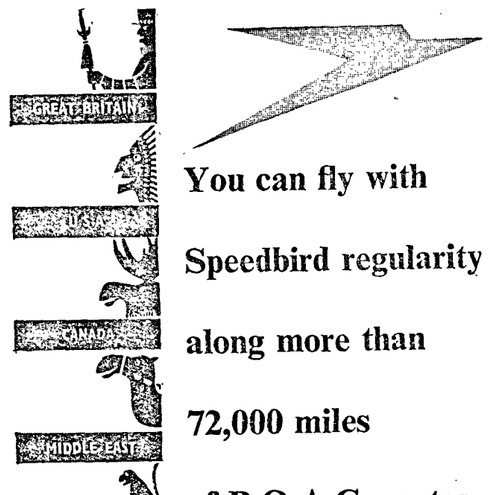
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mothers to prison for neglecting their children is once more brought out. The committee recommends that local authorities should be made responsible for providing a comprehensive service of care for all children in their areas, and that the various services for mothers and children should be extended. If the causes could be remedied, the effects—children in institutions and homes and an increase in delinquency—would be reduced. This, together with the parallel efforts of the Family Service Units and the Stepney Pacifist Service Unit, which perform an unexampled service of direct help to problem families in their own homes, is a campaign to be supported.

* * *

A Freedom for the Civil Servant

A welcome should be given to a circular recently issued by the Treasury extending the liberty of civil servants to write, lecture and broadcast about their work, and to receive payment for it. The circular is not about the propriety—charming word—of doing so; it is assumed that in the cases in question the objections on grounds of secrecy or public policy have been settled. This is, indeed, a matter to which a good deal more thought ought to be given, but for the present the discussion centres on the more material question of cash. Shall a Crown servant who writes on a subject of which his knowledge is derived from his official experience, but which he carries on outside his official hours, be permitted to be paid for it? The answer is Yes—a yes bound round and knotted with innumerable qualifications and exceptions, but nevertheless a definite affirmative. The justification for this sensible decision is twofold: first, that an interest extended beyond the narrow requirements of official duty is likely to increase the civil servants' usefulness to the state; and, secondly, that "the creative use by some Crown servants of the experience which the Government gives to all its servants is to be encouraged." This phrase begs an awkward question about the non-creativeness of most civil service work; nevertheless the effect of the new regulations ought to mean that a civil servant who is really keen about his work and wishes to write or give talks about it can now enter the open market on more equal terms with his fellow citizens. Any step which reveals Whitehall to the world and the world to Whitehall is to be encouraged.

* * *

A Good Tale Badly Told

The Ministry of Education has published its first report since 1939.* For a story which is so full of event—the great evacuation in 1939 and its recurrent ebb and tide, the vicissitudes of wartime education, the long battle of the 1944 Education Act, and the hopes and disappointments of the postwar years—the record is quite astonishingly dully told. Surely the passage of an ambitious Act at a time when the country was fighting for survival and the great struggles to turn that Act into effect could have been told with a trace more feeling and warmth. The report barely attempts to deal with the years 1939 to 1946: only 1947 is covered fully.

The two main points of the educational contest consist on the one hand of the equalitarians, who have been given full political rein under the Labour Government, and on the other of those who believe more in the quality of education and fear that quantity may serve to level down standards. The report gives material to support both sides.

By January, 1947, there were almost exactly the same number of teachers in the schools—188,000—as in 1938; as, however, there were 500,000 fewer pupils the teacher-pupil ratio improved. The 400,000 increase in the school population, owing to the raising of the school-leaving age, has taken place slowly and has been matched by increases in staff. Numbers are still rising owing to the increase in the birthrate and will continue to do so for at least five years. In 1939 the school population in England and Wales was roughly 5,500,000; it was 5,000,000 in 1947; it is expected to be 6,000,000 in five years' time. The supply of men teachers is expected to be adequate; it is women teachers for the young children who are gravely deficient.

The capital programme for building has been cruelly hampered. The fourteen- to fifteen-year-olds have been housed mainly in prefabricated huts, for which special provision was made; the permanent programme has fared much worse. In 1946 capital expenditure totalled only £7,000,000 and by the end of 1947 there was still only £17 million worth of work under construction. In the light of, for example, the expenditure on new housing, which for 1947 must have been over £200 million, this is very low. It amply explains the complaints of overcrowding, condemned buildings and the like, which place the state schools at such a disadvantage in the eyes of parents making a choice between state and independent schools for their children.

* Cmd. 7426. 3s. 6d.

* * *

Is it Cricket?

It will be a poor heart that does not rejoice at the stand taken by the committee of a local cricket club at the Staffordshire Assizes last week, when sued for damages. A man passing their cricket ground was struck on the head by a ball hit for six by a batsman. The injured man sued the club for damages—understandably, for few men have heads wholly resistant to descending cricket balls. The club, with that spirit of compromise which is not out of place even in cricket, offered the injured man an *ex gratia* payment to solace his damaged crown, but hotly protested that they were under no legal liability to make any payment whatsoever for that kind of mishap. In law, a man is assumed to accept the risks necessarily attendant on the playing of games in which he joins or which he watches. Neither a player nor a man who takes a stroll on a golf links can claim damages if he is injured by a ball in flight. His presence on the course is sufficient for the law to say that he has voluntarily submitted himself to the risks of such an injury. But to walk on a public highway past a cricket ground is a different matter, and it would be an interesting extension of this theory if the contention of the cricket club is well founded. An observer of English Test cricket today might well come to the conclusion that the risk of injury, either outside or even inside a cricket ground, from a ball hit for six by an English batsman is virtually non-existent. This, however, does not seem to be a Staffordshire view. Australian papers, please copy.

Shorter Notes

In the second reading of the Representation of the People Bill in the House of Lords this week, Lord Salisbury announced that the Opposition did not intend to reject or amend the Bill, as it was a measure affecting the House of Commons, not the upper House. But he and other Opposition speakers used the occasion to denounce parts of the Bill, particularly the abolition of the university seats, for what they are—"a pretty shabby affair." After reading the evidence brought up in support of the charge that a gentleman's agreement has been flagrantly broken, one feels that though the Conservatives may be vermin and even lower than vermin (*vide* a Note on an earlier page), they would not have been guilty of such a dirty trick as this.

*

It was announced last week, after *The Economist* had gone to press, that an agreement had been reached between the Ministry of Pensions and the artificial limb industry which would enable every firm making a high quality limb to continue in production. In prescribing the type of limb required the Ministry of Pensions surgeon will consult with the patient's own surgeon, and the patient will be able to choose the limb from lists of makers approved by the Ministry. If he chooses a limb such as is made by the Ministry's contractors for Service casualties, he will get it free. If he chooses another make and it costs more, he will be charged the excess.

*

In a referendum organised by the Bar Council, a majority of barristers have voted in favour of retaining the circuit system as at present in existence without substantial change. No corresponding referendum of litigants has yet been held to find out whether the additional barristers' fees payable in consequence commend themselves to those who are compelled to make use of the Courts.

*

Last week a High Court Judge suggested that it would be of public advantage if the registration book—or "log book"—issued to every car owner were made legal evidence of his ownership of the car. At present it is not, with the result that fraudulent sales of cars are rendered the more easy. The Board of Trade, or the Ministry of Transport, might well consider appointing a Departmental Committee to advise on the merits, and possible disadvantages, of such a proposal.

*

In the article on "Party Politics in Spain" which appeared in *The Economist* of June 19th (p. 1023) it was stated that Señor Angel Herrera might become a leader of a Spanish Christian Democrat Party. A correspondent points out that this reference to one who is at present Bishop of Malaga is misleading, as his religious office would preclude active participation in politics.

Letters to the Editor

The Level of Government Expenditure

SIR,—The text of articles IV and V in your series on "Long-Term Economic Problems" is that Government expenditure should not exceed 25 per cent of the national income. Although this is reiterated many times and viewed from various angles, no attempt is made to prove the validity of this proposition, based on Mr Colin Clark's observation. We are left with the suggestion "If Government expenditure ought to be only 25 per cent of national income, then it is at present excessive" and this is not very helpful.

The table on page 6 in last week's issue sets out clearly the rise or fall of each part of national taxation and shows where the increase has arisen. But it does not prove that the increase is dangerous or that a return to the prewar arrangement would improve matters. The core of the problem, surely, is not whether the nation should spend a greater or smaller proportion of its annual income communally (through its Government), but whether in so doing changes are made in the distribution of real income, and whether in consequence aggregate income will be increased or decreased? Not whether taxation should be reduced to some meaningless proportion (25 per cent or 30 per cent) found convenient by past Governments and perhaps by other countries in different circumstances, but whether in the long run the social dividend will be maximised. This I agree would be difficult to subject to precise analysis.—Yours faithfully,

W. A. COOPER

East Harting, Petersfield, Hants

[It was stated—twice—that there was no absolute justification for Mr Clark's figure of 25 per cent, and our own conclusions were based on 30 per cent. But because the danger point cannot be exactly determined, it does not follow that there is no danger point. We were trying to follow exactly the line of argument that Mr Cooper recommends, with the exception that we tried to bring it down to earth by naming a figure, empirically arrived at.—EDITOR.]

The Dentists' Grievances

SIR,—In your article on dentists' grievances, you correctly refer to differing levels of skill in relation to fees, but you omit reference to overhead costs. These overhead costs are added to not only by rent in what is called a good neighbourhood, not only by good furnishings and expensive equipment, but by a number of points such as properly spaced appointments so that the nervous patient can be carefully treated, and time allowed for the unexpected difficulty.

I can best illustrate my meaning by drawing the contrast between two extremes. Take the men who had no cost of training but were put on the dentists' register under the 1921 act, whose equipment may be just what cannot be done without, who make no appointments, have no attendant for door or surgery, and whose overhead costs are therefore reduced to a minimum; and on the other hand consider the men who have high rents, who have spared nothing to get equipment which will help towards good treatment, who make properly spaced appointments, and have the skilled surgery help which is absolutely necessary for good dental surgery, and it is clear that under the proposed scheme, the worse the dentist, the higher the remuneration. Your comments on the Estimate Board are fully justified, and I, for one, shall refuse to join in a scheme where decisions which should be my responsibility, are left to clerks in Eastbourne.—Yours faithfully,

DOROTHY SMITH

42 St. Giles', Oxford

What Are Profits?

SIR,—In your article in your issue of June 12th you have taken up an old but very important topic, the relationship between profit in the economic sense of the word and profit as defined for income tax. You have left out, however, one argument which is perhaps decisive: economic and legal definitions are bound to collide here and there; inequities have to be accepted for the sake of certainty of taxation. But inequities, unimportant or at least acceptable at a time when income tax was levied at a rate of 3s. 6d. or even 5s. in the £, have become unbearable when direct taxation is levied at the present rate. The system requires overhaul because the old machinery cannot carry the increased load.

You quote as an example of the hidden "capital levy" the failure of the Inland Revenue to take into account fluctuations of stock value and provisions for the replacement of capital assets. Unfortunately this is only one example. The present income tax system considers as capital assets which are not available for any depreciation, for instance, payments for leases which are, econbmically, rent paid in advance, thereby shifting the burden of income tax from the owner of the land on to the shoulder of the leaseholder or tenant.

You refute the well-known argument that the suggested change of the law would result in a loss for the Treasury, but this is not the whole story. The authorities have shown great reluctance to introduce legislation to avoid economic inequities, not only because this might reduce the amount of tax collected, but also because it might render obsolete the precedents decided by the Courts; they have devised new clauses to be incorporated in the Finance Acts whenever the High Court has decided an argument in favour of the taxpayer.

The accountancy profession has again and again drawn attention to various economic anomalies in our tax system and would have good reason for feeling frustrated. The failure to bring economic and legal definitions of profit in one line cannot be put at the doorstep of the profession. What is necessary is that Income Tax Reform, shelved since 1931, be taken out of its drawer and dealt with speedily, use being made of the research work done by universities and professional bodies.—Yours faithfully,

H. L. BERLAK

283, Watford Way, Hendon, N.W.4

Raw Cotton Commission

SIR,—In your issue of June 26th you say it is now generally accepted that the Commission's new policy of fixing home issue prices at replacement costs is correct.

Having accumulated very large stocks of many growths of cotton on advancing markets the Commission suddenly decided to demand replacement prices only when those prices were at the highest level since 1920, and at very much above this cost. At the present time prices demanded are 3d. to 5d. per lb. over replacement costs in most markets—200,000 bales of Sudan cotton were bought, in bulk, at an average price of 36d. per lb. f.o.b., say 38d. cost to the mill. The average selling price demanded is 52d. per lb.—£26 per bale difference.

Russia is reported to have resold recently to America 27,000 bales of Kamak (long staple cotton), bought from Egypt by barter, at very much below present Egyptian prices, and to have offered (if not sold) 40,000 bales to the Commission also much below present quotations. What constitutes "replacement values"?

Export business in fine qualities is being paralysed because hard currency countries are refusing to pay prices which Lancashire

From *The Economist* of 1848

July 8, 1848

. . . . Again some hope arises that France may begin to recover. All the main sources of her wealth still exist as before the month of February. Her soil is untouched—the knowledge, skill, and number of her people are undiminished—her agriculture is unimpaired—her great wine cultivation as flourishing as ever—her cotton and her woollen manufactures are nearly uninjured: and it is even remarkable that cotton sold well at Havre at the very height of the Paris insurrection: only her silk manufacture, and the ornamental manufactures of Paris have been partially destroyed, and she has, therefore, still the power of recovery from her disasters. The instant that the government inspires the people with a sense of confidence and security, enterprise, which is impatient to be at work, will begin in every quarter—money, which has rather been hoarded than destroyed, will come forth—credit will revive, and all the energies of the people, if they be wise, will be directed to improve the ample means of prosperity which are yet in their hands. . . . From the terrible events of the last four months, France has gained nothing, unless it be a great mistrust of the many quacks, who pretend, by some necromantic means, to promote national welfare. To other nations, indeed, her experience has been a great lesson; they are taught to avoid her terrible errors without going through her sufferings.

is forced to ask. Also, with new crop cotton being offered for September/October shipment at 5d. per lb. below present prices, exporters are compelled to limit business, because it takes six to nine months to convert raw cotton into cloth ready for export, when competitors will establish lower values. The absolute monopoly of the Commission is fortified in the Act by penalties on merchants importing cotton (to assist exports) of a fine of £500, and for two years' imprisonment and confiscation of their cotton! Our main export hope is thus throttled by Government action and exploitation.

In any case, replacement values in the various countries from which we buy are completely out of relation to the spinning value of the respective cottons. No such thing as "world values" now exists. When the Liverpool market functioned all values of all growths and qualities were truly related daily, and accepted everywhere. The facilities for hedging ensured a free world market in an international commodity.—Yours faithfully,

A. BRYCE MUIR.

Danger Signals in South Africa

SIR,—With reference to your article in your issue of June 5th, I wish to make a few comments on some of your remarks.

One of the main reasons of the Nationalist victory is often not generally realised. This is the fact that the rate of increase of the Afrikaans-speaking section is much faster than that of the English-speaking section. According to the returns of the 1936 census the ratio between persons giving their home language as English to those giving their home language as Afrikaans was 1:1.15 for the age group over 21 years of age but 1:1.83 for the age group 7 to 21. In the past the faster rate of natural increase of the Afrikaners was to a large extent balanced by gains for the English section through immigration, but immigration virtually ceased during the war. It is also generally conceded that the United Party failed to draw much support among the thousands of young Afrikaners that voted for the first time in 1948.

Informed comment in South Africa attaches very little importance to General Smuts's recognition of Israel. Recognition of the state should they be elected was promised by certain Nationalists, and this was possibly the reason for General Smuts's action.

The election results do reveal a greater rift between the English and Afrikaans sections of the community than has existed at any time since Union, but the Nationalists enjoy very considerable support in the cities. They won five of Pretoria's eight seats and won eight seats on the Rand, besides losing four more seats in this area by very narrow majorities. Thousands of Afrikaners have trekked to the cities within the last few years. The Dutch Reformed Church recently announced that it had more members in the cities than in the rural districts.

The voting figures in total probably overestimate the strength of the United Party, as this party's votes were cast for 127 candidates while the Nationalists only had 92 candidates in the field. Allowance for this factor would still give the United Party a majority, but probably a substantially smaller one than that revealed by the figures.

It is true that farming was largely subsidised in the past, but prices received by South African farmers for wheat, sugar and maize are well below present world prices, and the effect of the subsidies is to the benefit of the South African consumer and thus indirectly to the benefit of the mines and industries, which consequently are able to pay lower wages.

Your suggestion of a coalition government is not likely to receive the support of the Nationalists, who feel confident that they will be able to increase their majority at the next election. This is based, firstly, on the fact that they can be sure of a substantial majority amongst the young people who will be registered as voters in the next five years, and, secondly, on the fact that there are signs that they are obtaining some support from English voters who have similar views on the native question.—Yours faithfully,

H. DE G. LAURIE

P.O Box 595, Cape Town

Books and Publications

Apple of Discord

"Apple of Discord." By C. M. Woodhouse, D.S.O. Hutchinson. 320 pages. 21s.

MR WOODHOUSE writes with authority of Greek affairs. He was one of the first British officers parachuted into enemy-occupied Greece, and was head of the British Military Mission there from August, 1943, until the Germans left Greek soil. He is a scholar of both the ancient and the modern Greek languages, and is also aware of Greece's position in the Balkans and in Europe. The book contains a great deal of valuable information on the numerous Greek resistance groups and political parties and on the attitude of Greek emigres and British military and political organisations, and summarises all important events in Greece from 1941 to 1947. It is certainly by far the best work yet published on its subject.

In spite of these merits the book leaves one unsatisfied. It is far too long, and its analysis is at once too complicated and too simple. There are mistakes of fact in the sections dealing with events in the Balkans outside Greece. There is too much imputation of motive. Statements about the intentions of the Greek Communists, the Germans, and the Soviet Government, which cannot be more than guesses, are given as facts. Similar statements about British and American intentions, which may well be based on knowledge, are given without the evidence. This may be the fault of security regulations rather than of Mr Woodhouse, but it is annoying to the reader.

Mr Woodhouse proves convincingly that the EAM-ELAS organisations were always controlled by the Communists, and that the Communists have always aimed, and still aim, at the subjection of Greece to the Soviet Union. It follows from this that British policy should oppose them. Whether the best method was adopted is a point on which opinions will always differ. Mr. Woodhouse maintains that the moderate democrats should not have let themselves be diverted, by their fear of a Royalist restoration, from the struggle against Communism. Should they then have accepted the leadership of the Royalist (Populist Party) politicians with their retinue of black marketeers and "collaborationists"? Mr Woodhouse himself shows that during the last three years the vindictiveness of the Right has driven many good Greeks back into the arms of the Communists. Mr Woodhouse's book will not cause extremists of either Left or Right to change their views. Its facts can be used to support either side. But at least it will show the unbiased reader that the problem is almost insoluble, and that British failure to solve it was not entirely due to wickedness, or even to stupidity.

Mr Woodhouse believes that the Greek problem can only be solved as part of the Balkan problem, that Greece can only enjoy security within a Balkan federation. He rightly stresses the economic, social, cultural and even ideological similarities between the Greeks and the other Balkan peoples. He is well aware how short-sighted and futile are the Greek, as also the Serb, Bulgar, Albanian and other nationalists. But the great question is whether this larger Balkan unity will spread over the Peninsula from the north, in the form of Soviet Communism, or from the south, under the leadership of American political democracy. Mr. Woodhouse wisely refrains from detailed speculation, but the question with which the book ends is the only important one.

Land Use

"The Land of Britain—Its Use and Misuse." By L. Dudley Stamp. Longman, Green and Company. 507 pages. 42s.

DR DUDLEY STAMP started in 1930 the first comprehensive survey of the utilisation of every acre of land in Britain and, in the face of recurring financial difficulties, eventually piloted it through to successful completion. Most of the work was done voluntarily, and particularly creditable was the way in which the whole educational system, from schoolchildren to undergraduates and research students, was harnessed to the task of its own free will. The actual cost was about £53,000, much of which came from private sources, whereas payment for the work at free market rates would have needed at least £200,000. This largely voluntary achievement and the 92 detailed county reports which have emerged from it, should greatly assist the planning authorities in the discharge of their new-found powers of control of land use.

Dr Stamp's book draws freely on the results of the survey to present a comprehensive description of the land of Britain—its character and history and the changing pattern of its usage. This is a solid book, not to be read at a sitting—but merely to

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By A. Grant McGregor

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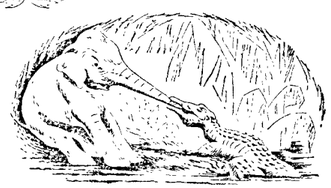
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glance through the numerous diagrams and illustrations will fascinate anyone interested in farming or the countryside. The various types of farmland are classified and their broad distribution shown; the geographical distribution of crops and livestock is brought up to date to show wartime changes; the effect of geological and climatic factors on agriculture, of mineral workings on the soil, and of accessibility on the use made of land are among the matters analysed and discussed. The mass of material collected in one volume for the first time will make this a standard work of reference of the highest value.

Dr Stamp, however, attempts more than analysis. He gives an opinion on the basic principles which should guide land use planning—mostly sound common sense with which few would quarrel—and he adds a more controversial outline of the possible changes in land use which may prove desirable. He concedes that the land occupied by houses and other uses which are agriculturally unproductive may have to be increased from 5.5 to 10 per cent of the total area. This shows a more realistic attitude than is to be found, say, in the Conservative Agricultural Charter, although Dr Stamp rightly insists that the small area of really first class agricultural land—only 4.1 per cent of all land—should be zealously guarded. He believes that the arable acreage could suitably be increased from its 20 per cent prewar to 27.5 per cent of the surface, which would actually be a lower amount than will probably be required by the Government's present targets. At the same time, permanent grass would be considerably less than prewar, although the stock-carrying capacity of all grassland might be 40 per cent greater. These figures assume, without reference to the economic cost, the improvement of much rough grazing. Admittedly, these estimates can be no more than intelligent guesses; but it is interesting to find an expert who is proceeding on technical rather than economic considerations (and consequently might be expected to be more sanguine), implying that the possibilities of agricultural expansion are rather more circumscribed than either Government or Opposition, or general public, seem prepared to believe. Indeed, Dr. Stamp's book is now sobering, now (as over the scope for afforestation) exhilarating, in its revelation of the possibilities of land utilisation.

The Problem of Cartels

"International Cartels." A League of Nations Memorandum, 1947. 53 pages. 2s. 6d. net.

"Cartels or Competition?" By George W. Stocking and Myron W. Watkins. The Twentieth Century Fund, New York, 1948. 516 pages. $4.

At a time when the Monopoly (Inquiry and Control) Bill is before Parliament no books could be more timely than these. They are both the product of intensive and devoted study to a problem which, in spite of all that has been written about it, seems to be more open to controversy than ever. Both publications deal exhaustively with the international aspects of industrial and trade monopolies, the exclusion of which might dangerously jeopardise the scope of national anti-cartel legislation. This is another reason why these two treatises should be particularly welcomed by British economists and politicians at this juncture.

The League of Nations publication, which is the shorter, describes some of the more significant features of the development of cartels in the inter-war period, and then proceeds to more specific problems such as the relation of cartels to short-run fluctuations of the trade cycle; it also deals with long-term factors, neatly distinguishing in its argument between raw material and industrial cartels. It is interesting to find that the Report comes to the conclusion that properly operated buffer stock schemes are preferable to restriction schemes.

It is evidence of the topicality of the subject that Messrs Stocking and Watkins have also devoted large sections of their study to the same problem—how far cartelisation—national and international—could and should be used as a means of avoiding heavy fluctuations of output and trade. They do not favour the idea that restrictive organisation and control of domestic markets by private trade groups should be regarded as a means of preventing governmental control of production and distribution; nor do they approve of the restrictive aims of the World Trade Alliance.

One of the interesting features of the publication as far as it relates to regulation of cartels, in the national as well as the international sphere, is the close and critical attention which is given to the Draft Charter for the International Trade Organisation of the United Nations (ITO), of which Chapter V, which relates to restrictive business practices, is reprinted in full. As to the future of the American cartel policy it is urged that it should have two parts: action through ITO, and action taken by the United States alone or in combination with a few other countries. These policies, the authors say, need not conflict; rather they should complement one another. But they are well aware, as so many others are, that even if a policy for curbing cartels was vigorously followed, it would take time to eliminate restrictive business practices.

If, however, it is really considered that anti-cartel and anti-trust legislation of single states, or an organisation of co-operating nations is uncertain in effect and slow in results, why have the authors not dealt with such simpler action as the restoration in America and Britain of the full meaning of the common law doctrine of restraint of trade? In their chapter on Britain, which makes interesting reading, the effect of the frequent evasion of this doctrine by trade associations and price maintenance schemes should not have been ignored. By re-opening the gates of free competition more may be achieved than by control of monopoly.

An Economists' Economist

"Studies in the Theory of Welfare Economics." By Melvin Warren Reder. Columbia University Press. Published in Great Britain by Geoffrey Cumberlege, Oxford University Press. 208 pages. 16s.

Writers on the economics of welfare, particularly since Professor Robbins's "Nature and Significance of Economic Science" austerely circumscribed the economist's legitimate field, have been uncomfortably open to attack on the grounds that they mix their economics with moral and social judgments drawn from an entirely different universe of discourse—judgments possibly quite easy to sustain by non-economic argument, but as out of place in a strictly economic context as notions of colour and texture in a treatise on geometry. Dr Reder's achievement is to construct a framework of welfare theory to which such strictures cannot be applied. He keeps to the most rigid assumptions; for his theory, individual satisfactions need be neither comparable nor measurable; he builds on an unimpeachable foundation of indifference curves, making use of a "Compensation Principle" thus framed:

> Welfare will be increased, decreased or left unchanged by a given economic reorganisation depending upon whether the algebraic sum of all compensating bounties and taxes is positive, negative or zero.

It will readily be guessed from the above that Dr Reder is an economists' economist; the general reader hardly needs to be warned off a book in which almost the only relief from this sort of thing is provided by excursions into mathematics. It is not, however, an impractical book. In the fields of monopoly control—just what does the public lose by monopolistic price policy?—and of employment policy—how important, relatively, are full employment of resources and the optimum allocation of those hitherto unemployed?—it casts a light on problems of urgent day-to-day importance. And the closing chapter—a one-page "Philosophical Reflection on Waste and Welfare"—inspires both admiration for the commonsense humanity which the author has managed to preserve unimpaired through all his voyages in the theoretical stratosphere, and envy—from any British reader—for that consciousness of economic sea-room which only Americans can reasonably enjoy.

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AMERICAN SURVEY

Congressional Balance Sheet

(From Our US Editorial Staff)

MR TRUMAN, in the course of his Western trip, complained that the Eightieth Congress had been the worst in history. A few days later, apparently out of gratitude for one sin left uncommitted, he revised his opinion and admitted that it was only the second worst. In the interval he had, no doubt, been reminded that the Congress which tried to impeach Andrew Johnson was—at least from the President's personal point of view—even more reprehensible.

When the President and the Congress are of different parties neither is likely to cut a very good figure. The President seems to be ineffective and grumbling; the Congress appears to be forever picking quarrels and going out of its way to render the Executive branch helpless. To an extent, this appearance is deceptive. Much that is done by both is political, not legislative, in intent. The President asks for measures which he believes to have popular appeal, in the confident hope that Congress will refuse to pass them and will leave him in undisputed possession of a block of voters. The Congress passes Bills, designed solely to annoy the President and hamper his operations, in the certainty that he will veto them. It can then accuse him of thwarting the will of the people as expressed through their elected representatives.

During such a period, it is wiser to judge the quality of a Congress by what it has done rather than by what it has left undone. Failure to grant all that the President, as head of the Opposition, requests is no misdemeanour. The House and one-third of the Senate having been elected more recently than the President, Congress can reasonably argue that it is closer to the people than is the Administration. Judged only by what has been accomplished, the Eightieth has probably a better record than any previous Congress working under the same handicap.

Had the House been as good as the Senate, or had both done as much at home as in the international field, the Eightieth Congress would be remembered as an unqualified success.

The Republican platform summarised its accomplishments or, at least, those of which it was sufficiently proud to remind the voters, as follows:

> The long trend of extravagant and ill-advised Executive action reversed; the Budget balanced; taxes reduced; limitation of Presidential tenure to two terms passed; assistance to veterans, their widows and orphans provided; elimination of the poll-tax as a requisite to soldier voting; a sensible reform of the labour-law, protecting all rights of labour while safeguarding the entire community against those breakdowns in essential industries which endanger the health and livelihood of all; a long-range farm programme enacted; unification of the armed services launched; a military manpower law enacted; the United Nations fostered; a haven for displaced persons provided; the most far-reaching measures in history adopted to aid the recovery of the free world on a basis of self-help and with prudent regard for our own resources.

The first three of these boasts, forgetting the partisan adjectives, are upheld by present facts, though only the indubitable, but not necessarily commendable, fact that taxes were reduced can be credited to the Republican Congress. It is still doubtful whether the tax reduction Bill finally passed on April 2nd (over the President's veto) will allow a balanced budget in the next fiscal year. And it is even more doubtful whether a party, which purports to be the prophet of sound finance, should be content with a policy which permits of no debt reduction in time of boom and risks an increase in the public debt should there be even a minor slump.

The constitutional amendment limiting the Presidential tenure to two terms is a measure calling for no special commendation. It was one of many proofs that the Republican Party is still engaged in an unrelenting struggle with Mr Roosevelt. A constitutional amendment must be ratified by three-quarters of the State Legislatures before it becomes effective. Only 21 (of which 19 are Republican controlled) have so far ratified this one, but, since Mr Dewey's nomination, it has been reported that a number of Democratic states, which had until now been lukewarm to the proposition, are preparing to act. By 1956 the Republicans may be feeling less triumphant at this victory over the dead.

*

There are few Congresses which do not claim (with justification) to have done something for the veterans—and for their votes. The Eightieth increased the allowances for those receiving college training, on-the-job training and part-time instruction in specialised schools, increased the compensation for disabled veterans and raised the pensions of widows and dependants of those killed in the war. The increases were necessary and were not large enough even to take care of the rise in the cost of living since the scales had first been fixed. Had the "attack on the basic causes of inflation," pledged in the section of the platform dealing with the future, been undertaken during the last session, they might not have been so urgent. "Congress," as the *Washington Post* said, "failed to cope with inflation. Indeed, its enactment of the Tax Bill and its failure to renew curbs on instalment buying stoked the fires of inflation." It is not unlikely that the veterans would have preferred the passage of such measures as the Taft-Ellender-Wagner Housing Bill (instead of the makeshift Act which only encouraged the banks to lend them more money with which to buy their over-priced homes), Federal aid to education, the expansion of Social Security and Health Insurance, and an increase in the minimum wage, to the sops which were rather negligently thrown their way.

The elimination of the poll-tax in soldier voting was an amendment to the Draft Bill for which the Congress can take credit. But other amendments, to prohibit racial discrimination in the armed forces and to withhold contracts from firms that "refuse employment because of race or colour," were defeated. The Republicans, however, will probably get the negro vote, largely by default, without having done much to deserve it. They will not get the vote of organised labour, though the Taft-Hartley Act, on which they will lose it, has proved, with the

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exception of one or two clauses, which are being studied by a joint committee and are likely to be revised in the next Congress, to be by no means the "Slave Labour Bill" that its opponents prophesied.

The farm legislation, for which the Republicans take credit, was substantially an extension of that begun under the New Deal. A permanent and somewhat complicated method of supporting prices was accepted by the Senate, but not by the House, which only passed a stop-gap measure continuing the present programme. Finally, at the last moment, a compromise was reached by which the existing programme was extended until 1950, at which time the Senate's long-term system will begin to operate. Not mentioned in the Republican balance-sheet is the failure of the Senate to pass the Bill repealing Federal taxes on margarine. Representatives of those states which grow cottonseed and soya beans, from which American margarine is made, joined those from the cities in passing the Bill. But in the Senate the agricultural states have a proportionately higher representation and the Bill got nowhere.

The Eightieth Congress can, perhaps, take some pride in having screwed up its courage, in an election year, to the point of passing even a half-hearted conscription law, but it can get little satisfaction out of its panic decision to buy a seventy-group air force in the hope of avoiding universal military training. Unification of the armed services was, indeed, as the platform says, launched. But it sank at once with no more than its mast visible above the angry waves of inter-service rivalry.

It is a considerable exaggeration to call the Displaced Persons Act the provision of "a haven for displaced persons." Under the Act 205,000 immigrants are, in theory, to be allowed to enter the country, but a series of ingenious clauses ensures that it is Protestants from the Baltic and Eastern Poland who come in—not Jews or Catholics. Refugees from Communism are welcomed by Congress, not the victims of Fascism. And it was against Communists in the first place, and only incidently against Fascists, that the Mundt-Nixon Bill and the loyalty test legislation, both of which got lost in the scramble of the last few weeks, were directed.

*

The record of Congress in foreign affairs was as good as its performance in the domestic field was bad. During the eighteen months when it was in session, the President asked for an unusual amount of important legislation to make the Administration's foreign policy effective. With a few exceptions he got all he asked for. When the problem was—as it usually was—one of giving financial aid to other countries, his requests had to be accepted by the Appropriations Committees of both Houses as well as by those with specialised knowledge of foreign affairs. Yet, one by one, the Greek-Turkish aid programme, interim aid and the emergency addition to interim aid, the China aid and European recovery programmes, went through Congress without serious disfigurement. Finally, Mr John Taber's attempt to cripple ERP, which he supported with a series of ignorant and vindictive broadsides, was decisively beaten by the skill and patience of Senator Styles Bridges. No Congress, of either party, has ever achieved so much, and the Republicans are entitled to the credit they take in their platform.

The fostering of the United Nations, to which they refer, was also genuine. Apart from the Vandenberg Resolution, the significance of which in American politics cannot be exaggerated, there were other indications that the United States intends to expand its interest in international organisations—the Inter-American Treaty of Reciprocal Assistance, the decision to join the International Refugee and World Health Organisations within the UN and the Caribbean and South Pacific Commissions outside it, for example. The charter of the International Trade Organisation was not submitted to Congress for ratification during the session, for the reason, perhaps, that the one dangerous example of back-sliding displayed in the foreign field was the refusal to extend the Trade Agreements Act for more than one year. This was evidence that the old Adam was still alive in the Republican Party, but the total balance sheet suggests, and the decisions at Philadelphia bear it out, that he is not as hale and hearty as he used to be.

American Notes

Democrats in Distress

The opponents of Mr Truman inside the Democratic party—and the extent of last week's revolt showed how numerous they are not only in the south and the left wing, but among the city bosses whose only concern is to keep the party in office—have been fighting to keep next week's Convention "open." Delegation after delegation has been left uninstructed or bound to Mr Truman by the lightest of ties. But General Eisenhower's tardy intimation that "at this time" he could not enter "partisan political contests" or be a candidate for office, has shut the only door through which all the chief elements in the party were prepared to bolt.

The combined efforts of Mr James Roosevelt, of the southern leaders and of the party bosses have failed to convince General Eisenhower that it is his duty to salvage the Democrats this year. But the pre-convention caucus of the dissidents summoned for Saturday will find it difficult, if not impossible, to discover another alternative to Mr Truman. General Eisenhower combined two supreme attractions: a distinction and a popularity, attested by every public opinion poll, with a minimum of public views on controversial subjects, which would have made it easy for Democrats of every persuasion to rally behind him. Compared with the General, the other available candidates, from the President down, suffer from a surfeit of views and a poverty of votes. Mr William Douglas, the Supreme Court Justice, has enthusiastic supporters on the left, and might draw votes away from Mr Wallace, for he has always been among the most eminent and consistent of New Dealers, but he would be almost equally unpalatable to the South and to the party bosses, who are only interested in a winner. Mr Roosevelt's long reign blighted the careers of his possible successors.

The proceedings at Philadelphia next week promise to be as much like a wake as the Republican Convention resembled a wedding. The platform committee has hopes of building a slender bridge over the civil rights gulf between the party's southern and northern wings. This would be done merely by reprinting the pious hopes of the 1944 programme, which affirmed the belief that minorities "have the right to live, develop and vote equally with all citizens," though the South may demand an additional states' rights clause as the price of its solidarity. Although only 26 southern delegates are pledged to Mr Truman, only 69 are committed to "take a walk" if he is nominated. The remaining 282 are unpledged, and Mr Truman is counting upon these "sitters" to make up the necessary majority of 618 votes.

But the attempt, and the failure, to draft General Eisenhower cannot but have further disorganised the party and unnerved Mr Truman. For the Democrats, so recently invincible, to have tried to press the highest honour in their giving upon a man of whom it is not even known that he is a Democrat is an unparalleled public confession of political bankruptcy. If Mr Truman is nominated, he will not even be able to count upon his own party for more than apathetic support.

* * *

Setting Sail for Victory

Unlike Governor Warren, who has never lost an election, Governor Dewey is as accustomed to defeat on his first attempt as he is to victory on his second: neither candidate is likely to break his electoral habits next November. Both are comparatively young, both have attractive wives and teen-age children, both have proved their vote-getting ability. The all-important independent voters have always been attracted by Mr Warren, whose solid yet warm humanity and liberal sympathies offset at least some of the deficiencies of Mr Dewey's political personality. New York State is almost certainly in Mr Dewey's bag, California in Mr Warren's. Both are states in which the Democrats had hoped for success and under the electoral college system a Presidential candidate can hardly hope to win without the support of at least one of them. It is not surprising that the Republicans are sure that they are setting sail for victory on "this perfect dreamboat of a ticket."

There will be nothing else dreamy about Mr Dewey's campaign, as he has already shown when repaying his debt to the Republican machine in Pennsylvania. He has appointed Representative Hugh D. Scott of Philadelphia to the chairmanship of the Republican National Committee, but, contrary to all precedent, it is not Mr Scott who will manage the presidential campaign

but Mr Herbert Brownell, Mr Dewey's experienced organiser. Mr Dewey and Mr Warren are stream-lined Republicans, a type which is more noticeable outside Congress than within it, and they obviously intend to maintain their detachment from the Old Guard. On balance, this detachment will probably pay good dividends during the campaign, but it may become a liability when Mr Dewey arrives in Washington, a city of which neither he nor his advisers have much experience, and has to establish good working relations with Congress. Mr Scott, who is more progressive than might be expected from his political connections, may then come into his own.

The first serious storm which the new President has to ride may be the inflationary typhoon which neither his Democratic predecessor nor the Republican Congress has been able to stem. The clouds are once more gathering and, from present forecasts, may break with overwhelming violence next January, just in time to drown Mr Dewey's election promises. Neither he nor the Republican Party has as yet indicated what brand of lifebelts they intend to offer and the campaign may be fought on this issue. If the storm does break, Mr Dewey will have to provide more than an honest, careful and efficient administration. Imaginative leadership will be called for and no one is sure that he is capable of this.

Mr Dewey has, however, a more immediate opportunity to prove that he can meet his responsibilities. He has always taken the credit for initiating the bi-partisan approach to foreign policy and he is now doing the same for "charting details" of the Marshall plan. He might be well advised to lay the foundations for a similar claim on American policy in Germany. His adviser, Mr John Foster Dulles, differs from the Administration on this question and favours a policy based on the strengthening of France. There is, therefore, a danger that this may be the next target of the attack which Mr Dewey has already directed against the Administration's policy in China and Palestine. He has made it clear that he intends to fight his campaign on foreign as well as domestic issues, but any indication that the United States is not united in its determination to maintain a firm stand on the fundamental German question would have international repercussions that might prove very embarrassing to Mr Dewey when he arrives in the White House. The long-term advantages of allowing himself to be associated during the election campaign, this year as he was in 1944, with the formation of official foreign policy might, therefore, counteract the immediate political handicap of such an association. But the Democrats would be equally handicapped by it and so far Mr Truman has shown no more readiness to welcome it than has Mr Dewey.

* * *

Captive Coal and the Union Shop

The steel companies which operate "captive" coal mines have at the last moment refused to sign the contract won by Mr Lewis from the commercial coal companies. The captive mines produce about 10 per cent of the nation's soft coal; it is their 40,000 miners, with a certain number of sympathisers, who have not gone back to work after the miners' holiday. The wage and welfare concessions in the coal contract further undermined the case against a rise in steel wages, but the chief objection of the steel companies is that the contract, by perpetuating the union shop, violates the Taft-Hartley Act. They have accused Mr Lewis of an unfair labour practice, requested an injunction, and are evidently counting upon the need for maintaining steel production to prompt the government to ban the strike.

The Taft-Hartley Act not only forbade the closed shop, but provided that a union shop (under which employees must join the union within 30 days if they do not already belong) might be granted only after a majority of the employees had voted for it in an election held by the Labour Board. These elections have proved a costly and time-wasting burden. The Labour Board has been turned into a Board of Elections with the result usually a foregone conclusion. In virtually every case the employees have voted almost unanimously for union security. The hope of the sponsors of the Act that the taking of a vote would restore the freedom not to be unionised has been wholly disappointed. One of the earliest amendments to the Act will eliminate these elections in cases where the union is certified by the Labour Board.

Mr Lewis's miners would vote for the union shop with even more solid enthusiasm than most unions. But Mr Lewis has refused to comply with the Taft-Hartley Act by swearing that he is not a Communist and filing his financial secrets with the Department of Labour and he cannot, therefore, request an election to be held. The steel companies, which hope next year to

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persuade the Steelworkers' Union to comply with the Taft-Hartley Act, evidently feel they would weaken their case by signing the coal contract without a protest. But the willingness of most of the coal companies to forgo the advantages of the letter of the law, for the sake of peace, seems likely to be matched in the shipping dispute. Officially the union hiring hall, which has brought order into a chaotic industry, has been declared illegal as another name for the closed shop. But nine shipping lines have agreed to sign a contract continuing the hiring hall and the others are expected to agree.

* * *

Testing the Labour Act

It is too early, by several years, to assess the effects of the Taft-Hartley Act on labour relations. The Act was passed in June last year, but most of its provisions did not come into effect until August, and in some cases are only coming into effect now. The automatic check-off of dues is prohibited, for example, after July 1st. Some closed shop provisions, embodied in contracts signed before the Act was passed, are legal until the contracts expire.

It is frequently pointed out that despite two costly coal strikes the Act has cut both the number of strikes and the man-hours lost. It is true that the procedure laid down for dealing with strikes against the national health and welfare has been invoked five times in coal, telephones, shipping, meat-packing, and atomic energy. Also most of the complaints brought under the Act have, contrary to expectation, been brought by unions; employers have been slow to take advantage of their new bill of rights. But the true test of the Act will come, not at present, when easy money for wages and profits lubricates industrial relations, but in leaner times when employers are forced to drive harder bargains.

Progress has been very slow in clarifying the meaning of various clauses of the Act, as it was in the case of Wagner Act ten years ago. Although a dozen injunctions have been granted against unfair labour practices, mainly against unions, none of these cases has yet been heard by the National Labour Relations Board. The Supreme Court has been almost as uncommunicative. Labour unions considered that the prohibition of political expenditure by unions was the most vulnerable clause in the Act, because it could be argued that it infringed the freedom of the press. Mr Murray therefore made a valiant effort to infringe the law in order to hasten a decision. In a 5-to-4 decision, however, the Court has held Mr Murray innocent, on the grounds that the law, however loosely drawn, was not intended to prohibit political articles in regularly issued union newspapers. In effect, it declared the law, as well as Mr Murray, innocent. But the majority refused to rule on the validity of other types of union political expenditure, such as radio broadcasts or free distribution of campaign material to the general public.

The Court has upheld the constitutionality of the requirement that unions file their financial statements with the Department of Labour before they can enjoy the services of the Labour Board, but it has not yet passed on the non-Communist oath required of union officials. At present, the chief hold-outs are Mr Lewis's Mineworkers, the Steelworkers, and a dozen left-wing unions affiliated with the Congress of Industrial Organisations. But with the exception of Mr Lewis, they are finding the position increasingly untenable. Local unions resent being barred from the advantages of recourse to the Labour Board, and there is a steady flow of refugees to the complying unions. On the left, this is denounced as "raiding"; on the right it is defended as "giving asylum"; but under either name it exerts a constant pressure toward compliance.

* * *

Attacks on Anti-Trust

Congress has not neglected its usual election year pastime of befriending small businessmen; during the summer, members of the House Small Business Committeee will pass such time as they can spare from electioneering in investigating ways of tightening the anti-trust laws, and a sub-committee of the Senate Commerce Committee has been authorised to study both the increasing concentration of economic power in the United States and the impact of the basing-point freight system on prices. The first and wider aspect of this inquiry would presumably have brought up to date the exhaustive researches into monopoly carried out by the Temporary National Economic Committee just before the war. But the sub-committee has announced that, for the present at least, it will devote itself to the second part of the investigation, which was proposed by Senator Capehart as the result of the Supreme Court's recent basing-point decision, discussed in *The Economist* of May 15th.

The Court ruled that the multiple basing-point system, under which prices, including freight charges, are set at certain agreed places rather than at actual shipping points, was illegal. The decision applied to cement manufacturers, but the Federal Trade Commission hopes that industry in general will avail itself of the opportunity to conform voluntarily to the decision, and has reinforced its hope by issuing a restraining order against tile and brick manufacturers who are accused of similar practices. Industry's chief concern is that the decision may have made it unlawful to pursue the common system by which the seller absorbs freight costs; the members of the FTC disagree among themselves on this point. The majority hold that the cement case has no revolutionary effect but is a simple re-affirmation of the basic anti-trust provision that conspiracy to fix prices is contrary to the American system. The Commission has refused to advise on the legality of the existing systems of pricing, and the consequent uncertainty throughout industry, from steel to sugar, has resulted in an appeal to Congress for relief from the disruptive effects of the decision. Senator Capehart's inquiry is presumably an answer to this appeal, but, in the opinion of the chairman of the FTC, it would be impossible to legalise the practices prohibited by the Supreme Court decision and also preserve the anti-trust laws.

Just before its adjournment Congress won a minor victory against these laws by passing, over the President's veto, the Reed-Bulwinkle Bill which had been before it for several years. This Bill exempts railroads and other common carriers from anti-trust prosecution in connection with rate agreements, provided these are approved, as being in the public interest, by the Interstate Commerce Commission. This independent authority has practically unlimited control over railroad rates, and the new Bill does not alter existing practices to any radical extent. The President in his veto message declared that the Bill gave immunity from the anti-trust laws without providing adequate safeguards for the public interest, but the protection which it offers the railroads against anti-trust prosecutions, now pending in the Courts, seems to be a greater objection to it. The Bill's supporters, however, claim that it removes the uncertainty into which these cases have thrown the railroad industry and strengthens the position of the ICC.

The Supreme Court itself, by a vote of 5 to 4, has recently refused to be persuaded by the Department of Justice that the Sherman Act would be violated and competition eliminated if the United States Steel Corporation was allowed to purchase the Columbia Steel Company, the largest steel fabricator on the Pacific Coast. But the minority opinion of the Court held that great size, a menace in any industry, was especially serious in steel, because of its importance in the national economy, and that the acquisition of this plant would give the United States Steel Corporation, which already owns the huge Geneva producing plant in Utah, unquestioned domination in the west coast area and would protect it against the growth of independent firms in that area.

* * *

Segregation Without Discrimination?

Two days after President Truman signed the Selective Service Bill, Mr Philip Randolph, of the Brotherhood of Sleeping Car Porters, announced the formation of a League for Non-Violent Civil Disobedience against Military Segregation, and said that, unless Mr Truman has issued an executive order against racial segregation in the Armed Forces before August 16th, the League will urge non-compliance with the new draft law upon both whites and negroes. Mr Randolph warned a Congressional Committee last March that he would take such action if a draft law was passed which did not abolish segregation. The Act does not contain such a provision; nor does it, however, contain the amendment, proposed by Southerners in both Houses, which would have increased segregation. Mr Randolph is well aware that he and his supporters face imprisonment and fines, but he believes that legislation which violates "the sacred worth and personality of the individual" ought itself to be violated. "Negroes are in no mood to shoulder a gun for democracy abroad as long as they are denied democracy at home."

It is doubtful whether Mr Randolph has assessed the negro mood correctly or whether his "bargain with patriotism" will win wide support. But there is much sympathy, not confined to negroes alone, with his protest against the failure of the Armed Services to implement the instruction, published in Mr Truman's Civil Rights Message at the beginning of the year, that they eliminate discrimination as soon as possible. The negroes put the chief responsibility for this failure on the Secretary of the Army, Mr Royall from North Carolina. He takes his stand on the assertion that segregation, as practised in the Army, is not discriminatory; Mr Truman has refused to commit himself on this point, but the

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STATEMENT OF CONDITION, JUNE 30, 1948

RESOURCES

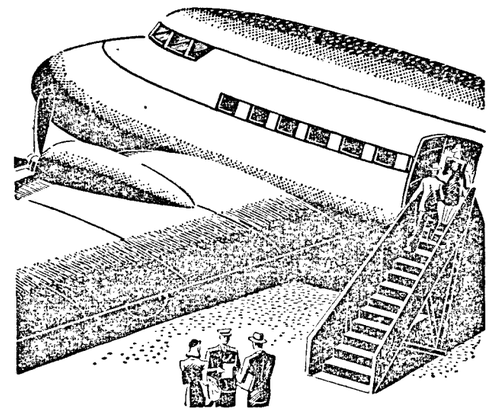
Cash and Due from Banks		$1,203,034,945.43
U.S. Government Obligations		1,632,762,060.73
State and Municipal Securities		37,494,179.62
Other Securities		126,899,161.59
Loans, Discounts and Bankers' Acceptances		1,461,069,553.89
Accrued Interest Receivable		8,561,369.20
Mortgages		20,617,572.94
Customers' Acceptance Liability		20,343,543.62
Stock of Federal Reserve Bank		7,950,000.00
Banking Houses		30,660,493.36
Other Assets		1,939,071.00
		$4,551,331,951.38

LIABILITIES

Deposits		$4,154,808,627.36
Dividend Payable August 2, 1948		2,960,000.00
Reserve for Taxes, Interest, etc.		8,291,321.26
Other Liabilities		21,425,322.92
Acceptances Outstanding	$25,661,968.10	
Less Amount in Portfolio	4,238,300.52	
		21,423,667.58
Reserve for Contingencies		18,482,323.76
Capital Funds:		
Capital Stock	$111,000,000.00	
Surplus	154,000,000.00	
Undivided Profits	58,940,688.50	
		323,940,688.50
		$4,551,331,951.38

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United States Government Obligations (Direct or Fully Guaranteed)		1,788,510,291
Obligations of Other Federal Agencies		20,026,721
State and Municipal Securities		245,222,036
Other Securities		82,591,319
Loans and Discounts		1,308,134,577
Real Estate Loans and Securities		2,682,977
Customers' Liability for Acceptances		37,020,477
Stock in Federal Reserve Bank		7,200,000
Ownership of International Banking Corporation		7,000,000
Bank Premises		28,128,039
Items in Transit with Branches		6,115,385
Other Assets		1,561,915
Total		$4,995,679,834

LIABILITIES

Deposits		$4,645,527,278
(Includes United States War Loan Deposit $37,481,988)		
Liability on Acceptances and Bills	$50,217,295	
Less: Own Acceptances in Portfolio	10,424,319	
		39,792,976
Reserves for:		
Unearned Discount and Other Unearned Income		5,370,967
Interest, Taxes, Other Accrued Expenses, etc.		25,971,263
Dividend		4,650,000
Capital	$77,500,000	
Surplus	162,500,000	
Undivided Profits	34,367,350	
		274,367,350
Total		$4,995,679,834

Figures of Foreign Branches are as of June 25, 1948.
$302,660,341 of United States Government Obligations and $2,272,208 of other assets are deposited to secure $238,380,560 of Public and Trust Deposits and for other purposes required or permitted by law.
(Member Federal Deposit Insurance Corporation)

Republicans definitely oppose such segregation in their platform. *Present Army* procedure follows the recommendations of the Gillem Report, made soon after the war; negroes are separated from whites at the company and battalion level, but the segregated companies are included in the same regiments. The Army contends that complete integration of the two races would in fact be discriminatory, since the average intelligence of negro recruits is below that of whites, and therefore in mixed units negroes would be unlikely to win promotion.

Such a contention will hardly appeal to the negroes, by whom in any case segregation and discrimination are indivisibly linked. This link is the basis of their opposition to the scheme for regional colleges for negroes, proposed by the Southern States as their answer to the Supreme Court's insistence that equal educational facilities must be offered to whites and negroes (described in *The Economist* of February 21, 1948). The Southern request for Congressional approval of this scheme confirmed the suspicion that its purpose was the perpetuation for segregation rather than better education for negroes. Since education is a State, not a Federal, concern, such approval was not believed to be necessary, but it would have given Federal authority for the segregation which is an essential part of the scheme, and thus might have strengthened the Southern case in future legal battles. The Bill was passed by the House, but the Senate rejected it by one vote.

Shorter Notes

The fiscal year which closed on June 30th brought a Budget surplus of $8.4 billion, by far the largest on record, and one which compares with a Presidential estimate of $7.5 billion in January last. Expenditures, mainly on foreign relief and defence accounts, fell by $1.4 billion on January estimates. From the nominal surplus for 1947-48, $3 billion will be charged against expenditures on the European recovery programme during 1948-49.

★

The two Weichel Bills passed by the House to increase shipping subsidies and extend them to lines in domestic as well as foreign traffic were not even brought to a vote in the Senate, and the attempt to write a more limited Senate measure on shipping was abandoned.

★

The United States exported about 580 million bushels of grain and flour in the past twelve months. This was an all-time record and surpassed by 10 million bushels the goal set by the President. It is expected that the United States will need to export only 480 million bushels of grain in 1948-49.

★

A liaison committee between the Maritime Commission and the Military Establishment has been set up to integrate merchant ship construction with the defence programme. A subsidy of $178 million was authorised this year by Congress, to provide 18 passenger-cargo vessels, 20 tankers and two passenger trailer vessels. Discussions on this programme will start immediately with builders, who are permitted a subsidy under the 1936 Merchant Marine Act to compensate them for the lower prices prevailing in British and European yards.

★

Idlewild, New York's international airport, opened officially on July 2nd without the blessing of several domestic airlines. The disagreement over leases between the Port of New York Authority and the airlines has yet to be settled, and both sides are apparently involved in negotiations with the Teterboro Air Terminal in New Jersey. Whatever the results of the battle, it is unlikely that passengers will benefit.

THE WORLD OVERSEAS

Peasants Under Tito

(From a Correspondent recently in Jugoslavia)

FEW if any of the foreign visitors to Jugoslavia this summer can have guessed that there was going to be trouble between Tito and the Cominform. But in the past few months it had been evident that there was some trouble inside the country. This was thought to be an internal struggle over policy and power which would settle itself. It was also clear that great strain was being caused by the efforts to achieve the high aims of the Five Year Plan. Neither of these things was secret. The latter was a problem openly discussed by leaders and people alike. Both were dealt with in two illuminating speeches made in April by Edward Kardelj, Deputy President of the Federal Government, and by Boris Kidric, chairman of the Economic Council.

It was Kardelj—one of those denounced in the Cominform attack on Tito—who made public the basic disagreement between Jugoslav leaders on the policy to be adopted towards the peasants and agriculture. Kardelj declared that the role played by the countryside in the economic structure had been ignored by leading planners; the state had not done enough for co-operative farms owing to the obstinate opposition of the finance and planning committee. This incorrect attitude was reflected in this year's budget, and for the future there must be a new attitude towards socialisation of agriculture. As neither Hebrang nor Zhujovitch was present at the budget assembly when his speech was made, and as they were shortly afterwards dismissed and expelled from the party, it was assumed that it was they who had taken this "incorrect attitude." They had obviously opposed the encouragement of co-operative farms and it was thought at the time that they were criticised for supporting individual peasant farming. The Cominform statement implies that they were all for even stronger measures in socialisation.

In Jugoslavia today one thing is clear: most peasants are doing well under the present regime and it is obviously so far government policy to allow this. *In most parts of the country*, and especially in the rich farming areas north and south of Belgrade, the peasants look prosperous. They have new clothes, new household goods and rolls of banknotes. In the market they fix their price and refuse to bargain. Only a very small number have so far joined the scheme for co-operative farming, and co-operative farms still represent a very small percentage—probably not much more than 5 per cent of the country's agricultural economy. Even this summer it has been repeatedly stated that Government policy on this matter is to encourage the peasants to go in for co-operative farming by persuasion and not by pressure.

The new linked prices system for marketing peasant produce which was launched in April of this year was an excellent example of the Government's careful handling of the villages. By this system peasants can sell their produce to the state at low fixed price and, in addition to the money payment, they receive coupons which enable them to buy industrial goods from state shops at a "lower uniform price." Peasants who do not wish to do this can sell on the free market, where prices are anything from three to six times higher than those offered by the Government; but in that case they have to buy their industrial goods also at a high free market price. There are big differences between these two prices; for instance, a pair of shoes bought against coupons costs 500 dinars, without coupons 3-4,000 dinars. Textiles on coupons cost between 140 and 280 dinars per metre, without coupons 250 to 2,500 dinars per metre. The scheme is weighted in favour of the Government to some extent, because certain industrial goods can, in fact, only be bought against coupons. The peasants are still trying this scheme out. Most of them seem to be trying to work out a method of selling both to the Government and on the free market.

The reason for the Jugoslav Government's kid-glove treatment of the peasants is clear. They still represent nearly 70 per cent of the total population of the country; the food they produce is necessary not only to feed 15 million people, but also to provide a substantial part of Jugoslavia's exports. Surpluses from a stable agriculture form the basis on which the industrial economy of the country is to be developed in the next five years.

Basis of the Five Year Plan

The Five-Year Plan, which has already been working for a year and a quarter, aims at a very rapid industrial development whilst agriculture is to remain comparatively undeveloped.

Over 5 years more than 115 milliard dinars is to be invested in industry and only 19.4 milliard dinars is given to agriculture. The result aimed at is a great increase in coal and metal mining, the electrification of the country through a series of power stations, a new modernised system of communications and a whole series of new industries. Both Kardelj and Kidric admitted this scheme to be highly ambitious, but defended it as possible if the Jugoslav people make an all-out effort. It certainly would not be possible if the government were trying conclusions with the peasants at the same time.

The difficulties of industrialising rapidly a country which until recently was carrying more than 50 per cent illiterates and had very little industry before the war are to be seen in Jugoslavia today, particularly in the more backward parts of the country. The shortage of trained personnel is obvious to all visitors and affects all major aspects of life—economic, administrative and political. Colossal efforts are being made to fill the gap. Universities, trades unions, training colleges, schools, adult education are all concentrating on training specialists. At the same time every effort is being made to urge people to greater production: payment according to output, privileges and prizes, extra rations all play their part. Propaganda encourages voluntary labour for the building of roads, houses, schools. Buildings are springing up everywhere, so that the constructional side of the programme is going ahead.

The next stage will come shortly when new industrial buildings have to be filled with the necessary machinery and equipment. Most of this must of necessity be imported from abroad: from Sweden, Switzerland, Italy as well as from countries in the eastern bloc—Poland, Czechoslovakia, Hungary and the Soviet Union. Failure to receive capital equipment and raw materials either through inability to produce the necessary exports—minerals, timber, food—or through economic sanctions following the present disagreement with the Cominform would spell ruin to the Five Year Plan as at present conceived.

Pakistan's Prospects

[FROM A CORRESPONDENT IN KARACHI]

THE first nine months of Pakistan's existence have left the majority of observers with the impression that, while the building of the economic structure has hardly begun, the foundations have been firmly and, on the whole, wisely laid. The new Dominion has not merely survived the shocks and strains of this exceptionally difficult and hazardous period, but has given proof of the fundamental soundness and potential promise of its economy. More could hardly have been expected from an administrative machine which, though at the outset insufficiently equipped to cope with normal problems, was from the start subjected to unprecedented strains in the shape of the Punjab disturbances, the consequent refugee problem, the major political problems of Junagadh and Kashmir, economic pressure from an unfriendly India, and the hundred and one complicated issues arising out of partition. Grave administrative deficiencies and muddles there have been, but the miracle is that there have not been more; the success that has been achieved has been largely due to the talent for improvisation displayed by a handful of capable officers in key positions.

It was commonly predicted at the time of partition that Pakistan, while comparatively well supplied with foreign exchange, would be in desperate straits for revenue, and would have to face a series of deficit budgets in its early years. It was no small achievement on the part of Mr Ghulam Mohammed, the Finance Minister, to have succeeded in presenting a balanced budget for the first full year of Pakistan's existence. Admittedly, this was done at a cost; perhaps, for reasons which will appear later, at too great a cost. But the psychological effect was remarkable, especially in the neighbour Dominion, where the tone of the economic experts, who had till then been almost derisive about Pakistan's financial viability, took on a new note of respect—the more so since India's own budget showed a deficit. Nevertheless, few would claim that the finances of the State are in a sound position. In the first place, the balancing of the Central budget was partly achieved at the expense of the Provinces, all of which, except Sind, showed deficits; secondly, an unduly large proportion of the revenue is at present derived from high export duties, which can only be continued at their present rate so long as commodity prices remain inflated in the world markets. On the whole, however, the Pakistan Finance Ministry has handled its problems with shrewdness and foresight. The Pakistan Government loans have been fairly successful and a market in gilt-edged established. Currency autonomy has been secured and the State Bank has come into being under favourable auspices. So far as foreign exchange earnings are concerned, the trade balance has been even better than was expected; exports in the first nine months amounted in value to Rs. 23 crores, and imports to only Rs. 12½ crores.

Raw Material Shortage

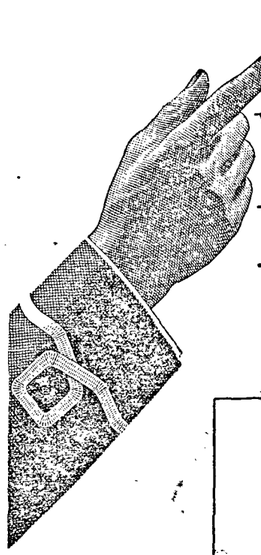
But shortages certainly exist, and some of them are sufficiently serious to menace the whole of Pakistan's economy. In the industrial field, the main items are coal, iron, steel, cotton textiles and paper. These shortages can be made good by co-operation with India, and to secure that co-operation Pakistan has the necessary bargaining counters in the shape of the raw materials for India's two main industries, jute and cotton. At one time, it appeared that the bitterness engendered by the Punjab disturbances and later by the Kashmir dispute would serve to prevent any sort of economic collaboration between the two countries and, though a standstill agreement governing free movement of goods prevailed, something not far short of economic warfare developed. Happily, the sheer force of economic pressure (combined perhaps with a residuum of good will between old Secretariat colleagues) seems to have induced both parties to overcome political prejudices and to recognise that their national economies are complementary and inter-dependent. A series of satisfactory agreements on financial and commercial problems has recently culminated in an agreement for exchange of essential commodities which, if properly implemented—as it should be, unless the Kashmir dispute, which is now the only major issue of difference between the two countries, leads to open war—will do much to ensure the prosperity and industrial development of both India and Pakistan in the coming twelve months. Pakistan, which has no jute mills as yet, but produces 73.4 per cent of the total jute production of pre-partition India, is to supply India with five million bales of raw jute, which is only half a million bales short of India's requirements. The Pakistan Government has also agreed to supply India with 6½ lakhs of bales of raw cotton, out of a total production of 13 lakhs, and large quantities of wheat, rice, hides and skins, gypsum, soda ash and other commodities. In return, Pakistan will get about two-thirds of its total requirements of coal from India, its full requirements (apart from other imports) of cotton textiles, and some quantities of steel, paper and other products.

All this is encouraging and it looks as if the stage is set for an era of development in the youngest Dominion. The growth of commercial activity during the past six months has, indeed, been remarkable. After an initial period of dislocation caused by the sudden exodus of the Hindu business community from Western Pakistan, trade and commerce have fully revived—a process in which British business interests have taken a leading part. Many of the old-established companies of Calcutta and Bombay have opened branches or subsidiaries to handle their Pakistan business; British manufacturers have been exploring the market and are either opening their own offices or setting up agencies; banks and insurance houses have established new branches.

Need for Foreign Capital

The Pakistan authorities, however, are not entirely satisfied with the direction of progress. While they recognise the importance of commerce and its ancillary services, and welcome and appreciate the foreign entry into this field, they would like to see more foreign capital flowing into industrial development. It is their industrial backwardness of which they are most conscious, and there is a feeling that, on the other hand, the commerce of the country could be looked after by Pakistan nationals without much foreign assistance. The Muslim community is ready enough to undertake business which gives a quick return for small investments, but is, generally speaking, not prepared to invest capital in industrial undertakings where profits belong to the more distant future. It is thus in the industrial field that foreign capital and, even more, leadership and technical skill, is primarily required.

Attractive as the prospects of industrial development appear to be, there has as yet been no response from foreign capital other than British, and even British capital has not shown any hurry to come forward, except in a few instances. American



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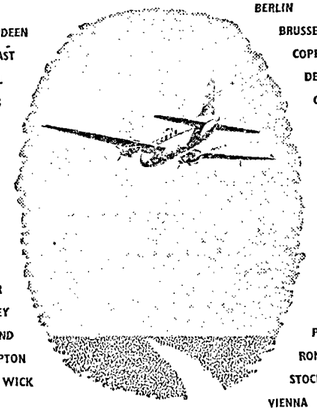


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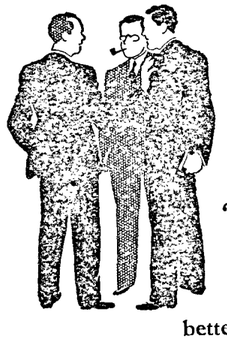
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capital appears to have been holding back from a want of confidence in Pakistan's political future, which is certainly not shared in British circles. The Industrial Policy Statement published in April is partly to blame as it imposed certain conditions on the entry of foreign capital; in particular, in thirteen specified industries the promoter is required to offer 51 per cent of the capital to Pakistan nationals, and in the remaining industries 30 per cent. It is, however, doubtful whether these stipulations (which are now likely to be modified) were really deterrent to British capital generally and the big managing agency houses of Calcutta and Bombay in particular. The truth of the matter probably is—and the Pakistan Finance Ministry does not appear to have grasped *this point*—that the present level of taxation is prohibitive. There are, no doubt, some concessions in favour of newly established industries, but Mr Ghulam Mohammed's budget gave no relief to the higher income groups and this means that an individual recipient of an income exceeding Rs.1½ lakhs per annum retains only *half* an anna in the rupee, the remaining 15½ annas going to the Government. If the Pakistan Government wishes to encourage private enterprise, it should not remove the incentive.

Communist Defeat in Finland

[FROM OUR SPECIAL CORRESPONDENT IN HELSINKI]

THE Finns have inflicted another defeat on their Communists. Final results of the general elections which were held on July 1st and 2nd were: Agrarians, 56 (gain seven); Social Democrats, 55 (gain five); the Communist-dominated Popular Democrats, 38 (*loss 11*); Conservatives, 32 (gain four); Swedes, 14 (loss one); and Progressives, 5 (*loss four*). The loss of 11 seats is a severe blow to the Communists—almost a landslide for the slow processes of Finnish electoral opinion—which the success of their main opponents can only intensify. The gain for the Conservatives is the most surprising result: they undoubtedly benefited from their original opposition to the Russo-Finnish treaty and, more recently, from *unintentionally effecting* the dismissal of Leino, the Communist Minister of the Interior.

The extent of the Communist losses only became apparent in the latter stages of the election. Realisation of what was happening added much interest and some excitement to what had hitherto been a quiet and most matter-of-fact affair. At least this was the reaction of four dozen foreign journalists in Helsinki. Those Finns who had voted early had mostly gone on holiday—the Chief of Police went up North to a summer hut without a telephone—or resumed their discussion of the fine weather and the Olympic games. But this calm most certainly did not betoken apathy. More than 75 per cent of the electorate voted—without any form of compulsion beyond the dictates of a democratic conscience. In Helsinki, where the Social Democrat vote increased by 17,000 to 49,000 and the Communists fell by 5,000, there was an 85 per cent poll compared with 82 per cent in 1945. There is therefore no doubt that the changed pattern of voting is due almost entirely to a change in electoral opinion and not to a mass awakening of sleeping voters. The steady run of Communist setbacks is thus confirmed—from their losses in the local elections last October to the failure a few weeks ago of the strikes they organised in an attempt to prevent the dismissal of the Communist Minister of the Interior.

The very confirmation of this trend, however, raises awkward problems. "The Communists have lost too many seats" is a remark often heard. Their apparent acceptance of western procedures and the comparative good grace with which the Communists have suffered defeat appear ominous. It seems impossible that the process can go on much longer without evoking a positive, perhaps a violent reaction. Rumours abound on the form which this will take: the Communists in industry, for example, are reported to have been ordered not to take their holidays in July, and so on. But there are no good reasons for paying much attention to the rumours. The probability of Communist action to offset defeat was the main topic of conversation before the elections. The severity of their losses has merely given a keener edge to speculation.

The basic situation has not changed. The Finnish Communists can take effective action only if they are wholeheartedly supported by the Russians, and present considerations of Russian policy make this support no more likely now than a month ago. In particular, the coercion of Finland would virtually end all prospects of Scandinavian—or rather Swedish—neutrality, which is undoubtedly the major Russian interest in the North.

Political Trials in Portugal

[BY A SPECIAL CORRESPONDENT]

ON June 17th the Military Court gave sentence, after a public trial in the Santa Clara Hall in Lisbon lasting nine days, on Vice Admiral Jose Mendes Cabeçadas and the other military and civilian rebels implicated in the "plot" of April 10, 1947. The rebels were charged with attempting to overthrow the existing Salazar regime and to install a military junta pledged to restore the liberties of the Portuguese nation. Sixteen of those *inculpated—they* were arrested by the International Police in July last year, a number of officers having been dismissed the service a month previously—had been released at the end of April, and one, General Godinho, had died in prison. The Court awarded penalties of little more than a year's imprisonment, with corresponding fines, for most of the remainder, one officer and one civilian being acquitted. Because of the time already spent in prison this means an early release. The judgment also involves the forfeiting of political rights for three years, and in the case of serving officers, presumably loss of rank and pension. Seven officers gave notice of appeal to the Supreme Military Court.

There were special circumstances, as was indicated in the article in *The Economist* on March 20th last, making this trial an important episode in the career of the *Estado Novo*. First of all, there was the prestige attaching to Admiral Cabeçadas himself, as the man who headed the original military directorate, and to Generals Gomes da Costa and Oscar Carmona, who was President of Portugal for the last twenty years. A man of known *liberal-democratic sentiments* and complete probity, Admiral Cabeçadas had never lost touch with the Head of the State, and was known more than once to have voiced his misgivings. One of the documents in the present case was a "round-robin" memorial to President Carmona with which the latter was popularly supposed to have expressed agreement. The political quidnuncs were thus last year descanting upon a serious rift between the Head of the State and the Head of the Government. Left to himself, Salazar, undoubtedly, would have preferred to pass a sponge over the whole episode. But the zeal of his own police, and, still more, the determination of his fierce little Minister of War, Senhor Santos Costa, who is obsessed by the bogy of Communism, made that impossible. The object of the trial, then, was to make an example; but the Government was much more concerned to "clear" the President than to harry the defendants.

The case for the prosecution was that the chief accused, Admiral Cabeçadas, had been parading his subversive ideas since 1944, and that this incitement to disaffection had provoked two earlier small-scale military plots. While it was not suggested that the authors of the April 10th conspiracy were acting in collusion with Communist agitators responsible for acts of sabotage and violence at about the same time, the Government had proof that the Communists had infiltrated into the political party of which Cabeçadas's group was the military wing.

Honour Now Satisfied

Admiral Cabeçadas, ably defended by Major Jorge Botelho Moniz (brother of the former Minister of War), was able to testify that there had been no conspiracy—the lawyers had a fine time discussing the exact connotation of the term "pact" at the head of one of the documents—though he certainly had sought to make representations to the President. He stoutly affirmed, however, that the President had never agreed to any modification of the regime, and his assertion was supported by the word of one of the highest ranking naval officials, Admiral Barbosa Carmona.

This honour is satisfied among gentlemen, and the skeleton can go back into the cupboard. If, as has been alleged, Senhor Santos Costa hoped by staging the trial to force President Carmona to resign and so secure Salazar's translation to the Presidency and his own succession to the premiership, he has failed. Dr Salazar had "come clean," himself, it may be recalled, in his speech of November 25th last with his sally about the dignity of the Government being incompatible with any slighting of the President. He did not need the rattling of the bones in Santa Clara to realise that certain practices of the regime do not commend themselves to the estimable remnant of liberal Portugal. The nominal sentences are a good enough advertisement for the "humane" Portuguese dictatorship; what better proof, indeed of the stability of the regime, in the year 1948, than the fact that the trial should have been held at all?

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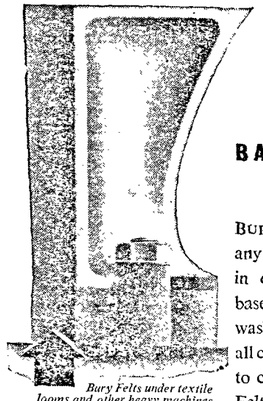


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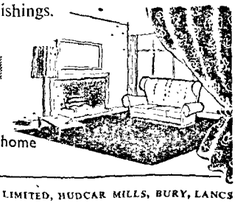
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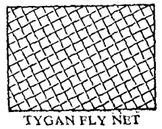
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THE BUSINESS WORLD

Housebuilding Costs

AN article in *The Economist* last week measured the progress of the Government's housing policy. Next year, the country is to build 200,000 houses, compared with 140,000 originally set down in the Capital Investment White Paper—an increase which, on broad calculations of economic cost, is not easy to justify. This article is devoted to the narrower question of examining the cost of new houses built since the war. It is widely, and rightly, assumed that housing schemes are costing far more in the event than was expected when the housing campaign began. For this rise in costs, there are some obvious explanations—violent changes in the housing programme, interruptions to work caused by shortages of materials and bad weather, and the over-rapid expansion of the labour force employed on housebuilding.

The Ministry of Health has a Committee investigating the problem, but its report has only just been completed and is not yet published. A recent paper* by Mr A. R. Wood (who spoke independently, but with authority as Comptroller of the London County Council) shows that the contributions from the Exchequer to local authorities are already inadequate, owing to higher costs of building ; the following table is extracted from his paper:

HOUSING COSTS AND SUBSIDIES

	Subsidy Data £	Current Costs (April, 1948) £
Cottage (three-bedroom)—		
Capital costs—		
Site, roads and sewers	85	110
Buildings	1,015	1,220
	1,100	1,330
Rate of interest	3½%	3%
Annual deficiencies—	£ s.	£ s.
Loan charges	40 12	47 18
Maintenance and management including repairs	7 8	15 0
	48 0	62 18
Less—Rent	26 0 (10s. a week)	29 18 (11s. 6d. a week)
	22 0	33 0
Annual contributions to be made by—		
Exchequer	16 10	16 10
Local rates : Statutory contribution	5 10	5 10
Do. Supplementary contribution	...	11 0

These figures show that the cost of building a three-bedroom house, originally put at £1,015 for purposes of the subsidy under the 1946 Act, has increased to £1,220. The total cost, including land, site preparation and drains, has increased from £1,100 to £1,330. The result, in this typical case, is that loan charges and management cost £62 18s. a year (compared with £48 on which the Exchequer subsidy is based) against which rent brings in only £29 18s.—a mere 47½ per cent of the total cost, of which the balance is met from subsidy and, to a far larger extent than was intended, from local rates.

Mr Wood's example is put forward as a typical case representative of house building costs in England generally ; he used it to pose the question whether, with existing rents covering only one-half, and in extreme cases, only one-third, of the very high annual cost of new dwellings, the fortunate tenants should not make a contribution more attuned to their much increased resources today. The facts about the high cost of housebuilding urgently need ventilating. No official figures have been published—on the ground that full particulars of tender prices and final costs would encourage lower-cost builders to put in tenders closer to the average price. Whether this policy is wise is open to doubt ; it certainly encourages the circulation of rumour about inflated building costs. The Ministry of Health, however, is prepared to assert from the figures in its possession that the final cost of houses built by local authorities is below the ceiling price hitherto imposed on private buildings—that is, an all-in price of £1,300 (in London £1,400), including land and site preparation. Outside the Ministry of Health there is a general impression that costs are often well above these limits, and it is sometimes suggested that the Ministry's average figure owes something to the skill of the accountant and to the omission of certain expensive fitments.

On this subject, it is easy to generalise from particular cases, and the bad cases get more than their share of public attention. Local authority houses sometimes cost £1,600 or £1,700 to build. But are such cases common? In an attempt to find reliable evidence, *The Economist* recently invited a number of local authorities to provide figures of costs for their housing schemes. The authorities varied widely in size, character, and local conditions, and from their replies the following summary table has been prepared:

HOUSING COSTS OF SEVEN AUTHORITIES

Type of County Boroughs:	Contract Price, 3-Bedroomed House	Extras	Building Cost, including Extras	Total Cost including Land & Site Preparation	Completion Date
	£	£	£	£	
1. Large	950	142	1,092	1,200	Nov., '46
	991	67	1,058	1,212	Feb., '47
	1,102	16	1,118	1,279	Nov., '47
2. „	1,278	162	1,448	1,675	June, '48
3. „	1,260	...	...	1,400	„
4. Medium	1,200	100	1,300	1,610	Mar., '48
5. Small	1,192	190	1,382	1,487	1947
	1,327	217	1,544	1,729	1948
6. „	1,117	65	1,182	Not given	Mar., '47
7. Eight County Boroughs and 46 District Councils in Wales (average)	1,191	105	1,259	Not given	...

NOTE.—Each set of figures relates to a separate housing scheme of 100 or more houses. Special features, such as an additional £60 a house for extra foundations in scheme 4, have been excluded.

The table requires a few words of explanation. Most of the authorities asked that they should not be named, but their broad character is indicated in the table. Secondly, some selection has been necessary in order to provide reasonably comparable figures among the different authorities. Thirdly—and this is an important point—full costs are generally available only for the earlier schemes.

A range from £1,200 to £1,729 is very startling. In these comparisons, much depends on the relative efficiency of the authorities' housing departments, on local conditions and local difficulties. Some, at any rate, of the difference in costs of different schemes is properly explained by such considerations. But the major difference is due to the plain fact that costs have been rising steadily. The column headed "Extras" proves this point, and in some cases the figures make nonsense of the original contracts. All contracts contain a "rise and fall" clause to cover changes in wages and costs of materials. At the

* Read to the Institute of Municipal Treasurers and Accountants.

beginning of the housing campaign, there were doubts about specifications, substitution of materials and the like. Thus in the first scheme completed by Authority 1 in November, 1946, "extras" cost £142 per house. But in the scheme completed a year later, "extras" had fallen to £16, although the contract price had risen by over £150 to £1,102. Such was the experience of a large city with a fully-fledged housing department. But it was not the experience of Authority 5, where extras have actually risen; this authority, in explanation of its high total costs, particularly for the second scheme, points out that the houses were more elaborate than normal. Even so, the contractor is claiming for loss of profits through bad weather last year and through the substitution of concrete for wooden floors. The figures for the 56 Welsh authorities (example 7) are particularly illuminating. All the schemes, for which average figures are given, were completed during or before 1947; yet the average building cost, with "extras" was £1,259. Since this average does not include land, or roads and sewers, it follows that the total cost must have been well above the Ministry of Health's ceiling of £1,300 and some individual schemes cost a great deal more.

*

When the Dudley Committee reported in 1944, they put the cost of the improvements which they recommended at £132, in terms of prices in 1939, and they assumed that postwar prices would be 30 per cent higher than before the war. Accordingly, a council house costing £335 before the war was expected to rise to £610 after the war, or £700 including land and site preparation. The postwar house, with Dudley improvements and more, is costing anything between £1,200 and £1,600. It may be that the peak price for new contracts has passed. Cuts in the rate of new approvals have relieved the pressure on building work and improved builders' efficiency; local authorities are now scrutinising contracts more carefully, and rejecting a larger proportion of them. And if reports are to be believed, builders' profit margins are falling, in some cases steeply; to cite one example, a large contracting firm which until a year ago was tendering on the basis of a 10 per cent profit now claims that it is tendering with no profit margin at all, being content merely to cover its overheads and to retain its labour force.

These sterner conditions will do no harm to the industry in the long run. Soon after the war, it became packed with mushroom firms, many of them small, using green labour. Small firms undertook contracts which they were quite unqualified to fill at reasonable costs; large firms undertook big schemes and found that their labour supply was inadequate. The appointment of the local authorities as agents for the housing programme was inevitable, but it placed an enormous burden on an undermanned and largely untrained staff. Specifications took months to prepare, and supervision by inexperienced clerks of works caused exasperation and delay. All these factors have added their quota of additional cost to the already high price of labour and materials.

But when allowance is made for these transitory difficulties, there remain four principal causes of the rise in the cost of building postwar houses—labour, materials, housing standards, and planning. In 1939, average wage rates were 1s. 7d. an hour for craftsmen and 1s. 2d. an hour for labourers; average weekly earnings were 66s. In 1947, the corresponding figures were 2s. 9d. and 2s. 2d. an hour and 117s. a week. These increases are not out of line with wage rates and earnings in other industries, but they have been accompanied, as last week's article showed, by a fall in productivity which can be roughly summarised by the statement that two men are now necessary to produce the results that one produced before the war. That is not merely the result of reduced effort (though the reduction is not negligible); it is also due to the frustration of effort by shortages and by attempting too much. Moreover, part of the labour force supposedly occupied on the housing programme has slipped away into uncontrollable and often illegal work. The remedy for this melting away of the labour force lies not in controls, but in the Chancellor's financial policy which should do something to check the demand for repairs and decoration.

*

Nor is the rise in prices of building materials out of line with the movement of prices generally. If prices in 1939 are taken as 100, building materials in May cost 210, but industrial materials and manufactures together cost 235. But the maldistribution of building materials—particularly in the two years after the war—has been notorious, and attempts to control them in detail have broken down. Interruptions and delays to supplies have together played as important a part in the increased cost of new houses as rises in the prices of such materials. As for standards of housing, it is estimated that £400 out of a house costing, say, £1,350 represents improvements in standards compared with prewar—extra floor space, better fittings, the outside shed and the second water closet. Such improvements may be eminently desirable, but they use extra resources which are urgently needed for industrial building and extensions, and they cost more money—as the ratepayer is now discovering. The Dudley Committee was content to recommend a house of 900 feet super; and even for houses of this type, its estimates of costs would have been well below the actual postwar figures. But this standard has been exceeded: the three bedroom house is now 950 feet super, as a minimum, and often 1,000 feet super, compared with 750-850 feet super before 1939. The average house built between the wars represented an enormous advance upon anything that had gone before; but in turn it has been dwarfed by the new standard of accommodation set up since the war. These improvements have been made for broad social ends, and have not resulted from any economic calculation whether they can be afforded. They are already imposing strains on the finances of central and local authorities, and that strain will be greatly increased unless there is an appreciable fall in the cost of building. Perhaps the worst phase of rising costs is now over; but there is little promise as yet of any material reduction. Sooner or later, the country will have to build according to its means, and if it elects for a higher standard of housing, tenants must be expected to pay the economic cost of the improvement.

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The New Oil Refineries

THE petroleum companies have begun work on building new oil refineries in Great Britain, and there seems no reasonable doubt that the huge programme will at last be carried out. But it has not entirely lost—and can hardly lose—its controversial character: the political approach, and the attitude of the average member of the general public, to any question involving oil is quite different from the approach of the petroleum trader or technician. For the industry (as the chairman's speech of any of the big oil companies will show at a glance) is a world-wide industry, and each of the big units in it thinks automatically of production, processing and distribution of petroleum in world-wide terms. The two attitudes—the local or consumer's attitude and the world-wide or producer's attitude—do not so much clash as pass each other by. The words of the Minister of Fuel and Power, in a Commons debate on oil supplies are worth considering as an example of the local, political approach. Mr Gaitskell spoke thus of the refinery programme:

> It is on a gigantic scale, and when hon. Members opposite ask why we do not do more, I would say that, in view of their absolute failure to do anything in this field before the war, this was one of the most discreditable features of their administration.

Was it? The assumption appears to be that political steps should have been taken before the war to ensure that petroleum for British use was refined in this country—and that not to do so was "discreditable." The professional would answer: "Why?" To him the obvious place to put an oil refinery is at some point conveniently near to the oilfields. It was largely on this assumption that great refining industries were built on the Caribbean and the Persian Gulf, and it was because of this assumption that the efforts of the Germans to create an autarkic oil industry at any cost were regarded as expensive folly, to be watched but not imitated.

The professionals have not changed their ideas, but they have changed their plans. What considerations brought about the change? Lord Bearsted, as recently as 1946, dismissed as "completely uneconomic" the idea of full-scale refining in the United Kingdom. In his statement to stockholders of "Shell" Transport and Trading he said then that no crude oil, or hardly any, met the exact requirements of any one market. Refineries at the point of production could supply each market with the various petroleum products in the proportions in which it needed them. The cost of transport and the heavy consumption of fuel by the refineries themselves made it uneconomic to refine in the consuming country. Further, the countries producing crude oil such as Venezuela were insisting that refining should be done at the point of production, and this was not an unnatural or an unreasonable demand. The petroleum industry could not afford the cost of multiplying refineries.

This was in July, 1946. Since then the cost of building refineries has gone up, but the petroleum industry has resigned itself to bearing it. Indeed, it had become evident before the end of 1946 that nothing else could be done. The first consideration pointing to this conclusion was the change in world supplies. World demand could not be satisfied from the existing refineries. American consumption was outstripping American production; in consequence, the United States were not only supplying less but indeed were taking more from Latin America and the Caribbean. Europe, it was becoming clear, would have to rely more on Middle East petroleum, and new refineries would have to be built somewhere. Where should they be built? The great oil companies considered the idea of putting more money into the Middle East basket, and turned it down. The Middle East looked none too safe. It would be better, they decided, to build refineries in Europe, to design them primarily for Middle East crude, but to make them flexible enough to handle Latin American or other crude should it prove necessary. Crude oils from the different producing areas of the world have different compositions—that is, they contain light, middle and heavy oils in different proportions—and no refinery manager likes switching from one to the other. But it can be done, and by extra expenditure refineries can be given extra flexibility.

This—to the professional—is the meaning of the oil refinery programme. British refineries are to be built, capable of refining petroleum from start to finish in quantities sufficient to supply the entire oil needs of the United Kingdom as far ahead as can at the moment be foreseen. They are to be flexible enough to meet any shifting of the source of supply that seems likely. They will be expensive, and their cost will have to come out of the price which the consumer will have to pay. In a "normal" world (in which the trader had to take account of economic considerations only) they would not be built in the United Kingdom at all; but the world has ceased to be "normal."

The White Paper on Capital Expenditure last December put the matter in quite another way, and is worth quoting as another example of the local political approach:

> An extensive programme for establishing oil refineries in the United Kingdom has been prepared, the object being to save large amounts of dollar exchange by refining crude oil in this country instead of importing refined products mainly from dollar sources. . . . The ultimate cost of the programme will be about £95 million (including about £60 million on plant of all kinds) for capacity capable of handling 20 million tons of oil a year. The value of the dollar saving depends partly on the speed with which the oil refineries can be built.

It is hardly an exaggeration to describe the refineries programme as the building of a new industry in the United Kingdom. Complete refining from crude oil to finished petroleum products is not unknown in the United Kingdom. It has been done, for instance, at the Anglo-American plant at Fawley and at the Heysham plant, which has been brought back into full production by Shell to replace the missing output of Haifa. But these have not, in the past, undertaken complete refining on anything like the scale now contemplated. Most of the petroleum used in the United Kingdom has been imported in the finished state, and plants such as Stanlow have dealt only with limited processes receiving "top crude" to be made into lubricants and bitumen. At a still later stage in the handling of petroleum come the new chemicals-from-oil plants which will be discussed in a later article.

Under the new programme, complete refining will become the general rule. The Shell group has started the construction of refineries at Stanlow and on the Thames, each of which

will produce from crude oil all the major petroleum products. These two refineries will take 6,250,000 tons of crude oil a year. The chairman of Anglo-Iranian Oil stated recently that the refinery at Llandarcy, which had a rated capacity of 360,000 tons, but processed 420,500 tons in 1947, was to be expanded by the end of 1949 to a capacity of 3,000,000 tons a year. Immediate operating adjustments will raise the throughput at Llandarcy this year to a rate of 840,000 tons a year. At the Grangemouth refinery of the Anglo-Iranian Oil Company capacity is to be raised this year from 360,000 tons a year to 600,000 tons, and an eventual increase to 1,500,000 tons a year is planned. Enough steel has already been allocated to allow a start to be made on these projects, which together account for half of the entire programme. The Anglo-Iranian Company also proposes to build a large new refinery on the Medway; and Sir William Fraser, in his chairman's speech this month, expressed the hope that "early approval will be given to what I feel can be regarded as an important national project." The biggest single project, that of Anglo-American Oil at Fawley, has not yet got beyond the planning stage. The plan is to build a refinery at Fawley capable of handling 6,000,000 tons a year—a scale which suggests that the parent company, Standard Oil (New Jersey), is contemplating production in Britain for export to other European countries.

In the White Paper on Capital Expenditure, the total cost of the refineries programme was estimated at about £95 million. It is early to say how wide of the mark this estimate will prove to be. Since the war the cost of building a refinery has been going up at the rate of about 10 per cent a year. Perhaps the Government's policy of discouraging increases in wages will check this rise; if not, costs in the later stages of the refinery schemes (some of which can hardly take less than five years to complete, and may take more) are likely to be well in excess of the original estimates.

The cost of building a refinery is not absolute or static, but one of the main British oil companies gives a private estimate of the present cost at £2,000 to £2,500 per ton of daily throughput. Assuming a cost of £2,250 per ton-day, it should be possible to add 15,500,000 tons a year to the refinery capacity of the country for about £95 million. The Government's estimate, therefore, appears to depend on the avoidance of any substantial further increase in costs. Much will also depend on the degree of elasticity which the new refineries are to have. Technical improvement is expensive. In a recent article in the *Times Review of Industry*, Dr. G. Tugendhat, of Manchester Oil Refineries, gave 12,000 to 15,000 dollars a ton-day as the probable cost of a modern refinery; if this is so, then the entire refineries scheme could cost very much more than the estimate. The question is important; most of the cost will have to be borne eventually by the user, even though the companies may hope to find the bulk of the finance out of profits during the next few years.

One difficulty to be overcome in the prosecution of these schemes is the supply of steel. In the early stages they will require structural steel in substantial quantities, and in the middle and later stages special plant, most of which (given the steel allocations) the expanding British petroleum equipment industry is capable of providing. Exact time-tables are simple to work out, but less simple to put into effect; for the steel is allocated in instalments, and the later instalments will no doubt depend on the pressure of other demands for steel and on the progress which the steel industry is able to make in the next few years. Whether important results from the first stages of the new programme will be achieved by next year (or even by 1950) may in the circumstances be doubtful. By 1951, at least, the new refineries should be making a substantial contribution to the oil supplies of the United Kingdom; by 1952, supplies of home-refined petroleum products should almost equal the demand, and by 1954 it should be possible for the new refineries to earn dollars from exports. But the bulk of their output must of necessity be taken up by home demand. The accompanying table shows the trend of home consumption. It does not show the full trend of home demand, for in the two critical groups—aviation and motor spirit, and black oils for the home trade—demand is at present artificially restricted. The full satisfaction of the motorist's demand for motor spirit and the demand of industry for fuel oil is not at present possible. It may become possible to satisfy it when the refineries programme reaches completion; for the world shortage is not in crude oil, but in the means of handling and refining it.

CONSUMPTION OF PETROLEUM PRODUCTS IN THE U.K.
(Tons)

	1933	1938	1947
Aviation and motor spirit	3,790,000	4,980,000	4,930,000*
Kerosene			
Burning	740,000	540,000	620,000
Vaporising		180,000	840,000
White spirit	50,000	70,000	130,000
Diesel (road vehicles)	30,000	390,000	700,000
Black oils (fuel, gas and diesel) (internal trade)	1,300,000	1,600,000	3,840,000
Black oils (bunkers) (fuel, gas and diesel)	1,050,000	1,400,000	2,210,000
Lubricating oils	430,000	570,000	660,000
Bitumen	440,000	610,000	420,000
Paraffin wax	50,000	50,000	40,000

* Includes aviation turbine fuels.

Business Notes

Gold and Dollar Reserves

Even without making any detailed re-examination of the nature of Britain's economic plight, the Chancellor had no difficulty in this week's debate—the wider implications of which are discussed on an earlier page—in convincing Parliament of the indispensability of ERP. His masterly exposition of the intricacies of the bilateral pact, some of the more technical aspects of which are examined below, left no room for the mid-year stocktaking for which some had hoped. On domestic policy, the Chancellor contented himself with a brief reiteration of the need for firm adherence to the programme of disinflation, even though it involves some "unpleasant consequences," as it undoubtedly will do. The most important new facts which came to light were the details of the past quarter's drain on the central reserve of gold and dollars, the figures for which are now being published only quarterly. Viewed in the light of the very heavy demands in the first quarter, and of the fact that the reduction in the total external deficit has been much below what was forecast, these latest gold figures are reasonably reassuring. The net expenditure in gold and dollars during the quarter was £107 million, or £40 million less than in the first quarter when, however, the demands on the pool were temporarily increased by the fact that several Sterling Area countries elected to withdraw their hard currency quotas at once. The fact that they did so must partly explain the decline in external demands on the pool in the second quarter. The Chancellor stated that the Sterling Area countries as a whole had considerably reduced their drawings since 1947, and thanked them for the "understanding and co-operative way" in which they had done so.

Despite this more reassuring trend, the total expenditure of reserves for the half year, at £254 million, was substantially larger than that contemplated in the "Economic Survey." The drain of £222 million envisaged in that document did not allow for any further purchases of hard currency from the International Monetary Fund by Britain or by any Sterling Area country; and it was specifically stated that, if any such drawings were made, they should be regarded as reducing correspondingly the estimated net reduction in reserves of gold and dollars. Actually, during the half year, Britain and India, as the following table shows, together bought £26 million of dollars from the Fund, so that the half year's actual net expenditure of £254 million really compares with an estimate of £196 million:—

GOLD AND DOLLAR RESERVES
(£ mn.)

Stock at Dec. 31, 1947	...	...	512
First quarter, 1948:—			
Actual outgo	...	−147	...
Receipts:—			
South African Loan	80	...	...
Drawn on U.S. credit	74	...	...
Drawn on Canadian credit	11	...	...
$ bought from Int. Monetary Fund	15	...	...
$ bought from IMF (India)	7	...	...
		+187	...
Net change in quarter	...	+ 40	...
Stock at March 31, 1948	...	...	552
Second quarter, 1948:—			
Actual outgo	...	−107	...
Receipts:—			
Drawn on Canadian credit	2	...	...
$ bought from IMF (India)	4	...	...
First ERP refund	22	...	...
		+ 28	...
Net change in quarter	...	− 79	...
Stock at June 30, 1948	...	...	473

The actual level of reserves at end-June, it will be seen, has not felt the full impact of the heavy rate of expenditure during the half year, because at the end of the period the Treasury received the first dollar payment on account of the ERP allocation for the initial period, i.e. April-June. For this period Britain has been allocated £75 million in the form of ERP grants and has been offered £25 million in ERP loans. When the remainder of the quarter's grant is received and the terms of the loan have been negotiated—it is not yet clear whether the negotiations will relate to the amount and terms of the loan only, or whether they may also affect the amount of the grant—the total reserves should be raised above £500 million—a figure which the Chancellor regards as the minimum that Britain must retain throughout the ERP period.

In future, therefore, the Government apparently intends to adjust the whole basis of its economic planning to ensure that the reserve is kept around this level. Without an adequate reserve at the end of the ERP period, the Chancellor emphasised, it would be impossible "to support the international position of sterling" and Britain would slip into the position where it could "no longer function as the centre of what is today the only large multilateral trading group in the world." The necessary adjustments, as Sir Stafford hinted recently and reiterated this week, are likely to require a further cut in dollar imports, and the programme is already being reviewed to see "how far, if at all, that can be further pruned down without damage to our production." The final decision, however, will not be taken until the Government knows how much it can expect to get under ERP next year, both under grant and loan—and "these figures have not yet been settled."

* * *

The Earmarked Sterling Account

On the confusing and technical question of the procedure for segregating the sterling counterpart of the grant portion of ERP aid, the Chancellor added little to the information given in the agreement itself. He did say, however, that the balance on the Special Account at the Bank of England will be shown week by week as a separate item in the Bank return. Although the agreement was ratified before the date of this week's return, and although £22 million has already been received, no such entry has yet appeared, because the precise procedure to be followed has still to be settled. In the meantime, the funds are being held by the Paymaster-General on suspense account. Under the terms of the agreement, British withdrawals from the Special Account for purposes of the kind prescribed require the assent "from time to time" of the US Government; but to ensure the maximum smoothness in operation Britain is planning to establish "a close link" between the machinery for deposits and that for withdrawals.

It is reassuring to know that the Americans share the view that, of the prescribed purposes for which the funds may be used, priority should be given to debt redemption. In fact, any use for the other purposes contemplated in the agreement could, in certain circumstances, tend to defeat the main object which the United States had in mind in requesting segregation—the object of ensuring that Marshall aid was not made a means of supporting inflationary budget or credit policies. Despite the Chancellor's austere disinflationary policy, Britain's economy is still fully extended. If, while this condition lasts, the United States were to press for the segregated funds (or, for that matter, any other British funds) to be used for the "projects, programmes, explorations or developments" envisaged in the agreement, the effect would be to impose a new inflationary pressure upon Britain—unless such projects were in fact already included in Britain's own programme for current capital outlay. To this extent, the effects of the Chancellor's drive for disinflation would be neutralised—no matter how desirable the new projects might look on a longer view.

For the time being, it seems, these risks will not arise. A formula invented to support disinflation will not be used to impede it. The bulk of the funds, as the Chancellor said, is bound to be applied to debt redemption—"either short-term or long-term, according as the internal monetary situation may require." The Americans have agreed that the Special Account "should be managed from the start so as to give continuous and continuing effect to this policy," and are likely to assent promptly to any proposals for the purpose of cancelling, in present circumstances, the floating debt. This will obviate any undue accumulation of funds at the Bank of England and any undesirable repercussions on the credit structure. In other words, as *The Economist* has repeatedly emphasised, this complicated procedure for segregation will not of itself introduce any new factor into the gilt-edged situation or into the domestic banking position.

* * *

ECA and Stockpiling

The text of the European Co-operation Agreement gives no clear indication of the effect of ECA on purchases of materials by the United States for stockpiling. Under Article V, Britain undertakes to help the United States to purchase materials, originating in the United Kingdom or in those colonies which adhere to the Agreement, for stockpiling and other purposes. Many commodities, including copper, could be covered by this clause, but perhaps the two of major importance are tin and natural rubber. Under Article IV, the United States may use up to five per cent of the "Special Account" for such purchases, though the sterling cost of supervising the whole programme has also to be found from the same source. Sir Stafford Cripps announced on Monday that $300 million in grants had been offered for the first quarter. At this rate, credits to the Special Account for the first year would total £300 million, from which the United States would be entitled to use up to £15 million (less the general administrative costs of the ECA missions located within the British area) to pay for commodities bought in the United Kingdom and the colonies. Thus the residual sum of sterling available for stockpiling purchases would be something lower than £15 million.

This is not, on the face of it, an overwhelming sum; it represents, for example, only 25 per cent of the total value of natural rubber shipped to the United States last year. Moreover, certain safeguards have been incorporated in the Agreement. Quantities, periods of delivery and the terms of sale or transfer are to be agreed by both Governments. Moreover, "due regard" will be given to "the reasonable requirements of the United Kingdom for domestic use and the commercial export of such materials"; the latter phrase includes barter transactions, while "domestic use" covers the maintenance of reasonable stocks. These reservations seem virtually to reduce the sale of commodities which Britain must facilitate to rubber and tin, although at a later stage other commodities may be included in the "schedule of minimum availabilities" which is intended to make good deficiencies in the resources of the United States. But normally it would follow that the United States will make stockpiling purchases only when there are surplus supplies to be bought. But if stockpiling is for strategic purposes, will it wait for surpluses—at a time when Russia is an active buyer in the rubber and wool markets?

*

In 1947 the United States imported 561,000 tons of crude rubber from Malaya valued at about £62 million (cif) and 13,400 tons of tin metal valued at almost £6,000,000 (cif). The sterling available in the Special Account would not suffice to cover more than a fraction of last year's dollar purchases. Moreover, output of rubber and tin has not expanded sufficiently above the level of world consumption to create "burdensome" surpluses. World production of natural rubber amounted to 340,000 tons in the first quarter of 1948, against world consumption of 335,00 tons. Malayan output is running at a rate of 685,000 tons a year compared with 646,000 tons last year, whilst consumption in Britain has risen from 154,000 tons in 1947 to a current annual rate of nearly 200,000 tons. In the United States consumption has also

shown a sharp increase compared with a year ago—654,000 tons (annual rate) against 563,000 tons—and there is scope for further expansion.

Nor are tin supplies abundant. In the period January-April, 1948, world tin production amounted to 46,900 tons and apparent consumption to 45,400 tons. Compared with a year ago, British consumption of virgin tin has increased by 4 per cent, and American consumption could also increase if available supplies were sufficient to permit larger allocations. Obviously for these two commodities at least, there are no surpluses at the moment, and to carry out an active stockpiling programme would involve special allocations. Under conditions of freer supply, American purchases would form a bulwark for the market; now they might involve the reduction of normal consumption below "reasonable requirements."

* * *

New Look in Company Accounts

Shareholders this week have had their first view of the new company accounts—fuller and longer, like contemporary fashion. The spate of reports which was thrust out during June, in order to escape the full rigour of the new Companies Act, has been easily compensated by the high quality of the group reports which have appeared in new form this week—from Courtaulds, Richard Thomas and Baldwins, British Insulated and Callender's Cables and the Beecham Group. To do justice to these reports would require far more space than is available in the *Records and Statistics* supplement, and an attempt is made to remedy this deficiency in two following notes on Courtaulds and Richard Thomas and Baldwins.

The new form of accounts has enabled *The Economist* to undertake major improvements in the recording and analysis of company profits. When this work was first undertaken in 1908, company profit and loss accounts were more remarkable for what they concealed than for what they revealed. In that year, accounts were received from 775 companies; in recent years, the total has usually been well above 2,000. But although the number of companies has grown, the figures shown in their accounts have required increasingly careful interpretation. Considerable time and labour has long been expended by *The Economist* on the published figures, to ensure that income tax is treated consistently—a point, often explained in these columns, which can best be summarised as the adjustment of profits shown "net" to their equivalent "gross" basis, before deducting standard income tax. The recommendations of the Institute of Chartered Accountants and the requirements of the new Act will save much detailed work on tax adjustment.

The Economist's profits figures have been defective, too, because while they made the best attempt to summarise and analyse the results shown in the old statutory accounts of parent companies, they have hitherto not included group profits. An increasing number of companies published group profit and loss accounts before the new Act was passed, but it was obviously preferable to wait until all groups were required by law to provide group accounts before attempting to measure consolidated profits. Certain changes have also been made in the summary of company results (which appears in *Records and Statistics* each week) to give regular information about group profits. At the same time, much more detailed analyses of profits than have appeared regularly in *The Economist* itself are to be published in future, beginning with the July-September quarter.

A detailed explanation of these changes must await a later occasion. In addition, an entirely new system of recording and analysing consolidated balance-sheets is being undertaken. In the course of time, this should provide much valuable information about the financial structure of British industry, its capital and reserves, and the all-important, but hitherto unmeasured, movement in current trading items, like stocks, debtors, cash and investments. By a system of mechanical recording and analysing, it is hoped to provide rapid information on the profits and finances of British industry, quarter by quarter. Thus the work begun in a tentative way forty years ago should reach new standards of comprehensiveness and accuracy. *The Economist* looks forward, with some enthusiasm, to being able to provide "a true and fair view" of the state of affairs of British industry in the years to come.

* * *

The Banks' Half-year

The bank interim dividend season, which this week has been in full swing, has followed its customary course. The clearing banks have stabilised their distributions for so long that officially-inspired dividend limitation is of no account in any analysis of bank share prospects. Earnings experience, however, has probably been more favourable during the half-year than most banks at first expected. A larger volume of resources has been available for employment, and the total has been employed more remuneratively than in the corresponding period of 1947. The half-yearly balance sheets so far available all show a larger total of deposits than at mid-1947, though not in all cases above the level of end-1947. The movement of deposits in recent months, however, has been distorted by the Argentine pay-out, so that the experience of particular banks may be an unreliable guide to that of the clearing banks as a whole. From the earnings standpoint, however, the average level of deposits during the period is much more important than their net change, and this average has generally been perceptibly higher even than the high figure of the first half of last year. For the clearing banks as a whole, the average level of resources employed in the first five months of this year—taking the average of "net" deposits—was £200 million above the corresponding figure for 1947, at £5,594 million—an increase of 3.7 per cent.

This is a much smaller rate of growth than occurred in the phase of Daltonian inflation, but it means that the disinflationary policy will have to go a good deal further before it becomes the limiting factor upon bank earnings which some people envisaged. Moreover, although average resources have risen by this relatively modest £200 million, the expansion of advances—always the most remunerative avenue for the employment of bank funds—has been accelerated. In these same five months the average level of advances was no less than £252 million, or 24 per cent, better than in the similar period of last year. The second most remunerative earning asset—the investment portfolio—has also shown a significant further rise on the average (by £32 million), although in this case the income benefit has been neutralised, at least temporarily, by the need to provide for book losses.

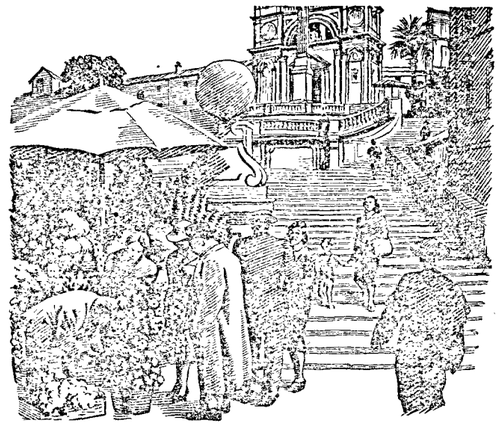
The fact that the banks have been able to employ on the average more than £280 million of additional funds in these relatively profitable channels, although their total resources have risen by only £200 million, is explained by the substantial reduction in the average scale of their lendings to the Government—a change which results, in this period, rather from the Treasury's large receipts from drafts on dollar credits and gold reserves than from the approach of the budget to equilibrium. These influences produced an average fall in the banks' lendings against Treasury deposit receipts by £199 million—a movement only partially offset by the £109 million increase in the holdings of, or loans against, other forms of floating debt. The banks' balance sheet structure is therefore much more favourable, from an earnings point of view, than it was at the end of the war. But much of the gain has certainly been counterbalanced by rising costs, especially staff costs. And this year, for the first time since the early phase of the war, the banks will have to look with particular care at the quality of their advances. The recession—both actual and prospective—in the luxury trades can hardly fail to leave some trail of bad debts for the banks.

* * *

Miners in Conference

Mr Arthur Horner, at the conference of the National Union of Mineworkers, dealt with the need for reorganisation of the mining industry and for the concentration of work on efficient pits in a speech which was a model of good sense. He left no doubt that the leadership, at least, of the Union is prepared to face the necessity of closing uneconomic pits. This is satisfactory. It remains to be seen whether the miners who are personally affected by the schemes will react in the same way, or whether the experience of Waleswood will be repeated throughout the coalfields. The Coal Board's offer to pay 26 weeks' compensation to displaced miners (though less than the miners' original claim for 52 weeks) is generous—it could be called lavish—and the miners can say that in this respect, as in so many others, they are favoured beyond the run of ordinary industrial workers. Indeed, the main theme of the conference has been the appeal to the men to face their responsibilities and to show due recognition of the very substantial benefits they have gained through nationalisation. Mr Bevin put this most forcefully. But it is the response—not the appeal—that will count.

Mr Horner would perhaps be more convincing when he refers to the National Coal Board's losses if he laid more emphasis on the urgent need to reduce costs, and did not put forward fresh claims for advances. The projected new wages structure has taken a long time to take shape, and is even now indefinite. But it is clear that if uniformity between districts is the object it will lead to the general raising of the level of wages. The more prosperous and better-paid districts would resist any levelling-down to the average of the unprofitable and lower-paid regions such as South Wales and Durham. It would be difficult to devise a



A Flower Market, Rome.

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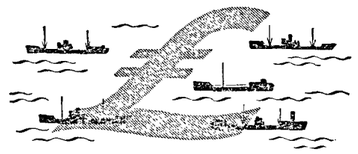
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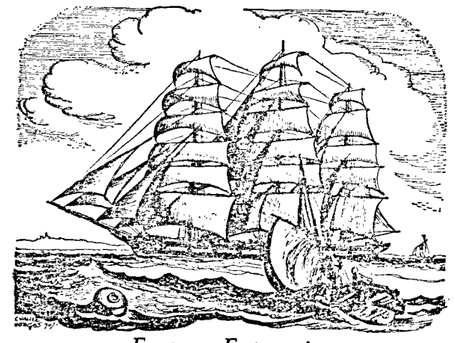


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formula which will satisfy all the districts without adding enormously to the price of coal.

Output of deep-mined coal fell by 79,700 tons last week to 3,839,600 tons; this seasonal decline normally lasts until the holidays are over and winter approaches. The total coal output of 106,060,000 tons in the first 26 weeks of 1948 slightly exceeds the half-way mark towards the year's target of 211 million tons. But there is little reassurance there; output in the second half of the year is invariably more affected by holidays than in the first half. Mr Bevin's appeal to the miners for a further 200,000 tons a week was timely and urgent.

* * *

Steel Subsidies and Prices

Mr G. R. Strauss, the Minister of Supply, took exception recently to certain observations in the monthly statistical bulletin of the British Iron and Steel Federation. Last week he stated in Parliament that steel production was enjoying the benefit of subsidies from public funds to the extent of £22 million a year—a figure to which much publicity has recently been given by supporters of the Government, in the press and in radio discussion. The latest issue of the bulletin issued by the Federation contains a detailed examination of the subsidy arrangements and their effect on steel prices—to which Mr Strauss's reactions will be particularly interesting.

The subsidy arrangements cover three separate matters: imported iron ore, imported steel, and imported scrap. On imported ore, the subsidy arises through the freight stabilisation scheme. Freights are still 240 per cent over the prewar level (partly because outward coal cargoes are not yet sufficient to fill the iron ore ships sailing to foreign ports); until recently, the Government had kept the charge for freight to the iron industry to 50 per cent over prewar, but now the formula has been changed to 100 per cent, with a consequent increase in prices of pig iron and semi-finished steel, though not in finished steel. The subsidy on iron ore imports, therefore, relates to the extra 140 per cent in freight rates over the prewar level, and it is equivalent to about 14s. per ton of ore. The total cost is put at £7,000,000 a year, though this appears to be something of an overestimate, since ore imports are running at about 9,000,000 tons a year and freights are falling. If this extra cost were added to steel prices, instead of being met from public funds, it would represent, according to the Federation's calculations, about 10s. 6d. a ton, or about 3 per cent on the price of steel. Presumably the Federation (which has recently absorbed £2,250,000 of the cost) would not oppose the charging of the full landed cost of ore, coupled with a consequent readjustment of steel prices, if the Government were to adopt that changed course.

Mr Strauss showed that £9,000,000 out of £22 million arises from imports of iron and steel—at prices higher than domestic prices. This appears to assume a higher rate of import than is now arriving—say 600,000 tons a year, compared with the present rate of 500,000 tons—and a higher gross loss per ton. At present, the difference between imported and home prices, including the import duty which accrues to the Exchequer, is £10 7s. 6d. a ton, or £6 17s. 6d. a ton if the import duty is excluded. Thus the "subsidy" (which is a subsidy to steel consumers, and not to the industry) for 1948-49 would appear to postulate a further increase in the loss per ton to something like £15 including import duty.

Thirdly, a sum of £5,000,000 appears to have been reckoned for equalising the cost of imported scrap. The faded expectations of obtaining 1,000,000 tons of commercial scrap from Germany may be revived as a result of the currency reform. The calculation is that the cost of German scrap would be £6 10s. a ton f.o.b. and £9 a ton delivered to British steel works. Thus, it would cost some £5 a ton more than domestic scrap, which is coming forward very freely at the rate of 4,500,000 tons a year at £3 10s. to £4 a ton. But there is still a good deal of uncertainty about the supplies which are likely to arrive from Germany during the coming year, and about the estimate of £5,000,000 for the cost of equalising imported and home scrap prices. If the full charge were in fact incurred, and if it was taken into account in the price of steel ingots, it would involve a 2 per cent increase in British steel prices.

*

An informative table in the bulletin compares British, Dominion and foreign prices for various steel products entering into home trade, from which British prices emerge by no means unfavourably. Australian costs are the lowest in the world, thanks to the exceptionally low cost of coal and iron ore. Angles of the size quoted in the table cost £14 12s. 6d. (sterling) per ton in Australia, compared with £16 18s. per ton in Britain and £17 0s. 2d. a ton in the United States. Prices of the less highly finished products in this country are often below the corresponding American home price (4-inch heavy bars, for example, cost £17 18s. a ton here, and £21 13s. 7d. in America) but in sheets and tinplates the comparison is markedly unfavourable. It is, of course, on these products that the British steel industry is now making a strenuous effort to draw abreast of the best American practice.

* * *

Film Quota Dispute

Mr Harold Wilson said on March 25th, in an answer to Mr Ivor Thomas in the Commons, that in the negotiations which led to the American film agreement the British side gave no undertaking of any kind about the quota under the new Films Act. He added that he intended to fix the quota "at the highest practicable level." At that time the American Agreement had been signed, but the schedules to it were still under discussion. Mr. Wilson could not have made himself more clear. But this did not prevent the American film industry complaining bitterly when the new quota for first features proved to be as high as 45 per cent. The American film producers have no formal ground for complaint, and they are showing a special aptitude for ruining their case by the unreasonable terms in which they state it; so that in the public correspondence between Sir Henry French (speaking for the British film producers) and Mr Allport (of the Motion Picture Association of America) Sir Henry has held his own with ease. But this does not entirely dispose of the matter. The Americans feel their grievance to be genuine; clearly they had been thinking of the agreement as a guarantee that their films could be fairly freely shown in this country, and it is going to be hard to persuade them that they have not been let down. Can the British film industry afford to ignore American feeling altogether? If it does, what will be its prospects of developing a United States market for British films, and how will it fare if the expansion of American finance in the film business of this country (which is hardly to be avoided, given the terms of the Agreement) takes place against a background of hostility and distrust?

The Film Quota evidently means different things to different people. Substantially, the American reproach is that it has been fixed higher than is practicable, and that this amounts to an unreasonable restraint of trade; the British industry cannot, they say, produce enough films of reasonable quality to fill 45 per cent of the first-feature playing time. The British producers maintain that they can; their contention can be proved only by trial. But when the Films Council recommended that the first-feature quota should be 45 per cent, they did so not on the basis of current production alone. The decisive evidence was an estimate by the British Film Producers' Association of the number of films which could be generally released in the first quota year, together with films still in circulation from the previous year and a number of re-issues. This does not seem to have been understood by Mr Allport, who accuses the British industry of over-stating its productive capacity. It does not appear that the British industry, for this purpose, stated its productive capacity at all; it stated what films it could get together, from current production and otherwise, for circulation in the twelve months which open in October. On the narrow question it is probably right. A bigger question remains to be answered: can the quantity required be provided in the future, over a period of years, without loss of quality? If it cannot, what is to happen to the quota? If the facts should require that the quota be reduced in a year's time, will reduction be politically possible? Political pressure, as the Parliamentary debates on the Films Bill showed, will be the other way. It may yet prove unwise to have set the first quota so high.

* * *

World Bank Loans

Mr Robert Garner, Vice-President of the International Bank for Reconstruction and Development, took the opportunity of a recent passing visit to London to discuss some of the problems that face this institution. One point which he made crystal clear was that it had no legal link with the European Recovery Programme and that none of the Marshall Aid loans would be made through its agency. He added, however, that the effect of ERP on Europe should be to make the continent safer for World Bank loans and that the bank would certainly not take the same view as had been taken by the International Monetary Fund in excluding participants in the programme from its facilities.

Mr Garner said that discussions had taken place with Britain, France and other European countries on the possibility of raising Bank loans for colonial development. It can be assumed that these discussions were concerned with general principles only and that no specific projects have been considered so far. It can even be said that on the British side the prospective borrower will need as much persuasion as the lender for such projects. The scope for further loans by the International Bank is becoming decidedly limited. So far it has made loans of $513 million, almost the whole of which has been advanced in US dollars. The resources out of which these loans have been made were provided as to $750 million from that part of the members' subscriptions which has been payable in gold or dollars and as to $250 million by the proceeds of the two bond issues made in the US capital market last year. It follows that rather less than $500 million is now available for lending, unless the bank can issue more bonds in the United States or finds it possible to make loans in currencies other than dollars. The Belgian Government has given its permission for utilisation of its local currency subscription to the Bank in order to make a small loan to Luxemburg, and a modest amount of Swiss francs needed by the Dutch Government has been raised by a direct bond issue by the International Bank to the Bank for International Settlements in Basle. These, however, are the only exceptions to the exclusive use of dollars in the Bank's operations so far, and Mr Garner expressed the hope that one day the British Government might find it possible to release its sterling quota to the Bank's capital to allow that institution to make sterling loans.

Mr Garner's visit to Britain was made on his return to Washington from a tour of the continent. The main impression he appeared to have brought back from that tour was the contrast between the recovery in production and the serious decline in intra-European trade. He stressed that the release of the now paralysed payments machinery in Europe should be given the highest priority in the work of the Office for European Economic Co-operation, and added that one of the representatives of the International Bank had attended the Paris meeting at which this problem was under discussion. This, however, is a matter in which the Fund, rather than the Bank, is designed to help.

* * *

Capital to South Africa

Further regulations have been issued by South Africa to control the movement of capital to the Union from other parts of the sterling area. Until recently the restrictions on such movements of capital affected only bank to bank transfers. They left the field wide open to easy evasions through deals in securities. The simplest way of evading the restriction on bank to bank transfers was for a resident in a country outside South Africa to buy South African shares in his own market, sell them in South Africa and keep the proceeds in that country. An attempt was made to enlist the help of the commercial banks in repelling such capital by requiring them to compel non-resident depositors either to invest or to repatriate their funds. The banks, however, appear to have pleaded their inability to tackle this task, which would have given them unwanted initiative in interpreting what was and what was not "hot" money.

The Union Treasury has accepted this plea and this week has issued regulations to cover this particular problem. South African securities purchased with funds received from residents of sterling area countries other than South Africa must in future be held under the control of an authorised dealer in South Africa. The sale of such securities will be permitted only provided the proceeds are held by the authorised dealer concerned for reinvestment in other quoted securities within a period of 30 days. If the proceeds are not so reinvested the funds must be repatriated to the sterling area country from which they were originally received. The regulation covers all South African securities held by residents of the sterling area outside the Union. In so far as it is meant to check the further inflow of capital from outside, it is merely flogging a dead donkey, effectively killed by the recent political changes in the Union. The regulation should, however, have some effect in hastening the departure of the really "hot" money which remains in the Union in the guise of bank deposits.

* * *

The Drachma

The Governor of the Bank of Greece, Mr George Mantzavinos, who is making a routine call on the Treasury and the Bank of England, has given some illuminating information about the economic position in Greece this week. He admitted that the drachma had lost a third of its purchasing power in 1947, but this, he affirmed, was due mainly to increased taxation and to the rise in dollar prices. It was not a reflection of inflation, even though he admitted that the fiduciary circulation had risen by 80 per cent over the same period. This increase in the note



July

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issue, he contended, was not inflationary because there has been a fall in the velocity of circulation, and also because the additional notes "were secured by advances for productive purposes." The Greek budget is in a state of considerable disequilibrium if military expenditure is included in it, but in spite of this fact the advances of the Bank of Greece to the Exchequer have fallen over the past year from 420 billion to 178 billion drachmas. The paradox is explained by the comparatively large outside assistance received by Greece, and also by the sales of gold coins through which the Bank of Greece has attempted to check the progress of inflation. The inflow of American funds into Greece has been the largest per head of population into any country in the world. In 1946 Unrra alone spent $210 million in Greece. In the same year the Bank of Greece lost $112 million of its reserves. In 1947 US assistance amounted to $300 million. In 1948 there have been emergency grants from the United States for military purposes, and as from last April Marshall aid has begun to flow. The drachma proceeds of this comparatively large inflow of external assistance have put at the disposal of the Greek authorities resources adequate not only to meet their current budget deficit but also to repay advances of the state to the Bank of Greece. The sales of gold coins to the public have had the same effect.

Most of the gold is now provided by the United States. The form in which it commands the best price in Greece is sovereigns, which are quoted at a wholly irrational premium in terms of French napoleons. The amount of gold now circulating in Greece has reached extraordinary proportions per head of population. A large range of goods bought and sold in Greece is quoted only in terms of gold, and rents, for example, are usually expressed in this way. The gold circulation has been fed in part from sales of the Bank of Greece's reserves, from substantial quantities of coins dropped by both sides during the period of hostilities to help the guerrillas, and finally by sales of gold acquired first from the British Government and then the United States. These details do not make up a picture of a stable and healthy economy. It is, however, a picture fully in keeping with the devastating background of civil war in which the Greek economy has been called upon to evolve since the end of official hostilities.

* * *

Courtaulds on Replacement Costs

Apart from the omission, for this year only, of comparative figures—which Mr Hanbury-Williams suggests might be accepted as reasonable in view of the many changes in the arrangement and composition of the figures—the Courtaulds accounts are a model of the new form under the Companies Act. The accounts themselves are analysed in some detail in the *Records and Statistics* Supplement, but the chairman's statement raises in addition a question of major importance, to which attention was recently directed in *The Economist*. This is the rising cost of replacement of assets.

The balance-sheet of the parent company includes fixed assets at a total value of £30,632,242, measured by replacement values immediately before the war and by cost of additions since. From this total there is deducted provisions for depreciation and obsolescence amounting in all to £18,787,688. The chairman states that the cost of replacing these assets at current prices would be much greater than the total value, before depreciation, at which they stand in the books. The difference arises, not from any increase in the value of the assets, but from the depreciation in the value of money, which presents the company with a serious problem in providing for depreciation on plant and buildings. Such provisions, which are based on book values of the assets concerned (and not on their current replacement values) leave the company "a long way short" of the annual amount necessary at current price levels to provide for replacement of plant when it is worn out.

Admittedly, the company has total reserves of £24,095,842, which have been accumulated to provide for the development and expansion of the business. But evidently a large part of these reserves must now be regarded as likely to be required to meet the ultimate cost of replacing fixed assets (since the accumulated depreciation funds will be insufficient for that purpose), the chairman does not, indeed, rule out the possibility even that further substantial sums may be required. These general reserves, of course, have to be accumulated largely out of taxed profits; the authorities will not admit them as relevant to the calculation of controlled prices (which means that the company has to sell its products below the real price), and, of course, the revenue authorities will not admit them as a deduction from taxed profits (which means that Courtaulds, like so many other companies, is being taxed on so-called "profits" which really reflect inadequate maintenance of capital assets). The chairman's observation that "this whole question of plant replacement is perhaps the greatest problem facing industry today" is no exaggeration; some Chancellor, some day, will have to take notice of it.

* * *

Richard Thomas and Baldwins

The accounts of Richard Thomas and Baldwins, set out with much technical elegance, conform to the new standards required by the Companies Act. A company note in the *Records and Statistics* Supplement attempts within its limited space to bring out some of the salient changes in the accounts themselves. Mr. E. H. Lever's statement accompanying the accounts is concerned chiefly with developments by Steel Company of Wales, and with the threat of nationalisation of the steel industry. At the end of September last year, Richard Thomas and Baldwins transferred 14 of its tinplate works to Steel Company of Wales, together with sufficient working capital to operate them, in return for £1,175,000 £1 shares in Steel Company of Wales. The main task of that concern is, of course, to complete the new steel works and strip mill at Margam, for which the first public issue of £15 million of 3 per cent debenture stock, 1952-57, was raised last year. Richard Thomas and Baldwins has subscribed for 3,000,000 £1 ordinary shares in the new company, on which 1s. per share has been called, leaving £2,850,000 to be called, it is expected, by July, 1952. Relations between the two companies will obviously be close; Mr Lever is chairman of both concerns, and Richard Thomas and Baldwins will act as selling agents for flat rolled products produced by Steel Company of Wales, which will represent the bulk of its output.

On the threat of nationalisation, Mr Lever is quite unequivocal. He points out that those responsible for the company are running its business to the best of their ability, despite the impediments of politics on administrative problems; and he declares forthrightly that "there seems no justification whatever for tampering with the structure of the iron and steel industry at the present moment. . . ." This warning is not less important because it comes from one whose knowledge of the industry is fresher and more recently acquired than the "political ideologies" of which he complains.

* * *

Hard Going for New Issues

As July 1st approached, and with it the new requirements of the Companies Act, new issue activity sharply increased. But investors have proved distinctly unreceptive to this last-minute rush, and underwriters were called upon last week to fulfil their obligations in respect of three issues—Bambergers, R. Hudson and N. Hingley. The Bambergers preference issue, however, was fully subscribed, which is indicative of the investor's present state of mind. A week earlier, underwriters of the Mabie Todd issue had to take up 75 per cent, those of Mayfair Products 84 per cent and British Tap and Die 66 per cent of the shares offered. But, despite unfavourable market conditions, when an outstanding equity like Whitbread was offered on Monday—as the table below shows, on a considerably lower dividend yield basis than any of the other companies except Hingley—the investing public was interested enough. The Whitbread issue was four times over-subscribed. The "A" shares have since risen to over 4s. premium and the "B" ordinary shares to 1s.

TERMS OF NEW ISSUES

Issue	June-July, 1947: Earnings Yield on Issue Price Gross %	June-July, 1947: Dividend Yield on Issue Price Gross %	Issue	June, 1948: Earnings Yield on Issue Price Gross %	June, 1948: Dividend Yield on Issue Price Gross %
Midland Iron and Hardware	18·0	11·7	Robert Hudson	11·9	5·9
			Stormgard	19·0	8·0
			Bambergers	18·5	8·5
Balstone Cooke and Rayonese	9·8	5·5	British Tap & Die	18·5	10·0
R. Wylie Hull	11·3	6·8	N. Hingley	33·1	4·6
Sussex Rubber	11·4	6·3	Tozer Kemsley	11·9	7·5
Burrell	21·8	5·7	Mabie Todd	15·9	6·3
Jenson & Nicholson	13·2	5·0	R. A. Brand	16·7	8·0
Thomas C. Wild	14·0	7·0	H. Ledgard	27·0	10·0
			Mayfair Products	19·8	7·2
			Whitbread & Co.	21·4	4·5

Investors now closely scrutinise the yield basis on which shares in established concerns formerly in private hands are offered to them. Out of 40 new issues made in recent weeks, 25 are quoted at a discount, 13 stand at a premium and three remain at their opening price. Given the general trend of the market, this situation is hardly surprising. A year ago, when markets were on a very different level, 11 new issues were higher than their opening price, five lower and three unchanged; for every two issues at a premium, one fell to a discount, while the proportions now are almost exactly reversed. The market pattern has, of course, changed; the *Financial Times* industrial ordinary share index fell in June and July, 1947, from 135 to 131; last month it fell from 120 to 113. This change in the equity market has found its reflection in new issue terms, of which a summary is given above. Yet, measured by results, the adjustment of new issue terms has not gone far enough. Last summer, a gross dividend yield of 6 to 7 per cent and an earnings yield of 15 per cent on a new issue was sufficient, as a rule, to ensure success. In recent weeks, much higher yields have failed to attract the public to the shares of estimable companies. Perhaps the success of the Whitbread offer, in contrast to this sequence of recent failures, is a portent of what lies in store for the important industrial issues—among them Imperial Chemical Industries—which are in an advanced stage of preparation.

* * *

No Preference for Tin Ore

The Malayan preferential export duty on tin ore, always a bone of contention with America, has been lifted as from June 30th. This duty amounted to about £61 a ton and was levied on all ore shipped for smelting to destinations other than the Straits Settlements, Australia and the United Kingdom. It meant in fact that smelters within the Commonwealth bought Malayan ore £61 a ton cheaper than foreign smelters. In addition to this preferential tax, there is also a revenue duty of approximately £60 a ton for ore of 70 per cent tin content which still remains in force, and is levied on all shipments.

With the abolition of the preferential duty, America will be able to import high grade Malayan ore to "sweeten" the low-grade Bolivian ore used in its Texas smelter. But there is unlikely to be any immediate change in the sources of supply, since current contracts run to the end of year, while the international allocation of tin is not due to expire until June next year. America could perhaps convince the Combined Tin Committee that it should import more Malayan ore rather than Malayan tin-metal, but the real effect of increased American demand must await a freer tin market. Under the Geneva Tariff Agreement signed last November, Britain agreed to abolish the preferential export duty only on condition that the Texas smelter should not be subsidised by the American Government. But reports from Washington state that the Reconstruction Finance Corporation has been empowered to maintain the smelter in operation until June, 1950.

The latest action is not due solely to American representations. It has also been required by the changed political status of Singapore. The exclusion of Singapore from the Federation of Malaya would have meant that under the preferential duty system its smelter would have to pay the second export duty and would, therefore, have to operate at a considerable disadvantage compared with the Penang smelter. The important point now, however, is whether America is now running its smelter on a commercial basis. It could, of course, be argued—how effectively still remains to be seen—that under Article V of the Economic Co-operation Agreement, Britain was obliged to remove the preferential duty as it agreed to "the removal of any hindrances to the transfer of such materials (for stockpiling or other purposes) to the United States." In that case, has America no reciprocal commitment?

Investments in South America

The process of clearing up the sale of British investments in South America continues on its inglorious, untidy way. In some cases, the prospect of purchase is still uncertain, which is perhaps as invidious as a knockdown price in an agreed sale. For example, the likelihood of the eventual purchase of British-owned railways and utilities in Brazil has not been greatly altered since the publication of the Trade and Payments Agreement last month. This week's rally in Leopoldina seems to have been prompted more by vague hopes that a "take over" may be arranged than by any point of substance in the latest statement from the company. In fact, the directors have no information to give about overcoming the difficulties of this and other railways in Brazil; stockholders know only that the "possibility and desirability" of taking over the railway is among the terms of reference of a committee recently appointed by the Brazilian Minister of Transport to inquire into the situation of the railway.

Prospects of compensation for expropriated properties of other British companies in Brazil have also receded. It is reported that Para Electric has no further funds in Brazil to pursue its case for restoration of its properties seized last February, but action is apparently under consideration by the British authorities. Ceara Tramway, Light and Power, also dispossessed, received the doubtful assurance that a local municipality had been commissioned by the central authorities to pay an indemnity to the company; it now finds that the municipality is quite unwilling to do so. The eventual payment in sterling to San Paulo (Brazilian) Railway of compensation for its "recognised capital" of £6,638,803 plus accrued interest at 7 per cent has advanced one stage further this week by the approval of the Public Works Committee of the Senate. But since the measure has still to obtain the consent of the Finance Committee of the Senate, the Finance Ministry, a plenary session of Congress and finally of President Dutra, many months are likely to elapse before the money is available to stockholders in London; meanwhile, a decision about the company's other claims in respect of "unrecognised capital" is not yet in sight.

There are occasional difficulties in London, even when purchase prices are provisionally agreed. Last week, the universal approval demanded by the Uruguay railway companies for their schemes of settlement was not forthcoming. The second debenture stockholders of Central Uruguay Railway refused to support the directors' proposals by the required majority of seventy-five per cent of the value of stock voted—indeed holders of some £864,701 of stock voted against and £1,065,861 for the proposals. The objections of these dissenters, which have been well ventilated since the announcement of the scheme, must now be resolved either by mutual arrangement between second debenture holders and ordinary stock holders or by the submission of new terms of compensation by the company.

* * *

Postwar Record in Rubber

The spot price for rubber in London reached 1s. 2¾d. a lb. on Tuesday, the highest level since the reopening of the free market last year, and the highest recorded price under free market conditions since 1928. Several factors have contributed to the recent firmness of the market. Supplies are relatively scarce in London owing to the diversion of shipments to America last May. The political troubles in Malaya, while not yet directly affecting output, are expected to reduce the quantities marketed in the near future. Mr Rees-Williams, Under-Secretary of State for the

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Colonies, stated in the House of Commons on Wednesday that firm action is being taken against the terrorists, but only if the present unrest is quickly dispelled will rubber production and available supplies be adequate.

These political difficulties have had less effect on the rubber market than American and Russian buying. Russia has purchased large quantities from Malaya and has also agreed to buy further supplies from Siam and Indonesia. Russian imports for the whole of 1947 amounted to 35,000 tons; in the first quarter of 1948 they rose to 13,000 tons, and subsequent shipments are expected to be more than double that rate. American purchases for stockpiling have not been on such a large scale. The reported intention of the American Government is to accumulate 700,000 tons of natural rubber, and stocks at the moment are believed to be less than half that figure. Moreover, natural rubber has assumed greater strategic importance in the United States owing to the shortage of petroleum which provides the raw material for synthetic rubber. Under present political conditions, American purchases are almost certain to expand. Rubber output from the Indonesian estates is increasing, but it is less than a third of that of 1938, which was a poor year. The improvement which has taken place in recent months promises a fairly rapid increase in production, but not to the extent that surplus supplies are likely to arise during the current year.

* * *

Settling Anglo-Italian Debts

Agreement has now been reached between the representative of the Italian Treasury in London and the Council of Foreign Bondholders on the terms and conditions for the settlement of part of the outstanding sterling Italian bonded indebtedness. So far holders of two issues are to receive payments. Holders of Italian Credit Consortium 7 per cent bonds are to receive a capital repayment in full and arrears of interest up to March 1, 1947. Interest on the Royal Sardinian Railway 3 per cent bonds is to be paid up to September 15, 1947, from which date the Italian Treasury will resume interest payments in full while reserving the right to redeem the bonds at par. The payments will be made in lire transferable at the rate of exchange on the day of maturity, with the exception that in the case of Italian nationals the payment of interest will be effected in lire in Italy.

Further discussions are being held on the terms of settlement of the Maremmana 5 per cent Railway Loan, 1862, as well as on the Italian Government's share of the guarantee for the Austrian Government Guaranteed Conversion Loan, 1934-39. No indication has yet been given of any change in attitude of the Italian Government following the protest lodged earlier by the British authorities on the Italian refusal to fulfil its share of the guarantee on the Austrian loan, on the grounds that Austria had not proved its incapacity to service the loan.

Persons with debts due to them from Italy arising from contracts or agreements entered into before the outbreak of war (June 11, 1940) may also shortly expect to receive payment. The arrangements for settlement contemplated in the inter-Governmental Financial Agreements of April, 1947, have now been concluded, and payment to creditors in the United Kingdom of old claims against, and debts due from, Italy has now begun. It is being made through the Midland Bank, Limited (Overseas Branch), which will communicate with the creditor when his debt is about to be paid. The payments now being made, however, relate only to cases in which the debtor has made a corresponding deposit of lire in Italy. Any creditor, therefore, who has not been informed that his debtor made such a deposit before or during the war should draw the debtor's attention to the need for making the payment in lire. In any case, it is desirable that creditors should get into touch with their debtors to agree the amount and other particulars of the debts involved. The inter-Governmental Agreement does not provide machinery for settlement of any disputes between debtor and creditor; these will have to be settled through the normal processes of the Italian Courts.

* * *

Falling Property Values

In the last three months, there has been a noticeable fall in the cost of living accommodation in or around London. Price movements of house property and flats are never uniform and it is dangerous to generalise about the various types of living accommodation. Some particular illustrations, however, do suggest that the highest prices belong to the past. In the home counties, modern houses with four to six bedrooms which at the beginning of the year cost £4,750 to £9,000 can be bought for £500-£1,000 less. It seems the peak in prices was reached at about three times the prewar level. London estate agents do not as yet complain that the number of transactions in this type of property is falling, but agents are now more frequently moved to persuade their selling clients to modify their expectations and property remains longer on agents' books. Prices of houses with 6-10 bedrooms are holding rather better, partly because this size is one stage further removed from the possibility of competition from new construction, but more often because it is easily adaptable for separate accommodation, at least when the house is old-fashioned. Local agents handling smaller property below £3,000 at 1947 prices declare that they have experienced an actual reduction in business and that prices have fallen by some 10 per cent. This type of property forms the mainstay of the building societies' business. Before the war the American concept that a man lived in a house worth 2 years of his income was applicable for this country too. It seems hardly conceivable that the majority of people living in a £3,000 house have an income of £1,500. Furthermore, before the war a second-hand house invariably fetched less than a new house, and £2,750, even at present building prices, is in excess of replacement cost. Thus the current level of prices can be none too secure.

House property in London has fluctuated even more widely than in the country. According to agents' experience, activity and prices are closely bound up with the stock markets. Houses of the non-basement or modernised period type situated within a radius of 2 miles from Hyde Park Corner fell during the war to below half their prewar value; by 1946 they had risen to twice or three times the 1939 level. Such a house is unlikely to fetch more than twice its prewar value today, and even at that level there is some evidence of reduced sales.

Premium payments to purchase leases of flats became prevalent at the beginning of 1945. The type of 6 roomed flat which could often only be acquired by paying a premium of £2,500 in 1946 or 1947, cannot be easily let today even if the premium is reduced by £1,000. The chief problem of agents at present is to persuade outgoing tenants that the prices demanded for premiums are still too high. The only exception to this fall in prices and premiums is of old leases not subject to rent restriction which have reverted to the landlord. Such leases are rarely renewed at rents increased by less than 75-100 per cent above the prewar level.



"We're a family business, of course, but we had to look about for new blood"

"OUR BUSINESS has been a one-family concern since it started. I can't remember that any of our key-positions has ever been filled by someone outside the family or friends.

"On balance this method has served pretty well. But we hadn't foreseen what we'd come up against these last two years. Almost at once we needed to double output with nothing like the requisite new plant in sight. That meant revising schedules, reorganizing, speeding the works up generally. And it meant a good new man to do it.

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COMPANY MEETINGS

PINCHIN, JOHNSON AND ASSOCIATES, LIMITED

AN OUTSTANDING PERIOD

WORLD-WIDE ACTIVITY

RECORD TRADING

MR C. G. HEYWOOD'S REVIEW

The annual general meeting of Pinchin, Johnson and Associates, Limited, was held on 29th ultimo at Tigbourne Court, Witley, Surrey. MR C. G. HEYWOOD (the Chairman) presided.

The directors' report stated that the accounts were for a trading period of fifteen months, but dividends on all overseas and subsidiary companies were for twelve months. The net profit and total value of sales for the period under review both constituted a record in the history of the company, while the volume of production of the home factories showed a substantial increase.

Direct exports showed a very considerable increase and all overseas units continued to operate successfully and their total sales and profits have reached a record mark.

The Chairman's statement was as follows:—

The period under review may be said to be one of remarkable importance in the annals of our old-established undertaking.

NEW CAPITAL ISSUE

Regarding the increase of the company's capital, the Treasury have agreed, with the Capital Issues Committee, that we may issue 730,500 additional ordinary shares producing some £1,500,000. I would say that this is not entirely as we had desired. However, the powers-that-be have considered that we are not entitled, under the stress of national emergency, to complete, as we had planned, our rehabilitation. We have represented to the authorities that this is not satisfactory and not just. As you know, our principal works in the United Kingdom—three out of eight—suffered grievous damage from enemy attack from the air. I am happy to announce that one of our principal works has had its rehabilitation completed, but two others, one of them the largest, still have much to be done.

I profoundly disagree with the authorities in their attitude. Only by taking advantage of our—I am inspired to say unique—knowledge and experience of paint factory planning can we offer, as we would wish, a service for super-type industrial surface coating materials which it is our aim and intention to provide.

In the past three years our experts have examined throughout the world current technique and production methods before we finalised our rehabilitation planning. Our missions were undertaken because we recognised the supreme value, not of our restoring our capacity and methods to a *status quo ante*, but on replanning of our building and the installation of such machinery as would ensure the highest degree of mechanised control. This would naturally lower the cost of production and thereby enable us to continue paying wages at a level, which represents one of the four decencies previously postulated together with many privileges which go beyond mere wage.

We believe in a balance between the return to the shareholder and the reward to the human element, by whose co-operation we run our machines and material.

We believe that, in operating the money, machines, material and men to provide an efficient service to our clientele, if we motivate increased effort by means of incentives, we are good economists.

The price of 42s. per share represents four and one-fifth times the nominal value of the new issue. Assuming the 25 per cent. dividend is maintained on the total Ordinary capital, the gross yield is at the rate of 5⅛ per cent., or, net, 3¼ per cent., while at the market price of the Ordinary shares ruling on March 31, 1948, the income yield was approximately 4½ per cent. gross and 2⅞ per cent. net.

CURRENT VALUE OF ASSETS

During the year a revaluation of our buildings, land and plant has been completed and it is interesting to note that such valuation is over two and a-half times the figure at which these assets appear in the books. I would mention that depreciation is now carried on the higher valuation.

Analysis of the balance sheet further shows considerable increase of capital absorbed (1) in overseas enterprises and (2) in home investments. It is interesting for you to note that the appreciation of home and overseas investments, in the period under review, is in excess of £1,000,000. This appreciation, of course, is not reflected in any way in our book values.

It is also to be noted that we have now, in plastic enterprises, which includes our own manufacturing operation in the plastic resin field, a sum exceeding £800,000 sterling.

Inventories are in excess of the preceding period by £550,000. The inventory is mainly reflected by commodity values, the prices of which, in many cases, are not controlled by us. Much of our material is allocated to us at prices determined by Government departments.

Although our trading figure is an all-time record the sales show a 4 per cent. decrease in gross profit, and our consumers have benefited thereby.

WIDESPREAD SHAREHOLDINGS

I would like also to give you very interesting aspects of our organisation. Over 35,000 people derive salaries, wages or dividends from P.J.A. and its ramifications. Half of that number are operatives, and half shareholders. Of the shareholders it is very interesting to note that 50 per cent. of the entire shareholding is held by small shareholders, and that of such small shareholders, half are women. Large individual shareholders own 10 per cent. of the company's capital, and institutions, banks and other companies 23 per cent.

The net return to the shareholder is less than he obtained pre-war. Commodity prices, compared to pre-war, have advanced from 200 per cent. to 800 per cent. Power, coal, package, transportation—all show sharp increases over pre-war. Basic wages for labour show an average increase of over 100 per cent.

Shareholders will be pleased to learn that we can hope for a return of our headquarters building, 4, Carlton-gardens, in the very near future.

WORLD-WIDE OPERATIONS

P.J.A. derives its revenue from a multiplicity of operations. Precisely, we have thirty-six companies operating in fifteen countries in five continents. We have, in all, thirty factories. We claim to be in the forefront of the supply of industrial surface coatings. I would refer briefly to the dominating position of some of our units. The Pinchin, Johnson trading company in the insulating field, with its important effect on the electrical energy supply of the nation; to the service offered in the field of transportation, maintenance by Docker Brothers, who, like our Yorkshire unit, Robert Kearsley and Company, are famous the world over for road and rail transportation finishes. It is gratifying that the Docker Brothers unit in our group, to whom we look for progress in aircraft finishing material, can claim to have evolved and supplied the surface coatings for the record jet propelled 'plane. The Red Hand Compositions Company, a name famous in the marine field the world over for ships' bottom coatings, continues to develop in a most satisfactory manner. Our American Red Hand subsidiary is moving its plant to a new location, where a model factory is in course of erection, to cater for the American trade. I would also like to make reference to the work of the Robt. Ingham Clark and Company unit, especially in the can coating trade. Can coatings are of immense value in the service of food supplies. All our other units add their quota to this picture of progress.

It has been my privilege to have travelled considerable distances during the past fifteen months. I have visited India, Australia, China, Canada, U.S.A., and Latin America and Africa, and development and expansion plans have been agreed to all these points.

Reviewing the period behind us, that which is covered by the accounts, I see it, in retrospect, as a period of great activity, achievement, consolidation and development. We are fettered only by circumstances that are beyond our control. Our determination is to press more and more for the easement and the abolition of much that clutters us up unnecessarily. We are not disposed to be content with second best.

I am pleased to report that Mr Horace W. Clarke, noted light alloy metallurgist, has consented to join our Board. Together with our valuable interests in plastics, the resins of which, as I have often stated, are closely allied to the resins needed in the surface coating industry for use in paint, we now have a direct link with an expert in the light alloy field. Therefore, in these two new fields of plastics and light alloys we know that we are not at a disadvantage.

DEVELOPMENT AHEAD

We entertain no fears regarding a possible diminution in the demand for surface coatings. Neither plastics not light alloys will out-mode the use of surface coatings, which will remain the most flexible and individualistic means of ensuring protection and beautification of so much that makes up our design for better living for today and tomorrow.

I have referred to our close connection with plastics. We are also very interested in petroleum technology, by which it is possible to introduce more man-made and controlled ingredients which, together with developments of processing oils to which I referred last year, give interesting promise.

I am by no means against control, and I am very much in favour of the stabilisation of raw material prices, because an economy that is unstable is not good business. Surface coatings are complex products, and not the result of one or two simple commodities blended together. Real cost is not merely a commodity ingredient cost. Real cost includes research formulation control and other factors that are needed when a product is being offered that has great technical merit and outstanding performance, and we rate our service to industry and transport maintenance as the highest priority that we can offer to national recovery.

It is a matter of satisfaction that our indirect exports show a great increase over the previous period, and these could be further increased if the necessary materials were

available to us. This is a valuable contribution to the national economy, as many of the articles that are finished or treated with our products are exported to the hard-currency areas.

FUTURE CONFIDENCE

Regarding the future, I consider your company has little fear that the products it manufactures and supplies to every branch of the industrial, public utility, building and home user will not meet with full demand for a considerable time to come, and it is interesting to note that the sales for the first period of our new year are in excess of those of last year.

TRIBUTE TO STAFF

In conclusion, I feel sure that shareholders would like to associate themselves with me in extending our appreciative recognition to all workers, staff and management, by whose efforts the results now shown have been obtained.

The report and accounts for the 15 months' period ended March 31, 1948, were adopted and a final dividend of 23⅓ per cent., less tax, was declared on the Ordinary shares, making 31⅓ per cent., less tax, for the 15 months' period.

The retiring directors were re-elected and the auditors reappointed.

PURNELL AND SONS, LIMITED

SATISFACTORY OUTLOOK

The annual general meeting of Purnell and Sons, Limited, was held, on the 30th ultimo, at the Waldorf Hotel, London.

In the course of his speech, Mr W. Harvey, chairman and managing director, said:—

The accounts which are being submitted to you have been prepared as far as practicable, having regard to the provisions of the Companies Act, 1947. As promised a consolidated balance-sheet has been prepared, but it has been found impossible to give comparative figures. Also, having regard to the factors that the closing of the accounts of the subsidiary companies on the same day as the parent company has resulted in trading periods of varying durations, and the accounts of the earlier periods have not been prepared on a uniform basis, it was impracticable to prepare a consolidated profit and loss account which would not be misleading. It is, however, your directors' intention to submit with the accounts at the end of the current period a consolidated profit and loss account.

May I remind you, when making comparisons, that the period covered by the present accounts is for 15 months, whereas the previous accounts only covered 12 months.

PROFIT FIGURES

The profit for fifteen months, before providing for taxation, is £1,219,595, equal to an annual profit of £983,676; the comparable figure for 1946 being £988,005. Taxation has absorbed £650,000, leaving a net balance of £569,595, equal to £463,676 for a year as compared with £188,005 in 1946.

No provision for deferred repairs was necessary in the current period, but it will be observed that depreciation shows a substantial increase, due to the factor that your directors have provided in the accounts under review for depreciation, including the amounts for initial allowances allowed by the revenue on new plant, in computing profits for taxation under the provision of the Income Tax Act, 1945.

After providing £75,000 for contingencies, transferring £219,057 to general reserve, and providing for the dividends paid and recommended, there is a balance to be carried forward of £240,124.

I should now like to draw your attention to the balance sheet. Surplus and reserves total £843,560, and when added to the premium on shares, make a total of £1,197,782. This excludes provision for future taxation of £400,000. Current assets show an excess over liabilities of £175,052.

The consolidated balance sheet confirms the strength of your company as shown by the balance sheet of the parent company. The current assets, when added to the post-war refund, total £2,429,037, and as the current liabilities are £1,823,454, there is a surplus of current assets over current liabilities of £605,583.

CURRENT YEAR'S TRADING

In regard to the current year's trading, I have to report that increasing costs in regard to wages and other revenue expenditure have to be met, but I anticipate another satisfactory year.

I should like to mention here that your directors gave consideration to the suggestion put forward at the last annual meeting that the shares of the company should be subdivided into 1s. units, but, having regard to all circumstances, they decided that it was not in the interests of the company to make this change.

I would, once again, like to pay tribute to the work of my colleagues on the board, the staff and the workpeople, who have, throughout the period, given their wholehearted support and co-operation, without which the excellent results shown by the accounts could not have been attained.

The report and accounts were adopted.

THE VITAMINS GROUP

A.F.P. LTD., BEMAX SALES LTD., VITAMINS LTD.

At the recent general meeting of Vitamins Limited, the chairman, Mr H. C. H. Graves, said the accounts now had a revealing "new look," not only in substantial compliance with the 1948 Companies Act, but also in the style of presentation, which he commended as a model. Trading profits at £72,948 showed a gross increase of 75 per cent. and a net increase of 100 per cent.—reflecting the heavily increased turnover of all departments.

They had acquired £65,000 net of new fixed assets during the year and still showed a very liquid cash position. Additional finance might be needed within the next year or two—especially if they found the "long term" home they were seeking for their manufacturing activities.

The balance sheet showed a "net worth" of about a quarter million sterling against issued capital of £77,800. Plant and machinery, costing £110,000, had been written down to £24,000, freehold land and buildings to £45,000.

Exports had constituted a record—as had sales of Vitamealo through their Agricultural Division and of their Vitamin preparations through their Pharmaceutical Division.

Their range of ethical medical products included not only all the standard pharmacopœial vitamin preparations, but also their well-known specialities, Bemax, Befortiss, Complevite, Fertilol, Pregnavite, which offered advantages which the medical profession had long recognised, as proven by the increasing volume of prescriptions.

DEVELOPMENTS IN RESEARCH

The great expansion in their turnover made extensions of premises—especially on the agricultural side—most urgent, but some improvement had been effected by securing additional office accommodation, wharfage space and a new training headquarters. They had recently purchased new Research Headquarters at Walton Oaks.

Sited on the main Banstead-Dorking Road, only 18 miles from their Hammersmith factories, Walton Oaks provided nearly 300 acres of excellent freehold land, two farms and 17 subsidiary cottages, and seemed ideal for conversion into one of the leading experimental stations of its kind in the country.

G.R.A. TRUST, LIMITED

MR F. S. GENTLE ON UNFAIR DISCRIMINATION

The twentieth ordinary general meeting of this company was held on the 29th ultimo in London.

Mr Francis S. Gentle, the chairman, in the course of his speech, said: The profit and loss account shows profit and sundry income of £1,010,000 for 15 months, as against £2,125,000 for the preceding 12 months. The 1946 results were quite exceptional. The comparable figure of profit before taxation in 1938, the last prewar year, was £350,000 in round figures. The Trust then paid a dividend of 40 per cent. and we all felt that we had had a pretty good year. The directors now recommend a final ordinary dividend of 50 per cent., making a total of 90 per cent. for the 15 months, which is equivalent to an annual rate of 72 per cent.

RESTRICTIONS

From July 1, 1948, there will be some amelioration of restrictions inasmuch as mid-week racing will be permissible—but only on the basis that all licensed tracks in the country have been grouped in geographical areas and that all mid-week racing in each particular area must take place on the same day and in the evening only. Therefore, although we can now look forward to a resumption of mid-week racing, each track must operate at practically the same time as neighbouring tracks are operating and, because of this enforced inter-track competition, the probable benefits of this relaxation in the restrictions are difficult to estimate.

As from January 4, 1948, the Government imposed a crippling and invidious levy of 10 per cent. on the Totalisator turnover at greyhound tracks.

This taxation on totalisators at greyhound racecourses only, has resulted in driving revenue to untaxed sources.

This discriminatory and unjust taxation of one of the most popular of the public sports, while other betting sports go free, cannot be defended on a point of equity or revenue planning.

In your Board's opinion there is only one fair and equitable solution before this piecemeal betting legislation defeats its own ends and that is to defer taxation of totalisators and bookmakers on greyhound racecourses until the whole problem of betting on and off the course at horse races, pony races and greyhound races can be dealt with together.

A DIFFICULT PERIOD

The period has been one of many difficulties. Vexatious restrictions, discriminatory taxation, the fall in spending power of the public and rising costs have all contributed to a severe drop in gross profits, the full effect of which has not been felt by the shareholders because such a large portion of the 1946 profits went in excess profits tax. Moreover, while the present accounts included a period of nearly six weeks when all greyhound racing was stopped, we must bear in mind the very substantial and progressive fall in Totalisator revenue resulting from the imposition of the 10 per cent. pool betting duty and the fact that this duty was in operation for only the last three out of the 15 months which we have been reviewing. How far this fall will be offset by the restricted resumption of mid-week racing at the beginning of next month it is quite impossible to say.

I obviously cannot give you any useful forecast of the results for the current year, but, troubled as is the immediate outlook for the industry, the popularity of the sport and your company's good repute with our staunch friends the greyhound racing patrons give me quiet confidence in the longer view.

The report was adopted.

ULTRAMAR COMPANY, LIMITED

A REMARKABLE ACHIEVEMENT

SIR EDWIN HERBERT ON PRODUCTION PLANS

The twelfth ordinary general meeting of Ultramar Company, Limited, was held, on the 28th ultimo, in London.

Sir Edwin Herbert, the chairman, in the course of his speech, said: I do not think that I need make any special comment on the accounts. They show that during the period advances to subsidiary companies have risen by £4,888,794 to £7,830,268. Since December 31, 1947, a further £1,232,364 has been remitted abroad. This sum represents the remaining proceeds of our issue of Loan Stock and F.C.I. loans (less an adequate balance retained in London). These remittances have all been sent to our subsidiary company, Caracas Petroleum S.A. and utilised by that company mainly in making advances to S.A.P. Las Mercedes, in which it and our friends the Texas Company are equally interested, but partly in carrying on its own operations. S.A.P. Las Mercedes, which has carried out the principal part of the operating work, has spent the monies advanced to it in the development of its properties, the construction of a pipeline and deep sea terminal, and in exploration. The monies so advanced amount, as you will see, in all to over £10 million, a very large sum to be spent before the stage of commercial production is reached.

During the past few weeks we have passed a milestone in the history of the undertakings in which your company is interested. On March 15, 1948, the first group of producing wells in the Mercedes field was connected to the storage tanks at Guasimito, close to the Mercedes camp, and other groups have been connected since as the field gathering systems have been completed. There are three of these tanks, each with a capacity of 130,000 barrels. On May 5th the last joint in the 157-mile pipeline from Guasimito to our sea terminal at Pamatacual was welded. The inevitable minor defects in so long a new line running over rough and, in many parts, virgin territory appeared while the line was being tested with water, but on Thursday, June 17th, pumping oil into the line from the storage tanks began. The line is now filled, the storage tanks at the sea terminal are filling up, and as I speak to you the first tanker is en route for loading. The hope we expressed in our prospectus of a year ago that we would get the Mercedes field into production and the pipeline into operation during the second quarter of 1948 has been fulfilled with a few days to spare.

I think you will agree that this is a remarkable achievement, especially when one remembers the world shortage of steel and other materials and the consequent need to obtain permits and licences, which. I can assure you, are not exclusively British institutions.

PRODUCTION POSITION

In our prospectus of a year ago we ventured the hope that by the second quarter of 1948 there would be enough wells to give an initial potential production of 25,000 barrels a day. That hope has been more than fulfilled. A year ago we had 32 wells in the Mercedes and Palacio fields. Today we have 90 wells with an initial potential production of about 32,000 barrels a day. Not all of them have yet been actually connected to the storage tanks owing to a few shortages in the field gathering system. Some are situated on national reserves and cannot be brought into operation until certain arrangements have been completed under Venezuelan Law. These temporary difficulties are in process of being rapidly overcome. Some 17 wells require workover, a rather high percentage, but not a very surprising one when one bears in mind the great rapidity with which drilling has been going on and also the fact that long production tests had necessarily to await the completion of the tank farm and pipeline. During the early months of this year wells were being completed at the rate of two a week and many were completed in three weeks from spudding to completion.

But when these temporary difficulties have been overcome it must not be supposed that the actual rate of production will be as high as the figures of initial potential production I have mentioned. Not so many years ago they would have been. The wells would have been allowed to flow at their own rate. But since those days the art and science of petroleum engineering have advanced. Much more is known of the proper method of conserving gas pressures and thus prolonging the flowing life of the wells. The field will therefore be brought into production in a conservative manner, each well being started with a choke of small diameter. The behaviour of the gas oil ratio in each well will be studied with care. The production rate will be restricted until the behaviour of the gas and oil reservoirs is fully understood. I feel sure that you will approve of this prudent policy both in your own interest and in the interests of the conservation of natural resources. These are too precious to waste, as they might be wasted if we allowed ourselves to fall into the temptation of producing at more than the optimum rate.

FURTHER DRILLING

It seems probable that during the next twelve months the main effort will be to expand production by further drilling in the Mercedes and Palacio fields, where locations for numerous further wells exist, and in extending the boundaries of those fields. But exploration must not be neglected and must certainly be pushed forward in the area between the Mercedes and Palacio fields and the Punzon area which can be conveniently worked from our Mercedes camp. This area contains a number of interesting and promising structures shown up in the geophysical survey. I am happy to tell you that during the past week a new well, M.43, has proved the existence of oil-bearing sands in one of these structures. The well is approximately 15 kilometres south-west of the Mercedes field and 9 kilometres north-west of the Palacio field. This discovery may well lead to the development of a new field. In some of our outlying areas there is a number of wells which have produced oil or gas and in all of them geophysical surveys have revealed structures that in due course ought to be tested with the drill. On the boundaries of some of our areas other companies are drilling and with them we have arrangements for exchange of information.

The settlement of the next year's programme is an important matter and is at present being studied in the field by the Mercedes Company with the aid of a mission from C.P.S.A. and our friends the Texas Company. Not until this has been completed, and a budget framed, can we know what our further commitments will be and to what extent they can be financed out of the proceeds of current production.

AN OUTSTANDING EVENT

On the financial side the outstanding event of the year has been the successful issue in London of £3,500,000 4½ per cent. unsecured loan stock and the borrowing of £1,750,000 from the F.C.I. Most of this money has gone into completing the Mercedes permanent camp, constructing the pipeline and sea terminal, and drilling wells for production. The equity stockholders had up to that time put up all the money. As these additional sums were going into permanent productive physical assets we felt justified in borrowing.

The capital assets so created will suffice to deal with a much greater volume of production than our present production and provide a means of carrying on further drilling. As each new well is brought in it can be at once connected up. While the cost of new producing wells and further exploration is bound to be expensive, it is also true that the major capital assets have already been installed and paid for and from now on, as production is stepped up, the capital cost per barrel produced will decline sharply.

CONTRACT WITH TEXAS COMPANY

During the year a contract was negotiated with the Texas Company under which the output of the Mercedes Company will be sold to them for a period of five years. The price arrangements are satisfactory, the income will be in dollars, and we gain a number of advantages in that we are relieved of certain financial and operational burdens at a time when the main effort must be to establish and extend the producing fields. This period will give us time to study and prepare for our ultimate marketing arrangements, including consideration of the question of refining. We have to consider these matters against the background of the present world oil situation. This position is one of a rapidly growing demand with a less rapidly growing supply. The rise in prices which has continued over the last few years and is still continuing is the natural consequence of this. When supply will catch up with demand it is impossible to say. In the meantime our task is to see to it that we get the benefit of present high prices and at the same time build up a strong position against the day when supply and demand will be more evenly balanced.

The report and accounts were adopted.

THE ANGLO-DUTCH PLANTATIONS OF JAVA, LIMITED

PROPOSED CAPITAL ISSUE

The thirty-eighth ordinary general meeting of this Company was held, on the 29th ultimo, in London, Mr W. H. Daukes, chairman and managing director, presiding.

The following is an extract from his circulated statement for the year 1947:—

We were faced with many problems in deciding the immediate policy to be pursued in the process of rehabilitation. The chief problem is whether to restore our former position, so far as it can be attained, in a minimum space of time or whether to spread the process over a longer period, to cut our coat in accordance with our cloth as we see what money is available. Last year I hazarded an opinion that rehabilitation might cost the company in the region of £1,000,000. I see no reason to change my views in this respect; owing, however, to the considerable quantity of our produce harvested and manufactured during the time of the Japanese and Indonesian occupation, which was found not only on the estates but also at various ports awaiting shipment, some millions of guilders were available on which, originally, we had not reckoned. With this windfall I hope that £500,000 of permanent finance will see us through our immediate needs. The progress that has been made in the ten months since August last is really magnificent.

With a company of our size and wide interests it is imperative to keep a strong sterling position. We have, therefore, applied to the Capital Issues Committee for permission to make an immediate issue of £500,000. As soon as this permission is granted stockholders will be informed of the terms of the issue.

The report was adopted.

AMALGAMATED PRESS, LIMITED

RECORD PROFITS

VISCOUNT CAMROSE ON THE NEWSPRINT SITUATION

The annual general meeting of The Amalgamated Press Limited was held on the 29th ultimo in London, Viscount Camrose, the chairman, presiding.

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

This is the twenty-first annual report of the Amalgamated Press in its present form. Our company dates back to 1926. The business itself is, of course, much older.

I have had the honour of being chairman since the formation of the new company, and I look back with considerable pride on its satisfactory record over this long period of 21 years. Only once—in the first year of the recent war—have we not made a distribution on our Ordinary shares, and even on that occasion it was only a sense of caution and a desire to make provision for perils which might be in store, that made the board withhold the customary dividend.

The accounts before you reveal that the profits for the year, including the dividends from our subsidiary companies and other investments, total £1,676,511, which is a record in the history of the company.

These profits do not come from the business of the Amalgamated Press alone or indeed from the other publishing companies which it controls. Our interests in papermaking are considerable and we also receive a substantial income from other investments of various kinds in this country and outside it.

The interim dividend of 7 per cent. absorbed £46,200, and the final distribution of 15 per cent. takes another £99,000. Normally we should have been amply justified in recommending to you a reasonably substantial increase in the final dividend. Earnings as disclosed to you in the accounts are equal to 88 per cent on the Ordinary stock, out of which we are proposing to pay 22 per cent.

It is the custom nowadays of critics of private enterprise to point to the total profits made by a company, and to ignore the fact that in all well-ordered trading concerns a large proportion of this money must be ploughed back into the working of the business to ensure its stability and capacity to carry on its affairs in an efficient manner. A large part of these profits indeed never reaches the shareholders directly, and the remainder only over a long period of years. The earnings of tomorrow can only be safeguarded if a company is conducted in a conservative way, and the directors have a full sense of their duty to make adequate provision against those losses and misadventures which every company has to face however sound the judgment of its administrators.

PERIODICALS

I have not thought it profitable for several years past to deal in detail with the position of the many periodicals owned by the company, for the obvious reason that affairs in the publishing world have been, and continue to be, of a static order. I can tell you most confidently that we have not lost ground anywhere, and that we continue to hold the dominating position in the field which has been occupied by the Amalgamated Press for so many years.

Recently, and since the close of our financial year, intimation has been made by the authorities that periodicals of a popular character will be allowed to obtain 35 per cent. of their prewar consumption of paper. This is an increase of 3½ per cent.—that is, from 31½ to 35 per cent.—and it restores the basis of consumption to that which obtained in the earlier part of 1947. In this connection it is to be noted that only one-third of the paper used by periodicals is what is called newsprint, the rest is paper of a different character. This increase does not mean that publishers can necessarily increase sizes or circulations by that amount. That depends on the amount of newsprint and other paper procurable or owned in the way of stock.

Beyond this possible increase there is no present indication that the periodicals and newspapers of this country can hope for any additional newsprint for a long time to come. The matter rests entirely with the Government. No one is unaware of the serious economic position in which we find ourselves as a nation today—our shortage of dollars and other hard currencies needs no emphasis. Newsprint itself, as well as materials for making it here, comes from Canada and other countries in the hard currency area. Upon our limited resources in these currencies the purchase of food must obviously be a first charge. But food is not the only thing for which our money is utilised. There are many other commodities which we purchase, and our complaint against the Government is that among these other goods newsprint is given such a low priority.

DANGER TO NEWSPRINT SUPPLIES

It is a peril which exists not only for the moment. Canada has been our main supplier during the past nine years. The manufacturers there have shown every disposition to help this country and have kept contracts open in our favour despite orders eagerly offered them from the United States and elsewhere. But this cannot obtain for ever, and it has been made plain to the Government that if they continue in their present policy of severely restricting and even decreasing our purchase of newsprint from that country, future supplies under long-term contracts are bound to be diverted to other countries. True we have our home mills, but their production is governed by the amount of pulp and other raw materials which we are allowed to import, and, in any case, when these mills were working fully there was nevertheless a substantial amount of newsprint imported from Canada. Closure of that market to this country would have a serious effect on the publishing industry.

It is not a question of profit-making which causes proprietors constantly to draw attention to shortage of newsprint. Speaking with a wide experience I can say that a substantial increase in paper supplies would, in most cases, lead not to a greater profit but to a lesser one. Increased consumption would lead to the removal of restricted and uncompetitive sales, and to an all-round effort to supply the public with better newspapers and better periodicals. Once competition is reintroduced, costs are bound to go up.

Those responsible for the publishing industry have a lively sense of the fact that they are not serving the nation in the way that they would like to do, and would welcome the opportunity to play their traditional part in the life of the country, whatever commercial risks such a policy might involve.

Under present circumstances it is, of course, impossible to enter confidently on any predictions of the future. It would seem that without any abnormal happenings in the world, things are so static in the publishing field that the figures of the current year, of which four months have gone, are not likely to be very different from those before you today. I would like to underline also, as I have on several occasions before, that the interests of your company are now so well spread that if we suffer disappointment in one direction we are likely to find compensation in another; and our financial strength is such that we can hope to weather successfully all likely difficulties short of national catastrophe.

The report was adopted.

THE ZINC CORPORATION, LIMITED

SATISFACTORY TRADING RESULTS

The thirty-seventh annual general meeting of the Zinc Corporation, Limited, was held, on the 30th ultimo, in London.

The following is an extract from the circulated statement of the chairman, Mr John R. Govett:

The final dividend which your board recommends, after allowing for the interim paid in February last, amounts to a total of 10s. per share, compared with a total of 7s. 6d. paid in respect of last year.

In recommending this increase, which is a modest one in view of the very satisfactory results of the year's trading, consideration has been given to the fact, firstly, that the operations of your corporation are conducted overseas, its profits being derived entirely outside the United Kingdom, and secondly, that a substantial proportion of the corporation's capital is held by Australians on the Dominion Register.

During the year under review, we were gratified to hear of the decision of the Commonwealth Parliament to abolish Wartime (Company) Tax. This was a graduated tax, and the Corporation was liable to pay at the rate of 78 per cent. on a substantial proportion of its income.

On the other hand, in the Finance (No. 2) Act of 1947, the United Kingdom authorities doubled the profits tax to 25 per cent. on distributed profits and 10 per cent. on undistributed profits. As a result, on the profits of 1947, our total taxes amount to approximately 12s. 6d., in the pound as compared with 10s. 6d. in 1946.

SALES AND PRICES

The sales of lead to Britain during the year represented 55 per cent. to 60 per cent. of overall production and about 80 per cent. of total exports, and the prices accepted therefore, while showing some increase over the previous year, were less than those ruling in other export markets. This policy, I am certain, has the full support of all who are conscious of the extent and gravity of the war damage suffered by Britain.

Under the stimulus of a domestic price which is now far less than cost, there has been a substantial increase in the Australian demands. The current "ceiling" price of £A22, at which level it has remained unchanged since it was fixed on February 8, 1940, is much less than half the current cost of production and is now less than 20 per cent. of the export price.

The average price of lead sold to export markets in 1947 was £71 7s. 9d. sterling, while the overall average price, including domestic sales at the ceiling price, was £61 17s. 9d. sterling.

We have during the year examined several other mining areas in Australia in association with the Newmont Mining Corporation and the St. Joseph Lead Company of New York.

Our search for oil and natural gas was continued energetically throughout the year and the work of the current year should enable us to determine what sections (if any) of the areas justify major exploration.

CONCLUSION

Whatever may be the developments in the world at large, I look with confidence to a continuance of the present stability at Broken Hill, which provides an excellent illustration of the harmony which results from co-operation. We have the utmost confidence in the future of Australia. The prices of our products are ruling at high levels, and so far as can be seen at the moment there appears to be no reason for any immediate important change in metal values.

All things considered, I am confident the net result of this year's operations will be satisfactory to all concerned.

THE BRITISH SHAREHOLDERS TRUST LIMITED

SATISFACTORY RESULTS

The twenty-sixth ordinary general meeting of The British Shareholders Trust Limited, was held in London on the 29th ultimo.

Mr B. H. Binder, F.C.A., the chairman, in the course of his speech, said:—

I am glad to be able to report a continuation of satisfactory profits and a further strengthening of the financial position. During the year we have underwritten new issues of capital which have all proved successful, and have also undertaken arrangements for the reorganisation and marketing of shares of concerns which hitherto did not have a quotation on a Stock Exchange.

The gross profit at £117,666, shows a modest increase of £6,069 over the previous year but this small improvement has been more than eliminated chiefly by the amount it has been necessary to set aside for taxation with the result that the net profit is £46,194, compared with £48,929 for 1947. As usual full provision has been made for all taxation, including the estimated liability for 1948/49.

Out of the profits for the year your directors have allocated £3,000 to the staff pension fund and transferred £10,000 to general reserve, leaving a sum of £33,194 on the year's working to be dealt with. The interim dividend of 3 per cent., less income tax, paid last December, absorbs £8,880, and the final dividend of 4½ per cent. and bonus of 2½ per cent., both less income tax, now proposed, require £20,721, and it is recommended that the balance of £3,593 be added to the amount carried forward at the credit of the profit and loss account which will then stand at £85,363.

APPRECIATION OF INVESTMENTS

The appreciation in value of our quoted investments on March 31st last over their cost was £209,842, being an advance of £38,300 over 1947, and while this improvement may be regarded as gratifying, I must again warn you that values of securities in these unsettled times are inevitably liable to considerable fluctuation. As you will have seen from the balance sheet, the total invested in unquoted securities has been reduced by approximately £103,000 during the year. In a business such as ours, holdings in unquoted securities are bound to vary from time to time but as far as possible we try to keep our position liquid.

The accounts of our subsidiary company, The Record Electrical Company, Limited, have been received for the year to March 31, 1947, and the results were not as satisfactory as those for the previous year—a small net profit being shown but only after taking account of a recovery of E.P.T. No dividend has been received from our holding of shares in that company during the year under review. In July, 1947, the board of The Record Electrical Company, Limited, appointed a new managing director and under his guidance progress is being made on the road to recovery. The accounts for the year to March 31, 1948, have not yet been completed but, so far as can be ascertained, they should show some improvement over the previous year.

At the present time, while there is every indication that there are large sums available for investment, there are growing signs that the spending power of the public is not running at the high level which obtained until a few months ago. This factor must be borne in mind in considering the type of securities which we sponsor and also in which our funds are invested.

Many of you may be in touch with owners of substantial private undertakings. The problems which the new levy on investment income raise for owners of private businesses are such that some of them may contemplate the desirability of converting their undertakings into public companies. In any cases of this nature which are of sufficient size to be marketable, we should be very pleased to give assistance in formulating proposals for a conservative scheme of capitalisation and in placing some of the capital.

Nowadays when politics, both national and international, introduce so many uncertain factors which influence the lives and actions of all of us, it would perhaps be unwise to attempt to look too far ahead. In view of this I will content myself with saying that if the uncertainties with which we are now surrounded are cleared away we hope to be able to report satisfactory results to you at our next annual meeting.

The report was adopted.

THE ORION INSURANCE COMPANY, LIMITED

INCREASE OF CAPITAL—EXTENDED ACTIVITIES

SIR STRATI RALLI'S REVIEW

The eighteenth ordinary general meeting of the Orion Insurance Company, Limited, was held on June 30, 1948, at 70/72, King William Street, London, E.C.4.

The following is an extract from a statement by the chairman, Sir Strati Ralli, Bt., M.C., on the report and accounts for the year ended December 31, 1947.

FUTURE DEVELOPMENT

Your directors are of the opinion that the best interests of the company lie in its gradual development along "composite office" lines as an organisation capable of handling all classes of marine, fire and accident business, both at home and overseas, and the course of the company has for some time been set in that direction.

It was considered desirable, however, that such development should be accompanied by a further strengthening of the company's general financial position, and it was with this in mind that, following the extraordinary general meeting on March 16, 1948, when the authorised capital of the company was increased from £251,500 (the whole of which was fully paid) to £500,000, the board decided to issue 98,500 new ordinary shares of £1 each, at a price of 50/- per share, of which, as you are aware, 48,500 shares were offered to shareholders in proportion to their existing shareholdings.

PURPOSE OF ISSUE

The primary purpose of this issue was to augment the paid-up capital and reserve position of the company by the sum of £246,250, which, it is considered, will serve as an adequate support for the further expansion of the business at present contemplated. Linked with the above considerations, the directors also wished to strengthen the existing association between the company and its chief underwriting agents, Alexr. Howden & Company, Limited, who have already contributed so largely to the company's development and will, I am sure, prove of equal assistance to us in the fulfilment of our future plans.

The board accordingly came to an arrangement with certain directors of Alexr. Howden & Company, Limited, whereby, in consideration of the offer to them of the remaining 50,000 new ordinary shares in issue, at the same price and on the same terms and conditions as the shares offered to existing shareholders, the company acquired an interest in the business of Alexr. Howden & Company, Limited. The control and administration, however, of that company remains unchanged.

The issued and paid-up capital of the "Orion" is now £350,000.

AUSTRALIA

We have for some time been anxious to secure for the company a share in the growing volume of insurance business in Australia, and arrangements have now been concluded for "British Underwriters (Insurance) Proprietary, Limited," of Sydney and Melbourne, to act as underwriting agents of the company throughout New South Wales and Victoria for marine, fire and accident business.

DRAKE INSURANCE COMPANY

Another interesting development is the arrangement concluded with the Drake Insurance Company, Limited, whereby we have agreed to act as sole marine underwriting agents of that company, a function we consider we can conveniently perform, to the advantage of both concerns, in conjunction with our own marine activities.

MARINE DEPARTMENT

The net premiums in 1947 were £588,290 against £432,654 in the previous year.

Total claims paid amount to 79 per cent. of net premiums, against 56 per cent. for 1946. These percentages, however, are not strictly comparable, the 1947 ratio being inflated by reason of the fact that the cost of reinsuring the outstanding liability and ultimate "run-off" of the 1940 to 1945 underwriting accounts has been charged against premiums.

Our 1945 underwriting account closed with a satisfactory profit, of which £35,000 has been transferred to profit and loss account. The marine fund now stands at £686,049 (117 per cent.), and having regard to the fact that no reserves are now required in respect of outstanding liability on the 1940 to 1945 underwriting accounts, this position is regarded as satisfactory.

NON-MARINE DEPARTMENT

The aggregate premium income from all classes of business in the Non-Marine department amounted to £286,577 compared with £242,761 for 1946.

The losses arising out of the Texas City disaster in the early months of 1947 were severe, and claims incurred work out at 79 per cent. as compared with 70 per cent. in 1946. However, despite the heavier settlements and the necessity, owing to the increase in premium income, of providing an additional £21,908 in the 50 per cent. unexpired risks reserve, the account has produced a small profit of £3,119.

The contingencies reserve of £5,000, originally set up in 1943, is no longer required and has, therefore, been included in the total of £8,119 transferred to profit and loss account.

DISTRIBUTABLE PROFIT AND BALANCE SHEET

To the balance of £32,992 brought forward from 1946 has been added net investment income of £20,760 and the transfers from underwriting accounts of £43,119. After charging directors' fees of £2,000 and other expenses of £5,493, and after transferring a further sum of £2,000 to staff contingency fund, there remains a balance of £87,378 available for distribution.

Your directors again recommend the payment of a dividend of 10 per cent., less income tax, for the year 1947. After making a net provision for the dividend of £19,250 there remains a balance of £68,128 to be carried forward to the next account.

The total of invested funds is shown in the balance sheet at £1,040,861 and, of this figure, approximately 87 per cent. consists of British Government securities, a large proportion of which is in short-dated stocks. Cash has increased from £81,872 to £255,642. The total assets of the company stand at £1,779,380 compared with £1,621,204 last year.

In closing, I would again tender our thanks to the company's friends in the London market and to our agents, at home and abroad, for their valued support and their efforts on behalf of the company throughout the past year.

The report and accounts were adopted.

PHILIP HILL INVESTMENT TRUST, LIMITED

DIVIDEND AGAIN 25 PER CENT.

The sixteenth ordinary general meeting of this Company was held on the 29th ultimo in London. Sir Brian Mountain, Bart., the chairman, who presided, after paying tribute to the late chairman, Sir Edward M. Mountain, Bart., said:—

Gentlemen,—You will have read in the directors' report that income received by the Investment Trust from investments, less office and management expenses, amounted to £201,940 and interest received on advances to subsidiary company £34,623—a total of £236,563, which compares with a total of £223,569 for the previous year.

With regard to the activities of our wholly-owned subsidiary, Philip Hill and Partners, Limited, the Chairman pointed out last year that the period then under review was an exceptional one as, owing to the practical cessation of industrial issues during the war years, there were accumulated arrears of this class of business to be then dealt with. But, despite the fact that for several months during the past year market conditions were unfavourable for any new issue business, the results achieved by Philip Hill and Partners, Limited, for that period must be considered satisfactory.

DIVIDEND POLICY

As the amount of undistributed profits in the Investment Trust in the form of carry-forward has already reached the substantial amount of £634,987, your directors, as explained in their report, have deemed it prudent this year to depart from their previous custom of transferring practically all the profits from the wholly-owned subsidiaries to the Investment Trust in the form of dividends and instead to build up additional reserves in these companies. As a result, they have only paid in dividends to the parent company the sum of £104,000, which is sufficient (together with income from its investments and interest from advances) to pay the dividend on its preference shares and maintain the 25 per cent. dividend on its ordinary shares, leaving £338 to be added to the carry-forward, bringing the total of undistributed profits up to £635,325.

The balance of the undistributed profits of the subsidiary companies for the year has been left in the accounts of those companies, thus increasing, after taxation, the amount of their undistributed profits by £70,588, bringing this figure up to £136,317.

The sum of £91,298, being surplus on realisation of investments by your company during the year, has been added to capital reserves, bringing the total up to £2,269,825. In addition, the total market value of the quoted investments held by your company and its subsidiaries at March 31, 1948, as shown by the consolidated balance-sheet was £1,201,447 in excess of their book value of £4,601,882. Unquoted securities held by the Trust and its subsidiaries stand in the consolidated balance-sheet at £1,327,318, which in the opinion of your directors is a conservative valuation.

THE SOUTH AFRICAN COMPANY

With a view to increasing the spread of your company's investments, and also of broadening the scope of the activities of Philip Hill and Partners, Limited, Philip Hill African Investments, Limited, which will operate as an investment trust in South Africa and in which your company has a substantial interest, has been incorporated during the year. Philip Hill African Investments, Limited, holds the entire capital of Philip Hill Securities Corperation, Limited, which has also recently been registered in South Africa to function as a finance and issuing house.

The report was adopted.

RICHARD THOMAS AND BALDWINS, LIMITED

SATISFACTORY RESULTS

The annual general meeting of Richard Thomas & Baldwins, Limited, will be held in London on the 28th instant.

The following is an extract from the statement by the chairman, Mr E. H. Lever:—

The year has again been a difficult one; shortages of raw material and labour have affected production. We have made our full contribution to the outstanding production figures of the iron and steel industry, and I feel sure that you will agree that the results are satisfactory.

The profit and loss accounts, both of the parent company and of the group, show that the balances of the trading accounts were substantially higher than the corresponding figures for the previous year. The profits for the year 1948 are not, however, entirely attributable to normal trading, as the group figures for that year include £505,000 extraneous and non-recurring profits, less losses and profits of £338,000 realised on stocks in hand as a result of price increases in the course of the year, whereas in the previous year the corresponding figures were approximately £12,000 (loss) and £120,000 respectively. The accounts also include an extra working week. On the other hand, only half a year's profit is included from the assets transferred to The Steel Company of Wales.

Out of each 20s. of gross income we expended on raw materials, material for maintenance work and other expenses 12s. 2d., wages, salaries and remuneration generally 4s. 8d., debenture and loan stock interest 2d., making 17s., which leaves 3s. Taxation requires 1s. 6d.; debenture and loan stock redemption absorbs 3d.; there is retained in the business 11d.; dividends absorb 4d. The company's works are being maintained and kept up to date, and further amounts have been expended on modernisation of the company's plants. At Ebbw Vale the chief event of the year on the technical side was the starting up in July, 1947, of the new electrolytic tinning plant. This plant, which is the only one of its kind in this country, is proving highly successful and is turning out excellent quality plates.

THE FUTURE

The main economic problem facing the nation at the present time is that of achieving equilibrium between exports and imports by the time that the aid provided under the Marshall Plan comes to an end, and it is obviously desirable that this problem should be solved, if possible, by increasing exports rather than by cutting down imports. The solution of the export problem will not, however, in itself ensure for the population of this country an adequate standard of life. This can only come through increased production per head, and even increased production will fail in its purpose, particularly in view of the approaching end of the sellers' market unless, in addition to satisfying essential home demands, we make products that other nations want at a price which they are prepared to pay.

It is extraordinary that at a time when the British iron and steel industry is acquitting itself so well, it is still apparently the intention of His Majesty's Government to introduce some form of nationalisation of the industry during the lifetime of the present Parliament. So far as our own company is concerned, we are consistently adhering to the policy of running our business to the best of our ability while we are still in authority, but our administrative problems are not made easier by politics, and there seems no justification whatever for tampering with the structure of the iron and steel industry at the present moment.

DUFAY-CHROMEX

SIR HERBERT MORGAN'S SPEECH

At the meeting of Dufay-Chromex Limited, held in London, the chairman, Sir Herbert Morgan, K.B.E., said:—

The accounts show that the company made a trading loss of £14,222. As we made a capital profit of £18,954, there has been a net increase in assets of some £4,750, subject to the dividend on the first preference stock. Agreement having been reached on certain taxation matters, we have transferred £100,000 to general reserve accounts. The reasons for the loss are to be found in the fuel crisis of 1947.

1947 saw a general upheaval in world economic conditions, and we experienced the disappointment of seeing export markets closed to us on account of the inability of our customers to secure import licences.

There exists a market ready to consume all available supplies of Dufaycolor material. Production of cameras manufactured by Coronet, Limited, and Standard Cameras, Limited, is highly satisfactory. Realising the desirability of manufacturing finished articles from our own materials, we are now manufacturing from cellulose acetate sheeting, containers for the pharmaceutical and allied trades.

We have in our favour the world-wide demand for photographic goods, and we are prudently optimistic on the future of our business, the field of which is enormous and one we hope to develop.

I should like to express our appreciation of the services rendered by our managing director, Mr Demetre Daponte. We have had to face problems giving cause for great anxiety. To tackle these successfully has required all his courage and determination, but his example is an inspiration to the staff.

The report and accounts were adopted.

NEW BROKEN HILL CONSOLIDATED, LIMITED

MAIDEN DIVIDEND

The twelfth annual general meeting of this Company was held on the 30th ultimo, in London, Mr John R. Govett (the chairman) presiding.

The following is an extract from his circulated statement:—Last year I indicated that with a continuance of the high range of metal prices then ruling, you might expect your company to be in a position to pay a dividend in respect of 1947. The accounts now presented to you fully justify a dividend of 1s. per share, the first which your directors have recommended for your approval. In 1947 ore production from our own leases totalled 62,367 tons, of which 47,511 tons came from the zinc lode and 14,856 tons from the lead lode.

Considerable progress has been made with the surface works. Surveys have been completed and work commenced on the railway, power and permanent compressed air mains to the shaft area.

In all respects the developments in the mine during the year have been well up to our expectations, and the progress of our programme generally satisfactory. So far as the mine is concerned, we have no doubts that developments will continue to justify our confidence in its future as a substantial producer of lead and zinc over a long period. I must, however, again emphasise the dependence of our programme on being able to obtain, as and when required, the necessary manpower and deliveries of materials and equipment. In the circumstances, I will not attempt to look further ahead than the current year, in which, with a continuance of present metal prices, it is reasonable to expect satisfactory results.

The report and accounts were adopted.

TELEPHONE RENTALS, LIMITED

YEAR OF CONSOLIDATION

Mr FRED T. JACKSON ON THE OUTLOOK

The nineteenth annual general meeting of Telephone Rentals, Limited, was held on the 29th ultimo at the Livingstone Hall, Broadway, Westminster, S.W., Mr Fred T. Jackson, O.B.E., Comp.I.E.E. (the chairman and joint managing director), presiding.

The chairman in the course of his speech said: Our rental revenue for the year was £711,645, an increase of some £112,395 over the previous year, and the profit on trading, and miscellaneous receipts at £118,596 shows an increase of £51,863 over last year. The dividends on sundry investments and interest receivable show a decrease due to our having realised certain of our British securities. Dividends from our subsidiary companies are roughly the same as in the previous year.

Now, turning to the other side, you will observe that the operating costs and general and administrative expenses have increased in proportion to our increased revenue to an amount of £422,153 as compared with £344,273 last year. Depreciation of the capital cost of revenue-producing installations and the usual depreciation of our fixed assets amounting in all to £154,882 has been provided for.

RESULT OF YEAR'S OPERATIONS

The net profit arising from the year's operations is £264,381 as compared with £198,258 last year. The rate of dividend is 10 per cent. for the year, but you will appreciate the amount increases over last year by reason of the increase in the issued share capital.

The year we are now reviewing has been a year in which we have concentrated on consolidating the business we have. In response to the Government request to all advertisers we ceased to advertise in the national press for the time being, but when restrictions are withdrawn we shall once more publicise Telephone Rentals.

In connection with advertising, it is of interest that a very considerable volume of new business has come our way quite unsought, very largely through recommendations from existing subscribers and partly as a result of our advertising in the national press in the past. I think I can claim, without taking undue credit for your company, that we are recognised by industrialists as the leaders in our particular class of telecommunication and time control.

The shortage in the supply of raw materials and equipment, to which I referred last year, is not now so acute, but after careful consideration, not only of the material position of 1947, but of the possible trend of trade during the next few years, we felt convinced that the policy of the company should be to concentrate on the needs of existing subscribers.

We therefore decided to concentrate the bulk of our available material and man power resources on existing subscribers whose businesses have existed for many years and which were steadily expanding, doing at the same time such work as is necessary to replace obsolescent equipment with recently developed apparatus which has been evolved on our past experience of subscribers' requirements. The directors are convinced that this is the wisest policy, for we recognise that the solidity of our business is based on the satisfaction of the largest possible number of subscribers to our service.

THE ORGANISATION DESCRIBED

I think it might be of interest to give you a broad outline of the organisation which your company has set up and which covers the whole of the British Isles and Ireland; particularly as this organisation deals with the maintenance of installations the rental for which, including contracts not yet installed at the present date, amounts to over £1,000,000 per annum. We have subscribers all over the country and in order to provide them with quick and efficient service it has been found necessary to extend our network of resident engineers, which in some cases, owing to the shortage of housing accommodation, has necessitated the purchase of houses for these engineers to live in.

The total number of employees at the present time is approximately 1,500. These are divided up into various categories. We have over 800 installation and maintenance engineers, 60 district engineers, 30 section engineers, 14 area engineers, 11 branch engineers and 3 regional engineers. These all come under the control of a technical engineer and an equipment engineer under a chief engineer. The chief engineer's headquarters are in London, but he is constantly visiting the provincial branches.

NEED FOR FURTHER CAPITAL

You will also appreciate that a business such as ours, which is supplying capital equipment to a large number of subscribers, necessitates considerable finance, but you have only to look at the accounts now before you to realise how profitably this capital has been employed. With the existing penal taxation it is not possible to plough back into the business profits earned to the extent which your Board of directors desires. On the one hand the Government urges all companies to plough back profits, but on the other hand takes away from them the major part of the profits earned, which is another example of the complete financial ignorance with which we have to contend at the present time.

It must be obvious that we shall need further capital to finance the rapid growth of your company. Your directors therefore propose to issue 500,000 4½ per cent Cumulative Preference shares and application is being made to the Capital Issues Committee for the necessary permission.

As far as the future is concerned, I have every confidence in the progress of your company. The most optimistic could not say that the industrial barometer is anywhere near set "fair" and I feel that the great majority of the British public does not yet realise the critical times through which we are passing; until events bring that realisation home there is not much chance of a continuance of steady trade and full employment.

RISKS WELL SPREAD

In our business our risks are well spread, the bulk being with subscribers who have successfully weathered financial storms and built up reserves in past years during periods when our Government realised the importance of industrialists earning profits to be utilised for investment abroad and further development in this country.

In the past the making of profits was encouraged and as a consequence we were able to invest vast sums abroad, the interest on which went a long way towards paying for imported food and raw materials. Today making profits is almost regarded as a crime and every imaginable difficulty is placed in the path of the industrialist. I am quite sure that until we have a Government which will leave economic planning to individual firms within their own businesses we shall never have the opportunity of achieving the greatness which our forefathers did before us.

The report and accounts were unanimously adopted.

FORESTAL LAND, TIMBER AND RAILWAYS COMPANY, LIMITED

DIVIDEND OF 12 PER CENT.

The forty-second ordinary general meeting of this Company, was held on 30th ultimo, in London.

Mr John B. Sullivan (the chairman and managing director) in the course of his speech, said:

As the world's largest producers of both quebracho extract and wattle extract since the earliest days of these industries, we have been greatly assisted in dealing with our problems by the fact these extracts are of such vital importance for the tanning of heavy leather, that they have always been in constant and growing demand.

The net profit for the year £253,273 shows a considerable reduction, in comparison with the £853,519 for the year 1946, but we have been unable to bring in this year the dividend of 12 per cent. paid by La Forestal Argentina out of its 1947 profits.

I now have reason to hope that the remittances of the dividend received by us from La Forestal Argentina will be authorised in the not too distant future.

We have received no dividend during the year under review from The Natal Tanning Extract Company, it having been decided to capitalise the profits earned in South Africa in order to satisfy that company's requirements of additional capital.

The profit for the year of £253,373, together with the amount brought in of £210,255 and part of the provision for taxation made in previous years, £150,000, give an available total of £613,528. We now propose a final ordinary dividend of nine per cent., totalling 12 per cent. for the year.

The trading results of La Forestal Argentina for 1947 are again very satisfactory.

The report was adopted.

BRITISH MATCH CORPORATION, LIMITED

DIFFICULT CONDITIONS

The twenty-first ordinary general meeting of this Company was held on the 29th ultimo in London, Mr Arthur Hacking, O.B.E., the chairman, presiding.

The following is an extract from the statement by the chairman for the year ended April 30, 1948:—

The year under review has been a most difficult one, and all our manufacturing subsidiaries have been faced with steadily increasing costs, whereas there has been no change in the Matches (Control of Prices) Order which came into force on July 31, 1940.

Last year I did issue a warning that difficulties in regard to supplies of raw materials were getting worse. This has been the case during this year and, unfortunately, has had considerable effect on trading profits. Also quite a number of essential raw materials used in the industry are subject to control.

The basis of distribution is today 75 per cent. based on deliveries during the year from April 1, 1939, to March 31, 1940. This is an increase of approximately 8 per cent. on the rate of distribution at this time last year. The increase has been almost entirely in imported matches, so that your subsidiary manufacturing companies have not benefited.

The return from the corporation's investments in Australia and New Zealand has again been disappointing. Generally speaking, our overseas investments have again produced very good figures.

Your board has decided to transfer £30,000 from dividend reserve fund to profit and loss account. This will enable the corporation to pay the same dividend and bonus as last year and to carry forward an increase of some £14,000.

The report was adopted.

UNITED KINGDOM GAS CORPORATION

BIG DEVELOPMENT SCHEMES AUTHORISED

The thirteenth annual general meeting of the Corporation was held in London on the 29th ultimo.

Colonel W. Moncrieff Carr, O.B.E., T.D., the chairman, who presided said: The net revenue for the year amounted to £165,387, being £5,297 more than the net revenue for the previous year.

The net amount available for distribution is £99,417, out of which we have felt justified in recommending a final dividend of 4 per cent. on the ordinary stock, making 7 per cent for the year, leaving to be carried forward the sum of £54,877.

Before passing from the accounts I should inform you that we have had to go to outside sources for capital to finance your gas meter manufacturing subsidiary, Begwaco Meters, Ltd., and when this capital comes to be issued this company will no longer be controlled by your corporation.

ACHIEVEMENTS

In view of the Bill for the nationalisation of the gas industry now before Parliament it may be fitting to give an account of our stewardship during the thirteen years of your corporation's existence.

In that short period, the corporation—largest of the gas holding companies—has become the fourth largest gas enterprise in the Kingdom in gas production, second largest in number of consumers served. It controls today 76 undertakings, serving a total of 442,165 consumers.

Sales of gas have increased by 110½ per cent. since 1936—namely, from 31,243,344 therms to 68,887,900 therms in 1947.

The capital employed by the undertakings per million cubic feet of gas sold, notwithstanding very considerable reconstruction and extension of plant, has been reduced from £815 per million cubic feet sold in 1938 to £469 per million cubic feet sold in 1947, and the incidence of interest and dividend charges has been reduced by more than 40 per cent., falling from 2.689 pence per therm sold in 1938 to 1.521 pence per therm in 1946.

Finally, in spite of the astronomic rises in the costs of raw coal and all materials, and the increases in salaries and wages which have followed, the average price which our consumers have had to pay for gas has risen from 9.3 pence per therm in 1938 to only 11.2 pence per therm in 1947.

The provisions in the Gas Bill for compensation are not only unfair but also exceedingly impractical.

Stock Exchange values, the basis of compensation which the Bill provides, are determined by dividend yields, and for many years the dividends of statutory gas companies have been controlled by Parliament. In the vast majority of companies working under basic of sliding scale provision, none of which has been revised since before the war, shareholders have been the losers through the increase in the cost of wages and materials which has increased the price of gas and commensurately diminished dividends.

THE FUTURE

With regard to the future, I am confident of one thing; the gas industry should exercise an all-important influence in restoring economic health to this great industrial country of ours, if it is permitted to do so.

The only justification for the existence of the gas industry is an economic one; it converts coal, our principal source of wealth, into fuels that are approximately twice as efficient as raw coal and it markets these fuels at the lowest possible prices in free competition with electricity, oil and coal itself.

The report was adopted.

SPURLING MOTOR BODIES, LIMITED

FULL ORDER BOOKS

The eleventh annual ordinary general meeting of Spurling Motor Bodies, Limited, was held at Hendon, N.W., on the 30th ultimo.

Mr W. F. Spurling (managing director), who presided, in the course of his speech said: We have every reason to be proud of the way things have gone during the year, and of the way the staff have overcome difficulties. What of the future? Well, there is little I can add to what is already said in the last section of our report. I am sure that nothing can prevent the development of the motor industry, and that taking the long-term view, the story of Spurling Motor Bodies will be one of continual and steady expansion.

The motorisation of the world has not yet seriously begun; some countries are almost ignorant of what motor cars and trucks can do. Even here, where the roads seem pretty congested at times, motoring is only in its infancy. The people want cars, and what the people want they ultimately get. As for trucks, there is no system of transport so versatile as road transport. This growth that I forecast implies immense programmes of road construction. I am sure we shall see them.

THE FUTURE

All that, however, is taking a long-term view. Taking a shorter view, all I can say is that, with the next few years in mind, your directors have provided for the "Known." They have made their plans, and are ready to meet all the eventualities they can foresee. They are not, however, omniscient. They have no crystals into which to gaze, and they cannot predict the unpredictable.

I have to mention that because, although it would perhaps be undesirable for me to indulge in a political speech, one must say that it is not always easy to forecast, or even imagine, what those who govern us will do next. They have their own ideas of how the country should be run, and of what the people want. Whether they are the right ideas or not you are as well able to judge as I am. What matters is that, at the moment, they have the power to call the tune, and we in management have to do the best we can to dance to it.

There is, too, the International outlook. Reading the papers is not a cheerful occupation these days, no matter whether our interests be foreign affairs or cricket. (Laughter.) One never knows what is going to happen next, and the best we can hope for, when dealing with the "Unknown" is that whatever may happen, we may not be found entirely unprepared.

STEADY DEMAND

I cannot and will not try to prophesy with certainty the results for the coming year. We, in common with many other companies, find trading getting more difficult, but it is pleasing to note that in spite of a recession in the buying of consumer goods—which may be due to a falling-off in incomes, or to increased taxation—the demand for motor transport remains steady and our order books are full.

It is possible that, due to the short supply of new vehicles, plus the dearth of petrol, turnover may temporarily recede. Nevertheless, I am confident that your company will not be numbered amongst those who have to apologise for showing losses, and hard as the going may be, our target will be to achieve results at least as favourable as those now before you.

In the meantime, we can only plan ahead on the assumption that life will continue to be reasonably normal, and that we are doing. And who knows? Perhaps this time next year we shall be looking into the future with far more hope and optimism than any of us dare do today.

The report was adopted

HENDERSON'S TRANSVAAL ESTATES, LIMITED

DIVIDEND MAINTAINED AT 15 PER CENT.

The thirty-sixth ordinary general meeting of Henderson's Transvaal Estates, Limited, was held, on the 28th ultimo, in London

Sir Joseph Ball, K.B.E. (the chairman), presided, and in the course of his speech said: A comparison between the book value of our investments with the prices at which they were quoted on the Stock Exchange as at March 31, 1948, again reveals a further substantial appreciation: while a valuation of those of our securities which are not normally quoted also shows a large increase in values; and generally our investments stand at considerably higher figures than those at which they are shown in the books of the company. Our reserve for depreciation in investments stands at £100,000, while that for contingencies, equalisation of dividends, etc., has been increased from £245,000 to £280,000.

The directors recommend that the dividend be maintained at the rate to which it was raised last year, viz., 15 per cent.

Last year I referred to the negotiations for the transfer of the Delagoa Bay Development Corporation, Limited's, electrical plant and installation to the Portuguese Municipal Authorities. These negotiations were brought to a satisfactory conclusion.

The Tweefontein United Collieries, Limited, in which we are so largely interested, continues to prosper. Coal despatched from the mine during the year to December 31st last showed a reduction of 72,176 tons as compared with the previous year, the fall being due entirely to a persistent shortage of railway trucks. Recently, however, there has been a decided improvement in this respect; and, in addition, the price of coal at the pit mouth has now been substantially increased.

The report was unanimously adopted.

FORSTER'S GLASS COMPANY, LIMITED

A SATISFACTORY RESULT

The twenty-ninth annual general meeting of Forster's Glass Company, Limited, was held on the 28th ultimo in London, Col. Charles E. Ponsonby, T.D., D.L., M.P. (the chairman), presiding.

The following is an extract from his circulated review:

The profit for the year, after providing £27,960 for depreciation as against £22,729, but before making provision for taxation, amounted to £137,813 as against £68,554 for the previous year. This is a satisfactory result.

The year saw an improvement in the supply position of raw materials and while this has enabled us to make up some of the ground lost during the electricity cuts in February, 1947, the present position is still far from satisfactory. During the year all costs increased considerably, but nevertheless the sales for the year have again reached record levels.

Every effort has been made to continue our policy of developing and modernising our plant and machinery by replacing old machinery with new and maintaining in first-class condition the machinery we have.

The accounts show how each pound we have received from our customers has been spent: Wages, holiday pay, etc., 7s. 10½d.; raw materials and fuel, 4s. 7d.; materials for maintenance and packing, road and rail transport, electricity, gas and water, and all other operating expenses, 5s. 4d.; taxation, 1s. 0½d.; depreciation and reserves, 10½d.; and dividends on capital (i.e., amount paid to shareholders after deducting income tax), 3½d.

The demand for your company's products continues to be heavy, but in view of the present economic situation of the country I prefer not to prophesy about the future.

The report was adopted.

Statistical Summary

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947 June 30	2180·0	2537·3	369·9	...	1442·0	6529·2
1948 June 13	2160·0	2692·2	416·7	6·0	1239·5	6514·4
20	2160·0	2712·5	403·8	20·5	1249·5	6546·3
21	4910·2		334·8	6·0	1291·0	6542·0
16	2160·0	2752·0	328·9	...	1326·5	6567·4
17	2160·0	2750·0	324·4	...	1340·5	6574·9
24	2170·0	2716·9	322·5	...	1319·5	6998·9
July 1	2180·0	2689·5	322·9	...	1346·5	6538·7
8	2200·0	2615·2	310·2	...	1344·5	6199·9
15	2210·0	2643·5	301·0	40·3	1326·5	6561·3
22	2210·0	2626·6	297·8	14·8	1352·0	6511·1
29	2210·0	2620·2	302·3	...	1377·0	6510·5
Aug. 5	2210·0	2616·1	283·2	3·5	1410·0	6505·5
12	2210·0	2608·9	281·7	1·0	1425·5	6525·2
19	2210·0	2655·1	274·0	11·3	1443·5	6573·8
26	4817·3		270·5	...	1468·0	6555·7

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1947 July 4	170·0	292 1	170·0	10 1·51	46
1948 Aug. 2	170·0	295·1	170·0	10 2·49	42
9	170·0	291·2	170·0	10 2·62	44
16	170·0	267·8	170·0	10 3·15	55
23	170·0	295·1	170·0	10 2·51	42
30	170·0	287·9	170·0	10 1·34	45
Sept. 7	170·0	295·5	170·0	10 1·24	43
13	170·0	290·7	170·0	10 1·36	45
21	170·0	291·5	170·0	10 1·28	43
28	170·0	278·6	170·0	10 1·65	50
Oct. 4	170·0	295·8	170·0	10 1·20	40
11	170·0	277·5	170·0	10 1·70	49
18	170·0	259·6	170·0	10 1·89	57
25	170·0	279·9	170·0	10 1·65	48
July 2	170·0	286 8	170·0	10 1 45	45

July 2nd applications for bills to be paid on Monday, July 5th, Wednesday, Thursday and Friday were accepted to the amount of about 35 per cent of the amount applied for at £99 19s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for July 9th. For the week ended July 16th the Banks will be asked for Treasury deposits to the amount of £30 million (nominal).

NATIONAL SAVINGS

(£ thousand)

	Week Ended June 28, 1947	Week Ended June 26, 1948	Totals Apr. 1 to June 26, 1948
Savings Certificates:—			
Receipts	2,600	2,000	29,600
Repayments	3,500	2,200	31,850
Net Savings	*Dr 900*	*Dr 200*	*Dr2,250*
Defence Bonds:—			
Receipts	1,670	755	10,445
Repayments	752	790	10,585
Net Savings	918	*Dr 35*	*Dr 140*
P.O. and Trustee Savings Banks:—			
Receipts	11,326	10,945	151,550
Repayments	14,372	12,756	149,025
Net Savings	*Dr3,046*	*Dr1,811*	2,525
Total Net Savings	*Dr2,229*	*Dr2,046*	135
Interest on certificates repaid	630	396	5,659
Interest accrued on savings remaining invested	2,275	2,321	28,590

BANK OF ENGLAND RETURNS

JULY 7, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1261,410,897	Other Govt. Securities	128,161,356
In Banking Department	38,856,956	Other Securities	861,403
		Gold Coin and Bullion (other than gold in Issue Dept.)	13,141
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	347,664,291
Rest	3,661,281	Other Secs.:—	
Public Deps.*	9,556,746	Discounts and Advances	22,012,320
Other Deps.:—		Securities	20,198,495
Bankers	300,284,728		42,210,815
Other Accts.	92,367,967		
	401,646,695	Notes	38,836,936
		Coin	745,680
	429,457,722		429,457,722

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

COMPARATIVE ANALYSIS

(£ millions)

	1947 July 9	1948 June 24	1948 July 1	1948 July 8
Issue Dept.:—				
Notes in circulation	1403·6	1249·8	1252·2	1261·4
Notes in banking department	46·6	50·4	48·0	38·6
Government debt and securities*	1449·2	1299·2	1299·2	1299·2
Other securities	0·8	0·8	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Value at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public	8·8	13·6	14·5	9·6
Bankers'	295·2	315·8	320·4	300·5
Others	94·4	89·8	92·2	98·3
Total	398·4	419·2	432·1	411·2
Securities:—				
Government	328·0	338·9	351·7	347·7
Discounts, etc.	22·2	25·5	17·8	23·0
Other	17·6	20·9	32·0	20·2
Total	367·8	385·3	401·5	389·9
Banking dept. res.	46·7	51·1	48·7	36·6
"Proportion"	12·2	12·5	11·9	9·6

* Government debt at £11,015,100; capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927 = 100)

	July 1, 1947	June 15, 1948	June 29, 1948
Cereals	187·0	190·2	190·2
Other foods	156·6	156·8	158·8
Textiles	157·9	192·6	192·0
Minerals	224·8	246·9	246·2
Miscellaneous	196·8	167·1	167·4
	145·2	164·2	164·4
1913 = 100	*199·8*	*226·0*	*226·2*

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 1	45	74½	173 14	113 15
„ 2	45	74½	175 3	115 2
„ 3	Markets	Closed	175 6	114 14
„ 5	45	Closed	176 9	114 15
„ 6	45	74½	173 6	114 11
„ 7	45	74½	173 0	114 8

SECURITY PRICES AND YIELDS

fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Courtaulds; Richard Thomas and Baldwins; Beecham Group; Whitehead Iron and Steel; British Insulated Callenders' Cables.

Prices, Year 1948 (Jan. 1 to July 7): High	Low	Name of Security	Price, June 30, 1948	Price, July 7, 1948	Net Yield, June 7, 1948 (a)	Gross Yield, July 7, 1948	Prices, Year 1948 (Jan. 1 to July 7): High	Low	Last Two Dividends: (a)	(b)	(c)	Name of Security	Price, June 30, 1948	Price, July 7, 1948	Yield, July 7, 1948
		British Funds			£ s. d.	£ s. d.						**Other Securities:**			£ s. d.
101⅜	101	War Bonds 2½% August 1, 1944-51	101⅜	101⅜	...	1 5 10			%		%	Australia 3½% 1965-69	103½	102½xd	3 1 21
102⅛	100⅝	Exchequer Bonds 2½% Feb. 15, 1950	100⅝	100⅝	0 4 5	1 4 0	104¼	101½	(d)		(d)	Birmingham 2½% 1966-71	92	92	3 2 0
102⅛	100⅛	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 6 5	1 11 6	98⅜	94⅛	(d)		(d)	Argentine 3½%	101½	101	3 9 4
101⅜	100	War Bonds 2½% March 1, 1952-54	102⅛	102⅛	0 14 11	1 19 4	103⅛	99	(d)		(d)	Anglo American Corp. 10/-	6¾	6¾	4 0 0
104⅝	101⅜	War Loan 3½% after Dec. 1, 1952	102⅛	102⅛	1 6 10	2 18 7	8¾	6⅜	50	c	50	c	Anglo Iranian Oil £1	8½xd	8¼xd	5 12 9
103⅜	99⅜	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	1 1 1	2 4 11	10⅜	⅞	5	a	25	b	Assoc. Port. Cem. Ord. Stk. £1	72/6	72/6	4 2 9
103⅛	100⅛	National Def. 3% July 15, 1954-58	103⅛	103⅛	1 5 5	2 12 7	77/6	62/4½	115	c	115	c	Austin Motor 'A' Ord. Stk. 5/-	51/3	51/3	6 8 0
104⅝	101⅛	War Loan 3% Oct. 15, 1955-59	104xd	104xd	1 4 2	2 10 6	78/-	58/6	40	c	40	c	Barclays Bank Ord. 'B' £1	58/-	58/-	5 15 9
104⅝	101⅛	War Loan 3% Oct. 15, 1955-59	104⅜	104⅜	1 4 9	2 11 9	84/-	72/9	7	a	6	b	Bass Ratcliff Ord. £1	8¾	8¾	2 16 10
102⅛	100	Savings Bonds 3% Aug. 15, 1955-65	103	102⅛	1 10 2	2 17 7	10⅜	8¾	120	b	15	a	British Oxygen Ord. £1	5	4¾	4 4 3
98⅛	96⅜	Funding 2½% April 15, 1956-61	100⅛	100⅛	1 7 6	2 10 6	104/9	85/-	8	a	12	b	Courtaulds Ord. £1	38/-	37/6	4 0 0
99⅜	98⅛	Funding 3% April 15, 1959-69	101⅛	101⅛	1 11 6	2 18 9	46/3	37/3	21	a	5	b	Distillers Co. Ord. 4s	26/3	25/9	5 17 8
110⅛	110⅛	*Funding* 4% May 1, 1960-90	112⅛	112⅛	1 1 1	2 15 3	32/6	25/3	25	c	14	a	Dorman Long Ord. £1	29/9	29/6	5 8 6
97⅞	97⅞	Savings Bonds 3% Sept. 1, 1960-70	101⅛	101⅛	1 12 2	2 19 11	32/10½	27/9	8	c	8	c	Dunlop Rubber Ord. £1	70/3	68/9	4 7 3
92⅝	92⅝	Savings Bonds 2½% May 1, 1964-67	95⅝	95⅛	1 13 0	2 16 5	79/5	64/-	15	c	15	c	Imp. Chem. Ind. Ord. Stk. £1	46/3	46/3	4 6 6
112⅛	112⅛	Victory Bonds 4% Sept. 1, 1960-76	115	114⅛	1 4 8	2 18 5*	53/-	44/6	5	a	7	b	Imperial Tobacco £1	48/9	46/3	4 6 6
96⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	100⅞	100⅛	1 13 5	3 1 01	6⅜	5	33½	a	19½	b	Imperial Tobacco £1	5⅛	5⅛	6 8 9
107⅛	107⅛	Consols 4% (after Feb. 1, 1957)	108⅛xd	108⅛xd	1 2 6	2 16 6	48/9	40/3	10	c	10	c	Lancs. Cotton Ord. Stk. £1	41/10½	41/3	4 17 0
103⅜	102⅛	Conversion 3½% (after Apr. 1, 1961)	105⅛	105⅛	1 10 9	3 2 3	56/6	46 7½	5	c	10	c	Lever & Unilever Ord. £1	50/-	47/6	4 4 3
74⅝	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	76⅛	76⅛	1 16 3	3 6 3	61/3	47/6	12½	c	10	c	London Brick Ord. Stk. £1	50/-	50/-	4 0 0
93⅛	93⅛	Treas. Stk. 3% (after Apr. 5, 1966)	94⅛	94⅛	1 15 0	3 3 11	66/10½	47/-	25	c	33⅓	m	Pchin Pinson Ord. Stk. 10/-	48/6	49/-	5 2 0
93⅛	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	97⅛	96⅛	1 15 3	3 3 4	35/-	30½	114½	c	177½	c	Prudential 'A' £1	33	32	2 8 2†
94⅝	94⅝	Consols 2½%	76⅛xd	76⅛	1 16 2	3 5 9	69/3	49/9	12½	c	12½	c	Stewarts & Lloyds Ord. £1	52/-	51/6	4 17 1
96	96	British Electricity 3% Gtd. 1968-73	100⅛	100	1 13 5	3 0 11†	85/7½	73/1½	12½	a	15	b	"Shell" Transport Ord. Stk. £1	78/1½	76/10½	1 19 1†
93⅜	93⅜	British Transport 3% Gtd. 1978-88	95⅝	96⅛	1 15 9	3 3 6†	7⅞	5⅛	12½	b	12½	a	Tube Invst. Ord. Stk. £1	121/3	121/3	4 2 5
95⅛	95⅛	British Transport 3% Gtd. 1968-73	100	99⅛	1 13 7	3 1 1†	90/9	73/3	11½	b	3⅓	a	Turner & Newall Ord. Stk. £1	74/6	73/6	4 1 8
							93/3	77/-	55	b	15	a	Woolworth (F. W.) Ord. 5s	79/-xd	77/3xd	4 10 9

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Stop, Look, Listen

THE first Annual Report of the National Coal Board is summarised and discussed on another page. It is undoubtedly a sad misfortune for the Labour Government that the first year of their first big nationalisation scheme should have to disclose such a very large financial loss on the year's working. The deficit will be exploited to the full by the Opposition; from a thousand platforms it will be pointed to as proof that nationalisation is a failure. That, of course, is nonsense. No conclusions at all can be drawn from one year's working; and if they could, it would be on the statistics of output, of productivity and of capital expenditure, rather than on the financial results by themselves, that they would have to be based. It will take something more like five years before any fair-minded person will think of making up his mind about the success or failure of nationalisation as a system of organising industry.

Nevertheless, the public will scrutinise the report with close attention for signs of how coal nationalisation is going. A cricket match may not be decided until the end of the fourth innings, and yet it is possible to feel pleased or depressed by the middle of the first innings. It is only in this sense that any judgment can properly be expressed on the first Report; and in that sense the judgment must be that it is not very reassuring. The first innings is not going very well.

Nationalisation has become so much of an instinct to the Labour Party that it is necessary to keep on asking them what they do it for. When the present Government was formed, it was suggested in these columns that what this country most urgently needed was not so much a change in the ownership of its basic industries as a change in the way they are conducted. Nationalisation is good if, but only if, it opens the way to Rationalisation. Whenever there is something that clearly needs to be done to an industry, and where public ownership is necessary to do it, then the central core of public opinion will support a proposal of nationalisation—provided that the nationalised Board, when put in charge, does in fact get on with the job. What is somewhat disconcerting about the progress of the nationalisation schemes is not the presence of any portents of disaster but the absence of any signs that anybody knows what purpose they are intended to serve.

Perhaps this is a little less than fair to the nationalisation of coal, since there was, in the Reid Report, a clear statement of the way ahead. Two of the requirements were met: there clearly was a job to be done, and only a publicly owned industry could do it. But is the third requirement being met? Is the job in fact being done? Is the Board, having lost Sir Charles Reid, still devoted to the principles of his Report? It is difficult to be sure. Yet assurance on this will make all the difference between a judgment of success and one of failure. The debit items on the nationalisation account are very clearly visible in coal: the cumbrousness of administration that afflicts so gigantic a structure run inevitably on bureaucratic lines; and the sensitiveness to political pressure, as witnessed by the acceptance of that costly disaster, the five-day week. It will take a very large credit item, in the shape of really effective technical reorganisation,

to offset these debits; and the credit item is (to put it at the lowest) being much slower in making its appearance.

In some of the other nationalisation schemes, there is not even a Reid Report to go on. Transport nationalisation, for example, has brought no disasters. And, though the organisation at the top is very cumbrous, less harm has been done lower down than in the coal mines, because less has had to be altered. Indeed, one is tempted to suppose that more of the energies of the Transport Commission and its Executives have been devoted to finding new titles for old offices, new names for old organisations and new colours for old trains than to thinking of any fundamental changes. But it is no defence of a nationalisation scheme to say that it has changed nothing and done no harm. To be worth while, it must have some positive purpose. And so far as transport is concerned, not the first breath of a hint of what it is all for has yet reached the public.

The Government have probably hitherto carried a majority of the public with them in their nationalisation schemes. But this public support cannot indefinitely repose on Faith alone, Works are needed. So far, the books show a debit balance in more than a narrowly financial sense. It may be that, like the National Coal Board's deficit, this debit will be made good in the later years. Let us hope so; but the onus of proof is now very definitely on the nationalisers.

In these circumstances, even a Government with a mandate may reasonably be asked to stop, to look and to listen before driving on. The next on the list is steel. There are various possible reasons for nationalising the steel industry. It will serve to show Mr Bevan's influence on policy. It was mentioned in "Let Us Face The Future." It will infuriate the Tories. It will meet the desire of many Socialists to hurt the fortunate and the successful. It will satisfy others that they are capturing one of the citadels of economic power. All these are reasons that may convince members of the Labour Party. But there is only one reason that would be likely to convince enough of the general public to provide an electoral majority, and that is if it could be shown that a nationalised steel industry would produce better steel more cheaply than a privately owned steel industry. It may be possible to make out a theoretical case for thinking so. But before a theoretical case could be accepted, it would surely be wise to ask whether nationalised Boards do in fact act in such a way as to turn potential advantages into realised achievements. And the answer can only be, as yet, that though there is a theoretical case for the nationalisation of transport, the Transport Commission and its Executives act as if they had never heard of it.

Is it not elementary prudence to make an undoubted success of at least one nationalisation scheme—success being defined as the actual achievement of something that could not have been done without public ownership—before passing on to more doubtful, more difficult and technically far more complex schemes? More than prudence—is it not the only course that responsible Ministers can reconcile with their duty to the community?

Suspicions of Union

THREE months have passed since the European Recovery Programme was launched in Washington and the Sixteen Nations set to work to create an organisation able to carry the programme into effect. During the preliminary discussions in Paris a certain divergence of view became obvious, between the Americans, backed by the French, on the one hand, and the British on the other. The Americans would have preferred to see established a strong multi-national secretariat as the chief agency of the Sixteen in Europe. The British, believing that such a body would not carry sufficient weight with the governments it was supposed to represent, proposed instead the establishment of sixteen national delegations in Paris, served by a small secretariat and charged with the task of negotiating agreements and persuading the governments to accept them.

It will be recalled that the final arrangement reached in Paris in April was based on compromise. A three-headed organisation was established, with a council and an executive committee based on national delegations and flanked by an international secretariat. The Americans appointed Mr. Averell Harriman as the opposite number to this organisation, while Mr Hoffman presided over the whole Economic Cooperation Administration from Washington and sent special commissioners to each of the sixteen capitals to oversee the local development of the programme.

This is in general outline the administration that has now been at work in Europe and Washington for some weeks. In Washington the days have been largely filled, first with the struggle to prevent Mr Taber from cutting a large slice out of the first Congressional appropriation, then by the negotiation of the bilateral treaties laying down the conditions of aid. In Paris the programme of European needs for the second and third quarters of 1948 has been drawn up and some useful progress has been made towards an agreed scheme for increasing intra-European trade. In a word, the preliminaries are over and at this week's meeting of the Council, the Sixteen and their American colleagues are genuinely beginning to get to grips with the problem of European reconstruction. It is all the more unfortunate that this first encounter should have started with a collision between American and British views on how the Recovery Programme should be run.

The essence of the Anglo-American dispute is simple. The Americans wish the future work of allocating American supplies between the Sixteen Nations to be worked out by the nations themselves in Paris. Hitherto, Mr Hoffman has allocated materials, and the only direct way in which the governments could affect the size of their quotas was presumably by pressing their needs in Washington itself. Now, however, the Americans wish to hand on the task of allocation. The British have opposed this proposal on the grounds that neither the strength of multi-national cooperation nor the administrative resources of the Paris organisation are strong enough to make the experiment anything but a failure. The British, it appears, have had to give way on this point and the allocation will be done in Paris. But British acquiescence on this point will not put an end to misunderstanding, for it is not primarily the question of allocation that is at stake. The disagreement is rather a symptom of a deeper cleavage of opinion, one which may threaten the future of the recovery programme as a whole.

The Americans tend to see the aid they are giving Europe as part of a wider strategy—a strategy of bulding up a front of nations against Communist infiltration, politically and economically stable enough to stand on its own feet and to cooperate with the United States in the task of maintaining the free world. Judging by their own federal experience in the past, most Americans are inclined to believe that a divided, unorganised western fringe of Europe can neither hold up the Russians nor rebuild its own prosperity. They have, therefore, thought of Marshall aid more and more as an economic means for bringing about closer integration in Western Europe, and "Marshall Plan" and "Western Union" have been discussed in the same breath, the one leading to the other.

Already, in the first weeks of the programme, these hopes have been shaken. American opinion was upset by the way in which the creation of national delegations in Paris seemed to have built up the idea of separate national sovereignties which, in the American view, did not need any reinforcement. The relatively subordinate role of the new secretariat also disappointed them. But, above all, they were disillusioned by the appointments made to the new structure. The United States Government, they felt, had shown its own view of the vital importance of the venture by appointing, in Mr Hoffman, a leading industrialist of nation-wide reputation to the post of administrator. For the Ambassador-at-Large in Europe, Mr Truman had taken the unprecedented step of releasing his own Secretary of Commerce. But what happened in Europe? Nobody of Cabinet rank was appointed. No leading industrialists were called in. The posts were allotted to civil servants, able and devoted without a doubt, but not, in the American view, in any way equivalent to the American appointments. The one striking assignment—the despatch of Sir Oliver Franks as Ambassador to Washington—welcome though it might be to the Americans on general grounds, also aroused a certain amount of suspicion. To send the successful chairman of the committee which drew up the first Paris report to any post save that of European head of ECA seemed, in Washington, to prove the British government's underlying indifference to the task of European cooperation.

In all this, the British government has been the chief target of criticism. It is not simply that the British have appeared to rank Washington above Paris in the development of the Marshall Plan. Their failure to appoint their most outstanding men for Paris is held to have set the tone for the behaviour of the other Powers. The obvious fact that, alone among the Sixteen, Britain can exercise leadership inevitably places upon British shoulders the blame for the failures in leadership which Americans believe to be occurring. If the Paris organisation appears bogged down under paper work, if there is no sign of any long-term cooperative plans, if Mr Harriman has to fly to London to explain to the Chancellor of the Exchequer that Paris must be the centre of allocation, if any incident occurs to increase America's suspicions—then the British take the blame. Nor is it only in America that questions about Britain's real intentions are being asked. In Europe, the mood of criticism is strong, not only among those who are delighted to use Britain's supposed shortcomings as a cover for their own, but also among men genuinely anxious that the Marshall Plan and Western Union should succeed.

This volume of criticism of British policy is such that it cannot be neglected, and the first question to consider is why dissatisfaction has risen to such a pitch. It need hardly be pointed out that British policy during the last six months has not resembled in any way the Macchiavellian double-dealing of which it stands accused. Nobody can maintain that Mr Bevin and his advisers have gathered together behind closed doors in the Foreign Office to plan a campaign of securing American aid by bogus support of a European union in which they do not believe. But, if calculated dishonesty is ruled out—as it must be—what is the explanation?

The probable reason is that the Foreign Office has been exposed to two strong and contrary pressures. On the one hand are the Americans with their strong idealist belief in the virtues of federal union and their understandable demands that aid given by them should be used for acceptable political purposes. The American view is, moreover, strongly supported by vocal groups in Britain and in Europe maintaining that, with the advance of Russia to the Elbe, the old order has vanished and that in the post-war world Britain and Western Europe can find salvation only through closer association.

On the other hand, however, the Foreign Office must listen to all the voices advising caution. The economic situation, so difficult today, may improve as the seller's market comes to an end all over the world and primary products again become available at reasonable prices. Why risk costly experiments in economic pooling and development which may be unnecessary in three years' time? The risks of political association with Western Europe can be painted in even darker colours. May not Western Union weaken Britain's ties with the Commonwealth? What contagion may not spread to Britain from French and Italian Communism? Is it wise to risk German revival in any shape? Is Western Union possible without it?

All these doubts are obviously reinforced by a fact revealed by experience: for hundreds of years policy making and planning have been accomplished by the separate national governments, and the effort to make policy or plans by any other agency is almost unmanageable. The impetus of a great war can lead to a Shaef. But this is peace and all the peacetime inhibitions in favour of separate sovereignty are at work. Caution is therefore reinforced at every turn by inertia, and decisions which could and should be reached on an international basis drift back inevitably from Paris to the old centres of authority—to London, to Brussels, to Rome.

The combination of the pressures making for closer association and those working against it is quite sufficient to explain Britain's present policy—a policy which is not dishonest but confused. The general support for the ideal of Western Union was no doubt clear in Mr Bevin's mind when he pledged Britain to it last January. But neither he nor his advisers had thought out the implications of such a commitment and it is these implications than now clog Britain's thought and effort. Even if the confused state of British policy is understandable, it is none the less highly dangerous, and on few other aspects of foreign policy is it as necessary to let in the light.

The British Government should urgently try to end a situation in which under one set of pressures it enunciates a policy—Western Union—and under another set of pressures puts the

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brake on the steps necessary to carry it out. *The Economist* has consistently argued that, in spite of all the obvious risks and difficulties, the balance of argument lies heavily in favour of making Western Union a genuine priority and of pursuing with real energy the various policies—political, strategic, economic—necessary to carry it out. Such a decision would involve the appointment to Paris of a man of outstanding authority and virtually manifestly of Cabinet calibre. It would involve staffing the Paris Secretariat not only with competent Civil Servants but with men drawn from the business world and the Services who understand the running of large-scale economic operations. Most difficult of all, it would involve agreement that on certain key points of economic and strategic policy the power to take decisions would pass from London to the new international agency. The risks of such a policy are obvious. The advantages could be the creation of a new spirit in Western Europe, a greater likelihood of full American aid throughout the proposed period of ERP and the chance that the strategic and political consolidation of Europe would have gone so far by 1952 that Russia, not the West, would be fairly and squarely on the defensive.

If, on the other hand, the British Government believes the risks inherent in a genuine policy of Western Union to outweigh these potential advantages, and if it believes that much more modest measures—for instance, a European payments agreement, a conventional military alliance, commercial agreements and cultural conventions, all on the basis of unimpaired national sovereignty—are in reality sufficient to meet a situation which may look much less desperate in two years' time, then the reasons for such an approach should be made clear and the more grandiose ideas conjured up by "Western Union" should be disavowed. There is after all nothing shameful or necessarily unreasonable in a policy which says in effect, "Ideas of western association which entail the pooling of sovereignty, extensive economic integration and the creation of full political union are too extreme. They cannot, in our view, be achieved and in any case involve risks disproportionate to any advantages that might be gained. Our own version of western association is admittedly more modest, but we believe it to be both workable and possible."

It is true that the enunciation of such an attitude would perhaps reduce the chances of continuing American aid and for a time it might even be regarded as betrayal. These risks would presumably be weighed in the balance before the more modest version of Western Union were officially proposed. But, in the long run, Britain would only gain by making its intentions clear. The worst of all policies is to proclaim one purpose and pursue another. Since it is into this danger that British policy shows signs of slipping today, the first need is a clarification of British aims. The best course would undoubtedly be to make a full western association the overriding end of the European Recovery Programme. To propose a more modest version of the policy would be at least an honest course. But the worse course of all would be, by a policy of half measures, to ensure the breakdown of both Western Union and of any more limited alternative. Half measures are the enemy of achievement, the grave of reputation. Today, Britain stands in danger on both counts.

How Many Bursars?

AT the beginning of June the Minister of Education announced the formation of a Working Party to consider the number of university scholarships which should be made available from public funds when the present large number of Further Education and Training Grants cease to be awarded to ex-service students. In 1946/47, 12,500 of these awards were offered in England and Wales and in 1947/48, 13,500; together they cover 40 per cent of the places available in the universities. Since the Working Party is due to make its report in September it is important that some further thought should be devoted to this subject outside the Ministry.

The terms of reference of the Working Party are as follows:

> On the basis of the present system of State Scholarships and Major Awards to advise on any administrative or other changes that may be desirable, particularly having regard to (a) the increased numbers at universities; (b) the termination of the Further Education and Training Scheme; (c) the probable abolition of four-year grants for intending teachers.

In any consideration of the numbers and type of university awards that it is proper to give four questions must be answered: first, how many awards ought there to be; secondly, what will they cost; thirdly, who should make the awards; fourthly, how should the students be selected? It is to be presumed that the Working Party is considering all four.

Before the war there were 50,000 students in the universities of Great Britain, and the annual entry was 15,000. To assist the 12,488 students who entered the universities of England and Wales there were 4,588 scholarships and grants available annually, covering about 37 per cent of the places. In Scotland the proportion of awards was much greater. In 1938-39, 2,090 awards were available and 2,665 students entered the universities; almost 80 per cent of the students could thus receive assistance, though the amount of that assistance was often very small. In addition to these public awards, there was an unknown number of scholarships and grants provided by schools and private bodies. With this volume of assistance, the universities kept reasonably full.

Ten years later the picture is very different. Not only has there been an increase of 50 per cent in the numbers of students, but the proportion of assisted students has increased still more. In the academic year 1947/48, 21,677 new awards were available in England and Wales—that is, more awards than entrants. Comparable figures are not available for Scotland, but it is probable that some 5,000 awards were available, as against 4,128 entrants. The discrepancy between the number of awards available and the number of students actually receiving grants, shown in Table II, is due to the demands of military service and the competition for places, which prevented a number of students from taking up their awards. The figures in Table II refer only to England and Wales, and show that about two-thirds of the students in these universities were grant-aided. At present only estimates can be made for Scotland, but on the basis of these it is probable that about 12,000 students out of a total of 15,795—or 75 per cent—were receiving grants. As, however, the Scottish figures are uncertain, and the Working Party's recommendations are confined to

TABLE I—NUMBERS OF UNIVERSITY STUDENTS

	1938-9	1947-8
Annual Entry :—		
England and Wales	12,488	18,002
Scotland	2,665	4,128
Total	15,153	22,130
Total Numbers :—		
England and Wales	40,212	60,969
Scotland	10,034	15,795
Total	50,246	76,764

England and Wales; most of the comments which follow will be equally circumscribed.

The principal reason for the great increase in awards is the large number of grants made to ex-service students from October, 1946, onwards. In the academic year 1947/48, 22,612 students were receiving these grants, at a cost of nearly £10 million a year. Next October the number is likely to be smaller, since the majority of ex-Service men have started in their university courses already; thereafter the number will fall sharply, since conscripts are not eligible for these grants.

TABLE II—NUMBER AND COST OF AWARDS, ENGLAND AND WALES

	1937–38*		1947–48*		1947–48
	Number of new awards available annually	Cost of all awards current £(000)	Number of new awards available annually	Cost of all awards current £(000)	Number of current awards
1. *State Awards :—*					
Further education & training grants (ex-service)	...	...	13,500	9,764	22,612
State scholarships	360	129	870	185	1,152
Open scholarships	1,200	§	1,200	138	1,118
Teacher training grants	1,298	627	1,775	400	4,607
Science awards	30	11	31	8	61
State bursaries	...	...	†	146	400
Total	2,880	767	17,377	10,641	29,950
2. *Local Authority awards*	1,700	340	4,300‡	500‡	12,097‡
Grand Total	4,588	1,007	21,677	11,141	42,057

* For state awards the cost is related to financial years and the numbers of students to academic years. † None were awarded in these years, but 420 were current in 1947–48. ‡ Estimate. § These scholarships, which are awarded by colleges or universities, were not state-aided before the war.

What the Minister of Education has now to decide is how *many places should permanently* be financed by grants of one kind or another, in order to maintain both the number and the quality of the students at the universities. There is no certain method of arriving at the solution of this equation. The cost of a university education has risen since 1939; the net incomes of the middle classes, in terms of 1939 prices, have fallen; the number of university places has increased. Therefore it is reasonably certain that if only the same proportion of students were assisted by grants as in 1939, either the average standard of the universities would fall, or more probably they would not be able to keep up their numbers. To maintain the prewar ratios, some 6,700 scholarships or bursaries would be required in England and Wales each year. This is the irreducible minimum. On the other hand, there is no reason why the number of grants should equal the number of places available. A third of the students at present at the universities in England and Wales are not receiving grants either from the Ministry or the Local Education Authorities. At least until such time as a tendency for numbers at the universities to fall below capacity begins to appear, there would seem to be no reason to provide awards for more than 70 per cent of each year's entry. Somewhere between 60 and 70 per cent is probably about right.

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There are, indeed, very strong arguments in favour of leaving a recognisable number of paying students. Parents who pay are usually more careful about their children's academic courses and their future careers than those who do not. And until the methods of selecting state scholars are a great deal better than they are now, there is much to be said for leaving universities free to choose people not only for their examination-passing capacity. This freedom may be invidious, but it is at least better than filling the universities with only the "poor scholars," whose blinkered careers deprive a university education of most of its meaning.

If it can be assumed that two-thirds of the total of university students will in future receive grants from public funds, what is the cost likely to be? In 1938-39 the state and local education authorities were spending just over £1,000,000 a year. In 1947-48 they were spending over £12 million. This increase in expenditure is out of all proportion to the increase in numbers of grants, owing to the fact that maintenance grants to ex-Service students with wives and children are much larger than is normally necessary. Such extra grants will not continue. Nevertheless, it would be wise to contemplate expenditure at the rate of, say, £200 per annum for perhaps 55,000 students, which makes a total of £11 million. A means test might bring this figure down by a million or so, but it would be unlikely to be less. This expenditure, coupled with the very large increase in grants made direct by the Treasury to the universities (Table III), reveals the startling rise in public expenditure on university education.

TABLE III COSTS

	1938-9 £ million	1948-9 £ million
(a) State Grants :—		
Direct grants by the UGC to universities	2·50	11·88
State scholarships to students in England and Wales	0·76	10·64
State scholarships to students in Scotland		1·32
	3·26	23·84
(b) LEA Scholarships :—		
In England and Wales	0·34	0·50*
In Scotland	0·04	0·05*
GRAND TOTAL	3·64	24·39

* Estimate.

The next question to decide is, who should make these grants? There is widespread dissatisfaction about the inequalities in the size and number of university awards made by local education authorities. The richer authorities are more generous, but inequalities also arise from other causes. In an urban area where there are several grammar schools the competition is severe; in rural areas a bright boy has few competitors. Those who have seen the injustices of this system inveigh against it, and urge that all awards should be made by the state. But there are great objections to this. The method of making state awards by examination only is very imperfect. The personal interest taken by local education authorities, particularly by those who have efficient arrangements for school reports and the interviewing of candidates, is extremely important. And the very variety of methods used is itself an advantage, in order to encourage and benefit from experience. Until a much stronger case can be made against it, it would appear better that local authorities should continue to give a proportion of the awards, perhaps half—which would

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only be slightly more than at present—and that the Ministry of Education should encourage the authorities to act with greater uniformity about the number and amounts of awards.

There is, finally, the question of methods of selection, which will now have to undergo some alteration. Hitherto state and county scholars have been selected on the basis of the Higher School Certificate Examination. This is an imperfect enough test, but it is at least admissible for the 850 state scholars and rather less so for the 5,000 county scholars in England and Wales who are selected by this method. These are the cream of the HSC candidates who can be separated from the skim with reasonable ease and fairness. But when it comes to choosing two-thirds of the university population by this method, instead of one-third, the problem becomes completely different. Before the war only about 5,000 students in England and Wales took honours degrees, as against 7,000 who took ordinary degrees or diplomas. The proportion will probably be the same in the future, and if so, state and county grants will be made to non-honours students. For students of this kind the HSC examination, or such modification of it as will emerge from the new examination proposals, is hardly suitable, certainly not by itself. Some very careful thought will have to be devoted to the subject of selection, and unfortunately, nearly all experts favour methods which are extremely expensive in terms of cash and interviewing time. As a *minimum* the Ministry should encourage some experiments in varieties of methods of selection, particularly those which permit of personal interviews.

It is understood that the Minister of Education is prepared to face a very large extension in the numbers of grants. The question is how large, and how administered. It is to be hoped that before he reaches any final decision he will give more weight to university opinion than has been given in the Working Party, where only three out of fifteen members are drawn from university circles. This is not a matter primarily for local education authorities or for the Ministry. It is all very well to say that the universities still have the power to reject candidates who bring state or county awards in their pockets. But the possession of an award must always be two-thirds of the battle, since the university cannot provide alternative finance for its own candidates. The universities should, therefore, be consulted both on the methods of selection and the proportion of grants which they themselves consider appropriate to achieve a proper balance.

Food and the Future

MONDAY'S debate on the estimate for the Ministry of Food threw little fresh light on major questions of policy. There was Mr Strachey's shocking revelation of the current cost of food subsidies (which is discussed in a Note on another page); there was by-play with snoek, plums and canned horse-meat; there was the expected onslaught, rather ineffectively sidestepped, on bread rationing; there was the usual, by now distinctly perfunctory, controversy about how well or badly, in terms of calories, the people of Britain are being fed. But only once, in Mr Clement Davies's speech, was there any serious attempt to place British food policy against the world background and to outline the major strategy of a war against want; and that was fatally marred by unrealism.

So far as the past is concerned, most people probably realise in their heart of hearts that no postwar Government could have pursued a food policy very different from that of the Labour Government, and that no different food policy would have been likely to yield much better results; but this debate, at all events, provided little evidence of any attempt to answer the question which is most important for the future. Has there occurred, or has there not, so radical a change in world food prospects as to call for a complete reversal of British economic policy—the policy on which Britain throve and rose to greatness over the last century? Such a reversal is certainly implied in what one may call the Chifley prescription for emigration—a 30 per cent reduction in the United Kingdom's population—or in Lord Portsmouth's plan for virtual self-sufficiency in food supplies.

Support for these plans assumes certain conditions in the demand for, and supply of, foodstuffs; an indefinitely prolonged and probably increasing physical shortage of food all over the world, confronted by an ever more urgent demand for it. Sir John Boyd Orr, the foremost upholder of this view, stresses the loss of fertility by erosion, the growth of world population, and the inadequate nutrition of the great majority of even the present human race. Three thousand million tons of topsoil are annually blown or washed off American farms alone. There are a hundred and fifty million more human mouths to be fed than in 1938—twelve million of them in devastated Europe. Moreover, both processes are continuing. Even at this strictly technical level, however, the evidence is less conclusive than it looks. On the supply side, soil erosion is a menace and can be a catastrophe, as Northern Africa and Mesopotamia witness from antiquity and China from yesterday. But alarmist judgments of a few years ago on the North American "dust-bowls" look foolish in the light of the record crops subsequently harvested from these doomed areas. Three of the worst "dust-bowl" states—Kansas, Oklahoma and Texas—produced 210 million bushels of wheat a year on the average of the 1930s and 349 million bushels a year on the average of the three years 1944-46. The alarmist prophecies may look somewhat less foolish in the next cycle of dry years. But that is conjectural; the fact is that production has not gone down, it has gone up very sharply. No vast new continents wait to confute a new Malthus—to "stub up" African jungle for groundnuts is a very different matter from ploughing the prairies for wheat—but on the other hand the possibilities of technical improvements on land that is already under cultivation have, in some respectable opinions, been scarcely scratched. Better seeds and better fertilisers, better livestock, equipment and methods, may falsify Malthusian pessimism all over again. Their possibilities are not unlimited—the law of diminishing returns is not subject to repeal—but there is no need to assume that the limits are near. One need not, because there are walls to one's room, behave as though one were confined in a straitjacket.

Even if it were granted, on the inconclusive evidence, that supplies are strictly limited and that the numerical proportion between human mouths and necessary calories is destined radically and inevitably to worsen, it would not follow that the parent sellers' market for foodstuffs, with all its inconvenient implications for this country, would continue indefinitely, especially at its present intensity. The demand that counts is effective demand. The effective demand of the would-be eaters consists overwhelmingly in their capacity to supply things for which the food producers are willing to exchange food, and only to a minimal extent in their ability to indicate their needs to the world and eloquently to invoke the Atlantic Charter. Mr Clement Davies denounced as cynical Mr Strachey's assertion that the raising of nutritional standards in Asia was primarily a job for the Asiatic peoples; but FAO or no FAO, Atlantic Charter or no Atlantic Charter, it is certain that the citizens of the United States, Canada, Argentina, and the other food-producing countries are not going to tax themselves year in year out to buy food from their farmers and supply it to Asia gratis. It is already remarkable enough that the United States should be willing to make a once-for-all four-year donation to Western Europe, where a solid return in economic recovery and political stability can be expected; to do much more, to go on doing it indefinitely, and to achieve no better result than to make two malnourished Malthusians grow where one malnourished Malthusian grew before, is a prospect which no degree of idealism is likely to stomach. It may or may not be the duty of the West to assist the East to a higher standard of living. But permanent charity is neither a wise nor a practicable method of doing so. This is not cynicism but ordinary common sense.

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To "marry agriculture and nutrition" is in fact not enough; trade is like an electrical circuit—the current will not flow unless there is a return route. It is not enough to establish a channel of trade from the wheat fields to the empty stomach; the hands attached to the empty stomach must also be able to produce something that can flow back, by no matter how roundabout a route, to the wheat farmer. In the last resort the British food problem is, as Mr Strachey pointed out, a question not of the availability of food in the world but of Britain's ability to pay for it; and the same holds for all other importing or would-be importing countries. It is not the absolute scarcity of foodstuffs, but the terms on which Britain can buy them, that matters. How are these terms likely to move in the future? Food cannot be sold indefinitely for prices that the consumer cannot pay. At present the food price level is paradoxically held up by successive American grants-in-aid bolstering European demand, as well as by boom conditions leading to lavish home consumption in the food-producing countries. One need not postulate, after the Russian manner, an inevitable and ruinous American slump, in order to see the likelihood that there will be some fall in world food prices—some increase in supplies relative to effective demand—some time within the next few years. Whether it will go so far as to restore the pre-war surfeit of food, no one can tell. Nor—it need hardly be added—should anybody desire a return to the slump conditions of the early 1930s or to thirty-cent wheat. But it is virtually certain that the present conditions will not be permanent and it is quite possible that, when the dust of wartime dislocation finally settles, the long secular downtrend of food prices, relatively to the prices of manufactures, will be resumed. General world productivity, shattered by war and hampered by political division, is rising again, and there is no reason to suppose that humanity has altered its well-established propensity to take out the benefits of increased production less in extra food than in extra manufactures and services. It would be pleasant to be able to set a date for the end of the present scarcities, just as it would be pleasant to know when July will stop acting like December; but uncertainty in timing is not the same thing as intrinsic improbability.

It would be wrong to be dogmatic. There is a strong probability that more abundant and cheaper supplies of food will be available for Britain to buy some time before very long; and there is some possibility that food will again become as cheap as it was. But no one can be sure of these things: the factors that determine effective supply and effective demand are very elusive, and it would be wrong to base an irrevocable policy on one particular reading of them—which is what, in their different ways, Sir John Boyd Orr, Mr Chifley and Lord Portsmouth ask the public to do. The only sensible policy, however much it may disappoint the cosmic planners, is to wait and see.

This does not, of course, mean that nothing at all can be done. It is so probable—on any reading of the future—that Britain's balance of payments will still be intractable that it is clearly right to plan for some increase in home production of food—that is to say, for such an increase as can be achieved without entirely upsetting the whole economic organism of the country. The most that can be done for the next five years, under the Government's agricultural plan, will be none too much, from this point of view. Merely to bring the average standards of farming practice in this country up to the level now reached by the best farmers, to develop grass-drying and silage, to raise the quality of stock, to cut out the physical as well as the financial wastes of distribution, to provide the housing and amenities needed to stop the present drain of manpower from the countryside, is a formidable and formidably expensive job; while in the field of colonial development the matter of the missing West African locomotives, for lack of which crops actually harvested cannot be brought out, may stand as a symbol of the kind of unsensational but highly and immediately productive improvement for which there is plenty of room—and not too much funds.

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But action on the scale envisaged by the autarkists and depopulationists is a totally different matter. It cannot produce, in the next five years or so, any greater benefits than the more modest but already frighteningly costly programme now under way. It could, in time and at enormous cost, diminish the British people's dependence on imported foodstuffs; but at the same time it would make it increasingly hard for them to produce the means of importing that residue which—short of a reversion to almost medieval conditions—they would still have to obtain from abroad. These wider projects would do so much damage to the present foundations of British wealth that, even if they looked like being necessary, it would be wise to wait for some certainty before embarking on them. But the probabilities run the other way. If, contrary to what all economic history would lead one to expect, the change touched off by the war and by world-wide adherence to full employment policy turns out to be permanent, irreversible, and cumulative, then indeed autarky and mass emigration may be the only answers to a situation in which Britain's status not only as a Great Power but as a high-standard economic entity, would be irretrievably lost. But one should be very certain that the house is on fire before throwing the baby out of the top-floor window.

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NOTES OF THE WEEK

Berlin Impasse

The Russian reply to the American, British and French Notes about the blockade of Berlin amounts to this: that Mr Stalin has sat back in his chair, put his legs on the desk and said: "What Sokolovsky has been doing in Berlin is quite right. There is no hurry in this affair. As we've said all along, the restrictions on traffic are temporary. You Western Powers have forfeited your right to be in what was intended to be the capital of a Germany under Four-Power control. That control has now broken down. The tension and pressure of which you complain is of your own making. The Germans need not starve—we don't object to feeding Greater Berlin. By all means let the four of us have talks; but they must be about the whole German problem of which the Berlin problem is only one aspect. And I cannot guarantee that traffic restrictions will be lifted before they begin. Incidentally don't forget that the position in Vienna is rather like that in Berlin."

In short the Russian Note leaves things precisely where they were; the situation is neither worse nor better than it was. Mr Stalin is content to see time marching on. The next move now lies with the Western Powers. Do they now put forward proposals for dealing with the Berlin situation within a given time—in other words do they frame an ultimatum and take precautionary measures which will frighten people in Western Europe as much as they will impress the Russians? Or do they explore cautiously the one or two openings which the Russian Note offers for a long diplomatic haggle? The main purpose of the relief operation by air, which is proving so costly and strenuous, is to give them time to take either course. And it has to be remembered that it is only quite recently that the Berlin question has been taken out of the hands of generals into those of foreign ministers.

The war of nerves may go on for weeks, bringing nearer every week the date when the European harvest is gathered and air deliveries are hampered by autumn weather. Western statesmen have to realise two things: that stern warnings to Moscow will be useless if unaccompanied by stern warnings to their own peoples; and that clear readiness to face the possibility of war is the one thing of which totalitarian statesmen believe the western democracies incapable. Are they to be disillusioned now or later on?

* * *

Attempt on Togliatti

The attempted assassination of Togliatti was the work of a single man, inspired by the vindictive personal hatred of traditional Italian politics and formed in the anarchic jungle of fascist violence still frequented by the extreme Right of the Italian parties. But the reaction to the *attentat* is the reaction of a whole organised class. Within an hour, strike orders were issuing from the Chambers of Labour and with a completeness that suggests that a fully prepared strategy for a general strike had been laid down in advance. True, the strike is only for a day, and nothing suggests that there was any immediate intention of ordering a longer one. But if the "readiness is all," the Italian Communists are not to be dismissed as a defeated force.

The strength of the Communist-led reaction is a salutary reminder to those who jubilantly accepted the April elections as a final defeat for the Communist Party. It was a defeat in so far as Signor Togliatti's followers failed to achieve the majority they had expected. But the total of votes given to the parties of the Left hardly fell, and the Left bloc emerged still in conrol of 30 per cent of the nation's votes and in virtually unchallenged control of the trade unions. Not a single contest at the ballot-box, but a long campaign to win over the masses can give Signor de Gasperi the genuine victory some observers were too quick to concede him in April.

* * *

Death Penalty Muddle

Trying to achieve a compromise in the controversy over capital punishment, the Government has only succeeded in getting itself into a bigger muddle than ever. The clause proposed as a substitute for the one thrown out by the House of Lords tries to distinguish two degrees of murder, one of which would attract the death penalty—though the Home Secretary would still have the power of reprieve—and the other imprisonment for life. The Government has, in fact, made the bad mistake of trying to put into legislative form the popular emotions of the moment. People are alarmed at the murders of policemen on duty and at murders committed during burglaries and robberies. Therefore, such murderers and gangster murderers are to be hanged. People are morbidly fascinated by the sexual murderer, and their fascination is to be pandered to by the retention of all the sickening paraphernalia of hanging for the man who commits murder in the course of rape (though, since the victim is dead, how can rape be proved?) and other sexual offences. A similar deference to what is supposed to be popular opinion is shown in the retention of the death penalty for murder by the systematic administration of poison—though when poisoning is to be considered systematic and when not has not yet been made clear. For a murderer to be sentenced to death, the jury will also have to find that the murder was committed with "express malice."

The clause was being debated in the House of Commons as *The Economist* was going to press, and doubtless the law officers will explain how some of the apparent anomalies will be resolved in practice. But it is impossible not to feel that a big blunder has been made in what is, after all, a very serious matter. One of three courses ought to have been taken: either the death penalty ought to be retained, with the Home Secretary gradually extending his use of the prerogative of mercy until hanging should wither away; or abolition for an experimental period as proposed; or abolition to be brought into force at some future date to be determined by Order-in-Council. The present compromise, so far as capital punishment is concerned, achieves nothing. There are almost as many degrees of murder as there are murderers, and to attempt to divide them into two classes—"more heinous" and "less heinous"—is futile.

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Nor does the compromise look like removing the political difficulties which gave rise to it. It appears that the abolitionists in the Labour Party have been won over, and the clause will go through the Commons with the Opposition voting against it. But what will happen when the Bill returns to the Lords? Doubtless feeling that they might as well be hanged for a sheep as for a lamb—if the metaphor is not in the circumstances too inappropriate—the Lords are quite likely to reject the compromise clause, although there is another political difficulty here, since such a prominent Conservative as Lord Templewood is in favour of abolishing the death penalty altogether. The Lords are even, it seems, ready to insist at the expense of holding up the whole Criminal Justice Bill. But if the Government wishes to use the machinery of the Parliament Act to pass the Bill, it will have to reinsert the original clause abolishing the death penalty. Or it may remove the clause from the Bill altogether, introduce it as a separate Bill in the autumn and get it through under the retrospective clause of the new Parliament Bill. Whatever course is taken, it is clear that capital punishment, which was originally treated, rightly, as a non-party issue, has become, through Government bungling, inextricably caught up in the toils of party politics.

* * *

Food Subsidies for Ever?

Mr Strachey's admission that the food subsidies "are running at the moment at a rate of something like £470 million a year" is shocking from several points of view. There is, first, the light that it sheds on the Government's methods of forecasting and planning. In March last, Mr Strachey said that the cost of subsidies in 1947-48 was £395 million; but he did not say what the rate of expenditure was at that moment, and Sir Stafford Cripps, in his Budget speech, put the cost for the new year "in round figures" at £400 million. But it was not very difficult to calculate that they were then running much higher; in a leading article in *The Economist* of February 28, 1948, the figure was put at "over £460 million a year." As food is purchased on contracts and no new contracts have been signed in these months, there is no reason why the rate of expenditure should have risen. In short, it looks as if the Government has been indulging in false optimism once again. Moreover, the cost is going to go up still further. The higher Canadian wheat price from July 1st will add over £16 million and other new contracts now being discussed are likely to add another £20 million—unless retail prices are allowed to rise. The £470 million will soon be £500 million, and it looks as if £100 million of Sir Stafford Cripps's surplus will have disappeared—in fact, £70 million of it was never really there at all.

Perhaps even more frightening than the figures were Mr Strachey's excuses for them. "If people ask what value they are getting for their money, I ask them, first and foremost, to look at the children of this country." But Mr Strachey must know that this is not true. It would be true only if the subsidies enabled the families of this country to eat more food than they would otherwise do. With one or two exceptions, this has not hitherto been the case. Food consumption has not been limited by prices, but by rations. The subsidies have not enabled the working people to buy more food; they are the main source of the colossal sums that are spent on beer and tobacco. "There is no doubt" says Mr Strachey "that the steep rise in food prices which would take place immediately [if the subsidies were removed] would sharply cut down working-class consumption of food." But there is most serious doubt whether this is so, and it is certain that working-class expenditure on food would not be reduced by anything like the proportion that the subsidies bear to the total cost of the food now consumed.

Moreover, even if it were completely true, the implications require some examination. Even if the subsidies were abolished, the rate of real earnings would still be above the prewar level. Even if the abolition of the subsidies produced some reduction in the consumption of food by the working class, it would still be above the prewar level. In short, food subsidies, as defended by Mr Strachey, are a new and gigantic social service, a new device, in addition to all the others, for transferring income from the better-off to the worse-off. The social services, which cost some £450 million a year before the war, are apparently to cost, not £1,100 million, but £1,600 million a year. Even the most benevolent humanitarian ought to stop and ask himself whether the national economy can support so large a transfer.

Actually, of course, the great majority of the subsidies were not put on, and are not maintained, for any fine reasons of deliberate policy. They are maintained because the Trades Union Congress says they must be. The average wage-earner must preserve the 20 to 40 per cent gain in real income that he was enabled to secure during the war. If there were a 20 to 40 per cent gain in the real consumable income of the whole community, this might be all right. But as there is not, the other classes of the community are entitled to ask what they have done wrong.

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Housing Debated

Mr Bevan cannot resist fireworks and obviously revelled in his own display in the housing debate on Wednesday. No new facts were, however, revealed, which is the more the pity since the basic problems of the Government's housing policy badly need to be thrashed out in public, and Mr Bevan had an admirable opportunity to give a constructive and statesmanlike review of them. The problems of costs, productivity of labour, housing needs, subsidies and rents, and the long-term balance between private enterprise and local authority work all need to be debated fully and if possible frankly.

It is, indeed, almost frightening that the Parliamentary Secretary should cling to the excuse that the decision to restrict the number of new housing contracts was not a decision to cut down the housing programme, but simply a necessary step to secure the rapid completion of houses already under construction or contract. Either the Minister is so frightened of the building unions and public opinion that he dare not admit to the economic pressures which force a reduction of house construction; or he is such a political monomaniac that he will not take his fair share of the disinflationary burden. It is difficult to know which is worse.

The Opposition made here and there a few glancing attacks on the present costs of house building, and their effects upon rents, but the only penetrating criticism came from Lt.-Col. Walter Elliot, who opened the debate. He rightly rebuked the Minister for the rising cost of house building and for the inadequacy of public information about this, and quoted examples of final costs which he has himself obtained privately, and which bore out those quoted in *The Economist* last week. Neither Minister made any effective answer to the charge of highly inflated costs. Mr Edwards, indeed, provided some new and interesting figures about tender prices, which are now running at 24s. per foot super as compared to 24s. 8d. in March, and 20s. 10d. in October, 1945. But tender prices are not final costs.

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Government for Western Zones

The crisis in Berlin is delaying the evolution of organised German government in the Western Zones. It has been the aim of the Americans, backed by the British, to ensure that, if talks with Russia are to begin again, as much as possible of the political and economic reorganisation of Western Germany shall have already been accomplished. This strategy simply repeats Moscow's methods of the last three years, during which time the Russians, making parrot cries about Potsdam, have organised and exploited their zone just as they pleased. Accordingly, as soon as currency reform had been introduced in the West, the Military Governors followed it up by issuing three basic documents on Western Germany's political reorganisation and requesting the eleven Minister-Presidents of the Western *Länder* to consider the proposals with all speed.

The first document embodies the agreement on constitutional development reached in London between the British, American and French Governments. By September 1st a constituent assembly is to come together to draw up a constitution for Western Germany. The *Länder* governments may choose representatives or have them popularly elected on the basis of one delegate for every 750,000 voters. The constitution they draft must be democratic and federal, it must provide a suitable central body and must safeguard the individual citizen's rights and freedoms. Otherwise the Germans have virtually a free hand.

The second document requests the Germans to work out *Länder* frontiers in such a way as to ensure that each Land is roughly the same size. The third document is the "Occupation Statute," which defines the powers which Military Government intends to reserve to itself while transferring all other political, economic and administrative responsibility to the Germans. The reserved powers are strictly confined to those necessary for maintaining the occupation, and include control over foreign policy and some control over foreign trade, the continuance of internationally agreed measures for supervision—such as the international control of the Ruhr—reparations, the level of industry plan, demilitarisation and disarmament. The statute also safeguards the needs and the security of the occupation forces, and finally gives the occupying Powers the right to secure German observance of the new constitution.

* * *

Reluctant Germans

These proposals have run into two kinds of trouble. The first springs from France's usual doubts and hesitations. Shaken at home, fearful abroad, the French Government has from the start lagged anxiously and even resentfully behind the Americans and the British in their attempts to organise Western Germany. The second centre of criticism lies with the Germans themselves. Like the French, the Western Germans have an uneasy feeling that they are being asked to stick their necks out. They do not wish to have pinned upon them the responsibility of "splitting Germany," and still at the back of their minds lurks the possibility that the Russians may after all end by taking over control. Their first reactions therefore were hostile. The three documents received a cold reception and complaints of every sort were raised, including such ridiculous criticisms as that the Occupation Statute only defined the rights of the Occupying Powers.

When, however, the Minister-Presidents met at Coblenz on July 2nd a more moderate spirit seemed to prevail. After two days' discussions, they announced general acceptance of the project with certain strong reservations; for instance, they claimed that the Allies should accept full responsibility for continued occupation and for the division of Germany. Again, they demanded that the split between East and West should not be aggravated by suggestions that the political arrangements in the West are anything but provisional. Accordingly they proposed that the autumn assembly should not be "constituent" but "representative," that it should draw up not a constitution but an *Organisationsstatut*, and that the governing body which results from the Assembly should be an administration, not a government. The second document—on frontiers—was rejected because such boundaries could not be drawn "while Germany is still divided." The Germans also made various other demands such as freedom to control their own trade, to set up consular representation abroad and to limit occupation costs to a fixed percentage of the States' incomes. In general, it can be said that the German aim was to secure the maximum amount of effective power, particularly in the economic field, while delaying as long as possible the outward acceptance of political responsibility.

Since the Germans issued their qualified acceptance, the situation has, however, changed once again. The French have chosen to interpret the German qualifications as refusals and have seized on the chance to delay once again developments which they fear more and more as the crisis deepens in Berlin. They have refused to allow the three Minister-Presidents from their Zone to attend further talks planned for this week and the Americans are left with their strategy for speed in the West hanging in mid-air.

Tito Not Out

What one Jugoslav has called the "unprincipled struggle for principles" goes on merrily between Belgrade and the representatives of the Cominform in neighbouring capitals. Hungarian Communists, who pushed their way into the forefront of the Party onslaught on Marshal Tito, have been quickly slapped back with charges of persecuting the Jugoslav minority in their own country. Polish and Czech Communists who joined in the harrying have been sharply reminded that they are every bit as anxious to trade with the West as Tito has been. And when it comes to exchanges about past records of party and patriotic devotion, the Jugoslavs surpass their scandalised neighbours in invective and home thrusts. Mr Alexander Werth has described in the *Manchester Guardian* how Mr Pijade—a veteran Jugoslav Bolshevik—has trounced the leaders of the new democracies who after the war "reached their countries in aeroplanes, smoking their pipes, after talking to their people over the radio," while others were fighting the Germans.

The Tito affair has gone on now for over three weeks, and it remains as uncertain as ever what disciplinary action Moscow will take. If there is much more delay Mr Stalin and Mr Zhdanov —who may not see eye to eye in this matter—must be prepared for the Party Congress in Jugoslavia next week to support by acclamation the stand taken against the Cominform. That would mean the formal assertion of certain "reactionary" principles which would give new shapes to the eastern monolith if they were observed by the Russians in their policy towards the seven satellites. For the Jugoslav replies to the Cominform have asserted the right of east European governments to retain some diversity in their Communist unity, to make allowance for differences in tradition and economic development, to make agreements among themselves voluntarily and not under compulsion. Co-operation, say Tito's men, is taken for granted; the question is how to co-operate—as national governments or as Communist parties.

It must be a sad spectacle for the founders of the Cominform to see their organisation approaching its first anniversary, not as a discreet and well-drilled team, but as a quarrelsome and uncertain set of individuals, accused by one of their leading personalities of destroying the integrity of the international working class movement.

* * *

Mr Chifley's Satisfactory Visit

Mr Chifley returns to Australia after a week of strenuous activity. He saw most of the Cabinet Ministers and appears to have discussed every aspect of economic and political activity. No news has yet been released of any specific agreements he might have made, but there is little doubt that both he and the Ministers whom he saw were well pleased with their discussions.

His visit to Berlin was also well timed, and at Gatow airport he said bluntly:

> No question arises where Australia stands in regard to Berlin. We stand with the Western Allies. Any other attitude would be unthinkable.

This statement, coupled with his excellent broadcast last Monday night when he reaffirmed Australia's ties with Britain—"for hard practical reasons"—should remove any hesitations which the British Government may still feel over the attitude of the Dominions to Western Union. Canada, New Zealand and South Africa have already given their blessings; the lead now rests with Britain.

On the question of large-scale emigration to Australia, Mr Chifley also showed sound common sense. Whatever the rights or wrongs of moving whole towns, as has been irresponsibly suggested, there are practical obstacles which cannot be quickly overcome. Ships have to be found to take the emigrants away and houses have to be built for them to live in when they arrive. Mr Chifley stressed these difficulties and announced that, all being well, Australia might be able to receive about 70,000 people this year. This annual intake may be increased in later years, but it will obviously be a long, long time before the millions, for which Mr Calwell and Mr Dalton are so light-heartedly planning, can be moved.

* * *

Planning in the Colonies

"This is not planning." In this admirably brief sentence the Select Committee on Estimates sums up the Nigerian ten-year development and welfare plan. The committee was examining colonial development and welfare estimates in general, but made a first-hand study of development and welfare in Nigeria in the belief that from it principles of wider application would be disclosed. These principles are not new. It has often been pointed out that the colonial ten-year development and welfare plans, though an improvement on anything that had gone before, are really nothing more than departmental programmes for spending money. It was inevitable that this should have happened, for as the Select Committee itself points out, all of the proposed expenditure under the heads of water supply, education, agriculture, veterinary services and so on, is desirable, and most of it is urgent. The point is that if Nigeria's plan were completed overnight the impact on the mass of the people would be barely perceptible.

But it cannot be said that the Select Committee gets very far in constructive criticism. It has some useful suggestions to make for improving the machinery of planning—its account of the 11 locomotives needed for moving Nigeria's groundnuts, which were asked for in October, 1943, and finally shipped in May this year, reflects poorly on the machinery for determining priorities in London—but it does not really get to the heart of the matter. Can colonies which have no mineral resources ever attract capital on a large enough scale to have any marked effect on their standard of living? The ten-year development and welfare plans are clearly inadequate. But is it enough to add to them the £165 million capital of the two development corporations and the £10 million a year which, according to the Select Committee, is expected from private investment?

The Select Committee recommends a survey of capital requirements, by governments, corporations and private enterprise, in the colonies in the next five years. What is even more urgently needed is an estimate of how many people each colony can support out of its present resources at a tolerable standard of living, and then to estimate how much capital would be necessary to make it possible for the colonies to support, at this standard, their rapidly increasing populations. At present, for all the effort that has gone into colonial development in the last eight years, there is still no sign that the danger of an ever-falling standard of living has been averted.

* * *

New Champion for Africa

Fears lest the substitution of the Trusteeship Council for the old Mandates Commission would allow an undesirable political element to enter into international discussions on trust territories were strengthened by reports from Lake Success this week. The Mandates Commission was composed of experts who could be counted upon to view the administration of a territory with an expert's eye—coloured, perhaps, by the principles of colonial rule practised by their own countries, but undistorted by the foreign policies of their respective governments. Now, it seems, this impartiality has gone. In the Trusteeship Council this week there was criticism by most of the non-colonial Powers of the very modified administrative union of Tanganyika with Kenya and Uganda for fear lest it should gradually lead to the extinction of Tanganyika as a political entity. But it was left to the Soviet Union's delegate to demand that the British Government should abandon the scheme altogether and in future to submit for the Council's approval any laws or ordinances which might affect Tanganyika's legal status.

Even cruder, however, was the same delegate's denunciation of the East African groundnut scheme as sucking the lifeblood of Africa and the Africans to revivify the ageing arteries of the metropolitan Power. This statement shows such a complete disregard for the policy of development and welfare that lies behind the scheme and was expressly set out in the White Paper proposing it, that it was obviously calculated to stir up trouble for Britain among the Africans, who are only too ready to believe that any development and welfare project is exploitation. In this country it is easy to see the real purpose of the Soviet delegate's criticism. But there is a grave danger that the Africans will take it at its face value and feel that the Soviet Union is standing as their champion against a British attempt to deprive them of their land.

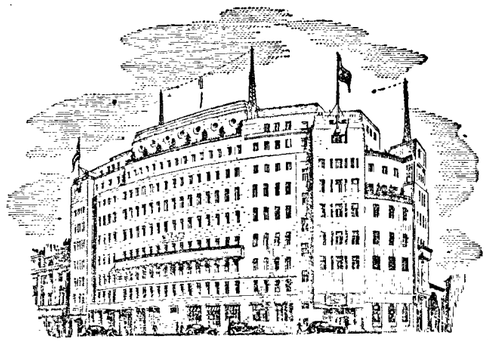
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Prime Minister of Jamaica

A year ago Mr Azikiwe, commonly known as Zik, was in this country to protest, on behalf of his fellow Ibos, against Nigeria's new constitution. This July another colourful personality from the colonies is visiting England—Mr Bustamante, first holder of what is virtually the office of Prime Minister in Jamaica. Mr Bustamante is ostensibly on a private visit, and the rumour that he has come to angle for the governorship of Jamaica can probably

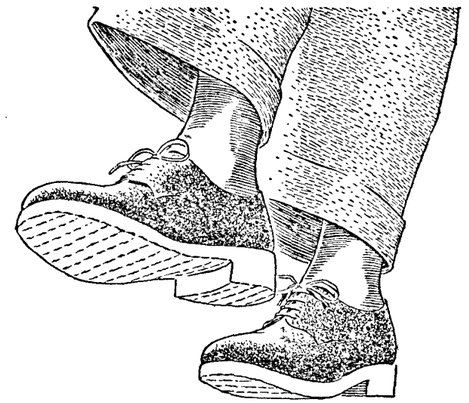
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be discounted. Nevertheless, his visit has some political significance. There were signs, when Jamaica's local government elections were held last autumn, that some of the popularity which swept Mr Bustamante into power in 1945 was waning. Next year at the general election he may have a hard fight to remain in office. But next year, too, is the end of the experimental five-year period of the constitution granted to Jamaica in 1944. At the time it seemed to many people to give Jamaicans too large a measure of responsible government, and these doubts were strengthened when Mr Bustamante was returned at the first election held under universal suffrage, because his extravagant utterances and behaviour hardly inspired confidence in his ability to govern. But the constitutional advances made throughout the colonial empire since 1944 make a further advance in Jamaica almost certain. It will strengthen Mr Bustamante's position at next year's election if he can associate fuller self-government with his visit to London.

For all his demagogic tactics, Mr Bustamante is a shrewd man. He knows that the popular emotions which secured his election in 1945 would not be proof against a breakdown in administration. Perhaps he has come to England to learn—to learn something of the responsibilities of office. But this country also has something to learn from him. People here, if they show any interest in the colonies at all, are inclined to smile tolerantly at the extravagances of Zik and Bustamante. They fail to appreciate that Zikism —which may be summed up as a dislike of British colonial rule even at its most benevolent—is an increasingly potent force in the colonies. The British have long preached that they are in the colonies to lead them to self-government. But they fail to appreciate how reluctant they appear, in the eyes of colonial peoples, to grant it. It is this impatience with Britain which men like Zik and Mr Bustamante play upon to their own advantage, and it is no answer merely to point out the virtues of British rule and how unready, by British standards, the colonial peoples are for self-government.

* * *

Lag in Coal Exports

Throughout the annual conference of the National Union of Mineworkers last week there was a steady procession to the platform of Ministers, Coal Board officials and union leaders, pleading for more coal so that Britain could meet its export targets. Once again Mr Bevin reminded the men that Britain's ability to fulfil its side of international trade agreements and to acquire food and raw materials depended on increased coal output. And the report of the National Coal Board published on Wednesday makes it clear how small is the increase in each man's output that is required.

The unanimity and plain-speaking on this point were novel and significant. The Government is anxious lest Britain's promises, especially to the ERP countries, are not fulfilled. Half the year is already gone, the holidays will soon take their toll and the bad summer weather has delayed any build-up of stocks for next winter.

What were the promises and what is the performance to date? To ERP countries Britain has promised 6,900,000 tons of coal in 1948; other countries with whom trade agreements have been concluded are expecting 2,660,000 tons—making a total of 9,560,000. For the first five months of this year Britain's total coal exports came to 2,750,000. If performance is no better in the remaining seven months of the year Britain would seem unable to fulfil much more than two-thirds of its coal commitments.

The deficit has hit some countries harder than others. So far the ERP nations have fared better than such countries as Argentina and Spain. If shipments to the ERP group were to be spread evenly throughout the year, Britain should have delivered 2,900,000 by the end of May. Actual deliveries were just under two million, or two-thirds of the target. Non-ERP countries are much further behind. Using the same basis of calculation, they had received by the end of May only 30 per cent of what had been promised them.

* * *

Digging for Dollars

Mr Bevin has already emphasised the harm this does to his international bargaining power; but just as important is the additional dollar burden failure might throw on the dollar-famished ERP countries. During 1947—a year when British coal exports to Europe were negligible—these countries spent $570 million on American coal. One of the assumptions made at the Marshall Plan Conference in Paris last summer was that in 1948 western Europe would be able to cut coal imports from the United States. Early this year European experts estimated this cut at nine million tons—from nearly 34 million in 1947 to 25 million in the current year. Such a reduction would at current prices save ERP nations about $150 million.

The basis of this estimate was expectation of a continued increase in coal exports from Poland and the Ruhr and the fulfilment of Britain's coal export pledges. During 1947 deliveries from western Germany averaged 900,000 tons a month; this year they have shown an increase of just over 20 per cent. Polish coal exports to ERP nations in 1947 averaged 600,000 tons per month; so far this year they have shown a 67 per cent increase. Both areas will almost certainly fulfil the expectations of the European coal experts. Britain cannot afford to fall short in its first important contribution to ERP and the solution of Europe's dollar problem.

* * *

Uno, Jews and Arabs

Four out of the Big Five have agreed at Lake Success to an American resolution calling for action under Article 39 of the Charter, which is the Article that provides for stopping threats to peace, by force if necessary. Unfortunately, they have done so for divergent motives. The Americans and the French both have experience of supplying umpires, and are ready to augment their supplies; the British, in the pass things have reached, now see no other way out; the Russians seem anxious to commit the British and the Americans to taking action against the Arabs. China, the dissident Fifth, holds that to freeze matters as they now stand would be to produce a one-sided peace favourable to Israel. This is a fact, but the longer the fighting continues, the more irreversible it will become.

The Israelis are conscious of it, and show it by their faces and their very inflexions of voice. They have a fatal gift for irking even their well-wishers. The tones in which their representative at Lake Success—Mr Aubrey Eban, who is as fully as British a subject as is Brigadier Glubb—has been addressing the Security Council do not promise well for their future entry into the councils of the nations. But they know where they are going. They are arguing with confidence the two not exactly compatible points that the Arabs have committed aggression, and that the Jews are entitled to their winnings outside the boundaries that the Assembly assigned to them. Militarily, their forces are on the offensive and at an advantage, and this fact is reflected in Jewish voices and faces all over the world.

The Arabs are at sixes and sevens. A majority of them are hotheads who have listened to nothing but success stories and are still clamouring for war to the death. A few soberer minds perceive the dangers of the military situation, and hope to be able to engineer a resumption of the truce. This, presumably, was the thought in King Abdullah's mind when he quieted street demonstrators in Amman on Wednesday with the advice that "demonstrations have brought misery to Palestine. . . . I know what I am doing and I know my way. . . . If you want success you must obey." Rather naturally not all Arabs think like him, because not all stand to gain what he stands to gain out of a peaceful settlement. This fact, however, affords no excuse for the present irresponsible behaviour of Azzam Pasha, Secretary-General of the Arab League, who is speeding from capital to capital uttering war cries mixed with dark hints about the arms obtainable from "another Great Power" and prophecies of "surprising" consequences. His position and role have never been easy. He moves among kings, but without their powers. His present activities give the impression that he is striking out wildly in order to keep his own head above water.

The Arab League is to meet again this week-end. The agenda will be gloomy. Will the *de facto* situation be recognised? The odds are that it will not, for Arabs when roused to exaltation or disgust cast aside all material considerations. But, unless they start taking these into account, even their best friends cannot help them further.

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Kidnapped

Just over a week ago gunmen of Irgun Zvai Leumi raided the power-house in Jerusalem, and kidnapped five Britons who were at work there. They were Mr T. W. Bryant, the acting general manager of the Jerusalem Electric and Public Service Corporation, and four of its employees. Mr Bryant is also secretary of the British Community Council. The building, serving a vital need for all the inhabitants of Jerusalem, was under the flags of the United Nations and the three members of the truce commission, the U.S.A., France, and Belgium. The truce was still in force. The corporation, a British company, has a separate concession for the supply of electricity to Jerusalem and the surrounding area. The concessions which supply the rest of Palestine are Jewish. By heroic efforts, the staff of the corporation have kept Jerusalem going with a certain minimum of current throughout most of the past few months. But they were British-run and British-led, and for the Irgun, trying to regain some of its lost credit with the Zionist public, baiting the British is a form of self-advertisement which their experience under the Mandate suggests can be indulged in with impunity.

The mandate is ended, but nothing that has happened since the Irgun exploit suggests that things have changed. Mr Hector McNeil had no stronger words for it last Friday than "this incident," which he told the Commons that Sir Alexander Cadogan had been instructed to bring to the attention of the Security Council. This formally correct but all too mild reaction has had the consequences one might expect. The Irgun announced that they were going to try the five Britons for "espionage." Now, far from being concerned to show that they are really masters in Israel, the Tel Aviv government is reported as having let it be known that they were ready to compound with the act of banditry by taking delivery of the Britons themselves, for "trial" on some unknown charge.

The policy of turning the other cheek can be pushed too far. It is right for a Great Power not to be carried away by its passions, not to use violent methods where quiet ones will do, but a government has a duty to its citizens in circumstances where they have every right to its protection. The British Government still has means to enforce respect for its nationals legitimately and peacefully occupied in Palestine, and the United Nations, as its past record shows, will do nothing that Britain does not do for itself. There are five British public servants to be rescued, and their instant and unconditional release should be demanded in language which even the Irgun will understand. If, as has happened in the past, the Israeli authorities are ready to deplore the action but unready to call the Irgun to heel, the deduction is that they have not full control within their frontiers, and that Israel is in no fit state to be "recognised" by any foreign government.

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A Brake on Men Teachers

As announced last Sunday the decision to delay the training of 10,000 men who have applied to enter the teaching profession came as a shock. Few people have realised the success of the recruiting campaign for men teachers, and many remember the creaks and groans with which the emergency training scheme got under way in 1945 and 1946, and the many tales of hardship and delay which were then current. Most of the mechanical difficulties were overcome in time, and very few complaints of red tape have been heard for the past eighteen months. Nevertheless this apparent calm has masked many individual stories of hardship and uncertainty. Acceptance for training has usually necessitated a long wait, which has been fitted in by whatever temporary job the applicant could find; this period of waiting is now to be prolonged another six to twelve months. Disappointment will be acute, and many men will now give up the whole attempt in despair.

The reason for the change in plans is the shortage of women teachers, for whom a big recruiting campaign is starting. Men's emergency training colleges are to be turned over to training women teachers, mainly for the infant and junior classes where they are urgently needed. But the shortage was seen to be coming a year or more ago. Indeed, the divergent trends in the birth rate and in the supply of women volunteering for teaching should have been visible to the Ministry of Education by the end of 1946. Why has action been so belated?

* * *

War Pensions

There were two points at issue in the adjournment debate last week on the pensions paid to those disabled by war service. The first was whether the amount of the pension was adequate. The second was whether war pensions should be brought into line with disability pensions paid under the new industrial injuries scheme.

On the first point, it was argued that the rise in the cost of living and in wages justified an increase in the basic pension of 45s. a week for a war pensioner whose disability is assessed at 100 per cent. The argument is logical. On the other hand, it is always dangerous to claim that pensions, whose chief virtue is that they are a certain, regular source of income, should be related to something so fluctuating as the cost of living or wages. Rightly or wrongly, the Royal Warrant lays down that the basis of a pension is not compensation for loss of earnings, but compensation for disability—the comparison, that is, is not between what a man formerly earned and what he can earn after his disability, but between a normal fit person and a person suffering from a varying degree of disability. Only a minority of war pensioners are solely dependent on their pensions. Replying to the debate, Mr Marquand, the new Minister of Pensions, said that over 80 per cent of all war pensioners are at work, and that of those whose disability is assessed at 100 per cent—about 50,000 —40 per cent are at work. The very factor—inflation—that reduces the value of the war pension makes it much easier for pensioners to find employment. Since the total sum which the state can find for war pensions must have a limit somewhere, it is surely better to do what Mr Marquand claimed his Ministry was doing—concentrate on improving the position of those who are so severely disabled as to be unemployable. Any additional money which the state votes for war pensions would be better spent on increasing the unemployability and constant attendance allowances than on a general increase in the basic pension.

The second point was left in the air. The industrial injuries scheme is already very much in line with the war pensions scheme since it is based on it in almost every respect. But the miners now have a supplementary insurance scheme for their disabled which will give them £1 a week more than disabled soldiers, and Mr Marquand promised to consider how this will react on war pensions. If, however, war pensions are assimilated with industrial injury payments, it will put an end to any hope that disabled industrial injuries can ever be brought within the main national insurance scheme. The right course would be to leave war pensions alone, as deserving more generous treatment, and to try to bring—somehow, sometime—the two insurance schemes into line.

* * *

Dutch Elections and Indonesia

In changing the distribution of seats a little, the Dutch elections have not made the outcome of the constitutional dispute any easier to settle. The results show the government coalition of Catholic People's Party with 32 seats and Labour with 27 holding 59 seats out of 100, instead of 61 as in the previous parliament. The losers are Labour. The only other party to lose seats were the Communists, who dropped from 10 to 8; if Amsterdam is excluded, this represents a voting drop of 30 per cent. It was largely due to a loss of Communist following in the trades unions. In so far as any broad deduction can be drawn, the elections thus show a very slight shift to the Right.

The main issue behind the elections was Indonesia, and the need to alter its constitutional position in view of the existing and proposed status of the Indonesian Republic. The Beel cabinet's intention has been to construct a new constitutional framework into which the United States of Indonesia of the Linggadjati Agreement may be fitted when it is formed. To do this a constitutional bill was passed by a simple majority in the old parliament. Now, after elections have been held, a two-thirds majority is required in the new parliament to make it effective. That, however, means 67 government votes, when only 59 are certain. Consequently interest centres on whether the government will broaden its basis to carry this through. The difficulty is the slight gain by the Right-wing opposition parties, who, of course, oppose the Government's Indonesian policy, coupled with the known intransigence of Labour.

With the Brussels Pact likely to be much in the public eye in the next few weeks, it is worth remembering that the elections have stirred up some of the anti-British feeling which the subject of Indonesia always raises. This take two forms: memories of the six weeks' delay in re-occupying Java and Sumatra after the Japanese withdrawal in 1945, for which the British were blamed, and resentment at the embargo on arms for the Dutch forces in Indonesia imposed by London last year. However, the irritation caused by this regrettable thorn in the side of Western Union is now partly soothed by stories in the Dutch press of British difficulties in Malaya. The Dutch are wondering what difference there is between police action against Indonesians and Spitfires strafing Chinese in the Malayan jungle.

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Letters to the Editor

Science and Planning

SIR,—On page 6 of *The Economist* for July 3rd your correspondent writes of the doctrines that "pure" science is worthless, that science does not exist for its own sake, and that all scientific research should be organised according to a master plan. It is then stated that the spread of these doctrines throughout the thirties may be traced in the Reports of the British Association.

Lest this may be construed by your readers as meaning that the British Association supports and advocates such doctrines I should be glad if you would publish a disclaimer. The British Association provides an open platform for the discussion of science, and views of the kind mentioned may have been reported in the proceedings of the Association; but the Association does not accept responsibility for the views expressed by individual members at its meetings and the policy of the Association is not based on the doctrines referred to by your correspondent.—Yours faithfully,

D. N. LOWE, Secretary,
British Association for the Advancement of Science

Burlington House, W.1

The World and the Dollar

SIR,—Your articles are interesting not only for what they say but for what they leave out. Their argument seems to lead irresistibly to the position that if the United States wants to sell goods to Europe without lending the wherewithal to buy them, the dollar will have to be given a lower value in terms of European currencies (in other words, the goods will have to be cheaper). Yet this possible expedient is not even mentioned by your contributor. Mr Hawtrey, in recent letters to *The Times*, has put the case for raising the dollar value of the pound, and has dealt with some of the arguments against this course. Obviously there is material for discussion. One would like to know why, in a series of articles in *The Economist* purporting to deal with the dollar problem comprehensively, the case for raising dollar values of the pound and other currencies is not so much rejected as ignored.—Yours faithfully, MYRA CURTIS

Newnham College, Cambridge

[Mr. Hawtrey's arguments—so far as we understand them (which is not very far)—relate to the immediate position, in which dangers are to be apprehended from inflation in the United States. Our articles were concerned, as they frequently stated, with the longer-term prospect after the Marshall Plan is over. We considered the effect of a *lowering* of the dollar value of sterling and other currencies, but it never occurred to us to consider an *increase*. If the long-term problem is that, in a relatively free market, the United States will always tend to sell more to the rest of the world than it buys from the rest of the world, how could a *fall* in the dollar—which would make the world want to buy still more from America and enable it to sell still less—conceivably do anything but make the problem worse?—EDITOR.]

SIR,—Your timely article on the necessity for putting across to the Americans the need for a measure of European discrimination might have also made the following point. Such discrimination was made inevitable the moment the Bretton Woods agreement was signed, for the only way multilateral, non-discriminating trade could in the present circumstances be carried on in the way desired across the Atlantic would be within a system of freely fluctuating international exchange rates. Such a system, agreed by the Americans as much as anyone to be impractical and undesirable, is nevertheless a logical complement to their economic ideal and would, through a general fall of European currencies in the face of the dollar, render US export prices so high to European buyers as to cut foreign purchases of American products far more effectively than the degree of discrimination now impending.—Yours faithfully, A. JOHN WHITESIDE

Rickmansworth

SIR,—Your article "The Need to Discriminate" in the issue of July 10th concludes that Europe "must . . . do painfully by . . . discriminating what could once be left to unfettered free trade," on the grounds that "dollar shortage plus non-discrimination means a throttling of world trade."

Discrimination in accordance with internationally agreed rules may, as you suggest, be the proper remedy. You appear to suggest that it is the only conceivable solution, that the solution cannot nowadays "be left to unfettered free trade." The solution that would be produced in circumstances of unfettered free trade, including either free exchange rates or suitably fixed exchange rates, is an appreciation of the dollar relatively to other currencies sufficient to allow "Western Europe's trade with other parts of the world . . . to go ahead more rapidly than its trade with America can do."

Such an appreciation might not in all conceivable circumstances achieve this result, nor might it be necessarily desirable. It is as well, however, to recognise that the advocates of non-discrimination are not all quite so obtuse as an innocent reader of your article would suppose.—Yours faithfully,

F. J. ATKINSON

Jesus College, Oxford

Incentives for Housewives

SIR,—There is at the moment in Great Britain and Northern Ireland less than 2 per cent of unemployment, principally concentrated in a few pools; but in an active industrial area such as Birmingham and the Black Country the numbers registered as unemployed are down to 6,000 or so out of a total insured population of 850,000. The money paid for a five-day week comfortably exceeds the sum required to buy the accustomed physical and conventional necessities of life, and overtime is (or was) penalised by the high rate at which tax is levied on additional earnings. The wage earner has a secure job, plenty of money, and certainly sufficient after covering his artificially lowered cost of living to provide him with all his simple pleasures—smokes, beer, a flutter on the dogs and Saturday mornings free to follow (in a coach) the fortunes of the team he fancies to their out-of-town engagements.

The root of the problem of the incentive to work may lie just in this: that the ordinary Briton's pleasures are all too simple and all too easily satisfied. In this he is singularly unlike his North American opposite, who is driven to work by an infinity of insatiable and expensive desires—with consequences to the gross national product of the United States which all the world may see and admire.

Our circumstances could certainly be improved by harder and longer work on the part of paterfamilias. But, in so far as he does not and will not so do, shortages continue, and it is upon the housewife that the burden of dealing with them principally falls. It would not, indeed, be more than a pardonable exaggeration to say that the five-day week is being made possible by the willingness of our women to forgo those improvements in the material standard of life which could be bought at the cost of additional effort by their menfolk and to add queues, mending and making-do to their prolonged and unpaid labours in the home at a time when men are working shorter hours and earning more money than ever before.

Sir, we must look to the wives. The usual English kitchen, relegated as a rule to the back premises, is badly planned, often ill-lit and lacking in almost every modern convenience. The conditions under which a housewife works offend every principle of industrial welfare and motion study. Our domestic offices remain one of the last strongholds of unassisted and inefficiently applied handwork, an unenviable distinction which they share with the older coal pits. Can we not persuade housewives to demand, not necessarily payment for their services (though this would help), but a little thought for the layout of their kitchens, a lick of paint and a reasonable provision of mechanical equipment to lighten the never-ending tasks of housework? The British working man complains that the horsepower and machinery at his disposal falls far short of the standards set by North American industry—but his wife can with even more justice make exactly the same point about her kitchen!

If the English wife could be induced to insist upon the quantity and quality of mechanical aids which are in common use in North America, her husband's demand for income would soon rise. His incentive to work and earn would be correspondingly strengthened and our problem rapidly resolved. Of course, Sir, a demand from the housewife for more machinery as a preliminary no doubt to a claim for shorter hours and improved conditions of domestic work will be resisted by reactionary husbands exactly as their own demands in the past were resisted by hard-bitten and unsympathetic employers. Women may have to resort to direct action to coerce the recalcitrant male. But there need not necessarily be a strike. Lysistrata deployed forces vastly more formidable!—Yours faithfully,

GILBERT WALKER

University of Birmingham

From *The Economist* of 1848

July 15, 1848

THE TENANT OF WILDFELL HALL. By ACTON BELL. T. C. Newby, Mortimer Street, Cavendish Square

IT was said when "Jane Eyre" appeared, that this charming novel was written by a lady; we never believed, nor wished to believe it, for some of its peculiarities, which were called faults by many, and a little objectionable by most readers, but which were far outweighed by the interest of the story, and overlooked if supposed to issue from the pen of a man, would have been odious in the writings of a woman. Some months later, a second novel, by a "Bell," though with a different prenom, "Wuthering Heights," was currently attributed to the author of "Jane Eyre"; and now we have "The Tenant of Wildfell Hall" by a third "Bell," and they all seem to belong to one family. "Wuthering Heights" certainly possessed all the faults of "Jane Eyre," but in a more aggravated form, and had none of its beautiful freshness. It was sometimes striking and certainly never commonplace, but it was not agreeable. The plot of "The Tenant of Wildfell Hall," like the characters, come nearer "Wuthering Heights" than "Jane Eyre." It might be all true, yet it is not the less objectionable. Wilful, unthinking young ladies, who love and marry young handsome rakes, in despite of the advice of their friends, who find themselves introduced to worse than doubtful society, and placed in situations revolting to their feelings and degrading to their character, are frequently met with in the world, but they are not suitable heroines for novels, still less are the scenes and the language appropriate to such situations fit to be introduced in the pages of a book intended for the perusal of young persons of either sex. . . .

THE WORLD OVERSEAS

Food From Eastern Europe—I

(From a Special Correspondent)

THE suspicion is spreading that estimates of the contribution in food that may be made by Eastern Europe to the economic recovery of the West have been too hopeful. It has become important to consider whether the former pattern of trade in Europe will or can be restored to any large extent. Even before the war, the European economy, taken by itself, was in disequilibrium. Its industrial production was too great, and its agricultural production too small, and it was necessary to call in the New World to redress the balance of the Old. Had it not been for the peasants of Eastern Europe this disequilibrium would have been greater still, for it was from East Prussia, Poland, Hungary and the Balkans that Western Europe drew a large part of its food, and to these countries it sent a large part of its industrial products. Alone among Eastern European countries Czechoslovakia could lay some claim to being regarded as industrial; but even here imports of food and beverages amounted to 1,706 million crowns in 1937, while exports of food and beverages totalled 978 million crowns.

Taking the other countries singly: Poland imported virtually no food in 1936, but exported 392 million zlotys' worth out of a total of nearly 1,200 million zlotys; Hungary's agricultural production, valued in 1938 at over 10,000 million forints, was sufficient to supply all the needs of the country, and make up about 35 per cent of the country's exports; Rumania in 1937 exported nearly 9,000,000 tons of agricultural products more than she imported; Bulgaria had agricultural exports in 1937 valued at 4,728 million leva compared with imports of 36 million leva; while in Jugoslavia the average annual agricultural exports, between 1933 and 1937 were 61 per cent of total exports, agricultural imports for the same period averaging only 5.2 per cent of the total imports.

A further producing area of importance was the area east of the Oder-Neisse line. This district was able to send 1 to 1½ million tons of flour equivalents to the Western Zones of Germany, in addition to meeting all its own requirements.

The supplies that came westward from these sources have now either been cut off altogether or drastically curtailed. The causes of this fall under two headings—physical and political. The former, broadly speaking, are non-recurrent. In particular they are the unfavourable weather of the last three years, the movement of populations caused by the war, and the destruction of livestock, machinery and buildings which took place during the German retreat. The political causes are more enduring, and arise in part from the strengthening of economic ties between the Soviet Union and the countries of Eastern Europe, and in part from the natural antagonism between peasant agriculture and Communism. Both causes are reflected in the plans that these countries have made for their agriculture, plans that have certain objectives in common even if their methods differ.

Poland in common with the other eastern European countries has a published economic plan; but, so far as agriculture is concerned, its economy is the nearest approach to nineteenth century *laisser-faire* that one is likely to find in Europe. The Polish farmer is free to grow any crops that he likes and to dispose of them in whatever way seems to him most profitable—although some of this freedom is more apparent than real owing to the virtual monopoly in some spheres of the co-operative marketing organisation. For certain crops such as flax and sugar beet, he may make contracts with local factories; but no compulsion is placed on him to make these contracts; he is guided entirely by whether he thinks the price offered is sufficiently attractive. Last year, for instance, insufficient flax was grown to meet the state's requirements; but, instead of fixing a flax quota for every district or farm—as those used to Western democratic procedure might have expected—the only step taken by the Polish Government was to increase the contract price of flax four-fold, with highly satisfactory results.

In spite of this lack of control there is a direction in which the Polish Government wishes to guide agricultural production, and that is towards the increased cultivation of industrial crops and livestock products. The low wages prevailing make it impossible for the industrial worker to pay the high prices needed to encourage the farmer to enlarge his head of livestock. But the demand is supplied by the Government, which is a willing buyer for the export market, at prices sufficiently high to give the farmer the incentive he requires. The Government is thus in effect competing with its own workers for agricultural produce, and because it has the power to keep wages low it is able to outbid the worker. So the farmer finds it more profitable to process his grain into bacon and eggs for export to England than to sell it in its natural state to the miller. How far the Government has succeeded by these means in encouraging the production of livestock at the expense of grains for direct human consumption can be seen by the fact that Poland has undertaken to export to Britain 14,000 tons of bacon, 250,000 boxes of eggs and 3,000 tons of poultry in the twelve months covered by the latest trade agreement. In point of fact, rather too much grain was used for animal feeding, and it was found necessary to import 600,000 tons of grain from Russia in order to meet Poland's bread requirements.

Poland is going ahead fast with its agricultural expansion, and the retarding effect of land reform is being minimised by the Government's policy of retaining as state farms a large proportion of the estates acquired from dispossessed owners. The former German territories are also being resettled, partly with families from Central Poland, and partly with refugees from the East. All of the most fertile land is already cultivated, and in a few years not only will every field be ploughed, but yield per acre will rise

as the new farmers become accustomed to the soil. Although Western Europe is likely to benefit from this increased production, it is already clear that most of Poland's food exports will be expensive processed products with little, if any, grain.

(To be continued)

What is Wrong with Malaya?

[FROM A CORRESPONDENT IN SINGAPORE]

THAT insurgents are causing immense trouble as well as damage and loss of life is notorious. Why they have been able to attain such a high nuisance value is a question of even greater importance. At the moment these insurgents—they should be called insurgents, for though they include professional gangsters they are more than a collection of bandits—number less than ten thousand, of whom perhaps less than half are armed. Their headquarters and habitation are in the jungle. Malaya is a ridge of land with a high backbone under dense tropical jungle. The lower ribs, cleared and fertile along the coastal plains, produce all the great dollar-getting wealth. In this backbone, travel is difficult but it is easy for lightly armed men to establish their camp and to strike widely where they will. To extirpate such men requires determination and continued effort. The insurgents have mobilised and are calling in Communist sympathisers, gangsters, survivors of the old Malayan Anti-Japanese People's Army, guerillas from the war and discontented men who are bored with civil life, and join up as to the cave of Adullam. The ordinary Malayan wants to know why what has been done against them is so little and so late. They can be dealt with by a planned effort of the Civilian Government and the Services. Their numbers are small and they dwell uneasily in tropical rain-forest. Serious though their activities are, they have not materially lowered production, and the local stock market shows no symptoms of alarm. The chief mistake will be to underrate them. They must be suppressed now, so that periodic recurrence of like insurgence will not be possible.

Government Without Ideas

That they were allowed to exist and expand is due to administrative failure. The administration is over-strained, over-loaded, and over-confident. A civilisation depends on a creative minority leading uncreative masses. The uncreative masses accept and follow the leadership. When the leadership fails, when the piper has lost his magic and can no longer conjure the feet of the multitude to follow in joyful dance, he is apt to convert himself into a drill sergeant or into a slave-driver, and to coerce by force the multitude that no longer responds to his old magnetic charm. In Malaya a creative minority of Europeans, Malays, Chinese and Indians in little more than two generations turned Malaya from a wilderness into a land of peace and plenty. The inspiration of the creative minority grew dim, and from being a creative minority it became a dominant minority which maintained by force a position that it had ceased to merit.

The liberation of Malaya saw a rapturous welcome to the returning Government but there were significant areas where bands of guerillas proclaimed a small republic. The incoming Government had few ideas and those it had were as unimaginative as red tape could make them. A pullulation of departments and files of officials caring nothing for the colourful *sarong* and *baju* of the country, clothed it in the utility garments of ready-made and mass-produced policies.

The policies had to be sold. They were not attractive, and large central offices worked overtime to pass the necessary legislation. The laws were duly enacted but the planter and the miner and the peasant and the trader were forgotten. The laws existed but no staff executed them. Administration bogged down and was regarded as of little authority. Land settlement fell into appalling arrears; prices soared while price-control officials submitted reports; tuberculosis increased alarmingly while a housing and hospital programme scarcely emerged from the blue-print stage; crime increased while the police were not recruited to establishment.

The policies were sound enough but they were as unattractive as unleavened bread. They will eventually be adopted but at the moment they have to be imposed from above and have struck no root.

Need for a New Raffles

The situation in Malaya will deteriorate and it is necessary for prolonged and concerted action to be taken against the insurgents. It will deteriorate still more unless a wise and far-seeing administrator like Raffles can be found who will restore confidence by a policy easily recognisable as just, firm, intelligible and farsighted.

Even in Singapore, where administration in a compacter area has kept closer contact with realities, the housing situation is appalling. The Singapore Annual Report states that most of the poorer classes live within one thousand acres in the city. In some blocks the density of the population is over one thousand persons per acre. Those who cannot share rooms live underneath stairways or in cubicles without direct contact with the open air. The dirt and stench are appalling. . . . "A goodly apple rotten at the core."

Action is being taken. Funds subscribed to the Princess Elizabeth Wedding Fund were devoted to house-building, but the drive to build must acquire a dynamic even greater than the anti-insurgent drive. The insurgents are mobilised and mobile, and their terrorism will increase. It must be conquered by force, but it can be countered only by the efficient administration of social reform. Malaya has taken on far too many liabilities and suffers from acute indigestion. Reforms must be translated from Secretariat plans to practical execution.

Rivalries in Macedonia

[BY A CORRESPONDENT]

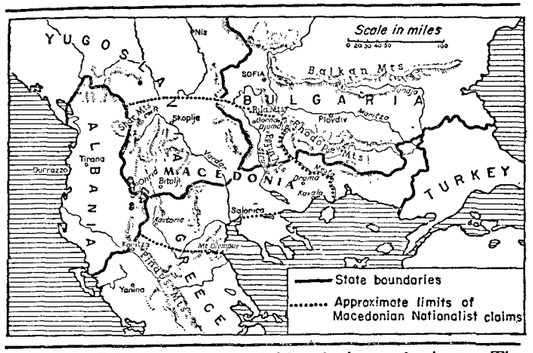
EVEN before the outbreak of the Tito-Cominform quarrel several articles in the Jugoslav press and speeches by prominent Jugoslav Macedonian politicians (Vice-President Vlahov and Macedonian Premier Kulishevsky) attacking the Government of Bulgaria, had shown that relations between the Republics of Tito and Dimitrov were still not free from all friction, and that Macedonia, for so long the most coveted of all Balkan apples of discord, had not yet lost its power to confuse and to embroil.

"Macedonia" has had different meanings in different periods of history, but can be most conveniently described as the central part of the European territory still left to the Ottoman Empire by the 1878 Congress of Berlin. Its approximate boundaries are shown on the attached map, and its centre is the valley of the Vardar. Its ethnical composition is so confused as to give French cooks a word for fruit salads. The territorial settlements of 1913, 1918 and 1944 have confirmed its division between the three Balkan neighbour states. The three divisions are sometimes known as "Vardar" (Jugoslav), "Pirin" (Bulgarian) and "Aegean" (Greek).

Three main conflicts have existed within Macedonia during the present century—Christian against Moslem, Slav against Greek, and Slav against Slav. The first was greatly reduced by the expulsion of the Turks in 1912, but survives to some extent in the distrust of the Slavs and Greeks towards the Albanian minority. The bitter attack by the Albanian Government on Tito is good proof of this. The second conflict is as strong as ever, and has been made the more dangerous by the fact that the frontiers of Jugoslavia and Bulgaria with Greece are also the southern land frontiers of Soviet Europe. The third is more complicated and requires analysis.

The Macedonian Slavs speak various dialects which differ from both Bulgarian and Serbian but are much nearer to the former than to the latter. For the last forty years there have been three nationalist tendencies among them—Greater Bulgarian, Greater Serb, and Macedonian Autonomist. Under Serbia (1912-1915) and Jugoslavia (1918-1941) bureaucrats, merchants and schoolteachers sent from Belgrade exploited Macedonia as a Serbian colony and called its people "South Serbs." Those who objected received short shrift. Under Bulgaria (1915-1918 and 1941-1944) a similar policy was pursued, with no less brutal methods but with rather more local support, by the emissaries of Sofia. After thirty years of such treatment, there was a genuine desire among Macedonians not to be a colony of either country, but to rule themselves. The movement for "Macedonian nationality" had a genuine local tradition going back to the popular revolt of 1903 against the Turks. Macedonian nationality and autonomy had also been supported by the Jugoslav Communists and by the Comintern since 1919. Therefore the victory of Tito inevitably brought a reorganisation of Jugoslavia into a pseudo-federation of the Soviet type, one of whose six constituent republics was Macedonia.

The practical value of this pseudo-federal status is a little uncertain, but there is no doubt that it was well received by the Macedonians, that it released a great deal of pent-up Macedonian nationalist energy, and that this caused embarrassment to the Belgrade government. For the Macedonian leaders began to cast hungry eyes not only towards Greece but also to "Pirin Macedonia," which since 1913 has "groaned under the Bulgarian yoke." In Belgrade, good relations with Sofia have a high priority, but in Skoplje (capital of Jugoslavia's "Macedonian People's Republic") the "unity of Macedonia" comes before all else.



At first, Belgrade discouraged Macedonian enthusiasm. The first President of the "Macedonian People's Assembly," Antonov-Chento, was accused of intriguing with Vanche Mihailov, a former tool of Fascist Italy and organiser of the assassination in 1934 of King Alexander of Jugoslavia. It was suggested that Mihailov, who disappeared at the end of the war, is now being groomed for the role of Macedonian quisling of the Western Imperialist Powers. But Belgrade cannot afford to antagonise the Macedonians, whose help is essential in the plans for the disruption or invasion of Greece. In the new outbreak of polemics between Skoplje and Sofia, Belgrade were therefore silent. Skoplje's accusation against Dimitrov's government was that it is tolerating the activity of "anti-popular" elements who hope, with the aid of the same versatile Western Imperialists, to reincorporate "Vardar Macedonia" in Bulgaria, and are meanwhile oppressing the "Pirin Macedonians," forcing them to call themselves Bulgarians.

This quarrel would in any case have been an obstacle to immediate realisation of a Jugoslav-Bulgarian Federation, which Dimitrov (in an interview in Warsaw to the United Press on June 2nd) has repeated as his aim. Until recently, one would have expected that disputes of this kind would be overcome within the framework of the Cominform—with such kind advice and pressure from Moscow as may be needed. Besides, Jugoslav-Bulgarian unity was never more than a step towards the greater goal of a Balkan Federation, to include a "democratic Greece" under Mr Zahariades and General Markos. Care will have to be taken not to offend the patriotic feelings of those Greeks whom it is still hoped to win over to the "New Popular Democracy." The incorporation of all Greece, with Crete and the islands, in the Soviet *bloc* is a great prize, for which the Cominform will be prepared to make sacrifices and to wait. Until it is secured, quarrels between Slavs about Macedonia will not be allowed to go far.

The Cominform's denunciation of Tito makes these issues more real than ever. The discrediting of Jugoslav nationalism in Moscow's eyes may help the Communist cause in Greece. It is understandable that Markos has lined up with the Cominform, though that may cost him valuable help from Belgrade. On the other hand, the wriggling of the Bulgarian Communist Party is explained by unwillingness to quarrel with Belgrade and opportunity to gain support at home by resisting Jugoslav territorial claims. In any case, the gainer from all these quarrels can only be the Greek Government.

Spain and Marshall Aid

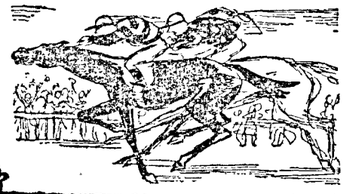
[BY A SPANISH CORRESPONDENT]

AT least for the time being, Spain has been left out of the European Recovery Programme. Yet no other Western country in Europe needs help more. Spanish recovery is not only stagnating, but even the present low standard of living of the Spanish people is threatened. Agricultural production in 1947 was lower

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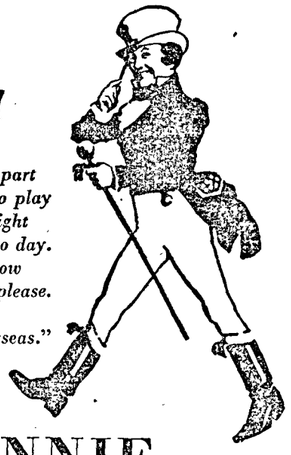
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than in 1946, except for wine and olive oil. Industrial output was barely above that of the previous year, the official index for 1947 showing 134.1 (1940—100) against 133.2 for 1946. And the balance of overseas payments has not recovered from the drop in exports, which took place when Spanish raw materials were no longer needed for military purposes after the war.

A new development since the autumn of 1947 has been the monetary policy of the Bank of Spain. Credit has been restricted by increasing the bank rate, establishing minimum reserves of government securities against bank deposits, and penalising all forms of private credit. One result of this has been to put an end to the boom on the stock exchange, which reached its peak in April. Since then the value of industrial shares has been reduced by nearly half, and dearer money has compelled many firms, lacking funds for development, to issue debentures at 4½ per cent and more.

This rise in the interest rate has been accompanied by a general expectation that prices would fall, which has in turn led to diminished activity in certain industries. Patches of unemployment are already beginning to appear. At the same time the main danger still probably lies ahead. On the one hand, the government has raised the controlled maximum prices of coal, iron ore, cement, pig iron, steel and railway rates. And, on the other, it has done nothing to revise its financial policy in the realm of public expenditure. Nor has any attention yet been paid to the national wages policy, which is in need of a thorough overhaul. All this means that the main springs of inflation have been left active, and the only result so far has been that the state has benefited at the expense of the nation's general economy.

In view of its difficulties, the government received with joy, not unmingled with surprise, the vote of the United States House of Representatives, at the end of March, proposing to include Spain in Marshall aid. The hopes which this vote raised were as quickly dispelled when President Truman had it reversed. But the reaction of some critics of the regime was to share the government's disappointment, though for different reasons. They had hoped that outside financial help and economic co-operation with western Europe might have permitted Madrid to relax. An air of liberty might have filtered across the frontiers, even if only in small quantities.

Argentina to the Rescue

When Marshall aid was refused, Franco hastened to conclude a new Trade Agreement with the Argentine as a substitute. Known as the Franco-Peron Protocol, this contained little new in the way of Spanish imports from Argentina, except the fact that they were ensured on credit for another four years. The Protocol, however, did contain a novelty on the Spanish side, the leasing of a free zone in Cadiz and the granting of similar facilities in Barcelona and other ports. Further, the currency proceeds of Spanish imports from Argentina were to be invested in Spanish firms, either already existing or to be formed. The criticism of the Protocol is that it is not easy to see how exports of railway rolling stock, and other capital equipment, are to take place without seriously detracting from the greatly needed reconstruction at home. Wheat and meat cannot replace coal and iron in building up a higher output from heavy industry.

The process of open inflation and the difficulty of balancing overseas payments have long been recognised both in Spain and abroad. But it is only recently that the even more fundamental problem of the obsolescence of capital equipment has been given its full due. Accidents and delays on the railways have now served to draw increasing attention to it. In other industries, deterioration of quality and higher real costs have been masked by inflation, and by the relative isolation of the Spanish economy.

Spanish needs, that have to be covered in the main with foreign help, are those of agriculture and the key industries; here investment ever since the civil war has been less than necessary even to meet replacement requirements. Fertilisers, draught cattle, tractors, coal and scrap iron are by common consent the most urgently needed imports. The lack of fertilisers—mainly nitrogenous—and of agricultural machinery have played an important part in reducing crops since 1939. In contrast, the population has increased during that time by ten per cent. The result is that to recover the level of pre-civil war days would only be a first step. Yet, so long as the safety valve of emigration remains practically closed, as it is at present, the shortages are bound to remain until major changes are effected in the technique of Spanish agriculture.

Worn-out Equipment

Increased imports of coal and scrap iron would enable heavy industry to work at full capacity, doubling, that is, the present meagre output of something less than 600,000 tons of steel. At present, the supplies of coal to be obtained by Spain, under the Agreements made recently with the British and the French, will help the railways but will not make much difference to the metallurgical industry. But even small increases in supplies of steel to the Spanish engineering industry may make a considerable difference in replacing worn out and obsolete equipment. Other priority requirements are the completion of hydro-electric power stations, and of plants built since the civil war to produce nitrogen fertilisers and artificial fibres.

It is evident that Spanish import needs can only be met by means of loans from foreign countries. In this connection a great deal is said about private credits to Spain; but it is most doubtful whether any loans of this sort could be large enough to affect the issue. What is needed is foreign help on the scale of Marshall aid. At the same time foreign loans without some overhaul of internal economic policy would probably be wasted. The points which receive attention in public utterances are a reduction of military expenditure, economies in the public administration—including the autonomous public bodies which have been a feature of the regime's economic policy—and revision of the amount of investment started by the National Institute of Industry. And a new wages policy is required, first, to stabilise the cost of living, and second, to re-establish the incentive to work.

The blunders that have been committed in the conduct of economic affairs are perhaps inseparable from any strongly controlled economy in which there is no free discussion, whatever the label one may put on the present political system. The absence of unified purpose and of logical consistency in economic policy are not the least peculiar features of the Spanish situation. The recognition of such errors goes back a long way, but only recently has it had much publicity.

What needs special attention is the fundamental problem of the high costs of production in Spain, which cripple exports and reduce the standard of living. So long as this is not tackled, the Spanish economy cannot be adjusted to fit within the framework of any economic region, whether Western Union or anything else.



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Foreign Trade in Transition

(From Our US Editorial Staff)

AMERICAN merchandise imports reached a record level in the first quarter of 1948, exceeding the last three months of 1947 by 16 per cent. In April they dipped sharply, to a figure 21 per cent under the March peak, following an earlier, and smaller, drop in the index of domestic industrial production. In May imports righted themselves again and turned slightly up. Through all these undulations, however, and through the twelve months which preceded them, the volume of American purchases from abroad was still much less than might have been expected from the prewar relationship between imports and industrial production. It has been estimated, for example, that if 1935-1939 patterns had been restored, imports in 1947 would have reached $10 billion, instead of the actual $5.7 billion. And yet agreement is general that in the long run the economic health of the world demands an increase in American imports far greater even than that indicated by prewar standards. The European Recovery Programme assumed that in the first year imports from the participating countries would increase by 40 per cent over 1947; the rise in the first quarter was approximately 30 per cent.

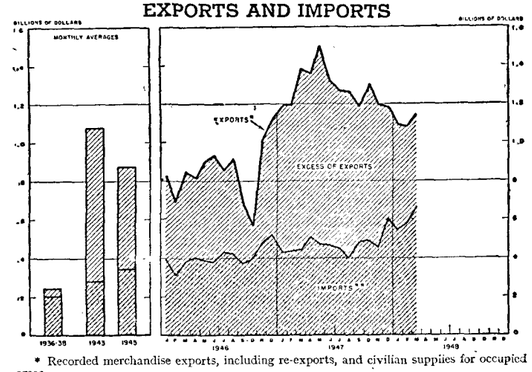
Exports for the first quarter were 5 per cent below the fourth quarter of last year and 16 per cent below the postwar high reached in the second quarter of 1947; they declined again in April and May after a temporary jog upward in March. At an annual rate of $13.2 billion in the first quarter, however, they were still far in excess of any peacetime year prior to 1947 and, in relation to the flow of imports, they were excessive by prewar standards. In this perspective, if imports are high, exports are still higher. Nevertheless, because of the difference in direction of change for the two, the gap for the first quarter narrowed to an annual rate of $6 billion, in contrast to the rate of $10 billion which was reached during the second quarter of 1947. The gap was somewhat wider again in April and May, since imports fell more than exports during those months.

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Thus progress toward a more normal and salutary balance is made by taking two steps forward and one backward. Perhaps one-third of the first quarter rise in the value of imports was accounted for by an increase in prices. The remainder can be explained by a variety of factors. The high level of American business activity has been important, and the recent reinforcement of the inflationary boom should help to maintain or increase imports over the next year. Some of the current increase is explained by the pressure on foreign suppliers to sell, and their greater ability to do so as their productive machinery creaks slowly into operation. But the import totals are still restricted by European inability to produce. Prewar Europe provided about 30 per cent of American commodity purchases from overseas; in 1947 the figure was only 15 per cent, and the first quarter of 1948 showed no improvement. The tariff concessions made in January have as yet produced little effect except, perhaps, in the case of wool imports. The inability of foreign countries to export is infinitely more important in an era when domestic demand approaches insatiability for many items. This condition and the January reductions mean that the extension of the Reciprocal Trade Agreements Act with modifications and for one year only, should have no immediate effects for good or for evil, especially since no major negotiations are pending.

The chief factor in the decline of exports has been the exhaustion of foreign gold and dollar reserves which financed 23 per cent of American exports of goods and services in 1947, but only 8 per cent in the first quarter of this year. The difference was made up, but only partially, by an expansion in the use of US Government loans and grants, including the last drawing on the British loan, interim aid, and increases in civilian supplies for occupied countries. Here again, the fundamental problem is not a shortage of dollars, but of goods. The shortage of foreign means of payment is the obverse side of America's deficiency in imports. Both arise from the limitations on productive capacity abroad. Nor are non-commodity items in the balance of payments likely to right the difficulty. For example, although American tourist expenditures in 1947 were the highest in history, these were spent in nearby areas rather than in Europe, which had the greatest need for additional means of payment. Furthermore, not all of the funds flowing to other countries were freely available for the most pressing needs. Funds available to foreigners in the first

EXPORTS AND IMPORTS



* Recorded merchandise exports, including re-exports, and civilian supplies for occupied areas.
** Recorded general merchandise imports.
Sources: *Department of Commerce, Department of the Army, and Department of the Navy. Council of Economic Advisers.*

quarter appeared to exceed by a sizeable amount their actual payments to the United States on known merchandise, service and capital transactions. This discrepancy might possibly indicate a flight of capital; in any case these unrecorded transactions are one further symptom of international financial disequilibrium.

The commodity and geographical patterns of imports and exports reflect the distortions of the reconstruction period through which the world is now passing, as well as longer-run trends which are just becoming apparent. In imports, the effects of war are evident in the relatively small amounts of finished products coming from Europe. The high American paycheck as well as higher prices explain coffee imports more than six times as large as in 1940. The using up of natural resources during the war, together with the urge for the open road and the convenience of oil heating, lie behind a more than five-fold expansion in the value of petroleum imports. Conversely, the failure of rubber imports to expand in volume indicates difficulties ahead for the eastern rubber-producing areas as the result of the development of synthetics. Silk-producing areas already know what this means. Associated with these shifts, there has been a marked increase in the pro-

portion of American imports coming from Central and South America, and from *Australia and New Zealand*.

The distribution of exports has been affected by the efforts of European countries to husband their resources. The largest cuts in the first quarter were in such products as coal, dairy products, tobacco, paper, steel mill products, industrial chemicals and copper products. These are for the most part the commodities which are becoming more available in Europe, or are subject to import restrictions to conserve dollars. At the present time it is estimated that about 50 per cent of all exports, excluding those to Canada, will come under the European Recovery Programme, but the effects of the control which this will involve are not yet apparent.

In short, the international accounts of the United States register clearly the confused state of a world which is in a transitional state, halfway between war and peace, a world where gold flows and government loans once again, as in the 1920s, provide a precarious and uncertain substitute for that balanced expansion of world trade which is a very distant goal. No one believes it possible—or even desirable—to reach such a goal immediately. ERP would be undermined, for example, if the participating countries forced exports to the United States at the expense of needed domestic rebuilding. But many believe there is still danger that the transitional state may become the permanent one and that the goal may be lost sight of on the way. Not the least of the dangers is the possibility that long-needed permanent tariff reform may be postponed indefinitely, using as an excuse the *valid fact*, but *invalid argument*, that this is not the worm at the core of the world's present difficulties.

Warren of California

[FROM A CORRESPONDENT IN SAN FRANCISCO]

By all signs, the popular enthusiasm for Governor Warren in his native State, far exceeding that felt for Mr Dewey, will ensure that California's 25 votes in the electoral college—almost one-tenth of the 266 which the winning ticket will need—go to the Republicans in November. There has been no such swing to the Republicans since 1928, but California seems safe for Dewey and Warren, in spite of the fact that the State's 4,633,129 registered voters are nearly 60 per cent Democratic by formal affiliation. President Truman's chances are estimated by the poll-takers today at less than 40 per cent of the State's vote and Mr Henry Wallace's at around 14 per cent. The remaining 46 per cent, given to the Dewey-Warren team, would be enough and to spare.

With any other running-mate but Mr Warren, except possibly Mr Stassen, Mr Dewey's ability to carry California against Mr Truman might have been doubtful, even with the Democrats weakened by Mr Wallace's independent campaign. But Mr Warren is a powerful vote-getter. This is the first time he has run for national office, but he has never been defeated in California. In the opinion of local observers, his undisputed political mastery in his own State rests not so much on the exertions of his machine as on the force of his character, the progressiveness of his attitude and policy, the attraction of his personality, and the soundness of his sense of timing in political manœuvre. Governor Warren's friendly smile has some of the warmth of Roosevelt's, and his brain some of the cunning.

President Truman, during his rather unenthusiastically received visit to California in June, remarked expansively at Sacramento: "Warren is really a good Democrat, only he doesn't know it." There is some truth in this. Were he younger, Mr Warren might well have entered politics on the side of Franklin D. Roosevelt and the New Deal. But he is now 57, and it was almost 30 years ago that he made his choice of party in what must then have seemed an irrevocably Republican America. He rose through various offices to become a wartime Governor of California in 1943. That was a time when Californians were inclined to feel that "their" war in the Pacific was being sidetracked in favour of faraway descents on the shores of North Africa. Governor Warren unified and organised the State's war effort with exceptional administrative skill. The problems of labour supply and of housing were enormous. Millions of working men poured into the State, with the result that today nearly one-third of the present population of 10,000,000 has never known any governor of California except Mr Warren. It is significant that in 1946 he captured the votes of thousands of these newcomers, many of whom had migrated to California from the Democratic Southwest. In his campaign for re-election in 1946, Mr Warren sought the Democratic as well as the Republican nomination and won both, for it is a peculiarity of Californian electoral procedure that candidates of one party can take part in the primary elections of the other. In this uncommon feat, Mr Warren secured more Democratic votes than his opponent, Mr Robert W. Kenny, the Attorney-General, and the State's leading Democratic vote-getter.

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In the eyes of most Californians, Mr Warren will be the satellite who, because of his familiarity and gravitational pull, will eclipse the planet, represented by Mr Dewey. By all testimony, his contribution to the popularity of the Republican ticket throughout the country will be immense. Nor will he be ignored as Vice-President by Mr Dewey, as Mr Truman was by President Roosevelt. The conditions which he attached to his acceptance of the Vice-Presidential nomination may indeed turn out to have long-range constitutional importance. Mr Dewey's promise that in his administration the Vice-President will have specific executive responsibilities and Cabinet status may put to rest permanently the *canard* that a man may accept nomination to the Vice-Presidency safe in the certainty that his mother will never hear about it.

As yet the country knows relatively little about Mr Warren's international views. Mr Robert Sproul, President of the University of California, assured the Republicans at Philadelphia that he is "neither an isolationist nor an internationalist; he is a modern American who is intelligently aware of a world in which space and time have been almost eliminated; yet he never forgets that his allegiance belongs to the United States of America." This says nothing that can be converted into any table of weights and measures, but it is reassuring that in the dying days of the Eightieth Congress (of which he had been critical) Mr Warren supported unstinted Marshall Aid, as opposed to "Taberism." Many Westerners are of the opinion that the Republican ticket would be stronger if the candidates' positions were reversed. Mr Warren wanted to be President, but he declined to campaign for support outside his own State. He could have had the Oregon delegation for the asking; refused permission to endorse him, the voters of Oregon made their choice between Mr Stassen and Governor Dewey. Choosing the latter late in May, it is now clear that they stopped the Stassen boom, and thus made the New Yorker's command of the convention certain and unassailable.

The Democrats of California have served as their own Jeremiahs. Long before their convention, the enthusiasm for General Eisenhower of Mr James Roosevelt, the late President's eldest son and the Democratic State Chairman, was a measure of the party's estimate of its chances of losing California with the President as the Democratic candidate.

Mr Henry Wallace is the man most responsible for the Democrats' gloom. The best informed observers agree with the prophecy that his Third Party will "net between 400,000 and 500,000 votes and that would be the end of Truman in California." Los Angeles county, which includes Hollywood, will supply the bulk of Mr Wallace's support. It is the historic seed-bed of California's plentiful crop of visionaries who will reach for the rainbow with anyone who promises it.

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

American Notes

The Democrats Face the Facts

By the time the Democrats arrived in Philadelphia last Monday, they could no longer avoid facing the facts of their political life. Mr Truman was their inevitable candidate for the Presidency and, in the opinion of most of them, defeat would as inevitably follow. To ensure that defeat did not involve personal annihilation became the main purpose of the Democrats.

For the Southerners this means the maintenance of their influence in the party; they are resigned to the absence of a Democratic banquet this year; but they will not want to miss their invitation in 1952. For this reason their protest "walk-out" from the convention will not necessarily become a permanent "bolt" from the party, even though their efforts to intimidate it have failed. On the party platform, their rout has been complete. Not only did they lose their amendment affirming the party's belief in States' Rights, which would have nullified the civil rights section, but the convention itself strengthened that section and outraged the Southerners, by inserting a summary of Mr Truman's programme, calling for Federal guarantees of equal opportunities in employment and political life for negroes, and for Federal protection against lynching. Nor can the pledge to repeal the Taft-Hartley Labour Act be anything but embarrassing to the Southerners whose votes helped to pass it.

But these two planks will enhance the Democratic appeal in the North, where the negro vote must be drawn away from the Republicans and where labour must be roused from its present apathy, if local victories are to be won. The future of the Northern party machines depends upon achieving success at this level and to the city bosses nothing else is worth considering at present. They have evidently decided, and they are probably right, that a liberal approach will induce many of those who will vote for a Republican President to vote for Democrats nearer home.

The South may have been defeated on the platform, but its susceptibilities have not been overlooked in the selection of a Vice-Presidential candidate. Senator Barkley was not the choice of the Northerners, and his age, and the fact that his home State, Kentucky, is very near Mr Truman's Missouri, would not make him the ideal partner on a ticket that had a chance of winning. But he is at least a candidate on whom the Democrats have been able to demonstrate that they are still capable of unity; his nostalgic association with the great days of the party and his recent experience of its difficulties, as liaison officer between the President and the Senate, qualify him for the task of digging the foundations on which it can rebuild after defeat. Above all, he puts party loyalty before personal interest: so does Mr Truman and this team at least represents the common denominator of the party, the hard core which never deserts.

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Seeking Salvation

The enthusiasm with which Senator Barkley's fighting speech was received by the convention, perhaps, even more, the ovation with which the delegates found strength to greet Mr Truman's nomination, after a gruelling—and grilling—day and night's work, proved that the Democrats still have plenty of vitality. They may be depressed but they are by no means dead. Their speeches were more inspiring than those of the Republicans, the speed with which they got through their business more efficient. The convention did much to prove that Mr Truman's conviction that his party can still win in November is based on more than wishful thinking and the desire to inspire his followers to meet disaster bravely. A recent public opinion poll has shown that, during the last four years, the number of voters who consider themselves Democrats has been consistently higher than those who consider themselves Republicans. But the balance is held by the independent voters, whose numbers have grown steadily. Nothing could have been more repellent to them than the pre-convention manœuvres of the Democratic party. If the party had faced the facts sooner and had devoted its energies to saving itself, instead of to a panic-stricken search for a saviour, salvation might have been in sight today.

Mr Truman, by summoning a special session of Congress for July 26th, is making a courageous effort to bring that salvation above the horizon. He had already made it clear, and the speeches at the convention made it even clearer, that the Democrats intend to fight their campaign on the record of the Republican Congress in general, and on its failure to control prices and pass housing legislation in particular. Mr Truman is giving Congress a chance to improve that record and to demonstrate the solidity of the Republican platform in the hope that it will fail to do either. He is trying to widen the gaps in the platform into an abyss in which the Republican victory will be engulfed, and he is evidently not afraid of the pitfalls which the Republicans will certainly set for his own party during the special session. Nor can Governor Dewey continue to dissociate himself from the record of his party in Congress as, until now, he has been able to do, to his great political advantage.

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A Democratic Senate?

Not even the more optimistic Democrats can believe that their chances of winning the Presidential race are more than slight, but there is a real possibility that they may score an ironic comeback in the Senate. In 1946 the Republicans, somewhat to their own discomfiture, captured the Senate as well as the House, and thereby were committed to full responsibility for Congressional policy. In the House there are 245 Republicans to 185 Democrats; the victory of Mr Dewey and Mr Warren would certainly increase the Republican majority. But in the Senate the Republican margin is slim, with 51 Republicans and 45 Democrats, and the Democrats start with advantages which in any normal year would result in a Democratic majority. Thirty-three Senate seats are at stake this year, the 32 which represent the third of the membership vacated every two years and one to be filled because of death. Of these, 15 are now held by Democrats, 18 by Republicans.

Eleven of the Senatorial races are in the Solid South, which, whatever its feelings about Mr Truman on the national stage, is unlikely to defeat its own brand of native Democrats. The four seats now held by Democrats which are to be contested outside the South are in New Mexico, Colorado, Montana and Rhode Island, and only one of these seems to be in much danger. The Republicans, on the other hand, concede a serious Democratic challenge in six states now represented by Republicans: Oklahoma, Kentucky, West Virginia, Minnesota, Idaho and Illinois (where Senator Brooks is strongly challenged by Mr Paul Douglas).

A landslide for Mr Dewey would sweep most of these contested states into the Republican bag, though the Democrats would still have a strong minority in the Senate. But Mr Truman may well put up a better fight than now appears possible; and Democrats who feel that the national campaign is as good as lost are likely to concentrate their energies on the local contests. Labour, for example, is more concerned with the complexion of Congress than with the apparently hopeless task of stopping Mr Dewey.

It would sweeten the Democrats' defeat if Governor Dewey, as President, had to suffer even part of the affliction of Congressional opposition endured by Mr Truman. Republican appointments would have to submit to Democratic scrutiny; Republican giants like Senator Vandenberg and Senator Taft would be submerged in a Democratic organisation of the Senate Committees. But, more important, a Democratic Senate would constitute a brake on the victors, the very function for which its staggered terms were devised. On many issues the Southern Democrats, who now form the bulk of the party's Senators, vote with the Republicans. But a Democratic check might prove invaluable, for example, in case the Republicans, despite all Mr Dewey's protestations, move to destroy the trade treaties programme and return to a high tariff policy.

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Steel Appeals to Congress

By abandoning its 50-year-old system of delivered prices and basing points, the US Steel Corporation has bowed to the Supreme Court cement decision with a speed and thoroughness unusual in anti-trust cases. The Federal Trade Commission may well wonder whether it has not won a Pyrrhic victory. Well before the 90-day deadline for conformity, six cement firms have abandoned their basing-point systems, and the US Steel Corporation and Bethlehem Steel, the two largest producers of steel, have followed suit, although there was no necessity to do so until the FTC, at present holding hearings on steel pricing policy, obtained a specific decision from the Supreme Court.

The steel and cement industries have not only hastened to order a revolution in selling practices which even opponents of the system feel should be brought about gradually, but they have accepted an interpretation of the decision denied both by the Supreme Court itself and four of the five members of the FTC. Industries using the basing-points system argue that only by absorbing freight charges can they compete in distant markets with more favourably placed producers; freight absorption, they argue, enlarges, rather than restricts, competition and prevents local monopoly. But the Supreme Court was at great pains to insist that the ban was placed, not on the absorption of freight charges by individual companies to extend competition, but on

collusion between two or more companies to use the basing-point system to fix prices and hence restrain competition.

The hasty compliance of the steel companies will result in lower prices when steel is bought from a nearby mill, and higher prices when it is bought from a distant supplier, and the consumer must pay the freight. Steel consumers, in most cases, will not be able to change over to nearby mills; with steel order books bulging, the only assurance of obtaining steel is by clinging to the usual supplier at whatever cost. It is the spectre of future, not present, competition which alarms the steel industry.

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It is hard to avoid the suspicion that the steel companies feel a time may never come again when delivered prices may be abandoned with so little pain to those who employ them and so much financial anguish to those who pay them. Those buyers of steel who find they must pay more will form a powerful lobby for the legalisation of the basing-point system by Act of Congress which the steel companies seek. What part of the rising prices for steel and cement can properly be laid to the elimination of the basing-point system will be exceedingly difficult to judge. Steel costs are being increased by the 10 per cent rise in the cost of coal, higher freight charges and the wage rise which the steel industry has reluctantly concluded it must concede now that its lonely experiment in controlling inflation has failed. In Washington a sub-committee is already holding hearings under the leadership of Senator Capehart, who views with alarm the end of the basing-point system and can hardly be wholly impartial. Congressmen may find the Bill to exempt the system from the anti-trust laws on the Capitol door-step when they return; and a Republican President in the White House who will be far less likely than Mr Truman to veto it.

The Federal Trade Commission has been fighting the basing-point system for 25 years. The test of whether its elimination promotes more efficient location of industry, reduces cross-hauls and lowers prices can hardly be concluded in a few months. The chief hope must be that if the anti-trust laws are to be limited in their application, and the basing-point system recognised, some degree of public control will be instituted to prevent exploitation of the consumer.

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Strike Settlements by Injunction

Two months after the Government seized the railroads and eight days after the injunction forbidding the engineers, switchmen and firemen to strike against the Government was made permanent, the operators and the three dissatisfied unions reached a settlement and the railroads were returned to their owners. One week after the commercial miners began to drift back to work from their annual holiday—some spent it fishing in Canada—and one day before the hearing of the injunction against the failure of their "captive" colleagues to follow suit, Mr Lewis reached a settlement with the steel companies which own the captive mines. Both settlements were compromises, but both were on balance less favourable to the unions than to the employers. The union leaders would probably be indignant at any suggestion that their new tractability was a growth forced with the heat of the injunctions, but the suggestion does not seem entirely unjustified.

The owners of the captive coal mines have swallowed their scruples against signing an agreement which, in their opinion, contravenes the "union shop" provisions of the Taft-Hartley Act and their workers will now get the wage rise of about $1 a day and the increased welfare contributions, which were given to the other miners last week. But Mr Lewis has agreed to modify the union shop clause in the new contract if it is ruled to be illegal by the National Labour Relations Board. Novel as it is to find Mr Lewis agreeing to modify anything, it is too soon to welcome this as a sign that he is mellowing in his old age.

Judge Goldsborough's decision on the railroad injunction repeated his judgment, first made in connection with last year's mine strike and upheld by the Supreme Court, that strikes against the Government could be enjoined, in spite of the prohibition against injunctions in the Norris-La Guardia Act, and added that in any case a railroad strike would have created an extreme situation which society is not required to tolerate under that Act. The railroad unions had always hoped that the Government would assume the bargaining responsibilities of management, but it became clear during the hearings that this was unlikely to happen. The unions then agreed to a settlement, virtually the same as that recommended at the end of March by the President's fact-finding board, on which the companies had always taken their stand, for an increase of 15½ cents an hour and for changes in working rules. The faces of the engineers, switchmen and firemen were saved by the exchange of one suggested alteration in working rules for another, and even more by a concession which put them in line with the other rail unions at the starting gate for the race for the third round of wage increases, for which the others had been preparing while they were contesting the decision on the second round.

But there is one decrease in wages to report: duck pluckers on Long Island are only to receive eight, instead of ten, cents for each duck plucked. The effect on the prices of duck soup and eiderdowns has not yet been announced.

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Two-Dollar Wheat

Railroad box cars are once more "terribly tight" and mountains of wheat are again piling up beside the railway terminals in Kansas and Nebraska. The mountains will be near to last year's record heights if the expected 1,542 million bushels of wheat are harvested. More important is this month's forecast of a record maize crop of 3,329 million bushels. Even if there is another drought this August, American hogs should have all the maize they can eat this year. The good crop prospects at home and abroad have brought the price of wheat down to $2.11, 11 cents below "parity." But the cost of the things the farmer buys continues to rise and the support price for the new wheat crop, 90 per cent of "parity," will be $2 a bushel at the farm, compared with $1.84 last July. It is not many years since dollar wheat was the farmer's ideal, but it is even fewer months since he was being paid three dollars.

Nevertheless, the maximum price of $2 a bushel proposed in the international wheat agreement probably does not seem unfair to those American farmers who have heard of the agreement. They certainly share the regret of the Administration that the Congressional failure to ratify the agreement, which was not the fault of the farm organisations, has denied them the assurance of a stable export market. There seems to be justification for the Administration's fear that it may not be possible to obtain such a favourable agreement again, but the fact that the collapse of the agreement may force a reduction in American wheat acreage this winter has more immediate relevance for the farmer.

In presenting the agreement to Congress, the Government offered no explanation of how it proposed to meet its losses if, as seemed probable sooner or later, its support price for wheat was higher than the prices provided under the agreement. A similar problem may arise before long in connection with the European Recovery Programme: European buyers of wheat may be found to have some sympathy for the suggestion that ERP is an indirect way of forcing them to subsidise the American farmer. The wheat agreement was also criticised on the grounds that it would become unworkable if its prices were undercut by Russia and Argentina. For the present, however, the excessive prices demanded by Argentina have led the Economic Co-operation Administration to declare that no dollars will be made available as yet for purchases from that country, a declaration which has gained strength from the good crop prospects elsewhere, and which is intended also to bring pressure on Argentina to pay its commercial debts to the United States and to establish a more favourable climate for American business.

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ECA has assured American farmers that exports of wheat to Europe will not necessarily be reduced as a result of the good harvest there, since European diets need improvement. Present estimates, which are tentative, are for wheat exports during the coming year of at least 375 million bushels, compared with 486 million in the past twelve months. These exports will probably once more be handled by private traders, except when they are to the occupied areas, since it was to arrange the return to private channels that Mr Harold Sandford of the National Grain Trade Council was appointed ECA consultant on grain. He had protested that the grain industry was being threatened by the concentration of export purchases in the hands of the Commodity Credit Corporation. In spite of this and other criticisms, the CCC has been given a permanent Federal charter, with substantially the same powers as it had before; its primary purpose is to stabilise farm prices. The President was not entirely satisfied with this victory, even though it was one of the few which the Administration won in the last Congress.

The main opposition to the wheat agreement came also from the grain traders and on the same grounds—that it would involve unavoidable and permanent government interference in their business. Passage of the agreement by the Senate, which had been asked to approve it as a treaty, had been confidently expected, but in the rush to adjourn, time could only be found for measures for which there was real enthusiasm. As a result the agreement was not ratified and it has now lapsed.

THE BUSINESS WORLD

Coal and the Nation

On Tuesday, the report of the National Coal Board on its first year's working was presented to Parliament. It is a document which defies quick reading or brief summary; it comprises 143 pages of text (enough to fill three issues of The Economist*) and 112 pages of financial accounts, explanatory appendices, and statistical tables. On the evidence assembled in this first report, the Coal Board can certainly be acquitted of any charge that it has failed to submit itself to the test of public accountability. Indeed, there is so much in the report that it runs some danger of striking awe instead of encouraging a fuller understanding of the Board's problems. In the article which follows, an attempt is made to describe the more important phases of the Board's first year; to analyse its costs and financial results; and to offer some estimate of its achievement and prospects. Even granted its exceptional length, the article cannot hope to be more than a partial assessment of the first public account of the first nationalised industry.*

A Critical Beginning

WHEN the Coal Board was ordered by the Minister to take over the mines at the beginning of 1947, distributed stocks of coal were no higher than 8½ million tons. Within three weeks, the Board, already more than fully occupied with the innumerable problems of taking over and reorganising the industry, was plunged into the sharpest economic crisis that has ever assailed the British economy. By the end of the year, stocks had been built up to well over 16 million tons; exports had been belatedly resumed; the industry had attracted a net increase of 26,000 workers; absenteeism was appreciably lower, averaging 15 per cent at the coal face, compared with over 19 per cent in 1946; and output per manshift for all workers improved to 1.07 tons, against 1.03 tons in 1946. But, for all these signs of overdue improvement, 1947 was a year in which, despite the grip of the fuel crisis, the five-day week was conceded; in which, despite that concession, 1,635 unofficial strikes cost the country 1,652,000 tons of coal; and in which 714,000 tons of American and Polish coal were imported, at a loss of £1.7 million, borne by the Board.

The Board's first year was bound to be conditioned more by its inheritance than by its own efforts to change and improve it. In 1947, the British coal mines produced 187 million tons of coal, 6 million tons more than in 1946. From opencast sites, 10 million tons were produced (not for the Board, but for the Ministry of Fuel and Power), making 197 million tons, compared with the 200 million tons demanded in the "Economic Survey" for 1947. The increase of 6 million tons in the output of deep-mined coal was the resultant of four factors: increased manpower contributed 5 million tons, better attendance, 9½ million tons, and greater output per manshift, 5½ million tons; but this gross rate of improvement of 20 million tons during the year as a whole was largely offset by the loss of 14 million tons output owing to the five-day week.

The report shows that the Board regarded the five-day week as desirable, though it obviously had doubts about the right time for its introduction. The Board decided in favour of early introduction as "a gesture which might do much to improve the spirit of the industry and give an impetus to effort." Negotiations were completed in March, 1947, when fuel supplies were still gravely short; the agreement with the Union included conditions which, "if they operated fully," would safeguard coal production—among them, the acceptance of increased tasks. The Board did not expect an immediate and universal increase in tasks, because local conditions vary so widely. But its conclusion about the five-day week gamble ("the stakes were high and the Board had to play") is quite conclusive: "Taking the country as a whole, the response to the appeal by the Board and Union for greater tasks was disappointing." The Board took this risk through fear of the greater risk of disappointing the expectations which had been raised in the minds of the mine workers. It was forced, by a combination of political decision and the temper of the miners, to take a step which it regarded as premature; the consequence was a partial and one-sided observance of the five-day agreement, and a loss of output which had to be made good—though only to the extent of 2 million tons—by extra working, largely on Saturdays and at overtime rates of pay.

An important, though somewhat inconclusive, section of the report is concerned with the Board's relations with its employees. Much stress is laid on the principle that a nationalised industry "existing only to serve public ends" must set an example of fair treatment and encouragement to its workpeople. The Board recognised the inheritance of bitterness in the industry, and it hoped by meeting "just claims" to infuse a new spirit into management and men. The privileges brought new responsibilities—moderation in the demands of the men, and acceptance of new opportunities of service. And the Board, obeying the injunction of the Nationalisation Act, reached agreements with the Union for national, district and pit conciliation machinery. But the test of these principles and arrangements must be measured by the willingness of the men to accept and honour them. Many more strikes would have occurred in the absence of the conciliation schemes; but those that did occur last year were irresponsible and damaging. Indeed, the most serious of them all—the Grimethorpe strike—has yet to be brought to a satisfactory conclusion. The detailed account of this stoppage leaves no doubt where the responsibility lay; it leaves no doubt, too, of the powerlessness both of the Board and of the Union to persuade—much less to compel—the men to fulfil their part of the bargain on the five-day week.

Thus, the Board's experiment in the duties of a good public employer has so far been largely unrequited. The five-day week led to a round of claims from other workers employed in and around collieries for corresponding benefits, which the Board conceded, with the authority of the Government. Junior colliery officials, weekly-paid industrial staffs and colliery clerks have received increased pay; all members of the staff benefit from the superannuation scheme introduced by the Board, which costs about 4d. per ton of coal sold. There are, of course, many anomalies in the Board's salary scales—there is,

too, more than a suggestion of complaint in the report about the very high salaries of senior company officials, whom the Board had to retain at their old salaries or to compensate for termination of contract. Already the Board has fixed the range of salaries which are to be paid for administrative, legal and technical staff; the standardised pattern of appointment, the annual increment, and the hierarchical ladder is to be the form of the future—the "logical" system which the Board feels that it could have devised if it had started with a clean slate. But if the senior appointments in the past were sometimes excessively paid, the machinery of recruitment and promotion described in the report seems zealous, just and dull. To ensure a fair field of selection "irrespective of educational origins" may sound admirable, but it does not guarantee of itself that the right persons will be appointed to the right jobs.

That is a problem for the future. For the present, the report seems to adopt a distinctly defensive attitude about the size of administrative and non-industrial staffs built up during the past year. All told, these amount to 34,535 persons, costing approximately £14½ million a year. These employees show an increase of 4,412 during 1947, which can hardly be regarded as immoderate for the functions which the Board has taken over for research, education, and legal and technical work. The total cost represented rather over 3½ per cent of the Board's total revenue expenditure, while the total administrative expenses of the national and divisional headquarters represented no more than 0.6 per cent of the total. Whether these figures show a truly economical use of non-productive staff it is impossible to judge on the evidence of a single year; but the Board has made out, on the face of the matter, a reasonable case that its administrative costs are not extravagant.

Last year's primary task at the collieries was to increase output; the Board instructed colliery managers to focus their attention on short-term reorganisation at the expense, "if necessary," of long-term planning. Bigger tasks, more machinery at the coal face and on the haulages, upgrading of workers from haulage to the coal face, closing of unproductive pits and transfer of men to pits where their output would be higher—these were the main measures to be pursued. Many collieries came over to the Board in first-class condition; others were in "poor shape" and not a few in a "pitiable" condition. During the year 550 short-term projects, involving the application of these measures either singly or in combination, were begun and about 340 were completed. Nearly 1,500 conveyors were installed and 32 locomotives put to work—the limitations of underground haulage are well illustrated by the fact that 32 locomotives represent an increase of 55 per cent in the number at work. Seventeen pits and two drift mines were closed, displacing 2,680 men, of whom 2,136 were transferred to other collieries. But the notion that salvation is to be achieved by the use of advanced types of coal-getting machinery, like power loaders, is rather damped by the report. In the East Midlands Division, where coal seams are fairly thick and regular, such equipment has been in use for several years, and 20 out of the 30 Meco-Moore cutter loaders at work in the country operate in that division. But cutter-loading machines for narrow seams are still being tried out; moreover, the operation of these machines "has sometimes been hampered and even prevented by difficulties over wages."

The Board puts the result of purely technical measures, like the introduction of machinery and reorganisation of the pits, as an increase of 3½ million tons in coal output last year. It is not a negligible start, but the Board obviously hoped for greater improvements in productivity at the coal face than were in fact achieved. In this, it goes some way towards acknowledging the criticisms of Sir Charles Reid at the time of his resignation. Haulage work is still overmanned; co-operation and goodwill on the part of underground workers would increase the proportion of face workers to "oncost" workers. Attendance at the coal face, though better, is still poor compared with before the war.

Last year the Board lost £9.2 million on its colliery operations. But it made a profit of over £3 million from ancillaries. It has acquired 55 coking plants, producing more than two-fifths of the national output of hard coke. Many of the ovens are in need of replacement or repair, and the report goes so far as to suggest that blast furnace coke is likely to remain scarce so long as the steel industry aims at producing more than 14 million ingot tons of steel a year—a rate now being exceeded by a margin of well over a million tons. Even to maintain the present output of coke, the Board will have to build about 175 new ovens a year for many years to come; the capital costs of new ovens have trebled since 1939, and a battery of ovens carbonising 7,000 tons a week would take four years to build. Most of the other ancillaries—tar, benzole and sulphate of ammonia—are highly profitable and their products in eager demand. The Board is also a large farmer and landowner (often because it is more economical to own surface property than to meet repeated claims for subsidence); it owns 141,000 houses, including whole mining villages; it owns a cinema, a slaughter house, a holiday camp and operates retail milk rounds. It is, indeed, only a slight exaggeration to liken the listing of all the Board's assets to the making of the Domesday Book. And it has, of course, taken over the property in underground coal from the Coal Commission. It owns, works and sells virtually all the coal in the country. What were the financial results of this gigantic public monopoly last year?

Costs, Revenues and Losses

It has been an open secret for some weeks that the losses of the Board in its first year would approach £25 million. The actual net deficit turns out to be £23,255,586. The reasons are obvious. In 1947, the average cost of producing a ton of coal increased by 4s. 3.1d. compared with 1946; of this increase, increased wages accounted for 2s. 6.4d., increased cost of materials 11.9d., and superannuation 4.2d. The Board claims that the total increase in costs of 12.8 per cent compared with 1946 was no more than the general increase in costs which British industry, as a whole, had to absorb, "despite the special expenditure which the Board had to incur." This claim would be more convincing but for the fact that the price of coal is itself a primary constituent in industrial costs.

Under the Nationalisation Act the Board is enjoined to secure that its revenues shall cover its costs "on an average of good and bad years." The period during which this average is to be struck is nowhere defined, but the Board, in deciding what increases in price should be recommended to the Minister, assumed that the loss resulting from last year's increases in costs should be recovered, not in a few months, but "over a period," on the ground that, if the whole rise in costs had been recouped in the closing months of last year, "there would probably have been surpluses in later years." The submission of price increases to the Minister appears not to flow directly from the Act (though indeed the Minister has power to issue directions of a general character on matters affecting the national interest), but in pursuance of a "gentleman's agreement" dating from the beginning of the war. The Minister elected to scale down and to delay the price increases for which the Board had asked. In September and October colliery operations showed a profit of £1 million, following the 4s. increase at the beginning of September; then when the minimum wage agreements and the extension of hours at overtime rates came into effect, November and December showed a loss of £2.7 million. On January 1st, coal prices were again raised by 2s. 6d. a ton.

The chairman of the Board has declared this week that, "by keeping the price of coal high enough, we could easily make a handsome profit." This consciousness of monopoly power, however, does not mean that it should be exercised. Nor can the Board go very far today in closing unprofitable pits—though it might save £6 million, if it could sacrifice 8 million tons of output from the least efficient collieries. But at least the Board ought to have freedom, given the level of its costs, to secure a corresponding level of prices. Last year's episodes of Ministerial interference with what the Board thought reasonable are disturbingly inconsistent with its statutory duties, and the ending of the "gentleman's agreement" which has been forecast this week will be salutary. Judged by financial results alone, coal was too cheap last year, to the extent of 1s. a ton, before meeting interest charges. The new price structure, on which the Board has been working for many months, should correct many of the glaring anomalies in prices. Flat rate additions to coal prices during the war, irrespective of grade, have made poor quality coal relatively dearer than better grade coal. It is the Board's intention to introduce a rational system of grading, and to adjust the relative prices of different quality coals, without, however, altering the average price for all grades.

Last year's deficit is summarised in the accompanying table. It is claimed that this loss is not a charge on the taxpayer, since "it has been met from the Board's resources and it must be overtaken in later years." The "Board's resources" are, of course, the taxpayer's resources, in the long run, and the long run will determine whether the balance of revenues "over good and bad years" can be achieved. The report is perhaps on more certain ground when it claims that the deficit will serve as an incentive to future economies.

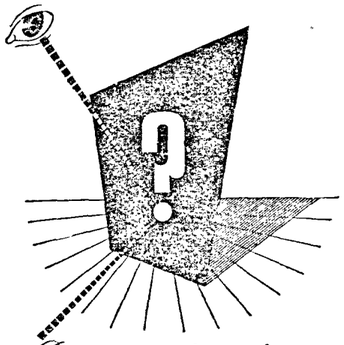
Collieries and Ancillary Operations	£	£
Colliery Losses	9,203,905	
Ancillary Profits	3,016,605	
OPERATION LOSS		*6,187,300*
OTHER TRANSACTIONS		
Loss on Imported Coal		*1,697,992*
Provision for compensation for loss of office		*406,192*
Other Income		156,177
Interest and Interim Income Payable		*15,120,279*
NET DEFICIT		*23,255,586*

But one point must be made with full emphasis. In some comments on the Board's trading results, it has been suggested that all would have been well—or nearly so—if the Board had not been under the necessity of paying over £15 million for interest on compensation stock and "interim income" to be passed on to the former owners of the mines. This suggests the beginning of the slippery notion that the Board is unfairly handicapped because it has to meet interest charges on its capital. Admittedly, that capital is fixed interest capital entirely, on which interest is payable irrespective of the Board's net revenue. But it has, so far, been raised by 50-year terminable annuities bearing the extremely low rate of 2½ per cent. Whether compensation for collieries (£164.7 million), ancillaries (not yet known), stores (£39.4 million) and other items will be so financed has yet to be determined. The Board's present capital liabilities, outstanding or in suspense, amount to £331.8 million, of which more than one-third has already been financed at long-term at 2½ per cent. Clearly, there is no justification whatever for any complaint that the Board's interest charge is too high.

This is a material point in connection with the future programme of capital expenditure. Approvals for schemes costing

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more than £100,000 total £22.7 million, of which only £2.9 million was expended last year, though the Board's total commitments on capital account amount to £36 million, to be expended over several years. Out of the total of £150 million, which may be advanced by the Minister to finance capital expenditure up to July, 1951, there is still available £109 million. But the work has been started in a period of high prices, and capital charges will represent a heavy burden—the annual charge for depreciation and interest is put at about 5s. a ton, without stating the rate of interest assumed in the calculation. The Board is quite right to demand the full co-operation of everyone in the industry to meet these charges, so that coal can be produced at competitive prices. But that argument would perhaps be rather more convincing but for the evidence that the Welsh coalfield is so far receiving the lion's share of the major capital schemes. There are plenty of technical opportunities for schemes capable of producing well over 2 tons per manshift. The task of selecting the best schemes, which may cost up to £3 million and take ten years to complete, is immense, and so far the Board has had little opportunity of carrying it very far. Last year's schemes are regarded as necessary "whatever future decisions are taken on production policy." Perhaps that is the best interim answer to the suspicion that some divisions may be given more favourable consideration for future development than their relative costs and output would justify, but it is not a final answer.

That point, however, may be left for further discussion in the final section of this review. But it is desirable, nevertheless, to make it now, because it is intimately linked with the output and operating results of the areas and divisions which are given in such profuse detail in the report. The Board is entitled to claim that these accounts accord with the best commercial standards. They include a balance sheet and profit and loss account for the undertaking as a whole, with supporting schedules of fixed assets, depreciation provisions, stocks and debtors—all analysed by Divisions—capital liabilities, provision for deferred liabilities and current liabilities (again by separate Divisions), and the most detailed colliery operating accounts for each of the 48 Areas and 8 Divisions. The Board's fiercest critic could scarcely ask for more. Indeed, they are perhaps too detailed to make one important point clear—namely, the relative performance of the separate Divisions. The table below gives only a small fraction of the information appearing in the accounts, but it may assist the reader to bring the eight Divisions into better perspective.

This table shows that total colliery profits amounted to £12.4 million, and total losses to £21.6 million. The Divisions which worked at a profit produced over 60 per cent of saleable output. The South Western Division, whose loss alone exceeded the net loss for the whole country, produced only 12 per cent of the national output. These wide variations in costs and output present the Board with its biggest problem for future development. If it is to avoid losses, it is also enjoined to eschew profits. Lord Hyndley has rightly pointed out this week that if some part of the industry makes a profit, another must be making a loss—in other words, one part is subsidising another part and consumers are paying too little for what costs much to produce (as in the South Western Division) and too much for what is produced cheaply (as in the two Midlands Divisions). The table indicates the extent to which the nation's resources could be misapplied if the present cost structure in the industry were to be perpetuated.

Lessons for the Future

FROM this welter of words and figures which compose the Board's first report, what provisional conclusions emerge? First, perhaps, an impression that the Board has done rather better than its critics had anticipated—an impression which the Board seems anxious to encourage, for at various points in the report it emphasises upon the reader the enormous complexity and weight of its task. Secondly, although 1947 was a year opening with crisis, and developing with labour difficulty and rising costs, the Board has attempted to make a start to do the right things. Much of this new work is barely in a formative stage as yet; plenty of projects have been started on research, on the classification of coals, on a solution of the problem of dirty coal on the long-term development plan, and on a new price structure (of which the first instalment has now been published).

But the reader will look in vain for any general principles on which the Board is working, either on prices or costs, or on the character of long-term development, or of its own organisation. It is too apt to take refuge in the furtherance of "the public interest in all respects"—which, in 1947 at least, turns out to have been mainly the furtherance of the interests of its employees rather than its customers. It admits that it has given hostages to future fortune in the hope that higher wages and better conditions will create a new spirit in the industry—and it equally admits its disappointment in the results of this policy to date.

The interest of the British nation in the success of the National Coal Board can be briefly stated: it is that the Board, consistent with its duty as a good employer, shall produce more coal, more cheaply. The overwhelming problem facing British industry is its future trend of costs, and coal is a determining factor over a large part of those costs. To concentrate attention on the incidental fact that the Board lost £23¼ million last year, or on the more agreeable fact that it showed a small surplus, after meeting interest charges, for the first quarter of this year, is to miss the real point. The Board could have covered its costs last year, but for the Minister's intervention. So it could in any year, by the simple exercise of its monopoly position. What it has to do is far more difficult—to reduce its costs, to reduce its prices, and balance its outgoings over the years. This report lacks a convincing demonstration of the effect of higher output,

SUMMARY OF OPERATING RESULTS AND CAPITAL EXPENDITURE

	Unit	Scottish	Northern	N. Eastern	N. Western	E. Midlands	W. Midlands	S. Western	S. Eastern	Total
Saleable Coal	'000 tons	22,185	35,899	38,310	13,233	34,684	16,642	22,419	1,375	184,748
Pithead proceeds	s.d. per ton	40/2·4	40/4·6	38/11·5	44/5·5	37/4·4	41/0·1	43/4·7	45/10·3	40/3·0
Total costs	s.d. per ton	38/9·4	45/3·4	38/7·6	46/10·0	33/0·4	37/9·4	52/11·7	52/11·9	41/3·0
Operating profit or *loss*	s.d. per ton	1/5·0	*4/10·8*	*–/3·9*	*2/4·5*	4/4·0	3/2·7	*9/7·0*	*7/1·6*	*1/0·0*
Output per manshift	tons	1·10	0·93	1·18	0·92	1·53	1·20	0·79	0·93	1·07
Colliery profit or *loss*	£000's	1,574	*8,795*	623	*1,571*	7,511	2,686	*10,741*	*491*	*9,204*
Coke oven profit or *loss*	£000's	44	280	348	*15*	148	...	120	...	926
Total operating profit or *loss*	£000's	2,046	*8,255*	1,443	*1,462*	7,891	2,934	*10,287*	*501*	*6,187*
Net capital expenditure, 1947	£000's	2,006	3,157	3,848	1,147	3,637	1,576	1,879	163	18,354
Major capital schemes authorised, 1947	£000's	3,370	1,363	1,912	3,947	5,141	106	6,594	259	22,691

improved productivity, improved attendance, and the greater transfer of "oncost" workers to the coal face, upon costs per ton. The exhortations are general; they could and should be made much sharper and specific.

The same comment is valid on the Board's long-term development programme. Indeed, it hardly exists as a development programme, at this stage. The report says that reconstruction of the mines should, in the long run, reduce costs considerably—a platitude to which no exception will be taken. But the work cannot be prepared, much less carried out, at once. The Divisional and Area staffs have only begun their tasks of setting down what they would like to do, if the Board can provide the means. But does the Board know what criterion it will adopt for its long-term development plans? Will it go for the greatest efficiency and lowest cost, quite irrespective of other considerations? Apparently not, because it claims that it must have regard to "social costs" which do not figure in its profit and loss accounts, like unemployment caused by the contraction of output in a coalfield. Yet elsewhere, the report admits that if a pit or a district runs at a loss "despite every effort to make it pay its way" then a case arises for altering the level of its output or the price of its coal.

There are dangers, long-term as well as short-term, in the argument that the Board cannot be guided by business considerations alone. The further it moves from business considerations, the less likely is it to succeed in its task of producing enough coal cheaply. The responsibility for the location of the industry and for development involving "substantial" capital outlay rests in the last resort with the Government, and the Board will only add to its troubles if it seeks to frame its policy according to the view it takes of Government policy. It will be on surer ground if it bases its development programme on good technical estimates of larger and cheaper output than upon considerations of "social costs," or responsibility to posterity. The Board is now studying the recommendations of the Areas and Divisions about long-term development. It is a question of such importance that the general comments in the report call for a supplementary statement as soon as the Board has made up its mind about the output targets to be set for each Division and the capital expenditure which each is to be allowed. The programmes authorised last year may indeed be separate from the "national plan." But the inference which they broadly suggest—that less efficient coalfields can obtain a disproportionate share of new capital funds—is not an inspiring portent for the long-term scheme.

On price policy, again, the report throws little light. The review has been begun. But can prices be related, except very generally, to costs? Does the Board intend that similar grades of coal produced at different levels of cost in different areas should be sold at different prices? Presumably not; but if not, what becomes of the doctrine that "losses and profits will suggest that the nation's resources are not being used to the best advantage"? Again, the report is almost entirely unruffled by a suggestion of strain in the Board's organisation. It does indeed explain that the organisation in the Areas was changed—and certainly for the better—towards the end of 1947. And Lord Hyndley has emphasised this week that the functional character of the Board itself has been further modified; in the near future, five out of the nine members will have no departmental responsibilities. This willingness to change and experiment is welcome, so far as it goes, and the Board would not claim that its final form has yet evolved. It is still remote, and still over-centralised. Its relations with its subordinate Divisions and Areas are immature and arbitrary. Its relations with the Government show that the Board has yet to develop autonomous power and responsibility of its own, subject to the limitations of broad Ministerial powers of direction. And its relations with labour suggest some willingness to accept with sorrow rather than anger the lack of responsibility which was reflected in last year's strikes and in this year's falling trend of output.

But when this is said, no sensible person would condemn the Board for its first year. Its achievement was at least positive; and its failures have been largely due to irresponsible action by some of its employees. Its real problems and tasks are only beginning. It has to make the right estimates of future costs, prices and output. It has to guess the trend of the world market for coal over decades rather than months. It has enormous responsibilities for investing public money to the best advantage. These are tasks for supermen, and the Board individually and collectively assumes a proper humility when it contemplates them. Compared with these tasks, the burden of the first year of nationalisation becomes almost insignificant.

Business Notes

No Retreat from Disinflation

The Chancellor, it is now beyond doubt, is not to be intimidated by the outcries of those who are beginning to feel the pinch of his disinflationary policy. That policy has not really begun to exert its effects upon the national economy as a whole, and the Chancellor is plainly determined that it shall run its course. On this vital matter Sir Stafford Cripps's statement at a press conference this week did not, it is true, add much to the re-affirmation of faith which he made at the end of the debates on the Finance Bill and, more briefly, in last week's discussions on ERP. But this latest statement has real importance, none the less; first, because of the doubts about whether other members of the Cabinet have been seeing eye to eye with the Chancellor on this issue and, secondly, because the first restatement of policy actually coincided with significant further relaxations of the retrenchment programme—notably in the field of housing. Presumably, the Chancellor would not have sought an occasion to underline his arguments again unless he had the support of at least the majority of his colleagues and also believed that the disinflationary policy both could and would be carried through despite the concessions and relaxations already made.

Except at one specific point—the question of dividend policy, discussed in a separate note on next page—this week's statement defies criticism. It presented faithfully and forcibly all the arguments for using monetary and fiscal weapons to relieve the pressures upon Britain's overstrained economy, as a means both of enforcing a concentration of productive resources upon "first things first" and of minimising the need for physical controls which "add greatly to the burden both of the administration and of industry." To those who had been contending that disinflation is already being overdone, Sir Stafford gave a forthright answer. Excessive monetary demand, which, he declared, has had to be counteracted by extensive controls, is still diverting to the home market goods which might otherwise be exported. Even though a few industries producing non-essentials are running into difficulties, the slack which is beginning to emerge has so far affected only the fringes of the economy.

* * *

Unemployment Still Falling

There could be no clearer demonstration of this than the quite astonishing figures of unemployment for June. On June 14th the total number of persons registered as unemployed was no more than 274,000—actually 16,000 less than the number shown by the return for May. Moreover, the detailed analysis of the distribution of manpower, now available for that month, still shows no perceptible progress in recruitment to the key industries. The labour force in the mines was no larger than in April, and that in agriculture was only 5,000 larger; in textiles the gain was a mere 2,000. Yet the building and civil engineering industries, which on the original programme were expected to provide a large part of the labour to be transferred to more essential work, have in five months released only 2,000 workers, while consumers services have absorbed an additional 18,000, of which 8,000 were taken in during May.

Sir Stafford drew the obvious conclusion from this situation by pointing out that the disinflationary policy has scarcely yet started to do its main work, and that its further development is bound to involve some dislocation and hardship. "But the fact is," he said, "that we are met by the choice between the temporary hardships inflicted on some thousands of people who lose their jobs in this way and the much greater hardships that would otherwise be inflicted on the whole nation if we failed to bring about disinflation and to solve our balance of payments problems." Moreover, there is no danger of excessive contraction because of the "enormous unsatisfied demand for all kinds of investment goods and because of the need to expand exports." In the last resort, an undue recession could be arrested by tax concessions and by the release of income tax postwar credits; but "there is no prospect whatever, with our continuing need to export so large a part of our production, of our having to resort to these devices."

* * *

More Drafts on Savings

Meanwhile, the effects of the disinflationary policy seem to be increasingly discernible in the figures of National Savings, which in each of the past three weeks have shown a large and rising excess of repayments over new subscriptions. Since mid-April, indeed, there have been only two weeks in which National Savings have yielded any net surplus at all, even on the basis of calculation adopted by the National Savings Committee. In the week to July 3rd—that is the week before the income tax concessions showed themselves in wage-packets computed under PAYE—there was on this basis a deficiency of £3,379,000 which, with the deficiencies of recent weeks, more than wiped out the small net receipts of early April. Hence, for the fiscal year to date, National Savings have involved net encashments of £1,653,000 before allowing for £6,290,000 of interest paid out on encashment of Savings Certificates. In addition, £35,778,000 of 3 per cent Defence Bonds issued in the early period of the war have been repaid at maturity.

The accentuation of the adverse trend of National Savings recently must certainly be mainly due to holiday spending, but the deterioration over the longer period is generally regarded as a symptom of the squeeze which is being exerted on personal budgets by the disinflationary policy and particularly by the stopping—or at least the slackening—of the rise in personal incomes. To this extent, a fall in the savings figures may not be in itself an adverse symptom, although it does tend to show that people are determined to maintain their spending power—a tendency which also seems evident from the latest figures of retail trade. The Chancellor, however, suggested an alternative explanation, the implications of which are rather more disconcerting—that drafts on past savings are increasing because of bigger expenditure on household equipment and furnishings as the rate of completion of new houses rises. This contention does not appear to be wholly consistent with the present glut of utility furniture; but, to the extent to which it is true, it further emphasises the dangers that the recent housing relaxaions may involve for the disinflationary policy.

Admittedly, the capital budget equation upon which the Chancellor's budget was based would not depend for equilibrium upon any large volume of personal savings; and although National Savings are now a negative quantity, there is no evidence that other forms of personal saving are declining similarly. But, even though the shortfall of National Savings may not be undermining the present foundation of the Chancellor's policy, it cannot be too strongly emphasised that that particular foundation was established only after drastic cuts in the capital investment programme and; despite these cuts, still rested upon a large deficit in the balance of payments.

* * *

Dividend Limitation in Practice

On one point Sir Stafford—or one of his advisers—was less than fair last Wednesday. He suggested that 25 per cent of all companies whose dividends had been announced since he asked for voluntary dividend limitation, had increased their payments, though he conceded that in some cases the increases were justified; and he offered a reminder to the recalcitrants that their refusal to co-operate might jeopardise the whole voluntary basis of the scheme. It appeared subsequently that this calculation was based on a recent analysis of dividend declarations by the *Investor's Chronicle*, which showed that while 329 companies out of 1,361 had increased their dividends in the three months to mid-June, reasonable justification could be found for all these cases save 61.

But the numerical count of increased dividend, useful no doubt for political exploitation, is really no measure of the success of the voluntary limitation policy as a component part of the Chancellor's policy of disinflation. What contribution have increased dividends made towards increased personal incomes since the Chancellor made his request? The answer is to be found in the analysis of profits of companies whose reports were published in the second quarter of this year, which appears in full in the *Records and Statistics* Supplement. The following table is extracted from the full analysis:

884 Second Quarter's Companies' Gross Profits
(All Figures Gross)

	Year 3 Preceding 1945		Year 2 Preceding 1946		Year 1 Preceding 1947		Latest Year 1948	
	£000's	%	£000's	%	£000's	%	£000's	%
All interests	5,790	4·7	5,691	4·2	5,494	3·2	5,291	2·4
Preference dividends	22,482	18·4	22,457	16·4	22,956	13·4	24,039	10·9
Equity dividends	64,271	52·5	71,196	52·2	85,592	49·8	89,854	40·8
Sub-Totals	92,543	75·6	99,344	72·8	114,042	66·4	119,157	54·1
Free reserves and carry forward	22,631	18·6	27,083	19·9	45,043	26·2	82,823	37·7
Other savings	7,152	5·8	9,906	7·3	12,753	7·4	18,055	8·2
Profits before tax	122,325	100·0	136,333	100·0	171,838	100·0	220,045	100·0
Percentage of year 3 preceding	100·0		111·4		140·5		179·9	

Here are 884 companies whose profits before tax have increased over those of the preceding financial year by no less than £48.2 million to £220 million. The return to the ordinary shareholder in dividends (before tax) has risen by a mere £4,300,000 to £89.9 million, and some part, at any rate, of this increase would be justified by the FBI's recommendations, on which Sir Stafford has previously expressed his approval. Does any serious critic suppose that a net increase in dividend incomes of, say, £2,500,000 makes any perceptible difference to the success or failure of the Chancellor's policy? Indeed, on the evidence of these figures, industry deserves praise rather than censure for its response to voluntary dividend limitation. To single out the alleged 25 per cent for censure, to make no mention of the effect of the "freezing" policy on wage claims, and to attempt no justification of the "counter-disinflationary" policy of spending on food subsidies at an annual rate £75 million higher than was assumed in the Budget—these inconsistencies do not make it easier to form a balanced view of the policy as a whole. Industry does not expect more than small thanks from some Ministers; but it will be disappointed indeed that the Chancellor has on this occasion been so ungenerous.

* * *

India's Sterling

The details of the interim agreement with India on the release of accumulated sterling balances, the allocation of hard currencies from the sterling area pool and the value of assets taken over by the Dominion Government have been published this week. Agreement with Pakistan was signed this week but the details will not be announced until next week. The agreement with India is for three years running from July 1, 1948. Over this period the sterling balances to be released to India will amount to £80 million in addition to the £80 million of freely available sterling which India carried forward into the period of the new agreement. In the first year India will have the use of the £80 million already in hand. In each of the second and third years India will be able to draw up to £40 million. The hard currency allocation has only been fixed for twelve months. In this period, i.e., up to July 1, 1949, India will be entitled to take the equivalent of £15 million in hard currencies from the sterling area pool. This quota will serve to cover India's deficit with the Western Hemisphere other than Brazil and Chile (which, being in the transferable account area, will accept sterling) and with other hard currency countries such as Belgium and Portugal. In addition to this equivalent of £15 million India will have at its disposal the equivalent of its own hard currency earnings and whatever it may draw from the International Monetary Fund.

The agreement also provides for the capitalisation of pensions payable to the British civil and military personnel previously in the employment of the Indian Government. This part of the agreement applies jointly to India and Pakistan. The pensions are to be paid in future through an annuity purchased jointly by the Indian and Pakistan Governments and financed out of the accumulated sterling balances. These balances, which at present amount to about £1,160 million, will also be used to pay for defence stores and fixed assets of the British Government which

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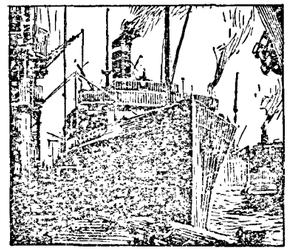
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ABRIDGED STATEMENT OF ACCOUNTS.
30th JUNE, 1948

LIABILITIES

Capital		£1,060,000
Reserve Fund		1,060,000
Current, Deposit and other Accounts		102,665,734
Liability for Acceptances, Engagements, etc.		6,832,005
		£111,617,739

ASSETS

Cash in hand and balance at Bank of England		£9,113,706
Balances with, and Cheques in course of collection on, other Banks in the British Isles		3,667,606
Money at call and at Short Notice		26,161,000
Bills Discounted		17,226,964
Treasury Deposit Receipts		12,500,000
Investments :—		
British Government Securities	£20,071,165	
Other Securities	876,716	
		20,947,881
Advances to Customers and other accounts		14,471,577
Bank Premises :—		
Freehold	£620,000	
Leasehold	75,000	
		695,000
Liabilities of Customers for Acceptances, Engagements, etc.		6,832,005
		£111,617,739

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have been handed over to the Indian and Pakistan Governments. The capital sum at which the pensions and sales of property have been valued is £275.5 million. These operations will, therefore, reduce the accumulated balances of the two dominions to about £885 million, of which at present nearly £100 million is freely available in the No. 1 accounts of India and Pakistan, and the balance of £785 million is temporarily immobilised in the No. 2 accounts. Assuming that the agreement with Pakistan will provide for releases of about £20 million over the next three years, and adding this to the additional £80 million to be released to India under the agreement announced this week, the accumulated balances in the No. 2 accounts will have fallen by a further £100 million and will thus stand at about £685 million by July 1, 1951.

The Indian agreement announced this week, and that with Pakistan for which the terms accorded to India must set an inevitable precedent, are correctly described as interim arrangements. They postpone until 1951 the problem of dealing with the bulk of the abnormal sterling balances accumulated by India and Pakistan during, and as a result of, the war. They make provisions for releases and for allocation of hard currencies that are fully in keeping with Britain's position as the banker of the sterling area. Whether they are in keeping with Britain's available resources of gold and hard currencies and with the pressure on its export capacity is perhaps more questionable.

* * *

Repercussions of the Film Quota

The indignation of American film producers against the quota figure of 45 per cent for the first year of the new Films Act was discussed in a Business Note last week. It is matched by the alarm and resentment of the British independent exhibitors (that is, exhibitors outside the three big circuits which are combined with producing interests). Much of the resentment is directed against the Rank Organisation. This was hardly to be avoided; for if the number of British films necessary to meet the quota can be produced at all, two-thirds must come from various parts of the Rank Organisation.

Exhibitors seeking British films to meet their quota obligations will, therefore, have to seek most of them from General Film Distributors, which Mr Rank controls. They see themselves threatened not by the quota alone, but by the trade policy of their main British supplier operating in conjunction with the quota. Many of them complain that the trade policy of the Rank Organisation has been hardening. Mr Rank himself met the General Council of the Cinematograph Exhibitors' Association on Wednesday. He assured them that he only wanted his renting organisation to trade on fair terms, but he observed, too, that some exhibitors had not been paying enough for their films. A good deal of the recent alarm has been aroused by the new and wider sliding scale of renting terms which General Film Distributors have been attempting to introduce. The proposal was that the proportion of box-office takings (after deduction of Entertainment Tax) to be paid to the renter should vary between 35 and 55 per cent. The Cinematograph Exhibitors' Association has steadily refused to pay more than 50 per cent for any film. Mr Rank announced on Wednesday that he had reluctantly abandoned the wider sliding scale; terms, he said, would have to be worked out for each film between the renter and the exhibitor. "We do not intend to ask any exhibitor to pay more than 50 per cent for any film on its general release."

The enforcement of the quota will clearly be full of occasions for controversy. Of the 4,500 cinemas at present open in the country, no fewer than 2,600 have applied for relief from quota obligations. Mr Rank repeated to the exhibitors on Wednesday his previous estimate of the practicability of the quota. About 1,000 cinemas in the three big circuits would, he said, be able to meet their obligations. (This is presumably so, since they are in combination with the major producing and renting organisations.) In addition, Mr Rank held that the 1,500 cinemas which had only one competitor in their locality could also fill their quota. Only some of the remainder would be properly entitled to claim relief.

Many exhibitors would not accept Mr Rank's assessment. They agree that the supply of films should be enough for those cinemas which have no immediate competitor. They are not greatly worried about houses which have two immediate competitors, for these will be able to claim relief. It is the position of the independent cinema having in its locality only one competitor who belongs to one of the three big circuits which worries them most. The supply of British films may be numerically sufficient for both, but the member of the big circuit will (they feel) get first choice; the independent cinema may be forced to accept inferior films, and may even be offered second runs. Rather than take second-run films, the independent first-run cinema will default on its quota. But before the point of default is reached quality may suffer.

* * *

First Quarter ECA Allocations

A list of most of the commodities allocated to Britain for the first quarter's programme under ECA is given in the accompanying table. Imports from the same sources for 1947 are shown, together with British import requirements based on last year's consumption. The figures in the three columns may not be exactly comparable as the allocations do not give precise definitions of the commodities. But the figures give a clear indication of the scope of the first major instalment of Marshall aid. There is, of course, no guarantee that the subsequent quarterly allocations will conform to this pattern, but if they do, a large proportion of British food and raw material imports from hard currency countries will be met by ECA dollars. Except for Canadian cheese, American tobacco, Canadian and Chilean copper, most of the first quarter allotments represent at least 25 per cent of Britain's corresponding import in 1947, and for certain commodities the proportion is much higher.

The total of the published allocations is $226 million, although the grant to Britain for the April-June period will amount to $300 million. Of the $226 million, $131 million will be spent in Canada, $57 million in the United States, and $2,750,000 in Chile. In addition $18 million will be used to buy petroleum

ALLOCATIONS OF COMMODITIES TO BRITAIN UNDER ECA
(Tons)

Commodity	Source	1st Quarter E.C.A. Allocation	Imports from Source Given 1947	Import Requirements 1947*
Wheat	Canada	1,026,700	3,439,276	3,832,000
Cheese	U.S.A.	15,000	60,267	194,000
	Canada	984	82,720	
Bacon	Canada	34,606	98,186	134,680
Tobacco	U.S.A.	14,760	89,938	100,263
Copper	Canada	12,105	71,923	355,200
	Chile	5,610	59,183	
Lead	U.S.A.	1,536	(a)	190,400
	Canada	10,039	39,963	
Zinc	U.S.A.	19,500	57,690	222,000
	Canada	11,811	49,865	
Aluminium	Canada	42,812	95,830	142,800
Woodpulp	Canada†	49,200	146,375	908,960
Sulphur	U.S.A.	78,304	305,159	298,800
Carbon Black	U.S.A.	13,288	37,611	(b)

* Based on consumption in United Kingdom with allowance for domestic production, if any.
† Includes Newfoundland. (a) Not separately specified. (b) Not available.

from the Netherlands West Indies, $9,750,000 for petroleum from the Middle East and $7,500,000 for inedible molasses and ethyl alcohol from Cuba.

The general authorisations to Western Europe include provisions for intra-European trade on a dollar basis. For example Austria has been allowed $4,500,000 to purchase, among other things, wheat, tin plate and tin from the United Kingdom, Belgium and the Netherlands. Bizonal Germany has been granted over $10 million for steel from Belgium, newsprint from Sweden, potatoes from Switzerland, Belgium and France, and crude glycerine, cadmium and tin from the Netherlands. These new authorisations amount to over $26 million, bringing the total ECA authorisations to date for Western Europe, Trieste and China to $789 million.

* * *

Trade Within Europe

Thus, the revival of intra-European trade has now been accepted as one of the direct objectives to be served by ERP grants. An official of the Economic Co-operation Administration in Washington announced this week that supplemental allotments to ERP participants would be made in the July-September quarter for the specific purpose of stimulating greater trade among ERP countries. This official, Mr Richard Bissell, pointed out that one of the main aims of ERP was the freeing of trade among European nations. This trade had been slowed down by the difficulty of some countries in finding markets for their products in other European countries. The consequent lagging of intra-European trade was described as a "waste of products." Under the supplemental programme, dollars will be earmarked for purchases between ERP countries. The main purpose of this innovation will be to make sure that European resources are used to the full before calling upon US sources of supply. These American proposals are to be welded into an improved scheme of intra-European clearing which is being discussed by the OEEC Trade and Payments Committee. Mr Bissell himself will go to Paris next week and participate in the discussions.

Candid reference to the intra-European payments problem was made by Mr. Harold Wilson, President of the Board of Trade, in a speech appropriately delivered this week to the Anglo-French Chamber of Commerce. Mr. Wilson cited the example of France importing farm machinery for dollars, while refusing licences for similar types manufactured in the United Kingdom, as an illustration of what the European Recovery Programme was not intended to do. Mr Wilson said that the United Kingdom would play its full part in discussing this trade and payments problem, which was now before the OEEC. He suggested that any scheme designed to increase European trade would call for contributions in the way of further credits from some of the stronger trading countries. He explained that last year Britain was roughly in balance with the rest of Western Europe on visible account. Within this global balance, however, Britain was paying gold and dollars to some European countries with which British trade was in deficit and lending money to those with whom Britain had a surplus. Mr Wilson concluded that it was imperative that in future other creditor countries should join Britain in giving credits. This exhortation was no doubt addressed to such countries as Belgium, which, however, can claim to have done fully as much in the extension of credit to other European countries as has Britain. The whole problem must be solved on a wider basis, and if American initiative in providing dollars for off-shore purchases within Europe is sufficiently bold, the most promising contribution will have been made to the solution of this crucial problem.

* * *

Spreading Next Winter's Power Load

In the coming winter, arrangements for restricting the industrial use of electric power will again be needed to reduce the peak electricity load and offset the deficiency in generating capacity. The target set by the Ministry of Labour's special sub-committee for 1948-9 is less ambitious than that set in 1947-8, when industry was asked to reduce its power load by a third during the peak hours in the six winter months. The sub-committee now recommends that there should be a reduction for industrial and commercial users as a whole of 20 per cent of the peak load next winter, during December, January and February. For October, November and March, the problem is rather different, and while there will still be a national deficiency, its extent will vary from area to area. The Regional Boards have therefore been asked to make such plans as they think fit to meet their particular circumstances during the milder months.

In any event, it will be left, as it was last year, to each individual Board to work out, with the individual firms, the detailed arrangements for spreading the load. This may take the form of staggering working hours, or transferring processes to night work, or organising a powerless day—this expedient last winter proved the most acceptable and had the least dislocating effects. The schemes are backed by powers to deal with failure to comply.

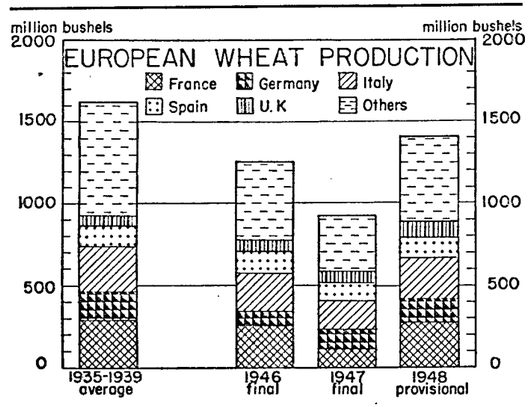
Restrictions of this kind, necessary as they may be, are not really a satisfactory solution of the problem, which can be met only by a sufficient expansion in generating capacity. It was originally hoped that capacity would have been expanded by an additional million kilowatts by the end of 1948. This would have rendered restrictions unnecessary. In fact, however, not more than 400,000-500,000 kilowatts have been added, which will be absorbed by the normal increase in electricity load. The new capacity will thus hardly alleviate the position. The slowing down of the development projects devised by the Central Electricity Board, insufficient allocations of constructional steel and delays in delivering materials and plant—these troubles will cast their shadow well beyond next winter.

In the meantime, the need for maximum domestic economies becomes increasingly urgent. The report of the Clow Committee, which has been in the hands of the Minister of Fuel and Power for some weeks and may soon be published, may suggest practical measures for reducing the non-industrial peak load, either by mechanical devices, or by differential tariffs, or by a combination of the two. But its chief effects will be mainly long-term. Given all the technical difficulties it is hard to see how such measures can be made effective quickly. The published plans for industrial and commercial users do not, indeed, suggest that any important new relief is expected through measures to reduce the domestic peak load in the coming winter. Is a mid-winter increase in domestic tariffs so repugnant to common sense and the nation's needs?

Wheat Without Agreement

The Wheat Agreement has been shelved. At last week's meeting of the International Wheat Council in Washington the British delegate announced Britain's withdrawal from the Agreement, owing to the non-participation of the United States. The United States was due to supply 37 per cent of the total guaranteed exports and the Agreement was clearly unworkable if USA did not participate, particularly as Argentina, Russia and Eastern European countries were not included in the scheme.

In its declaration of withdrawal, the British Government emphasised its desire to negotiate a new Agreement. Such an Agreement could not come into force before 1949-50 crop year. This delay has many advantages. First, it will enable amendments to be made to the administrative clauses. Secondly, if good harvest prospects materialise, much more favourable prices for importing countries are likely to result. The maximum price for the first year might conceivably be 50 cents lower than the $2 a bushel proposed last March.



This year's American wheat crop is expected to total over 1,200 million bushels against 1,400 million last summer. The maize crop will also be large, although it is not yet assured; a yield of 3,300 million bushels is expected compared with the record crop of 3,250 million bushels in 1946-47 and 2,400 million bushels in the following season, when so much damage was caused by floods. As a result the United States is expected to have at least 400 million bushels of wheat available in 1948-49 for export—its quota under the Wheat Agreement would have been 185 million bushels. News from Canada is not quite so encouraging. Some of the wheat in the Prairie States has been damaged by the drought and total acreage is smaller than last year. Nevertheless

"Knowledge is of two kinds. We know a subject ourselves, or we know where we can find information upon it." Not all Dr. Johnson's dicta are accepted to-day (e.g. Is claret the liquor for boys and must one drink brandy if one aspires to become a hero?) but few will quarrel with his views on knowledge. For example, business and other organisations requiring information outside their own subjects know that they can often find it at The Economist Intelligence Unit.

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the wheat carry-over for the four main exporting countries on July 1st is estimated at 350 million bushels compared with 225 million bushels at the beginning of last season.

Reports from Europe continue to be good despite the recent weather and preliminary estimates of the wheat crop are illustrated in the chart on page 119. Although it is still some 14 per cent below the prewar average, it will be larger than any crop during or since the war. Other grain crops are doing equally well. Again, wheat production in India has increased and the Asiatic rice crop is showing a welcome expansion. Provided that the harvests fulfil their promise, bread-rationing will certainly be eased in most European countries, if not discarded. But the level to which wheat prices will fall, will depend on domestic price policies, particularly in the United States. The new American support price for the 1948 crop has been announced as $2 a bushel at the farm. This is, in fact, a guaranteed minimum price to the farmers. Last year's rate was $1.84 a bushel. If the Commodity Credit Corporation has to buy large quantities of wheat at the guaranteed minimum, will it be sold to Europe under ECA at that price? Under free market conditions the price of wheat this Autumn should fall below $2 a bushel.

* * *

Cheaper Cotton and Wool?

There are at least some signs that the world cotton shortage will be eased during the coming season. The US Department of Agriculture has announced that the area under cotton in the United States amounted to 23,650,000 acres on July 1st, an increase of 10 per cent over last season. The harvested area is likely to total 23,223,000 acres compared with 21,269,000 acres last year and 17,615,000 in 1946. No official indication of the crop has yet been published but it is at least heartening to see the cotton acreage back almost to its 1940 level. And trade sources have estimated a crop of 14 million bales against 11½ million bales in 1947-48 and 8,500,000 bales in the previous season.

American domestic consumption is expected to show a slight drop on last season's figure of 9,000,000 bales, leaving over 5,000,000 bales available for export. In 1947-48, US cotton exports amounted to only 2,300,000 bales and even in the record year of 1945-46, reached only 3,900,000 bales. World stocks however, are low, being forecast at 14½ million bales on August 1st, against 25 million bales at the same date in 1938. Thus, even with the promise of a larger Egyptian crop, the cotton market is not facing a rude shock. Nevertheless, prices are likely to be significantly lower than last summer, particularly for American grown cotton—and this, despite larger European purchases under ECA. The spot price for cotton in New York has already fallen quite appreciably. On July 13th it stood at 35.35 cents a lb. compared with 38.19 cents a month earlier and 38.87 cents a year ago.

There have also been signs of some weakening in wool prices, though as yet they are not well defined. During the first half of June prices for crossbred wool in the Australian and Liverpool sales were 10 per cent lower, although merino prices were maintained. Since then, however, the closing sales at Adelaide and Brisbane have shown price falls of 10 to 15 per cent, including merino. The last sale of the season opened in London on Thursday, as this issue of *The Economist* was going to press. Bidding was still fairly keen, but prices in general were about 5 per cent below the level of the Liverpool sales, with even more marked reductions for the inferior grades.

The results of the London sale will be analysed with interest, for in recent years close-of-season prices have been fairly strong, because manufacturers and merchants bought for stock until the new clip became available late in the autumn. Wool supplies have not altered materially. There is still a dearth of the better qualities, although the merino wools should be more plentiful next season. In the past few months the wool market has been firmly supported by buying on Russian, Japanese and German account, but such large-scale purchases are unlikely to continue for any length of time. Bradford, equally, may soon feel the effect of the reduced home demand for clothing—if it has not done so already. The export market, while it lasts, may however provide an adequate bulwark.

* * *

Opposition to Development Councils

Leicester, as the centre of hosiery manufacture, is becoming also a centre of opposition to the Government's policy of establishing statutory Development Councils for industry. At the beginning of June, the Board of Trade published the draft order for the establishment of a Hosiery and Knitwear Council and asked for suggested amendments. Hosiery manufacturers held a meeting and returned a unanimous answer. They wanted no such statutory body, though they were prepared to set up an advisory council themselves on which the trade union should be represented. Last Friday the Permanent Secretary to the Board of Trade visited Leicester to dispel "misunderstandings" about the powers given to a Development Council by the Industrial Organisation Act. He met not only with continued hostility in the hosiery trade but also with a firm declaration by the boot and shoe industry on the lines of that made by the hosiery manufacturers a month before. The National Union of Boot and Shoe Operatives associated itself with the proposal to form a weaker, advisory body without statutory powers. Such a body, in the Government's view, would be too weak to live

This is the first time a union has compromised with the employers on this issue, on which TUC policy has been firm since the Conference of 1944 passed a resolution in favour of Industrial Boards. Re-affirmation of that policy at Scarborough this year was intended not only to stimulate Government action but to stiffen wavering unions and in particular the Boot and Shoe Operatives.

There have been suggestions that the President of the Board of Trade intends to force through the Hosiery Development Council Order before the next session, when the political atmosphere may well grow heated over the future of the steel industry. Perhaps this setback will cause him to go more slowly. According to the Industrial Organisation Act, the Minister may submit the Order to an affirmative resolution of both Houses after consulting "any organisation . . . representative of substantial numbers of persons carrying on business in the industry." The Act does not compel him to obtain their support. Yet the expediency of imposing a Development Council on an industry generally opposed to it may be questioned. And to choose unwilling industries first seems likely to rouse unnecessary opposition. It would seem wiser to make a start in an industry where both sides are agreed. One such industry is furniture; responsible opinion in the furniture industry would welcome a Development Council as a means of establishing recognised standards before the utility scheme ends.

* * *

Carbon Black

One of the projects to establish in Britain the manufacture of ultra-fine carbon black was announced last week by Dawnay Day and Company. It is based on an agreement with the Phillips Petroleum Company of Oklahoma, which is to lease the processes and give technical assistance. A site has been chosen for the plant; if the necessary approvals and permits are obtained, building may begin this year and the plant may be in production by 1950. The scheme has Board of Trade support, less for dollar-saving reasons than to attempt to assure the supply, at present precarious, of a vital raw material. British industry uses about 55,000 tons of carbon black, of all types, a year. Most of this (53,000 tons) goes to the rubber industry; the remainder goes mainly into printer's ink. It is the fine blacks, channel black and the various equivalent types developed in the last few years in the United States, which are critical. The life of a motor-tyre tread depends on channel black, or possibly (the tyre trade is not yet finally satisfied on the point) on its substitutes. British consumption of channel black and its equivalents is about 36,000 tons a year; all this is imported, and virtually all from the United States. Britain last year imported 40,000 tons of carbon black at a cost of $10 million. Consumption has approximately doubled since before the war, and the prices (now between 7d. and 10d. a pound according to type) have doubled too.

The approaching difficulties in the supply of channel black were anticipated by the Government three years ago, when an inter-departmental committee was set up, with Sir Charles Bruce-Gardner as chairman, to inquire into the matter. Channel black was made from natural gas in the United States oilfields. Germany made it by burning anthracene and naphthalene in a stream of coke-oven gas; this was expensive in Germany and would be excessively dear in this country. Even the American method, however, was an extravagant way of using natural gas resources, which the Americans found could be exploited in more profitable ways. As the other uses for natural gas have been developed, channel black production has declined; within a few years it may cease altogether. There have been occasions since the war when British rubber tyre factories have had to work short time for want of channel black.

The committee found that various American firms (among them the Phillips Company, the Cabot Company, and Columbian Carbon) were developing new ways of producing ultra-fine blacks. These processes vary, but are all based on the passing of oil, oil gases or oil residues through furnaces to extract the carbon. Any hydrocarbon can be made to yield carbon black, but the properties depend on the size and shape of the particle. The American companies operating the new processes claim that their ultra-fine furnace black can be used in tyre treads as a complete alternative to channel black. If this proves to be so, then the establishment of these projected factories will solve one of the most intractable supply worries of the British rubber industry. And even if the possibilities of substitution do not prove unlimited, there is little doubt that they are considerable. The plant required is expensive (to build a plant capable of producing 10,000 tons a year would cost about £300,000). It is still doubtful whether the scale of the investments now planned is large enough to supply the full British requirements.

* * *

Disinflation and Retail Sales

Since the war May has re-established itself as the peak month in the spring retailing season. On May 11th the first batch of coupon changes came into effect. But an examination of the retail statistics for May published in the *Board of Trade Journal* suggests that seasonal movement may have played a more important part than did the coupon changes in bringing about the rise of 9 per cent in the retail sales index. Sales of stockings and women's outerwear (in which the coupon concessions were substantial) were only fractionally higher than a year ago; indeed, since prices have risen over the year, physical sales were less. By contrast, sales of underwear and children's wear were 12 per cent higher than May, 1947, and of men's wear 25 per cent higher. Sales of household goods relapsed after a spurt in April, but food sales rose with the spring season. Sales of furniture continued to fall in May, and the validation of extra utility units on May 7th did little to arrest it. In one trade only was there a whole-hearted response to coupon concessions: sales of boots and shoes, at half the former coupon values, rose by 25 per cent compared with April. These returns explain why Mr Wilson found it necessary to make further concessions in clothing coupons in June.

Comparison of retail and wholesale stocks gives evidence of the highly conservative policy which buyers are pursuing, especially for the larger retail stores. Though retail sales of clothing and footwear rose, stocks decreased in May. Contrary to the general impression, stocks of women's outerwear in retail shops were actually 5 per cent less in value than in May, 1947. But wholesalers' stocks were 67 per cent higher, and many of the wholesalers themselves are now making efforts to keep their stocks down. This was the subject of a complaint addressed by the National Union of Manufacturers to the Chancellor of the Exchequer last week: "Manufacturers are finding that wholesale and retail distributors are reducing their stocks, particularly of seasonal goods, but are expecting delivery when the demand arises, and this has placed the burden of a heavy volume of stock on the manufacturer."

The biggest single deterrent to distributors from holding stocks is the fear of being caught with goods on which the purchase tax may be reduced. Under the new Finance Act the Chancellor has taken power for the first time to vary purchase tax by an Order. The National Union of Manufacturers has asked that purchase tax should not be so varied without prior consultation with the industry concerned.

* * *

Compensation for Gas

The Government was defeated in the House of Lords last week when the Opposition rejected the method proposed under the Gas Bill of assessing compensation for holders of gas stocks. In the Commons, the Government had, despite sustained criticism, decided on Stock Exchange prices as the basis of valuation. The Lords Amendment substitutes "reasonably maintainable annual income which could have been expected from those securities if this Act had not been passed, multiplied by such numbers of years purchase as may be appropriate in order to secure the payment of fair compensation." A representative of the stockholders and the Minister should, the amendment proposes, calculate maintainable revenue and years purchase, with an arbitrator available in cases of dispute.

In the findings of the Heyworth Committee, in these columns, and during the Commons debate on the Gas Bill, Stock Exchange

An Annuity

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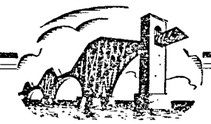
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prices for gas stocks have been condemned as an unsatisfactory basis for compensating the owners of the gas industry. The reasons for this criticism are two-fold. Many gas stocks are not quoted on the Stock Exchanges of the country at all, and even when they are quoted gas stocks are not active, and prices are largely notional. Secondly, the tendency for market prices to undervalue an undertaking is pronounced in the case of gas shares. The efficient gas companies, bound by the statutes under which all gas undertakings operate, have built up assets far in excess of balance sheet valuations, and market prices for gas stocks have naturally failed to reflect these increases.

The Government's reasons for preferring Stock Exchange prices for valuation are not convincing. When this method was adopted in the case of the railways and electricity, there was far less criticism, because the great majority of the undertakings involved were represented by quoted securities. As for the Government's desire to get compensation out of the way quickly, will it really be so much quicker to ascertain what valuation investors might have placed on gas securities had they been quoted, than to follow the Lords' proposals?

* * *

UK—Norwegian Payments

The payments agreement recently negotiated between Britain and Norway introduces a new feature in the financial relations between the two countries by setting a definite limit to the amount of the other's currency which each party is prepared to hold. This limit is fixed at Kr. 100 million and £5 million respectively. Thus the Bank of England, acting as agents of the British Government, will sell sterling to the Norges Bank as required by residents of Norway to make payments within the sterling area. Norwegian kroner deposited against these sales of sterling will be credited to the Bank of England No. 1 account at the Norges Bank provided that the balance standing to the credit of that account does not rise beyond the ceiling of Kr. 100 million. If the balance has reached this limit, further sales will be against gold to be set aside in the Bank of England's name at the Norges Bank. Conversely, gold will be earmarked in London on Norwegian account if the Norwegian balance in its No. 1 account with the Bank of England rises beyond the limit of £5 million. Under the new agreement, sterling held by Norwegians will only be transferable to residents outside the sterling area on an administrative basis, each operation being subject to the consent of the Bank of England and the Norges Bank. Similar arrangements have been made for the use of Norwegian kroner by sterling area residents when making payments outside Norway and the sterling area.

Shorter Notes

The Italian Government has now agreed to assume responsibility for Italy's share of 20½ per cent in the interest guarantee on the Austrian Government 4½ per cent Loan, 1934-59. Funds will be provided to meet interest payments, including arrears. To this announcement the Stock Exchange responded with a rise in the Austrian Loan on Tuesday from 65½ to 73½. The Italian Government has, however, failed so far to take similar steps in respect of the Italian share in the capital redemption guarantee.

*

British exports in June achieved a value of £134 million, which is 40 per cent in excess of the 1938 figures and ahead of the Government export target set for mid-1948. June exports increased by £4,000,000 over May, when the daily rate was 134 per cent of the prewar figures. But as the President of the Board of Trade has shown this week, there is still "no real narrowing of the gap in our overseas balance of trade." Moreover, the effects of the dock strike were not felt in June "because exporters were allowed up to 6 days after final clearance of a ship to send in returns."

*

The danger of a strike in engineering over the employers' rejection of the unions' wage claim has been averted. By an overwhelming majority (992,000 votes to 114,000) the Executives of the 37 unions represented in the Confederation of Shipbuilding and Engineering Unions decided this week to ask the Minister of Labour to set up a Court of Inquiry, under the Industrial Courts Act, to investigate the whole question of engineering wages. A separate Court will deal with the shipbuilders' claim.

*

Summary figures of steel production announced by the British Iron and Steel Federation show that the average weekly production of steel ingots and castings in June was 297,000 tons. This represents a rate of production of 15,444,000 tons a year—the highest yet recorded in any month. The previous highest rate (15,283,000 tons a year) was reached in April. The rate of production in June, 1947, was 13,206,000 tons a year. Production of pig-iron, however, fell slightly from a weekly average of 183,700 tons in May to 181,100 tons a week in June.

*

In the first 5 months of 1948 2,887,000 work people benefited from higher pay, involving a net increase in their wages bill of £831,600 per week. In the transport industry 770,000 people received increases, in textiles 518,000, the clothing industry 342,000, and metal, engineering and shipbuilding 327,000. The highest average increase per head was recorded in the distributive trades, where 56,500 workers share an additional £22,100 per week.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Associated British Pictures; British Plaster Board; British Sugar Corporation; British Timken; Pye Limited.

Prices, Year 1948 (Jan. 1 to July 14) High	Low	Name of Security	Price, July 7, 1948	Price, July 14, 1948	Net Yield, July 14, 1948 (n) £ s. d.	Gross Yield, July 14, 1948 £ s. d.
		British Funds				
101⅝	101	War Bonds 2½% August 1, 1949-51	101⅛	101⅛	...	1 5 10 c
101½	100⅞	Exchequer Bonds 1¾% Feb. 15, 1950	100⅞	100⅞	0 8 11	1 3 9
102⅛	100⅜	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 7 0	1 12 4 e
102⅛	100	War Bonds 2½% March 1, 1952-54	102⅛	102⅛	0 14 3	1 18 10 c
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	103⅛	103⅛	1 7 3	2 19 2
102⅛	99⅛	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛xd	1 1 4	2 3 4 e
103⅛	100⅛	Funding 2½% June 15, 1952-57	103	102⅞	1 1 4	2 8 8 f
105⅛	100⅛	National Def. 3% July 15, 1954-58	104⅛xd	104⅛	1 4 1	2 10 6 f
105	101⅛	War Loan 3% Oct. 15, 1955-59	104⅛	104⅛	1 4 9	2 11 9 f
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	102⅛	101⅝xd	1 10 10	2 17 5 f
101	98⅛	Funding 2½% April 15, 1956-61	100⅛	100⅛	1 7 9	2 10 10 f
102⅞	99⅛	Funding 3% April 15, 1959-69	101⅛	101⅛	1 11 4	2 18 7 f
114⅞	110⅜	Funding 4% May 1, 1960-90	113	113	1 14 4	2 15 7 f
102⅛	97⅛	Savings Bonds 3% Sept. 1, 1960-70	101⅛	101⅛	1 12 1	2 19 6 f
96	92⅜	Savings Bonds 2½% May 1, 1964-67	95⅜	95⅜	1 13 1	2 16 6 f
115⅞	112⅛	Victory Bonds 4% Sept. 1, 1920-76	114⅝	115	1 4 7	2 18 4*
101⅞	96⅛	Savings Bonds 3% Aug. 15, 1965-75	100⅜	99⅞xd	1 13 8	3 0 8 f
111	107⅛	Consols 4% (after Feb. 1, 1957)	108⅛xd	108⅛xd	1 2 10	2 16 11 f
106⅛	102⅜	Conversion 3½% (after Apr. 1, 1961)	105	105	1 10 9	3 2 4 f
83⅞	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	76⅛	76⅛	1 16 2	3 6 1 f
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	94⅛	94⅛	1 15 0	3 3 11 f
100	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	96⅛	96⅛	1 15 3	3 3 3 f
83⅛	74⅛	Consols 2½%	76⅛	76⅛	1 16 1	3 5 8
101⅛	96	British Electricity 3% Gtd. 1968-73	100	100⅛	1 13 3	3 0 9 f
98⅛	93⅛	British Transport 3% Gtd. 1978-88	96⅛	96⅛	1 15 5	3 3 11
100⅛	95⅜	British Transport 3% Gtd. 1968-73	99⅛	100	1 13 6	3 1 0 f

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

Prices, Year 1948 (Jan. 1 to July 14) High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, July 7, 1948	Price, July 14, 1948	Yield, July 14, 1948 £ s. d.
					Other Securities			
104⅜	101⅛	% (d)	% (d)		Australia 3½% 1965-69	102½xd	102½	3 1 2 l
94⅛	91⅛	(d)	(d)		Birmingham 2½% 1966-71	92	93	2 18 5 l
101⅛	99	(d)	(d)		Argentine 3½%	101	101	3 9 4
8⅞	6⅝	50 c	50 c		Anglo-American Corp. 10s.	6½	6⅝	3 19 3
10⅝	7⅛	5 a	25 b		Anglo-Iranian Oil £1	8½xd	8⅜	3 13 9
76/6	62/4½	£15 c	£15 c		Assoc. Port. Cem. Ord. Stk. £1	72/6	73/9	4 1 5g
28/6	23/6	40 c	40 c		Austin Motor 'A' Ord. Stk. 5s.	31/3	31/3	6 8 0
84/-	72/9	7 a	7 b		Barclays Bank Ord. 'B' £1	76/-	74/6xd	3 15 2
10⅜	8⅜	†20 b	15 a		Bass Ratcliff Ord. £1	8⅜	8⅜	2 16 6†
104/9	85/-	8 a	12 b		British Oxygen Ord. £1	4⅜	4⅜	4 5 3
46/1½	37/3	2½ a	5 b		Courtaulds Ord. £1	37/6	37/6	4 0 0
32/6	25/1	25 c	40 c		Distillers Co. Ord. 4s.	25/9	26/-	3 16 11
32/10½	27/9	8 c	8 c		Dorman Long Ord. £1	29/6	29/9	5 7 7
79/9	68/-	15 c	15 c		Dunlop Rubber Ord. £1	68/9	69/9	4 6 0
53/-	44/6	3 a	7 b		Imp. Chem. Ind. Ord. Stk. £1	46/3	46/-	4 6 11
6⅞	5	13½ a	19½ b		Imperial Tobacco £1	5⅛	5⅛	6 8 9
48/9	40/3	10 c	10 c		Lanes. Cotton Ord. Stk. £1	41/3	41/3	4 17 0
66/6	56/7½	5 c	10 c		Lever & Unilever Ord. £1	47/6	47/6	4 4 3
61/3	47/6	12½ c	10 c		London Brick Ord. Stk. £1	50/-	51/3	3 18 1
66/1½	47/-	25 c	31½ m		P'chin J'son Ord. Stk. 10s.	49/-	51/-	4 18 0
35⅛	30⅛	17½ c	17½ c		Prudential 'A' £1	32	32	2 8 2†
59/3	49/9	12½ c	12½ c		Stewarts & Lloyds Ord. £1	51/6	51/3	4 17 6
85/7½	73/1½	12½ a	15 b		"Shell" Transpt. Ord. Stk. £1	76/10½	77/6	1 18 8†
7⅞	6⅛	12½ b	12½ p		Tube Invst. Ord. Stk. £1	6⅛	6⅛	4 4 4
90/9	73/3	11½ b	3½ a		Turner & Newall Ord. Stk. £1	73/6	74/-	4 1 1
63/3	47/-	55 b	15 a		Woolworth (F. W.) Ord 5s.	77/3xd	78/-	4 9 9

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (g) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (l) To latest redemption date. (m) 15 months. Yield Basis 25%. † Free of tax.

COMPANY MEETINGS

THE NASSAU INVESTMENT CORPORATION, LIMITED

TEN YEARS OF PROSPEROUS GROWTH
SOUNDNESS OF MANAGED INVESTMENT POLICY
INCREASE OF CAPITAL APPROVED
MR R. K. FRAAY'S ADDRESS

The tenth ordinary general meeting of the Nassau Investment Corporation, Limited, was held on the 30th ultimo, at Prudential House (adjoining Unit Security House), Fox Street, Johannesburg.

Mr R. K. Fraay, the chairman, presided and, after declaring the meeting properly constituted, said: Ladies and gentlemen,—This is the tenth annual general meeting of your corporation, and in moving the adoption of the directors' report and audited accounts for the year ended December 31, 1947, I suggest that, as these have been in your hands for some time, we take them as read. I shall, as usual, first refer briefly to the main features of the accounts before you.

PROFIT AND LOSS ACCOUNT

In order to give the fullest possible information to shareholders, compatible with the interests of the corporation, the annual accounts of the companies forming our group are now published in such a manner that the different sources of income are shown separately, instead of in one item as in the past. The accounts before you provide this detailed information, while comparative figures for the previous year are given in the margin.

The total revenue received during the year was £215,706 (last year £207,992), subdivided as follows:—

Dividends received and accrued	£112,651
Profits, less losses on investments realised	102,860
Sundry revenue	195
	£215,706

The total expenditure was £44,663 (last year £36,347), sub-divided as follows:—

Administration expenses	£13,899
Interest	25,243
Audit fees	158
Directors' fees and bonuses	5,363
	£44,663

After deducting expenditure from revenue, the net profit was £171,043, as compared with £171,645 in the previous year. You will see that the higher expenditure was mainly caused by an increase in "Interest paid."

I am sure that you have noted with pleasure that the revenue under "Dividends received and accrued" has increased by an amount of £15,588 in comparison with 1946, because an increase under this heading shows the strength of an investment company such as yours. There was a decrease under the other two headings, namely, "Profits less losses on investments realised" and "Sundry revenue," but I feel that the final result is highly gratifying.

APPROPRIATION ACCOUNT

To the net profit of £171,043 must be added £68,486, being the balance unappropriated at the beginning of the year, making a total of £239,529. The following allocations have been made:—

Dividends to shareholders (25 per cent.)	£125,000
Provision for taxation	16,500
	£141,500
Leaving a balance to be carried forward of	98,029
	£239,529

BALANCE SHEET

The amount of the authorised and issued share capital of your corporation remains unaltered at £500,000, but in terms of a special resolution of shareholders passed on May 29, 1947, each £1 fully paid-up share was divided into four fully paid shares of 5s. each. The capital of your corporation therefore now consists of 2,000,000 shares of 5s. each, all fully paid.

Your directors consider it expedient to increase the capital to £1,000,000, and an extraordinary general meeting of shareholders has been convened to follow this meeting. I will refer to the proposals to be made at this extraordinary general meeting later.

General Reserve—General reserve remains unaltered at £500,000, and as this reserve now stands at the same amount as the capital, your directors do not consider it necessary to add to it by an appropriation from the profits made during 1947. The other items on the balance sheet do not call for any special comment, with the exception of

INVESTMENTS

The investments of your corporation at December 31, 1947, consisting of shares in 28 companies, appear on the balance sheet at cost—that is to say £1,691,514, which includes brokerage. The market value of these securities, based on the ex dividend quotations on January 5, 1948 (the first business day in 1948 on the Johannesburg Stock Exchange), was £1,828,650. The market value of your holding was therefore £137,136 above cost, which is a distinct improvement in comparison with the position at the beginning of 1947, when the market value was £54,646 below cost.

This is naturally very gratifying, but as I have said so often—do not attach undue importance to market fluctuations. The strength of an investment company lies principally in a first-class investment portfolio and sound and active management.

As I advised you in my last address, a considerable part of the investment holding of your corporation consists of shares in our associated companies, and these investments have proved to be very valuable. The dividends on our holding in these companies now constitute the main portion of the dividend income of your corporation.

INCREASE OF CAPITAL

This meeting will be followed by an extraordinary general meeting of shareholders, when resolutions in regard to an increase of the capital of the corporation, and the adoption of new articles of association will be considered.

It is proposed to designate the existing shares "ordinary shares" and to create a further 1,000,000 ordinary shares of 5s. each and 250,000 five per cent. cumulative preference shares of £1 each.

The present articles of association were adopted on August 7, 1941, and do not comply with all the present-day requirements of the Johannesburg Stock Exchange. Your directors, therefore, suggest adopting a new set of articles, incorporating the latest requirements of the Committee of the Johannesburg Stock Exchange, and certain provisions which will be required in the event of an application being made to the Council of the Stock Exchange, London, for a quotation of the shares of your corporation in that financial centre. A copy of the proposed new articles of association has been open for the inspection of shareholders at the registered offices of the corporation since June 7, 1948, and I do not think, therefore, that it will be necessary for me to report further in this regard.

In connection with the proposal to increase the capital of the corporation, I have to point out to you that the accounts before you show that an amount of £554,354 was owing in respect of loans and bank overdrafts at December 31, 1947, and further capital is also required for investments which have been obtained in new concerns since the beginning of the current year. This shows the advisability of increasing the capital, thereby enabling your corporation to expand still further.

BOARD'S PROPOSALS

The notice convening the extraordinary general meeting of shareholders was sent to shareholders together with the notice of this meeting, and I am sure that the proposals to be made to you are quite clear.

Your directors are asking for authority to offer the 250,000 five per cent. cumulative preference shares of £1 each to be created, at 20s. 6d. per share, and therefore at a premium of 6d. per share, on such terms and to such persons, whether shareholders of the corporation or not, as the directors may determine, provided that no such offer of any preference shares shall be made by the directors after June 30, 1949, without the consent of shareholders in general meeting. It is the intention of your directors to place these shares as soon as possible, and to give preference in allotment to our shareholders who apply for such shares. A form of application for these cumulative preference shares was sent to shareholders together with the notice of the extraordinary general meeting, and shareholders who wish to apply were asked to complete and return the application to the corporation on or before July 21, 1948. I might mention that a number of applications, duly completed, have already been received from shareholders. If shareholders apply for more than the whole issue of 250,000 cumulative preference shares, it is the intention of your directors to allot all these shares to shareholders only, and to make a pro rata allotment.

OFFER TO ORDINARY SHAREHOLDERS

Your directors are also asking for authority to offer to ordinary shareholders registered in the books of the corporation at the close of business on December 31, 1948, the 1,000,000 new ordinary shares of 5s. each, at 15s. per share, being at a premium of 10s. per share, in the proportion of one new share for every two shares held at that date, fractions being disregarded, and for the necessary power to allot and issue any of the new shares not taken up and also the shares resulting from fractions, to such persons, whether shareholders of the corporation or not, and at such prices (not being less than 15s. per share) as the directors may from time to time deem fit. It is the intention to utilise the £500,000 which will accrue to your corporation as premium on the 1,000,000 new ordinary shares of 5s. each, for strengthening general reserve. This will then increase the general reserve to £1,000,000, while the authorised and issue capital of your corporation will then amount to £1,000,000 divided into 3,000,000 ordinary shares of 5s. each, and 250,000 five per cent. cumulative preference shares of £1 each.

I am sure that the proposals to be made at the extraordinary general meeting will meet with the full approval of shareholders, because these two issues—cumulative preference in July, 1948, and ordinary shares at the beginning of 1949—will further strengthen your corporation, enabling it to take full advantage of any new remunerative business

offering. I might add that I am confident that it will be possible to maintain the dividend of 25 per cent. per annum on the ordinary shares, even on the increased capital.

GENERAL ASPECTS OF INVESTMENT MARKET

The South African investment market has been passing through a very difficult period during the last few years. Market conditions have been rather erratic, with considerable fluctuations in prices from time to time. A few of the better known industrial shares have been on the upgrade, but most dividend-paying gold mining shares have constantly given ground.

The question is often asked whether an early improvement can be expected. It is, of course, impossible to forecast market conditions with any degree of certainty, but I feel confident that the market will improve in the not too distant future. I base my conviction on the expectation that something will have to be done by our government to assist the gold mining industry, to enable that industry not only to continue its present operations, but to expand further, to the benefit of this country as a whole; and in addition, on my often expressed opinion that the gold price must eventually rise to a figure bearing a truer relation to commodity prices and production costs than does the present figure.

The difficulties which confront investors at the moment show clearly that, more than ever before, investing is becoming a professional occupation which can best be left to investment companies and investment consultants. We in South Africa must not overlook the fact that the same difficulties are being experienced by investors in oversea countries, not only by individuals, but by trust and insurance companies, banks, etc. For instance, one American banker complained, some time ago, that his institution was subscribing to eight investment information services. All these services were unanimous in their opinion in June, 1946, that share prices would go higher, but within 90 days of that forecast, the worst decline in a decade was experienced. If professional consultants and investors admit that they have to contend with considerable difficulties, it stands to reason that these difficulties must be even greater for individuals who do not command the necessary technical information, etc., which is necessary in shaping an investment policy.

These were the considerations which led to the establishment of your corporation, which will have been in existence for 11 years on October 21 of this year.

CORPORATION'S PROSPEROUS GROWTH

Much has been written and said lately about the advantages and disadvantages of the managed investment movement, not only in this country, but overseas, I am justified, therefore, in quoting to you today some particulars obtained from the records of your corporation covering the period from its incorporation, nearly 11 years ago.

Your corporation was registered on October 21, 1937, with a nominal capital of £50,000, divided into 50,000 shares of £1 each. Only 26,000 shares were then applied for and issued, while the balance of 24,000 shares was placed privately at a later date. All these 50,000 shares were paid for in cash at par.

SUCCESSIVE CAPITAL INCREASES

On October 31, 1938, the nominal capital was increased to £250,000. In accordance with a prospectus dated November 10, 1938, 100,000 shares of £1 each were offered for public subscription at 20s. 6d. per share, but on account of the uncertain international position then prevailing it was not possible to place more than 50,000 shares. On December 31, 1938, the total issued capital of your corporation was therefore £100,000, divided into 100,000 shares of £1 each.

During 1942 a further 150,000 shares were issued to shareholders, at 30s. per share—that is, at a premium of 10s. per share, and this premium, amounting in total to £75,000, was transferred to general reserve.

In May, 1943, the nominal capital of your corporation was again increased, this time to £500,000, by the creation of a further 250,000 shares of £1 each. 125,000 of these shares were offered to shareholders registered at the close of business on June 30, 1943, at 40s. per share. Of these, 124,524 shares were taken up by shareholders, while the remaining 476 shares were placed at 74s. 6d. per share. The total premium of £125,821 resulting from this issue was added to general reserve, which at the end of 1943, stood at £220,000 while the issued capital was then £375,000, divided into 375,000 shares of £1 each.

The remaining 125,000 shares of £1 each were issued to shareholders at 60s. per share in the beginning of 1946, thereby increasing the issued capital to £500,000, while the whole of the share premium on this issue, amounting to £250,000, was added to general reserve. As already mentioned, the £1 shares were divided into four shares of 5s each in accordance with a special resolution passed on May 29, 1947.

A PIONEER UNDERTAKING

Your corporation was the first managed investment company of the unit securities group to be established, and during the years 1944 to 1948, participated in the establishment of a further seven investment companies in this group.

The history of your corporation has, in my opinion, proved the soundest of the managed investment policy. As I have said so often, managed investment companies are, in effect, nothing but partnerships with limited liability of a great number of investors, who entrust to the directors of their company part or whole of their resources in order to invest their combined funds to common advantage, and in such a manner that these companies can do better for their shareholders than individual shareholders can do.

The revenue of these companies consists of:—

(1) Dividends received,

(2) Profits less losses on investments realised, and

(3) Other revenue, such as underwriting commission, etc.

In arriving at the revenue derived from "(2)," only profits and losses on securities actually sold during the year are taken into account.

The net profits of the managed investment companies forming our group are allocated in such a manner that, whenever possible, substantial amounts are appropriated for building up strong reserves and considerable balances on the appropriation account over a period of years. The balances on appropriation account may serve as dividend equalisation funds.

VALUATION POLICY

The holdings of the companies are, at the end of each year, shown at cost, while information is also given on the balance sheets and in the directors' reports about the market value of the holdings, based on the market prices in force on the first business day on the Johannesburg Stock Exchange following the date of the balance sheets. This policy has been consistently followed by all the investment companies of our group. There is bound to be a difference between cost and market value, due to market fluctuations, and I have repeatedly told shareholders in the various companies in our group—as I have told you today—not to attach undue importance to market fluctuations. Investment companies acquire their holdings mainly for investment purposes—that is to say, to obtain an income from dividends.

Under this policy it is, of course, possible that certain investments may have a market value below cost at the end of the year, while other investments show an appreciation over cost. In the case of the holdings of your corporation, for instance, some shares held at the end of 1947 had a market value below cost, while other securities showed an appreciation above cost, but the position as a whole is always clearly shown.

Market value of investment securities is, in my opinion, not a true standard of value, subject, as these market prices are, to fluctuations due to a variety of causes which have nothing whatsoever to do with intrinsic values. That is the main reason why it was decided by the directors of your corporation and subsequently by the directors of its associated companies, to show investments on the balance sheet at cost, accompanied by a statement as to the market value, and only to take account in our profit and loss account of profits and losses when these are actually made on realisation.

SHAREHOLDERS' INTERESTS PROTECTED

It is my considered opinion that the investment policy followed by your corporation and its associates is the best policy for protecting the interests of shareholders in investment companies, because I realise that shareholders in such companies are mainly interested in obtaining regular dividends and holding investment securities which are readily marketable, while they are quite prepared to leave the management of their funds in the hands of the directors and management of the company.

It will be realised that it usually takes some considerable time before such investment companies can be firmly established. Some companies may be established and may have acquired their investment portfolios just before a temporary upward movement in the market takes place, and the results of the first year's operations disclosed in its published accounts may then give rise to exaggerated expectations. Other companies may commence business and acquire their portfolios prior to a downward trend in the market taking place, and the holdings of such companies would then naturally show a depreciation in comparison with cost. Some critics contend that companies in such a position should not distribute their income by paying dividends, but should retain such income against the depreciation of the portfolio based on market value as compared with cost. An individual holding investments whose market value was lower than cost would still regard dividends received as income, and I consider that managed investment companies, being simply partnerships with limited liability, should do the same. They should therefore distribute the major portion of their income in dividends to shareholders, and utilise the balance to build up substantial general reserves over a period of years.

Your corporation has passed through very difficult times since its inception, due to the war and the uncertainty prevailing in the prewar and postwar periods. It is therefore interesting to recall what has happened during the 11 years of its existence.

GROWTH OF DIVIDENDS

Before quoting particulars in connection with income and expenditure, etc., I would like to state that your corporation has paid regular dividends to its shareholders since its inception, at the following rates:—

Year ended December 31	Dividend per cent.
1938 (14½ months' period)	8
1939	6
1940	7
1941	12½
1942	15
1943	17½
1944	20
1945	20
1946	21¼
1947	25

while an interim dividend of 12½ per cent. in respect of the financial year ending December 31, 1948, was declared on June 19th of this year.

MARKET VALUATIONS

As could be expected, there have been considerable fluctuations in the market value of the holdings of your corporation, as compared with cost during the ten years since the inception of your corporation, as the following figures show:—

	Appreciation above cost per cent.	Depreciation below cost per cent.
1938	—	0.50
1939	—	7.83
1940	—	8.32
1941	5.09	—
1942	—	0.58
1943	1.12	—
1944	—	7.30
1945	4.80	—
1946	—	3.00
1947	8.11	—

The information quoted gives the position at the end of each financial year, but it will be realised that such fluctuations occur throughout each financial year for the reasons already stated.

Profits and losses on investments realised—from October 21, 1937, until December 31, 1947, the total profits on investments realised amounted to £602,836, and the losses on investments sold amounted to £160,649, resulting in a net profit under this heading of £442,187.

INCOME AND EXPENDITURE

Dividend Income.—During the same period, the dividend income of your corporation amounted to £472,665.

Other Income.—The other income, consisting of underwriting commission, etc., amounted to £12,106.

Total Income.—The total income for the period was £926,958.

Interest Paid.—The interest paid by your corporation on money borrowed was £113,770.

Other Expenditure.—Other expenditure, including directors' fees and bonuses, was £91,929.

Net Profit and Taxation.—The net profit was £771,259, from which amount must be deducted £73,034 for taxation, leaving £648,225.

DIVIDENDS AND RESERVE

Dividends Paid to Shareholders.—I have already given you information about the rate of annual dividends declared and paid to shareholders. These dividends absorbed £501,018 during the whole period, while £472,665 was received by the corporation as dividend income. This will show you that practically the whole amount of dividends paid to shareholders was derived from dividends received.

Appropriations to general reserve: During the period £49,179 was appropriated from the profits to general reserve, while £450,821 was received as premium on new shares issued and transferred to general reserve, thereby creating a total reserve of £500,000. During 1946 and 1947 no appropriations from the profits were made to general reserve, as it stood, during those years, at the same total as the issued capital.

BALANCE OF PROFITS

The balance of the profits made during the period were utilised to increase the balance on appropriation account, which stood at £98,029 at the end of 1947. The gradual strengthening of your corporation's position is clearly shown by giving particulars of the balances on appropriation account at the end of each financial year. These balances were as follows:—

1938	£1,428
1939	1,207
1940	2,239
1941	2,567
1942	3,414
1943	7,202
1944	7,218
1945	22,059
1946	68,486
1947	98,029

I attach very great importance to the gradual building up of the balance on appropriation account, because I consider this balance to be in the nature of a fund for the equalisation of dividends. This balance can, if the position warrants it, be utilised to maintain the same dividend if, during any one year, there should be a drop in the net profits.

INVESTMENT PORTFOLIO

The cost of the investment portfolio of your corporation also gives a clear picture of its gradual growth. The investments at cost at the end of each financial year, were as follows:—

1938	£140,626
1939	181,468
1940	144,719
1941	198,873
1942	633,568
1943	1,069,727
1944	1,169,084
1945	1,422,639
1946	1,819,328
1947	1,691,514

NUMBER OF SHAREHOLDERS

The original number of shareholders was small, but an ever-increasing number of investors was gradually attracted to invest part of their funds in your corporation. There was a period during which a number of shareholders sold their shares because they were under the impression that it would be impossible for your corporation to maintain its dividends. I am glad to be able to report, however, that the demand for the shares of your corporation has increased substantially again during recent years. As a matter of fact, during the last year alone, the number of registered shareholders in your corporation has increased by 72 per cent.

The shares of your corporation are, at the moment, dealt in on the Johannesburg Stock Exchange at 22s. 6d. per 5s. share, and they constitute one of the most attractive investment counters on the market, yielding as they do slightly under 6 per cent. on the present market price. This yield is based on the dividend at the rate of 25 per cent. per annum which your corporation has declared for each of the last three half years.

PURPOSE ACHIEVED

The information I have given to you today proves that your corporation has been able to achieve the purpose for which it was established, namely, to protect shareholders in every possible manner, and to obtain a better yield on their investments than they could obtain themselves. The inference to be drawn from the history of your corporation is that managed investment companies must remain a permanent and remunerative feature of our economy.

In conclusion, I wish to give you the assurance that your directors will continue with the present policy. I am confident that your corporation will go from strength to strength in association with the other companies in the Unit Securities group.

I am at present considering the advisability of a visit overseas, together with some of my colleagues on the boards of the associated companies, in order to lay the foundation for co-operation with oversea interests. I have every hope that such a visit will prove highly profitable to all the companies of our group.

I now propose "That the directors' report and accounts be adopted, and that all acts and undertakings done for and on behalf of the corporation by the directors be and are hereby confirmed," and I call upon Mr P. A. Leon to second this proposal.

MR P. A. LEON'S SPEECH

Mr P. A. Leon, in seconding the chairman's proposals, said: Mr Chairman, ladies and gentlemen,—Bear with me for a few minutes. It is quite some time since I have had the pleasure of being asked by you, Mr Chairman, to second one of your speeches. I have done so on previous occasions and I have always felt gratified at the honour accorded to me. I have, since the inception of this, the first managed company of our group, been a director and I therefore know and can speak of the success which has been achieved.

You have had many successes, Mr Fraay. You are chairman of eleven companies, all within the Unit Securities Group; quite something of a responsibility in itself; but this goes to show the confidence reposed in you by the public of South Africa. In addition to this, you have gathered around you a staff of senior personnel, and here I do not want to overlook the junior members of our staff, to whom I want to say "there is always plenty of room at the top." The loyalty to you, Mr Chairman, by the members of your staff has always been very apparent to us directors and it is something of which you should be, and I know are, extremely grateful and proud.

TRIBUTE TO THE BOARD

Then in addition to that you are fortunate in having further support from thirty-six directors of these companies of which you are chairman—men who I can describe as being among the finest business brains of South Africa. I, having worked with you during the last fourteen years—the years that it has taken you to build up the unit group of companies—know how much you value the co-operation, collaboration, assistance and advice which you receive from our colleagues.

Remember, Mr Fraay—or "R.K.," as we all affectionately call you—that these co-directors of yours do not give you their assistance and advice as a matter of duty. Frankly it is always a great pleasure to all of us to render you any assistance, or give you our counsel, or in fact do anything that we are able to do to relieve you in some small degree of your responsibility.

WORKING CAPITAL £1,000,000

Today you have reviewed the progress of the Nassau Investment Corporation from the time that it was formed in 1937 with a total paid up capital of £26,000 until today when the capital is £500,000, and what is more important and certainly very pleasing to us all is that the reserves of the company total a similar figure, that is, £500,000, giving us, now, a total working capital of £1,000,000. Not a bad achievement, especially when one's memory goes back to the days of 1937, when the capital was £26,000.

I was with you, Mr Fraay, when, as chairman of our group, you gave evidence before the commission appointed by the Government to make recommendations in regard to alterations in the company law, and I was gratified by the obvious importance which the members of that commission placed on what you had to say and to the suggestions and advice that you then offered.

The report and accounts were unanimously adopted.

The meeting was then followed by an extraordinary general meeting of shareholders, at which meeting proposals for the increase of the capital of the corporation, and for the adoption of new articles of association, were unanimously approved.

GENERAL MINING AND FINANCE CORPORATION, LIMITED

MARKET VALUES EXCEED BOOK FIGURES

MR C. S. McLEAN ON GOLD MINING CONDITIONS

The forty-eighth ordinary general meeting of the General Mining and Finance Corporation, Limited, was held in Johannesburg on the 29th ultimo.

In the absence of Sir George W. Albu, Bart. (chairman and managing director), Mr S. C. McLean presided and in the course of his speech said:

The profit for the year 1947 amounted to £385,345, which is £58,944 less than for the previous year. This decrease is largely accounted for by a reduction in the main source of our revenue, namely, dividends and interest on investments; and to profits from share dealings which were on a smaller scale than for 1946. Our revenue from other sources was well maintained. Dividends equivalent to 5s. per share in respect of the year have been maintained.

INVESTMENTS

Investments in stocks and shares, taken into the balance sheet at £3,094,961, show a decrease of £123,063 on last year's figures. On the other hand, land and building at £313,683 reflects an increase of £182,965 as compared with the previous year's figure of £130,718, due principally to the purchase of real estate in the Orange Free State.

Investments for which market quotations were available appear in the books at or under cost, but in no case above the market price at the close of the year. Unquoted securities have been entered in accordance with the conservative valuation made by the board at or below cost. The aggregate market value of stock and share investments greatly exceeds the value shown in the balance sheet.

He then dealt with the results of their own producing companies and with those in which they are substantially interested.

GOLD MINING INDUSTRY

Continuing, he said: Statistics produced in connection with the mining operations of the industry during the year under review unfortunately once again reveal further reductions in the tonnage milled, working revenue and working profit, while working costs indicate an increase of 1s. to 26s. 7d. per ton milled. This resulted in a decrease of over £1,500,000 in the distribution of dividends to shareholders.

Although operations were seriously affected by the strike of European miners which lasted for approximately seven weeks and which arose entirely from internal dissensions in the ranks of the Mine Workers Union, the major factors responsible for the depletion of profits were the continued increase in the high cost of production and shortages of labour and materials.

A MATTER OF GRAVE CONCERN

The requirements of secondary industries and of the non-producing mines on the Witwatersrand, the Far West Rand and in the Orange Free State aggravate the already serious shortage of European and native labour to the gold producers. This shortage —especially of native labour—is a matter of grave concern to the industry. The peak period of underground native labour in respect of the year 1942 as compared with that of this year indicates a present shortfall of approximately 21 per cent.

The shortages of materials, especially steel and cement, continue to restrict the development operations on both old and new mines alike.

DECLINE IN GOLD PRODUCTION

The continuation of the decline in gold production which last year represented a shortfall of 23 per cent. on the 1941 output, must be a matter for serious consideration.

Our gold forms the greatest proportion of our export trade and is the principal source of payment for raw materials and machinery, upon which our expanding mining activities, together with those of the country's secondary industries, are so dependent for their establishment and existence. Our internal economy is likewise dependent upon this precious metal and you will have seen that the gold reserves of this country have shown a marked decline recently. The necessity of maintaining the maximum output and also of prolonging the lives of existing mines will therefore be appreciated by all sections of our community.

The margin of payability on several mines on the Witwatersrand today is such that any small increase in working costs can only result in their premature closure and a loss to the country of many millions of tons of ore. Once again let me remind you that owing to the fixed price of its product, the industry is unable to pass on any increase in the costs of production to consumers.

TWO NEW FIELDS

The country is indeed fortunate in having two new goldfields in the process of development in the Far West Rand and in the Orange Free State. The discovery of this new goldfield in the Orange Free State with its vast potentialities as a contributor to the future economic development of this country must be recognised as an event of national importance. In these areas new mines are being opened up to replace those that are closing down on the Witwatersrand. To do this, however, takes both time and capital, and if the gold output of the country is to be maintained, the hiatus between the opening of the new and the closing of the old must be reduced to a minimum.

Financing of new mines, especially those in the Orange Free State, will require a vast amount of capital which can not be found from internal sources alone. Consequently it is essential that everything will be done, both here and abroad, to encourage the flow of capital from overseas to assist us to finance these important enterprises. In this connection the abolition of the non-resident shareholders' tax would be a welcome concession, as it must constitute a deterrent to overseas investors. I am confident that the fundamental importance of the gold mining industry to this country's economy cannot fail to be recognised, and I express the hope that further legislation will be enacted which will place gold mining on a basis comparable with that of other industries.

A report of the proceedings at this meeting will not be circulated to shareholders. Copies may be obtained on application to the head office in Johannesburg and to the London office.

The report was adopted.

VENEZUELAN OIL CONCESSIONS, LIMITED

INCREASED PROFIT

The thirty-second annual general meeting of the Venezuelan Oil Concessions, Limited, was held in London, on the 13th instant, Sir Andrew Agnew, C.B.E., the chairman, presiding.

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

The profit and loss account for 1947 shows a profit of £2,619,248, compared with £1,012,942 in 1946. Our gross income from oil sales has reached the large total of £35,603,679, being almost double the corresponding figure for 1946. Two main factors contribute to this increase, the first being that the company's production of crude oil exceeded the 1946 figure by some 22 per cent. and the second being the considerable increase in crude oil prices during the year.

I must draw your attention once again to the rising costs of production. Substantial new items of expenditure have been incurred, particularly in the way of social services and pensions. Labour costs in Venezuela are still climbing and material prices show an appreciable increase, even on the high levels of 1946. While the higher costs of production have been more than absorbed by our increased income, production cannot continue indefinitely to rise nor will prices remain indefinitely at the present high levels. On the other hand, operating costs, and in particular labour costs and the cost of social services, are less likely to re-act, even when the industry is faced with more difficult conditions.

The combined total of Venezuelan income tax and United Kingdom tax on profits comes to the large figure of £13,814,616. The United Kingdom tax provision depends on the amount of Venezuelan tax in that the latter is allowed as a charge in computing profits subject to the former.

RELATIONS WITH GOVERNMENT

The Venezuelan Government decided that some benefit from the situation must be reflected in the nation's revenue from oil and, after negotiation, the company agreed that for a period ending November 1, 1948, a somewhat higher price should be paid for Government royalty oil than would have been the case if this had been calculated in accordance with the formula normally employed. Under the exceptional conditions affecting the oil market, your directors are satisfied that such an arrangement is not unreasonable. All other large producing companies in Venezuela have concluded agreements on similar lines. The Venezuelan Government are considering new tax measures to secure an equalisation between the total tax payment to them and the net profits of the producer. I think it can fairly be claimed that the oil industry in Venezuela has accorded the Government an outstanding degree of co-operation. We are looking forward with confidence to continued good relations with the Government.

We have been equally active in our field operations. As regards the prospects for the current year, while the cost of our operations continues to rise, you will doubtless be aware that the larger proportion of last year's increase in crude oil prices only took effect in the latter part of 1947, and were thus only partially reflected in our last year's results. Moreover, the published figures of the volume of our production so far this year are some 27 per cent. higher than that of the corresponding period of last year and show that we have now achieved an average rate of 300,000 barrels daily. Accordingly, despite the prospect of increased payments to the Venezuelan Government and generally rising costs, we can look to the future with confidence.

The report was adopted.

Statistical Summary

GOVERNMENT RETURNS

For the 10 days ended July 10, 1948, total ordinary revenue was £87,018,000, against ordinary expenditure of £65,198,000 and issues to sinking funds £1,059,000. Thus, including sinking fund allocations of £3,443,493 the surplus accrued since April 1st is £199,405,002 against £230,978,528 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948–49	Receipts into the Exchequer (£ thousand) April 1 to July 12, 1947	April 1 to July 10, 1948	12 Days ended July 12, 1947	10 Days ended July 10, 1948
ORDINARY REVENUE					
Income Tax	1309150	216,556	240,302	30,105	31,100
Sur-tax	90,000	14,030	19,350	1,600	1,100
Estate, etc., Duties	160,000	47,883	54,800	5,800	8,050
Stamps	55,000	11,370	16,485	1,000	1,800
E.P.T.	250,000	6,460	24,960	970	2,800
Profits Tax		57,848	41,750	13,069	3,450
Other Inland Rev.	1,000	95	80	5	5
Special Contributn.	50,000	...	6,050	...	1,450
Total Inland Rev.	1915150	354,242	403,777	52,549	49,755
Customs	820,600	222,377	234,829	22,470	21,087
Excise	726,550	140,700	190,000	7,200	7,000
Total Customs & Excise	1547150	363,077	424,829	29,670	28,087
Motor Duties	50,000	7,103	6,547	1,348	1,144
Surplus War Stores	102,000	29,761	19,095	443	386
Surplus Receipts from Trading	57,000	20,000	826	...	...
P.O. Net Receipts	...	...	...	...	...
Wireless Licences	11,000	2,140	2,220	...	...
Crown Lands	1,000	210	180	...	...
Receipts from Sundry Loans	14,000	10,412	4,607	6,481	2,595
Miscell. Receipts	68,000	144,536	19,740	944	5,050
Total Ord. Rev.	3765300	931,481	881,821	91,435	87,018
SELF-BALANCING					
Post Office	150,200	37,380	39,060	3,680	2,000
Income Tax on E.P.T. Refunds	16,000	6,163	2,306	514	148
Total	3931500	975,024	923,187	95,629	89,166

Expenditure	Estimate, 1948–49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to July 12, 1947	April 1 to July 10, 1948	12 Days ended July 12, 1947	10 Days ended July 10, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	123,978	119,212	11,014	10,388
Payments to N. Ireland	26,000	5,778	4,996	896	764
Other Cons. Fund Services	8,000	2,902	2,867	2,356	2,346
Total	534,000	132,657	127,076	14,267	13,498
Supply Services	2441679	564,634	551,897	63,220	51,700
Total Ord. Expd.	2975679	697,291	678,973	77,487	65,198
Sinking Funds	...	...	3,443	...	1,059
SELF-BALANCING					
Post Office	150,200	37,380	39,060	3,680	2,000
Income Tax on E.P.T. Refunds	16,000	6,163	2,306	514	148
Total	3141879	740,834	723,782	81,681	68,405

After decreasing Exchequer balances by £304,952 to £3,128,876, the other operations for the week decreased the gross National Debt by £7,620,162 to £25,686 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	7
Tithe Act, 1936, sec. 26	190
	197

NET ISSUES (£ thousand)

P.O. and Telegraph Acts, 1946 and 1948	400
E.P.T. Refunds	181
Overseas Trade Guarantees Act, 1939, sec. 4 (1)	37
Housing (Scot.) Act, 1944, sec. 4 (2) and Housing (Fin. Prov.) (Scot.) Act, 1946, sec. 13 (2)	486
Local Authorities Loans Act, 1945, sec. 3 (1)	6,250
Overseas Resources Development Act, 1948, sec. 17 (1):—	
Overseas Food	1,500
War Damage: War Damage Commission	3,000
Board of Trade	1,000
Finance Acts, 1946 and 1947, Post-war Credits	788
	13,642

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	18,880	Nat. Savings	1,750
2½% Def. Bonds	1,084	3% Def. Bonds	*5,493
Tax Reserve Certs.	8,572	3% Term Annuities	1,289
Ways and Means Advances	11,825	Other Debt:—	
		Internal	761
		External	188
		Treasury Deposits	38,500
	40,361		47,981

* Including £4,530,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
July 12	2180·0	2541·0	978·6	...	1368·5	6468·0
1948						
Mar. 20	2160·0	2712·5	403·8	20·5	1249·5	6546·3
,, 31	4910·2		334·8	6·0	1291·0	6542·0
Apr. 10	2160·0	2752·0	328·9	...	1326·5	6567·4
,, 17	2160·0	2750·0	324·4	...	1340·5	6574·9
,, 24	2170·0	2716·9	322·5	...	1349·5	6558·9
May 1	2180·0	2689·3	322·9	...	1346·5	6538·7
,, 8	2200·0	2643·2	310·2	...	1346·5	6499·9
,, 15	2210·0	2643·5	301·0	20·3	1326·5	6501·3
,, 22	2210·0	2626·6	297·8	14·8	1362·0	6511·1
,, 29	2210·0	2620·2	303·3	...	1377·0	6510·5
June 5	2210·0	2616·7	283·2	3·5	1410·0	6523·5
,, 12	2210·0	2608·9	281·7	1·0	1425·5	6525·2
,, 19	2210·0	2635·1	274·0	11·3	1443·5	6573·8
,, 30	4817·3		270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·0	6547·7

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
July 11	170·0	299·8	170·0	10 1·09	40
1948					
Apr. 9	170·0	291·2	170·0	10 2·62	44
,, 16	170·0	267·6	170·0	10 3·15	55
,, 23	170·0	295·1	170·0	10 2·51	42
,, 30	170·0	281·9	170·0	10 1·34	45
May 7	170·0	290·3	170·0	10 1·24	43
,, 14	170·0	290·7	170·0	10 1·36	45
,, 21	170·0	294·5	170·0	10 1·26	43
,, 28	170·0	278·6	170·0	10 1·63	50
June 4	170·0	295·8	170·0	10 1·20	40
,, 11	170·0	271·5	170·0	10 1·70	49
,, 18	170·0	259·6	170·0	10 1·89	57
,, 25	170·0	279·7	170·0	10 1·65	48
July 2	170·0	286·8	170·0	10 1·45	45
,, 9	170·0	276·5	170·0	10 1·48	48

On July 9th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 48 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for July 16th. For the week ended July 17th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended July 5, 1947	Week Ended July 3, 1948	Totals Apr. 1 to July 3, 1948
Savings Certificates:—			
Receipts	3,050	2,100	52,700
Repayments	2,350	3,100	34,950
Net Savings	700	*Dr.1,000*	*Dr.3,250*
Defence Bonds:—			
Receipts	1,575	755	11,200
Repayments	638	559	11,144
Net Savings	937	196	56
P.O. and Trustee Savings Banks:—			
Receipts	13,128	11,319	162,869
Repayments	13,945	13,894	162,919
Net Savings	*Dr. 817*	*Dr.2,575*	*Dr. 50*
Total Net Savings	820	*Dr.3,379*	*Dr.3,344*
Interest on certificates repaid	423	558	6,197
Interest accrued on savings remaining invested	2,275	2,321	30,911

BANK OF ENGLAND RETURNS

JULY 14, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1271,971,427	Other Govt. Securities	1288,213,486
In Bankg. Department	28,276,406	Other Secs.	756,077
		Coin (other than gold)	15,337
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	364,144,291
Rest	3,677,836	Other Secs.:—	
Public Deps.*	14,069,078	*Discounts and Advances*	*10,210,270*
Other Deps.:—		*Securities*	*21,103,866*
Bankers	*803,308,599*		31,314,136
Other Accts	*88,901,586*		
	392,210,185	Notes	28,276,406
		Coin	775,266
	424,510,099		424,510,099

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

COMPARATIVE ANALYSIS

(£ millions)

	1947	1948		
	July 16	July 1	July 8	July 15
Issue Dept.:—				
Notes in circulation	1405·5	1252·2	1261·4	1271·9
Notes in banking department	44·7	48·0	38·8	28·3
Government debt and securities*	1449·2	1299·2	1299·2	1299·2
Other securities	0·7	0·8	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public	9·5	14·5	9·6	14·1
Bankers'	303·9	325·4	309·3	303·3
Others	93·8	92·2	92·3	88·9
Total	407·2	432·1	411·2	406·3
Securities:—				
Government	339·0	351·7	347·7	364·1
Discounts, etc.	21·4	17·8	22·0	10·2
Other	18·1	32·0	20·2	21·1
Total	378·5	401·5	389·9	395·4
Banking dept. res.	46·8	48·7	39·5	29·0
	%	%	%	%
"Proportion"	11·5	11·2	9·6	7·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 8	45	74⅜	170 8	114 4
,, 9	45	74⅜	166 12	113 5
,, 10	Markets	Closed	168 12	113 15
,, 12	45	74⅜	170 14	114 8
,, 13	45	74⅜	170 2	114 2
,, 14	45	74⅜	169 10	113 15



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Hankow	Kowloon	MALAYA	BORNEO	London
*Harbin	INDIA	Cameron	Brunei Town	U.S.A.
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NATIONAL HEALTH SERVICE ACT, 1946

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June 30, 1948.

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A Bitter Choice

EVENTS in the last week have only served to underline the strength of the Russian position in Berlin. The Soviet rejection of the Allied Notes leaves the Western Powers, not the Russians, in a quandary over what to do next. The Russian offer to feed the Western sectors of Berlin in exchange for Eastern currency weakens the Allied accusation that it is Russia's aim to starve out 2½ million Germans. The Allies have been powerless to prevent the introduction of a few more minor but intensely irritating Soviet traffic controls. There are reports of railway lines to the Western Zones being taken up and removed. And Yaks are doing victory rolls over Gatow.

It is no use minimising the Russian advantage. It is a legacy of the settlements at Yalta and Potsdam which created in Berlin a small Allied enclave completely surrounded by Soviet-occupied territory and dependent upon Russian good will for all its communications, save those in the air. The vital point is to assess the implications of the Russian and Allied positions. Even the most optimistic will have to admit that the great "air-lift" cannot be maintained indefinitely on the present scale. Day by day, the Allies draw nearer to the end of the present uneasy stalemate. The essential impermanence of the effort to supply Berlin from the air is not simply a technical matter—the difficulty of bringing in sufficient supplies when November fogs and December snows make flying difficult. It is rooted in the fact that it is not enough for the population of Berlin simply to eat. They must work as well, and in the long run they cannot do so if coal and raw materials as well as food have to be brought in by air. At some point, therefore, the air-lift will cease to be enough to hold the position.

When that time comes, the Western Allies will be faced with three possibilities: to reach a compromise agreement with the Russians; to impose their own solution, if necessary by force; or to withdraw from Berlin. Perhaps the best illustration of Russia's present tactical advantage is the fact that, of these three possible courses, the path of compromise is open to the West only if the Russians choose to take it. The Western Allies can propose a raising of the blockade in return for this or that concession—the use of Eastern currency in Berlin, the revival of reparations—but if the Russians do not decide to accept a compromise, the Western Powers will still be exactly where they were before—blockaded in Berlin.

The area of their own free choice is restricted to the two remaining possibilities—a solution to their taste imposed, if necessary, by force or a withdrawal. Perhaps the most urgent need of the moment is that everybody should realise this fact. Stalin may not push the matter to the bitter end—but it is his choice. If he wishes, he can force the West to choose between the two stark alternatives. Moreover, he can do so by mere passive inaction. And since he can easily force this bitter choice upon the Western Powers, it is vital that they should be in no doubt about the consequences of either policy.

If the course of force is to be chosen, the important factor is not so much the details of the solution that the Western Allies intend to impose

as their readiness to go to war to enforce it. The ultimatum might simply cover Berlin and take the form of a demand to the Russians to raise the blockade within a specified time. But if there is to be an ultimatum, it could reasonably go further and confront the Russians with the Allied view on Germany's future as a whole—in which case it would presumably cover both the raising of the siege by the Russians and their presence at a conference table to discuss a settlement based on an Allied agenda. But the important factor would be the backing of the ultimatum by force. There should be no illusions on this point. The arrival of 60 Super-Fortresses in Britain on a "routine training mission" does not constitute a threat of force. The Allies can bring home to the Russians the seriousness of their intention to make war only if they themselves are in fact serious. They cannot expect to frighten Stalin unless they are willing to go far enough to terrify their own publics. In other words, an ultimatum backed by the threat of force demands mobilisation in Western Europe and the United States, the concentration of aircraft and armour in Western Germany, preparations for civil defence and at least the first steps towards a war economy. Bluff will not work. Either the Allies must intend war seriously or their ultimatum will have no more force than last week's Note.

There are many sober people who openly advocate this course. They are driven by the conviction that Communist aggression against Western democracy will not be halted by anything short of the ultimate firmness. Sooner or later, there will have to be a threat to fight, and the threat is much more likely to be effective now than later. Morally, it is not easy to stand and fight at the end of a long series of retreats—and even more difficult to convince the adversary that you are at last in earnest if you have always given way before. Materially, it is highly probable that the Americans still have the monopoly of the atomic bomb. By far the surest way to avoid a shooting war, it is argued, is to win the war of nerves by not being the first to flinch.

It is a courageous argument. Its risks are obvious—and perhaps rather greater than is obvious. For one thing, it is possible that the Russians are not bluffing. The war might start, after all. And if it did, it might not be either quickly or easily won. Too much reliance can easily be put in the atomic bomb. Russia is a vast country, not easy to knock out with a few well-placed bombs, as is Japan—or Great Britain. Supremacy in the air, even with the atom bomb, might not sufficiently outweigh the great Russian superiority in ground forces to prevent a Russian advance to, or even across, the Rhine. The struggle to liberate occupied peoples might have to be long, and might well be pointless, so little would be left of Western civilisation. Perhaps the only way to exorcise this nightmare is to face it without flinching. But it cannot be written off as a minor risk.

Nor is it the only risk involved in the firm policy. If the quarrel over Berlin is to be resolved by force, the responsibility for firing the first shot may lie with the West. This is one more illustration of the tactical strength of the Russian position. They can get what they want by doing nothing. To break out of the ring, to impose their will, to confront the Russians with the risk of war, the Western Powers would have to begin the shooting, to make the offensive troop movements, to say the word that would begin the carnage. Can a democratic society ever do that? Attacked, it will fight and win. But could it ever cold-bloodedly start an atomic war, no matter in how just a cause? Yet to enter on the firm course and falter at the last moment would be fatal.

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If the immediate risks of the firm course are enormous, the risks of the alternative are no smaller. The consequences of withdrawal are hard to assess, for the reason that they lie in the minds of men. Europe is involved in a struggle of which millions are engaged on either side. France is as much involved as Marshal Tito's chief of staff and all these millions have the same calculation to make—whether they dare back Russia or the Western Powers. What would be the effect on all these anxious calculations of a severe diplomatic defeat for the Western Powers? Would the move be branded as a new Munich? Would that essential but intangible thing—the will to resist—be broken not only in Western Europe but among the thousands in the East who are not reconciled to Soviet *Gleichschaltung*?

It can be said, of course, that an Allied withdrawal from Berlin would not be the equivalent of a Munich. At Munich, an essential strategic advantage was thrown away—the Czech Maginot Line and the gateway to the German rear. No such sacrifice is involved in Berlin. Provided the Western Allies coupled their retreat from the exposed and untenable Berlin enclave with strenuous measures to reinforce and reinsure their frontier along the Iron Curtain, it could be argued that their position would be stronger, not weaker. If a limited withdrawal from Berlin were to coincide with the coming into force of a fully implemented Western Defence Pact, signed not only by the Western Union Powers but by the United States and the British Commonwealth, and guaranteeing the whole of Western Europe against Soviet attack, it might be the means of securing what is otherwise still only a dream. To straighten the line in Germany would give greater strategic strength—provided the essential element of confidence were not too badly shattered. For even though every Berliner who has compromised himself against the Communists could be brought out and given asylum in the West, it would still look like a betrayal, and a supreme effort would be needed to persuade the West that this was the last retreat.

*

It is, then, a very bitter choice that the Western peoples may have to make. It is not the purpose of this article to say what the choice should be. Frankly, we do not know. The Western countries have blundered into this crisis and are only just beginning to realise the intensity of the dilemma with which they are faced. They have every right to be furiously angry with the so-called leaders who put them there. But anger will not get them out. Only hard thought and high courage will do that. And it is fortunate that the air lift gives them time to think.

One thing, however, can be said at once. Neither course will work without vastly more unity and decisiveness among the Western Powers. If they are going to fight, they must have a combined strategy and a uniform will. If they are going to withdraw, they can hope to avoid a collapse of their whole policy only by a really convincing display of solidarity and purpose. Yet what do we see? We see the Foreign Ministers of Western Europe, in conference at The Hague, conducting one set of discussions on the questions of Germany while General Clay flies off to Washington to conduct another. We hear Mr Marshall talking of negotiation, while the War Department is for standing firm and remaining in Berlin at all costs. Nor is it only on Germany that there is lack of unity and of clear leadership. The wider outlook for general political stability in the Western world is equally confused and uncertain. We see the French Government falling and the American public concentrating its attention on the electoral struggle. We see Mr. Bevin damning with the faintest of praises M. Bidault's attempts to make some progress towards Western Union. It is not in this confusion of purpose and counsel that decisions can emerge clear, vigorous and convincing enough to save the cause of Western democracy.

The choice may not have to be taken at Berlin for several months yet. There is time for it to be very carefully considered. But what is urgent is that all the governments and all the peoples of the West should stop playing politics and treat a very serious situation very seriously.

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The New Territorials

IN the autumn the Government will launch a campaign to attract recruits into the Territorial Army. The public has not yet understood the radical change in the functions and form of the Territorial Army that is taking place, although on such an understanding the success of the campaign depends. In the past, the Territorial Army was designed to take the field in war as a second line of defence and was reckoned to have six months in which to make ready. Now it is to be part of one national army always ready for action. In fact, neither in 1914 nor in 1939 was the Territorial Army given such a breathing space, for its best units sailed overseas within two months of general mobilisation. What was to have been a second line of defence became an integral part of the first, because the Regular Army was too small to function alone.

The lesson has now been learnt and the decision to retain conscription in peace time has brought a transformation. The original conception of two armies—the small, regular long-service Army to provide an expeditionary force and to hold the line in the opening stages of a war, backed by a Territorial Army to be trained and expanded during war—has given place to the idea of one efficient National Army. This is to be composed of three parts: a Regular cadre; a National Service element; a Territorial Army. To this end the Territorial Army, which had been allowed to die in 1945, was re-formed in May, 1947. Various new factors have had to be taken into account in planning the National Army; the withdrawal from India and the loss of the Indian Army; the introduction of National Service, carrying with it liability for six years' service as a reservist in the Territorial Army; the need for instant preparedness against methods of attack by air, which are likely to give little time for the building-up, training and despatch of the main land forces.

Certain basic principles have had to be observed by the architects of the National Army. Its foundations must be built on the high technical quality of training in the Regular Army and its improvement in the Territorial Army; on the provision of elaborate air defence for Great Britain; on a reserve of trained and disciplined men built up by instructing the largest possible number of National Servicemen; on the availability of a small, efficient and properly equipped regular force ready in peacetime to proceed overseas at short notice; and on forces which can be sent overseas on mobilisation, ahead of the main part of the National Army, without destroying the machinery for expansion of the main land forces. To fulfil these principles, all three parts of the National Army are equally important. The Regular soldier will man garrisons and communication centres abroad and provide the leadership for the Colonial forces. He will provide the cadres for the tactical and technical training of National Servicemen and Territorials. The National Serviceman will provide much of the overseas forces of occupation and contribute the bulk of the trained Territorial Army.

Clearly neither the Regular soldiers nor the annual batch of National Servicemen, during their period of colour service, can by themselves provide more than a fraction of the forces required for national, imperial and European defence. Forces on the scale needed can only be provided from a reserve on a part-time, or territorial, basis. For, on the outbreak of war, the Territorial Army must be ready to man immediately the greater part of the country's anti-aircraft defences and to provide the reinforcements in those arms required at ports and airfields overseas. It must also have a field force, properly balanced and complete with all modern technical units. It must be ready to help in civil defence at home.

These tasks and responsibilities are great; if they are not to remain mere definitions on paper, much has quickly to be done to master them. The material is to hand; just as the functions of the Territorial Army have developed, so have the types of men available. Many of those officers, warrant officers and senior non-commissioned officers who have already enlisted are men of outstanding quality, with recent wartime experience. It will always be necessary to have this element of enthusiastic volunteers to supplement the leaders and instructors who can be spared from the small Regular Army. That instruction and leadership should be of high quality is essential, because entrants into the Territorial Army will in future be men with one year of National Service behind them, not raw recruits scarcely knowing one end of a gun from the other. They must be turned in their sparetime from semi-trained into fully-trained soldiers, for whom the Army is a part-time career. It is not enough to look upon the six years in the Territorial Army as a "refresher," or even a "finishing" course.

*

The task of training that faces the Territorial Army of the future may be judged from an analysis of how little can be achieved in the National Serviceman's first year of training with the Regular forces. First, he goes through a course of basic training, during which he learns the elements of all soldiering. He must learn to march; he must be made hardy and tough, and able to look after himself. He must know how to use rifle, Sten gun and mortar, under battle conditions. In some cases his whole elementary education needs revision. At the end of his basic training he can choose which branch of the Army he wishes to enter, and the aim is to put him into an arm or unit which has a Territorial counterpart in his home town. If he chooses the infantry, he will serve 38 weeks with an infantry battalion in the British Army of the Rhine, during which he will do platoon training, company training and battalion exercises with supporting arms. Outstanding men may attend courses in one of the Guards leader-training battalions or go before a War Office Selection Board and, if they pass, be sent to an Officer Cadet Training Unit. A National Serviceman who is posted to one of the technical arms (for example, a signaller) will, when basic training is finished, be sent to BAOR and straight into a signalling job, thus becoming part of the army right away. The anti-aircraft man will probably spend the whole of his year in the United Kingdom, and the tradition of AA batteries in the last war has probably left training in this arm better than in any other.

So far, so good, but the Regular Army has yet fully to appreciate that this one year of colour service for the National Serviceman will be useless unless it is treated as part of a seven year course. The all too short year has to be made a period of interest, endeavour and enjoyment, if ex-conscripts are to emerge as keen young soldiers on the ladder to promotion. And the prospect ahead must be not a minimum number of drills and wearisome compulsion, but a chance of treating the Territorial Army as a worth-while part-time career.

Good officers and NCOs are essential for a good army; it is therefore vital that potential leaders should be picked out during their year of National Service at 18 and specially prepared for the role of leadership in the six years which follow. At present the selections of the War Office Selection Boards represent only a small proportion of the officers required to man the Territorial Army. Too many intelligent and highly educated boys are being allowed to earn stripes during their National Service year by joining the Army Education Corps or by becoming clerks; this ensures that they will reach the Terri-

torial Army with no experience as non-commissioned infantry officers and in a mood of boredom and impatience. A year of intensive and imaginative training, with the firm hope of promotion in a specialist arm, should turn out a sufficient number of National Servicemen ready to fulfil their Territorial duties with zeal and pride. That training is still to be organised.

Even then much will depend on the attitude of the people around the National Servicemen and the new Territorials. The general public will have to consider what is to be their attitude to the men performing their six years of part-time service in drill halls and summer camps. Is it to be hospitable, helpful and sympathetic as during the war? Leaders of the educational, athletic, technical and cultural life of the country will have to consider how they can contribute to the amenities the National Serviceman will need. At every turn he will have claims on the national resources. The new Territorial Army will need training areas, accommodation, equipment, generous allocations of money for pay and training, and more to eat—all on a scale unknown before the war. Accommodation so far is scarce and costly. Scattered sparsely about the country are the training centres of the Territorial Army—drill halls, huts, sheds, prisoner-of-war camps—even pigsties and morgues. Shortage of transport makes attendance at the more dispersed training centres extremely difficult. There will have to be full co-operation by local authorities and brilliant improvisation by local associations if the difficulties are to be overcome.

Then there is the old prewar problem of deficient equipment, one of the main causes of slow recruitment and inadequate training. It is time that the Territorial organisers had assurances from the War Office on this score. The same is true of pay. Each unit has to have some full-time civilian employees, such as clerks, store-men, instructors, technical mechanics, limber-gunners. Their present rates of pay compare unfavourably with civilian rates and will not attract experienced men. The training and employment of women for some of these jobs is an obvious but only partial solution.

There is the old and vexed question of grants. The commanding officer of a unit has a training grant out of which he pays his officers and men for all week-end camps and any courses which they may attend. The demands on this grant are especially heavy among rural units, for whom it is more convenient to do most training at week-end camps, which are encouraged by the War Office. Training grants this year are so small that they only allow to a unit one assembly of approximately 120 officers and men. It seems wrong that a unit which has made a promising beginning in its first year should be hamstrung by financial need at a time when the War Office is planning to spend money on a nation-wide recruiting drive.

To ensure that the Territorial Army gets off to a good start there is an immense amount to be done. There are less than eighteen months in which to do it, as the first National Servicemen will reach the Territorial Army on January 1, 1950. Important as the planned recruiting drive may be, it is certainly not more important than the preparations needed for receiving these thousands of young men. The experience of many intelligent National Servicemen is that their present training is not preparing them for the six years' further training as reservists. The impression of many experienced men in the Territorial Associations is that they will fare badly in the scramble for accommodation, money and facilities against national health, education, civil defence and other authorities. Most employers have not begun to understand what the new Territorial system may demand of them in the way of extra holidays, time off and other concessions. In fact, there is an immense amount to be done by public discussion, both national and local, to establish the claims of the new Territorials among the priorities which are regulated from Whitehall. If the National Army is to be efficient and command the loyalty and enthusiasm of its conscript officers and men, then it has to be fitted into national and local life with the greatest care and imagination. The process should be begun now.

Musicians' Strike

A STRIKE which threatens to reduce the nation's broadcasting by nearly fifty per cent clearly involves in a most direct fashion the public interest. But the issue between the BBC and the Musicians' Union is one on which in the past little information has been available and the public is left wondering whether to regard the BBC as a stony-hearted, blood-sucking public corporation "without soul to save or bottom to kick" or whether to believe that the Musicians Union in this country is now determined to follow the lead given by American musical unionism—led by the notorious Mr Petrillo—and virtually to deprive the British public of music altogether.

The immediate cause of the strike is a wages dispute. Broadly speaking, the musicians ask that the existing minimum rate for "casual" studio broadcasts should be raised from £2 to £2 10s. The BBC has refused this request on the grounds that, for the first time, the BBC would be expected to pay a higher minimum wage than is demanded of outside concert organisers. The Governors are not prepared to vary BBC minimum wages from those prevailing in the country generally and deadlock has been reached. The union has told its musicians not to broadcast after August 1st and even though orchestras employed on a full-time basis by the BBC are not affected, they may be withdrawn later. (The Musicians' Union covers 99 per cent of the orchestral and band players in the country.)

The immediate cause of the strike is not, however, the only point at issue between the BBC and the Musicians Union. The disagreement can be considered under two heads—wage disputes and disputes over the use of the mechanical reproduction of music. The differences on wages cover a number of minor points, but the two chief issues are the minimum wage rates, discussed above, and the question of payment for the relaying of outside broadcasts. In the past, the BBC has frequently put a microphone into a concert or an opera or a musical comedy which was being given under other auspices. The broadcast thus laid no extra burden on the musicians and involved no effort they would not have made in any case. For years the BBC paid each musician 12s. 6d. as a "relay fee" in return for the right to reproduce the concert—or play or opera—in which he played. After the war, however, the union demanded that the relay fee should be equivalent to the sum the player would have received, had he broadcast from a studio at the BBC's special invitation. The BBC then offered to double the relay fee, but the Union turned the offer down. The result is that since the beginning of the year, listeners have been deprived of almost all outside broadcasting of music. The effect on the broadcasting of opera has been particularly disastrous.

Wage disputes are probably of less interest to the general public than the other point at issue—the question of the technical reproduction of music over the radio. This point covers both the EBC's own recordings, made in its own studios, and the use of commercial gramophone records. The Musicians' Union are utterly opposed to music being relayed by anything except a live orchestra. They regard any mechanical reproduction as a method of depriving musicians of work they would otherwise have obtained, and they have now succeeded in reducing drastically the amount of recorded music broadcast. No BBC programme may be recorded and repeated if it contains more than twenty minutes of orchestral playing—with the incidental result that programmes such as the Promenade Concerts cannot be repeated on another wavelength—and the union has reached an agreement with the gramophone companies whereby the number of hours during which the BBC may broadcast gramophone records falls each year, to reach in the not too distant future the very small figure of ten hours a week on all programmes combined. Such restrictions limit absolutely the amount of music broadcast and do so with special effectiveness when, as is the case today, insufficient studio space is available for "live" broadcasting.

These, then, are the main points at issue—two wage disputes and two questions of mechanical reproduction. There are others, but if these chief points could be solved, the relations between the BBC and the Musicians' Union would be on a sounder basis than they have been for some time past.

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The chances of a settlement are, however, prejudiced by the character of the two parties to the dispute. The Musicians' Union has been in existence since 1893, but it is only in the last twenty years that it has succeeded in organising the whole of the profession. This fact is important, for it helps to explain much in the attitude of the union to the two questions of wages and of the mechanical reproduction of music. Before the union became a strong bargaining body, the musical profession was undoubtedly underpaid, preyed on by employers and exposed to every sort of exploitation. Organisation has brought it great and entirely justified advantages and the loyalty of the ordinary musician to the union is considerable. At the same time, the growth of the union's real powers has coincided with the extension of mechanical musical transmission, of which the chief example is the sudden coming of the talkies which, coinciding with the onslaught of the great depression, threw thousands of musicians out of work. This memory of disaster is quite sufficient to explain the union's profound distrust of mechanical music. The belief that it deprives musicians of employment is not a myth. It is a fact of painful experience. The underlying attitude of the union is thus far from unreasonable. The question is, however, whether the union is responsible, reasonable and flexible enough to abandon these attitudes when they are no longer justified.

Unfortunately, this is not the case. There are three reasons why the union is proving an unreasonable negotiator. The first is that it recognises no wider function or responsibility than that of securing higher wages. The interests of the public, the need to increase the output of music, artistic responsibilities—these are not for one moment taken into account. The sole reason why the BBC is being asked for a higher minimum wage than the minima required from commercial companies is that commercial concerts could not now be organised if wages were higher. The economic limit has been reached. The union regards the BBC as having no economic limit. The fact that one tenth of its annual income is already spent on the musicians means little. The possibility that the BBC may need to protect the licence holders' money means even less.

The second difficulty is that the Musicians' Union—unlike the old medieval guilds such as the Master Singers—cares nothing for standards. As one distinguished musician put it ruefully "To be in the union you no longer have to be able to play the clarinet. You only need to know how to hold it." This disregard for professional capacity closely affects the union's attitude towards mechanical music. Since it takes no account of standards, it argues that a bad concert broadcast "live" is better than a good concert broadcast on records and that mechanical music robs musicians of work so long as there are any unemployed musicians on the union's books—irrespective of whether they can play with the required skill. There is thus no objective artistic standard to which negotiators can appeal.

Negotiation is also handicapped by the lack of central authority in the union itself. The General Secretary is very much the servant of the Executive Committee, composed of branch representatives from all over the country who tend to vary from year to year. This fact, coupled with the Communist tendencies of some of the most influential members, has led to a fluctuating and often irresponsible leadership.

There are also difficulties and obstacles to be overcome on the side of the BBC. The Corporation had to fight to establish itself and many of its officers still see life as a battleground with musicians, authors and dramatists as the recalcitrant foe. It should be said that the result has not been any lack of generosity. On the contrary, the rates paid by the BBC to its regular orchestras are probably the highest in the world outside the United States (the minimum wages paid for casual broadcasting are not representative since any performer of standing is in fact paid a higher rate). Something like £1,000,000 has been paid over to the musicians in the last year and the employment of musicians on "live" broadcasting has doubled since 1939. None of these facts appears to weigh with the union, but they add up to a case sufficient to discount any idea of the BBC as a skinflint employer or as a user of mechanical music to the detriment of living musicians. What is true, however, is that its mood in negotiating is not always fortunate. As one musician put it, "the BBC can give concessions as though it were a slap in the face." Relations have been olympian and remote and on some issues the BBC has not

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moved with sufficient speed. For instance, since the 12s. 6d. rate for relaying can, in the BBC's view, at once be doubled, the union is not entirely unjustified in claiming that it has been too low for years past. Moods and manners can be decisive in negotiation and the BBC may not always have seemed the good employer which on its actual record it deserves to be thought.

Given these difficulties and misunderstandings on both sides, what can be said of the immediate issue—the strike which may begin on August 1st and the controversies which form its background? The first point is that the BBC can hardly be expected to give way. The musicians' demands could add another quarter of a million to the budget at once and would open the way to further demands. Moreover, concessions on this single wage issue would be particularly unwise in view of the completely negative attitude of the union on all questions of mechanical reproduction. But to say that the BBC should stand firm is not to say that the community can remain unmoved while some of its chief sources of entertainment are cut off. Since direct negotiations have failed, there is a strong case for taking the whole field of relations between the BBC and the Musicians' Union to arbitration, for what is needed is not this or that increase in wages but a *modus vivendi* between two bodies in whose peaceful co-operation the public is vitally interested. A comprehensive settlement might well include increases of pay for certain skilled categories of musician and this in itself might be an encouragement to higher professional standards among musicians. A new agreement on mechanical musical reproduction might also be based on the premise that the public must get as much music as possible and that the BBC should be empowered to satisfy this demand to the fullest degree, by both "live" and mechanical broadcasting, provided mechanical reproduction does not exceed a certain proportion of the live transmissions. A joint consultative committee might be set up to discuss matters of mutual concern and to ensure that the two bodies do not only meet when a dispute is pending. But all these possibilities, desirable in themselves, will be hard to realise unless the Musicians' Union can acquire some sense of responsibility both to the public which it serves and to the artists whose professional standards it should seek to raise. The application of restrictive trade unionism has disastrous consequences throughout the national life, but it is hard to imagine anywhere where its effects are more noxious and deadening than in the sphere of the creative arts.

Across the Iron Curtain

JUST a year ago the governments of eastern Europe came to heel at Mr Molotov's whistle, turned their backs on the offer of Marshall aid then being made in Paris and moved towards Moscow to see what might be got there instead. They have been looking over their shoulders ever since, not because the Soviet Government has been notably dilatory or hard-fisted in assisting their economic plans, but because they are ambitious and in a hurry. In ten years' time maybe, the Russians will have machinery and tools to spare for their neighbours; but only western countries like the United States, Britain and Switzerland can deliver now or in the immediate future the raw materials and equipment with which Czechs, Poles and their neighbours might fulfil the plans of reconstruction to which their governments are committed. Through trade delegations, through cautious public statements, through the Economic Commission for Europe at Geneva, through diplomatic channels come appeals to the West to help—with credits and with trade.

To such appeals the West is not nearly so indifferent as it would like to appear. The men planning the revival of West German industry ask for nothing better than to resume the prewar exchanges of its products for eastern food, which might lighten the tremendous obligation to earn dollars which will fall on German trade when the European Recovery Programme ends in 1951. British programmes for housing, livestock production, and bacon rationing could be made to depend increasingly on timber and food production in eastern Europe. More than one western country wants Polish coal, and even the United States would be glad of Balkan contributions to its stockpiling of ores and metals. In spite of the split across Europe, in spite of the political tensions of the last six months, the old pattern of trading relationships between East and West struggles to reassert itself. And the men who are to begin shortly in Paris the long-term planning of Western recovery with American aid will soon have to decide two things: how much of the pattern can, in fact, be restored, and how much of it they—and the East European Governments—want to restore. They have to start from the fact that a renewal of east-west trade within Europe was one of the central assumptions of the original Marshall Plan, and that even the later Harriman Report staked great hopes on increased European food production, in which the East would play the principal role.

That the whole prewar pattern will not be restored in the predictable future is as certain as anything can be. Eastern Europe has new hopes and ambitions, fired not only by Russian and Communist encouragement, but by a widespread fear of German revival and determination never to return to the dependence on the German market which grew up in the 'thirties. How far these ambitions and hopes can take the seven states situated between Germany and Russia it is still hard to judge. But the main trends are already appearing, and one of the most important of them stands out clearly from the series of articles on food production in eastern Europe which is concluded in this week's issue (p. 148). The writer of these articles visited all the Communist-governed countries except Rumania and Albania, and everywhere he found the same leading aim: to industrialise, to raise standards of living, to bring the best administrative and technical brains into the towns, to work away from growing cheap primary foodstuffs towards the processing of more expensive farm products and the sowing of industrial crops.

This aim comes out clearly in the various national plans. In every case the targets for industrial production, capital equipment, development of power and urban building are higher than those for sowing, breeding, equipment and mechanisation in the countryside. In fact, it is difficult to avoid the conclusion that the East European governments may postpone for some years—if not indefinitely—any special effort to produce important grain surpluses for export. It is bound to come as a shock to those who have counted on those surpluses to reduce Western Europe's dollar expenditure and have been thinking in terms of the position in 1938, when fifty per cent or more of the exports of every east European country (except Czechoslovakia and Austria) consisted of agricultural produce and only twenty per cent or less of manufactured goods and machinery. It is true, of course, that efforts will be made to improve yields per acre; but on present plans such improvements will take second or third place to what is planned for the towns and the factories.

Here then is a factor to be weighed and judged by the West European planners in Paris. Is Eastern Europe likely to disappear, permanently or temporarily, as an important producer of food for the West? Are the present trends in this direction reversible or open to modification? If so, by what means

could the Western Governments make it worth while for the Eastern Governments to take a European view of their agricultural policies? These are questions which ERP delegates and their Foreign Ministers should tackle without delay.

There is another trend visible in the economic development of Eastern Europe which makes such action desirable. The Russians have developed their economic relations with the seven satellite countries on an unprecedented scale. Occupation in the closing stages of the war, the role of Communist Parties in the new regimes, the organisation of reparations from Hungary, Rumania and Bulgaria—all provided opportunities for the Soviet Government to influence the framing of national policies. In the last year, the progress of ERP in the West has made it politic to offer some comparable benefits from Moscow. The result has been a marked expansion in Russian trade with the satellites, which before the war was insignificant.

Lately, the expansion of trade with the West has caught up with this movement and Russia's share in Eastern Europe's growing exports and imports has been decreasing. But in 1946—the year when most of the present national economic plans were being drawn up—Hungary was taking 49 per cent, Poland 63 per cent and Bulgaria 81 per cent of its imports from the Soviet Union; the proportion of exports going to the Soviet Union was for Hungary 45 per cent, for Poland 50 per cent, and for Bulgaria 64 per cent. And this eastward trend has been strengthened by a series of short-term bilateral trade agreements between Russia's neighbours. The result in 1947 was that last year Bulgaria sent 87 per cent, Czechoslovakia 18 per cent, Poland 40 per cent and Rumania 90 per cent of all exports to Russia and satellite neighbours.

Some features of what would seem at first sight to be a movement towards autarky within a Russian-controlled Eastern sphere can, in fact, be explained by the special circumstances of the postwar years. In 1945 the German buyer and provider had disappeared and there was no one to take his place. Russia could fill the gap only to a very limited degree. Trade and production could be revived only by strenuous regional efforts culminating in a network of bilateral pacts. There was no currency available for multilateral trade. Reconstruction needs and the aspirations of the populations made improvisation inevitable.

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In short, many of the present economic trends in Eastern Europe can still be explained without assuming that there yet exists a master plan to make the whole area subservient to the long-term needs of the Soviet Union. On the contrary, evident though it is that the plans of Prague, Warsaw, Belgrade and Budapest are being roughly coordinated in certain respects, it seems likely that Russian long-term intentions are not yet fixed. Trade by the satellites with the West—notably by Czechoslovakia—is encouraged as the only means of bringing eastwards the desperately needed machinery and raw materials for industrialisation. The picture is of the Soviet Union and its neighbours intent on getting as smoothly as possible through the next five years, leaving the permanent shape of east-west trade relations to be worked out later.

The weakness of Eastern Europe in the present stage is only too apparent. It is buying from the West much more than it can sell. Together with the Soviet Union, it is sending about $700,000,000 worth of exports westward against $1,250,000,000 worth of imports. To meet that deficit it needs to export greater food and mineral surpluses. But to devote the necessary manpower, capital, transport and machinery to producing those surpluses would mean reversing the priorities laid down in the national plans. The resulting dilemma is a baffling one: without imports from the West—no industrialisation; without surpluses of food and raw materials for export—no imports from the West.

There are some who argue that this dilemma is a weakness in the Russian position which should be exploited for political purposes. They regard all machinery and manufactured goods sent behind the Iron Curtain as increasing the military strength of the Eastern bloc. They urge Western Governments to put the screw on these countries and let them see all what they lost by not joining the Marshall Plan. The argument is dangerous; if such a policy were tried, the Communist Governments of the East—Russia included—have the power and the will to face the consequences and make their populations accept them. National plans would not be abandoned but stuck to with grim obstinacy. There might be a real effort towards the regional autarky which it is in the interest of the Western Powers to prevent.

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There are cogent reasons for arguing that the strong economic cards held by the West should be played in a more patient and long-sighted way. But they cannot be so played until there is an attempt to plan a West European policy for trade with the Eastern group. Each group has now the machinery for joint planning and consultation, more advanced in the West than in the East. Each needs the help of the other in its production and import programmes for the next four years. OEEC in Paris needs detailed assurances about East European food and raw material supplies; the Eastern delegates at ECE in Geneva want detailed assurances about the West European machinery, fertilisers, chemicals, raw material that will be available. This being so, is it out of the question that the planners of ERP should invite the planners of Eastern Europe to confer on matters of common interest? Why should not a delegation from the Sixteen in Paris ascertain from Eastern Europe what food will be on offer between now and 1952, and discuss the possibility of long-term contracts and purchases between the ERP countries as a group and the Eastern countries as a group? And why should not delegations from Eastern Europe ascertain from OEEC what surpluses in capital equipment, steel, oil, chemicals, cotton and wool might be made available against the promise of food supplies?

Politically, as well as economically, such a method of working offers obvious advantages. No Western Power—not even America or Britain—can hope alone to influence internal economic policies in eastern Europe by negotiation with each individual capital. The Sixteen Western governments working together could. If there is to be any serious attempt to restore what was good in the prewar economic pattern of Europe and to find good substitutes for what was bad, it can hardly be done under a system which makes the allocation of American food deliveries and raw materials the business of sixteen governments working in council, and the allocation of East European deliveries a matter for individual governments competing against each other through dozens of short-term barter arrangements.

If no such concerted approach to Eastern Europe is undertaken, the trends which have been described may harden into fixed policies harmful to the economy of all Europe. If the trend of agricultural policy is to be away from large food exports, then one of the main assumptions of ERP will have to be re-cast—and that is surely urgent business for OEEC. If the trend of economic policy generally is to be towards closer association with Russia—perhaps eventually towards virtual self-sufficiency—then the problem of making Western Europe (and above all, Germany) independent of dollar aid would be immeasurably increased. Both the political and the economic situation in Eastern Europe now offer opportunities for imaginative and long-sighted statesmanship by America, Britain and their associates in ERP.

NOTES OF THE WEEK

Western Union Marks Time

No conference should be judged by the communique put out at its conclusion, but it must be admitted that the note issued after the Five Power Conference at The Hague was more than usually disappointing. Of the five points covered, two were the great bromides of international conference—the Five Nations' determination to defend their independence and to work together within the framework of the United Nations; a third simply mentioned the fact that they had reviewed the work of the permanent commissions set up under the Western Union Pact, and a fourth referred to their determination to carry economic and financial co-operation further. One point only left the field of generalities. The Foreign Ministers announced that their attitude was "completely at one" on a number of current problems, "including Germany."

If there were no more to be said of the conference than that its communique is, even for routine communiques, remarkably barren, its results would not necessarily lead to disappointment and alarm. More light has, however, been thrown on the real content of the discussions by M. Bidault's attempts to compel his fellow Foreign Ministers to advance more rapidly and more courageously along the path of Western Union. M. Bidault brought to their attention proposals some of which had been advocated at the unofficial Hague Conference on European federation. He asked them to consider whether they might not support the establishment of a federal parliament for Europe and create a sub-committee of the five Western Union Powers to work within the Organisation for European Economic Co-operation at Paris, in order to bring about an economic and customs union as a kernel of later European union.

One cannot blame the other Foreign Ministers for approaching cautiously the question of summoning federal parliaments. What seems inexcusable is their almost completely negative reaction to M. Bidault's second proposal which, if there is any meaning at all in the often proclaimed ideal of closer economic integration, is eminently sensible. European economic co-operation has hardly left its swaddling clothes. If any of the advances to which the five nations subscribe are to be secured, joint action within OEEC is obviously the most hopeful way of setting to work. Mr Bevin's cold reception is particularly hard to defend. Does he or does he not take seriously his own support for the idea of Western Union? Hitherto it has been possible to attribute the uncertainty in the British reaction to confused thinking. The rebuff to M. Bidault suggests that the sincerity as well as the clarity of British policy is open to doubt.

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France in Search of a Government

President Auriol has declared that the authority of the Republican State must be restored and that a "limited and concrete programme of action" must be carried out by "men of rigid will," but there is little likelihood of France receiving for the summer holiday anything like a strong coalition government. The best that can be hoped for is another Third Force Cabinet, patched together in a slightly different pattern from the last and undermined by the resentment which the MRP feels against the Socialists on many counts. At the moment it looks as if the job will have to be done by the Radicals.

It is difficult to comment with moderation on the action of the Socialists in forcing a government crisis on France at this moment. The blame must be passed right back to their party congress which, well aware of what the international situation might demand of the French forces, thought it might court favour with its dwindling supporters by insisting on cuts in the defence estimates of 313 billion francs. The estimates are of course huge and form a third of the total budget, but if France is to play the role which its statesmen demand an effort of this scale has to be made. Moreover, the Socialists must see quite clearly that only the extremists to Right and Left gain by a quarrel on such an inappropriate issue between the two parties of moderation. As it turned out, the Socialist action left M. Bidault out on a limb at The Hague conference of the Brussels Powers, broke up efforts to settle the civil servants' strike, and coincided both with the final attempt to secure political agreement and action from the West German Prime Ministers and with a difficult stage in the development of ERP. Irresponsibility could go no further.

Fly Commonwealth

Fly Commonwealth has temporarily replaced Fly British as the basic policy for British civil aviation. This is the essence of Lord Pakenham's comprehensive survey in the House of Lords on Wednesday. The Tudor II has finally been rejected as a passenger aircraft for the British Air Corporations. Twenty-two Canadair IV's—an American Skymaster airframe built in Canada and fitted with Rolls-Royce engines—are to be acquired to fill the gap the Tudor should have filled. Flight trials of the Tudor II by the Experimental Establishment at Boscombe Down have shown "unexpected and disappointing" results.

This gloomy verdict tallies with the final report of the Committee of Enquiry into the Tudor aircraft* which was published on Tuesday and makes even more melancholy reading than the earlier report of the same committee. Delay in the production of the Tudor II, it is considered, arose from three main causes. It was necessary to await the completion of aerodynamic investigations into the Tudor I, so that any improvements desired could be incorporated in the Tudor II. Secondly, there was a failure to determine in good time financial responsibility for the project as a whole and particularly for the alterations required by BOAC. Thirdly, changes in requirements imposed by BOAC resulted in loss of much time. The Corporation showed an exasperating fickleness and total incapacity to comprehend that the function of an interim type is to operate as soon as possible even if the windows are round instead of square, which passengers apparently prefer, or if the furnishings are less tasteful than desired.

The Report does not entirely acquit A. V. Roe, Ltd. The aerodynamic soundness of the original design was open to question and the structural weight of the aircraft was under-estimated. That being so, it is all the more regrettable that the makers did not more strenuously resist the continual alterations and modifications put forward by the operators. For they all increased the weight of a machine which was in any case considerably heavier than planned. It is astounding that none of the parties concerned—the operators, the constructors and the Ministries of Supply and of Civil Aviation—faced the implications of the obvious fact that, as weight increased, so performance would suffer. If this had been done and precise requirements drawn up, the designers would have been better able to calculate the endurance and type of aircraft most suitable for the proposed routes, and a limit set to permissible design changes and weight increases.

In the event, not only was the development of the Tudor II delayed an unconscionable time, but the changes that caused this also made it too heavy to operate with reasonable efficiency on the routes for which it was designed. Of the 43 Tudor IIs under construction, up to 21 will be converted into Tudor IVs for use as freighters by BOAC and BSAAC and 3 will be used for research. Thus all the work will not be wasted and fewer workers will have to be dismissed than once seemed likely.

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Thus ends a melancholy chapter in the history of British civil aviation. But its main theme will only unfold as the modified fleets of the long-range Corporations come into operation, as all BSAA's 19 Tudor IVs take the air, and as BOAC's 11 Constellations are joined by 22 Canadair IVs, 25 Handley-Page Hermes and 6 Boeing Stratocruisers. Yet this next chapter, too, will amount to little more than an extended preface. The real story will begin only when the postwar British types take the air in the middle 1950s. What guarantee is there that it will begin even then? The Tudor fiasco is only the symptom of faulty organisation. Unless this is remedied, the sorry tale may be repeated. The main lesson is that civil aviation cannot be run by bureaucracy, and it is not yet apparent that this lesson has been learned. The recommendations of the committee of independent experts under Mr Hanbury Williams will be awaited with interest.

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Reprieve for Hanging

As was expected, the House of Lords on Tuesday rejected the Government's compromise clause attempting to classify murder into two degrees—more heinous, which would attract the death penalty, and less heinous, which would be punishable with imprisonment for life. The general opinion of the law lords was that the clause would be quite unworkable and would create great uncertainty in the minds of juries.

* Cmd. 7478.

The Government have apparently been impressed by the learned arguments used in the House of Lords and particularly by the assurance that the Upper House did not wish to sacrifice the whole of the Criminal Justice Bill because of the controversy over capital punishment. After a sharp tussle with the abolitionists in the Labour Party and in the Cabinet, Mr Morrison has succeeded in shelving the question of capital punishment until some unspecified future date. The abolitionists must rest content with the fact that the controversy has thoroughly aired the pros and cons of abolishing hanging, and of the state of public opinion on the subject. They can draw some satisfaction from the assurance that until a Bill is again introduced (which will not, presumably, be until the abolitionist movement has grown considerably stronger) Home Secretaries will use the prerogative of reprieve more readily.

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On the Criminal Justice Bill as a whole, the fate of three of the Lords' amendments when the Bill returned to the Commons is worth notice. The proposal to retain the birch while abolishing the cat-o'-nine-tails as a punishment for certain offences was defeated. So, too, was the proposal, discussed in *The Economist* of July 10, to allow the Court of Criminal Appeal the power to order a retrial in certain cases. The Government accepted, however, an interesting proposal, which appeared in the Bill of 1938, that as an experiment young offenders, who have not previously been sentenced to prison, Borstal, detention or been sent to an approved school, may be required to attend for three hours at a time at attendance centres. The purpose is to bring home to a young offender the seriousness of his offence without taking the drastic step of sending him away from home to a place where he may be contaminated by more hardened offenders. It is an experiment well worth trying.

* * *

Uno Falters on Palestine

By forcing the Arabs and Zionists to accept a cease-fire in Palestine, the United Nations have assumed a responsibility for direct intervention in the question. Instead, they show every sign of relapsing into a further period of comfortable irresponsibility. Even Count Bernadotte's modest proposal that a force of 2,000 should be sent to guarantee the international sanctity of Jerusalem appears to have found no support in the Security Council.

It cannot be pretended that the well-being of Arabs and Zionists was the principal object of Britain and America in bringing about the cease fire. The main reason was that they could not look on at the development of a situation in which they would seem to be fighting one another. The Arabs—and their view is endorsed by Count Bernadotte—conceive that a truce is on the whole disadvantageous to them. Whether this is because they have misjudged the situation, or because they are ready to face immediate military setbacks in the interests of a long-term struggle of attrition, is hard to say. Perhaps both may be true. The Zionists, too, have declared in Tel Aviv that they have no intention of accepting a truce for an indefinite period, during which their army would have to remain on a war footing and the economy of their State would remain disrupted.

Thus, apart from their duty to Palestine, America and the other Powers have not much time if they want to save something from the wreck. Count Bernadotte has done as much to re-establish the prestige of the United Nations as one man could do. His achievement deserves to be followed up. America and the United Nations have been trying to solve the Palestine problem on the cheap. By gestures of recognition, empty resolutions, threats of sanctions and diplomatic pressure, they have produced a situation in which nobody believes that anything counts except force. As the Arabs see it, the Zionists are being armed by America to hold them down by force. Among the Zionists, the Irgun Zvai Leumi, whose exploit of abducting the five British public servants from under the noses of the United Nations Commission has not yet drawn even a rebuke from Lake Success, appear to have justified their battle emblem—a fist grasping a rifle with the legend "Only Thus." Mr Shertok, the Israel Foreign Minister, could only refer to them, respectfully, this week as an "irresponsible but patriotic organisation."

Unless they can get a better grasp of their responsibilities, the Security Council will have lost any claim to be other than a façade for old power politics.

In the Arab camp, the Arab League has not yet fallen apart, as its ill-wishers are hoping it will. But its divisions have come out into the open. These are now less serious, however, than they might have been two months ago. On one side is most of the effective armed strength the Arabs possess, in Egypt and Transjordan, backed by King Ibn Saud. These, with Lebanon and Yemen, on the cease-fire issue voted down Iraq and Syria, the "activists" who wanted to defy the Security Council. This new alignment, cutting right across the Hashimite axis, is due to two things. First, there is the key position of the Arab Legion, as the Arab force on the spot, ready and anxious to liberate some part of Palestine for King Abdullah. King Ibn Saud, tied hand and foot to American oil interests and with no real army of his own, found himself in agreement with King Abdullah in wanting a more cautious line on Palestine, though the ultimate objective of liquidating the Zionist State was probably the same for all. There followed the momentous Saudi-Hashimite reconciliation at Riyadh, where the two kings met for the first time for 27 years.

In Iraq, on the other hand, a would-be anti-British, and therefore anti-Abdullah, Government felt obliged to take a strong nationalist line. The Syrian Republicans fear an enlarged Transjordan as much as a Zionist State. In either case, with no serious troops of their own, they are in danger of being swallowed up. One of the cease-fire violations complained of by the Jews since July 18th took place on Syrian territory. A continuance of hostilities, with the Arab League still in charge, is their best hope of balancing off some of these threats to their future. Azzam Pasha, both temperamentally and materially committed to a militant and united Arab League, seems to have been on their side. The Mufti, too, sees his only hope of a come-back in this group. For the moment the kings have it. But if they behave well, it is not because they like the way they have been treated.

* * *

Turkish or Virginian?

Those who sit in at ERP meetings in Paris, and who are not especially interested in tobacco, complain of the insistence with which the Turks and Greeks bring up their glut of this commodity. It is Europe's only serious surplus, but should questions of its disposal take precedence over problems of food and industrial raw materials? After a couple of weeks during which it was daily brought to the committees' notice, some members began to question whether Greece and Turkey were not, as far as the West was concerned, merely a strategic commitment, and out of place in the recovery plan. But the decision has been otherwise. Turkey is forthwith to receive $10 million as a first three months' contribution under the Marshall aid programme, and is to devote the sum to the purchase of agricultural implements and mining plant. The allocation raises the whole question of the future orientation of Turkish agriculture.

Seventeen out of Turkey's nineteen million inhabitants are agricultural producrs or potentially so, and tobacco represents between 20 and 30 per cent of Turkish exports. But old markets have disappeared. All over the world the connoisseur who used to smoke the high-grade qualities has given place to the chain-smoker of Virginians; Germany and South-Eastern Europe, who used to smoke the lower grades, are no longer the market they used to be. As a result, Turkish sheds are full to overflowing; 70 per cent of the last harvest is unsold; a good crop for 1948 is on the way. A Turkish mission, full of hopes of regaining at least the Western German market, recently visited Frankfurt. It hoped to acquire dollars by offshore purchase of the ample stocks it had for disposal. It left empty-handed, and fulminating against the Americans. For these objected to the higher prices asked by the Turks and, in order to break the cigarette currency in Western Germany, provided the area with 20 billion American cigarettes for $12 million. The Turks complained, and with reason, that a main purpose of ERP was European self-help, and that here was America, breaking the ring in order to save United States growers from loss of exports caused by dollar shortage in importing countries. But it should be noted that the fault was not all America's. The Turkish mission, still living, it seems, in the dream days of wartime prices for their products appeared to be oblivious of the fact that the sellers market is over, that American and Rhodesian competition will take a deal of countering, and that it is better to offload their surplus at a small loss now than at a big one later. Their problem of disposal remains.

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Tobacco or Foodstuffs?

There are several ways out of their dilemma. One is to alter their price, or alternatively, their quality—that is, to turn seriously to considering what leaf the world wants to smoke instead of what

leaf the Turkish peasant has always grown. If Florida and Rhodesia can grow "Turkish blends," cannot Turkey also vary its aromas? Another is to place economic necessity before political predilection and to sell chiefly to the Russian-controlled part of Europe. Some trade with this area is of course taking place. Commercial talks with the Poles and others are already covering supplies at low prices from former German factories in Silesia—notably for hardware—whose products were liked before the war and are badly needed now. A third and more drastic possibility is to devote Marshall aid and other funds to organising a switch of Turkish agriculture from its reliance upon tobacco, and to developing the production of the wheat, meat and dairy produce that the western Europeans used to buy from the Danubian basin, and can probably never buy there again. This is a long term proposition. It is handicapped by the backwardness and conservatism of the Turkish peasant. But it would pay a sure dividend. A fourth and a shorter-term expedient is to insist upon American help with Turkey's sales of tobacco. A pinch of Turkish, it is said, rolled into the so-called Virginian cigarette would pass unnoticed by the western smoker but would spell Turkey's salvation, especially if sold in dollars.

But in making any such arrangement the United States Government comes up against its own home growers. The rich man's burden of today, like the white man's burden of yesterday, is turning out to be the same old job of seeing that this hemisphere's meat is not that hemisphere's poison.

* * *

War in Malaya

There is now little doubt that the Communist rebels in Malaya are trying to cripple the Government. The insurrection is changing from single attacks against isolated units to concerted attacks against the Government police and troops. Last Saturday a police station was attacked at Gua Musang, and on Tuesday a small military convoy, which was going to the relief of the police, was ambushed in the jungle and forced to retreat. The insurgents number between five and ten thousand, composed mostly of wartime guerillas, bandits and survivors from the Malayan Anti-Japanese People's Army. They are led by Chinese Communists, and their insurrection is in no way a national rising yet. Their objectives appear to have been, first to terrorise the population by gangster attacks on individuals in widely scattered parts of the country, and then to set about a methodical campaign against the Government forces.

The situation could hardly be more serious. The police are undermanned and the army, though it recently received reinforcements, seems to have been unprepared for the extent and violence of the insurrection. The complacency of high officials has been uncomfortably similar to the complacency which preceded the fall of Singapore. Some measures have been taken against the insurgents, but they are still inadequate. The army must be reinforced, and the campaign against the insurgents must be carried out with vigour and determination. It is not only British prestige which is at stake, but the well-being of Malayans themselves.

As a correspondent pointed out in *The Economist* last week, however, it will not be enough to conquer the insurgents. The administration is overstaffed and bogged down with unimaginative legislation; the dynamic leadership which the people so hopefully expected when the Government returned after the Japanese capitulation is lacking. A new Raffles has so far been looked for in vain, but he must be found if the rot in Malaya is to be stopped.

* * *

Lord Woolton is Helpful

Ever since Mr Churchill raised the slogan of "Set the People Free!" Labour spokesmen have been challenging the Opposition to specify those controls which could without disaster and dislocation be abolished or loosened. The answer, at the height of the inflationary pressure, was not easy, since any fresh outlet would bear the full brunt of pent-up demand; the first prerequisite of any movement for decontrol was a reversal of the inflationary spiral. It is, as Sir Stafford Cripps has lately pointed out, far too early to hail a definite victory over inflation; but the emphasis has shifted from swollen incomes to swollen costs, and from every quarter comes evidence that too much money is no longer chasing too few goods. The time is, in fact, ripe for a survey and pruning of controls.

While Lord Woolton's advice, in his speech at the Conservative College, Swinton, last week, was certainly not offered in any kindly spirit, it was the sort of advice to which the Government ought to listen. His criticism of bread rationing was answered this week by Mr Strachey's announcement of its abolition in favour of controlling the supply of flour to the millers. The excuse of good harvest prospects is a very thin one. Mr Strachey has waited until the BU system had brought the whole of rationing into contempt before thinking out a better form of control. The leather control typifies those innumerable instances where a case exists for control of some kind, but not for the particular controls now in force—particularly when these were framed to deal with wartime conditions and with reference to prewar quotas. The suggested downpointing of household linen is more debatable—the present "hump" in textiles is likely to be matched by a "trough" in the autumn.

A new attitude to controls is imperative; a propensity to ask not "Why lift it?" but "Why not?" The Government has to overcome, in order to accomplish this, not merely its own Fabian predeliction for bureaucracy but a good deal of passive resistance from its own advisers. It is always more tempting to a Department to buttress a wobbly control by new Statutory Rules and Orders than to abolish or loosen one which, however useless or actively harmful, is giving no administrative trouble. But sympathy for the harassed bureaucrat, and distaste for the prospect of Lord Woolton's approval, are both luxuries whose indulgence should, in the national interest, be strictly controlled.

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Agriculture in the Commons

Two debates in the Commons this week were concerned with the rate of agricultural expansion towards the Government's targets. On Monday, the Commons divided against a Ministerial Order which empowers the County Agricultural Committees to prevent a farmer putting too much of his land under grass. The insufficient use of the plough by some individual farmers is certainly a problem; so, incidentally, is the failure of others to attain good standards of grassland management. The Government's aim is to get the million extra acres of tillage which it believes to be desirable, and to do this, the Minister is prepared to use the compulsion which he had previously sought to avoid.

Mr Williams was optimistic about the progress of expansion to date and argued that, given good weather (an important qualification), output for 1948-49 might equal that of the peak year 1943-44. However, his actions do not wholly support his words. The growth of the livestock population is still retarded, and will apparently continue to be so, by shortage of imported feeding stuffs. According to Mr Williams

> The age of the small intensive producer relying entirely on the corn merchant, has gone for a long time ahead. The basic principle of the rationing scheme is that farmers shall be as self-sufficient as possible for feeding stuffs.

He is at last going to allow a small ration of feeding stuffs to prospective pig and poultry producers who are not at the moment getting any, but it will be restricted to approximately half their total requirements. Producers may also get, one day, a small extra bonus of rations and, as already announced, they can keep this year for feeding purposes one-fifth of their own production of wheat and barley.

Mr Williams is trying hard to increase the self-sufficiency of British agriculture. It is clear, however, that livestock production cannot be built up to a high and efficient level without considerably larger imports of feeding stuffs, particularly high protein feeds. Is the Government doing all it can to secure these? Its recent pronouncements leave some doubt. Mr Strachey has apparently claimed that it costs more to import coarse grains for meat production here than to buy carcase meat direct. What truth there is in it would seem to constitute a serious criticism of British farming and a short term view of the problem. Highly expensive as this type of import is today, feeding stuffs from overseas will in the long run pay for themselves several times over by the expansion of domestic livestock production which is vital to a balanced agriculture. Bearing in mind the price incentives offered to farmers last summer, the livestock programme is not proceeding so quickly or so smoothly as it should. Mr Williams, as usual, is too complacent.

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University Expansion Questioned

The first concerted attack on the policy of university expansion has appeared in a report* published by Nuffield College. The problem facing the universities is to preserve their character and yet meet the demands being made upon them, and the authors of the report, who are a group of distinguished Oxford dons and administrators, are rightly anxious that this dilemma should be faced. Unfortunately, after marshalling 106 pages of facts and figures, the conclusions they reach in the remaining twenty-four pages are more defeatist than otherwise. Coming as they do at the turn of the tide in the number of ex-service students, these fears will certainly be used as an excuse by those who wish to retreat from the position taken up at the time of the Barlow Report, when plans for the doubling of university numbers were infectious and the difficulties were less apparent.

* "The Problem Facing British Universities." OUP. 5s.

The report rightly emphasises that the demands now being made on the universities are the result of unco-ordinated and conflicting pressures. Committee after committee has invoked the aid of the universities to produce more doctors, dentists, scientists, veterinary surgeons or agricultural experts; no one has got down to considering how all these demands can be met simultaneously without fundamentally altering the character and purposes of university education, particularly in the next ten years when the shortage of teaching staff is the most critical danger. Better planning and more thought about both the aims and the fruits of a university education are required. But some of the solutions suggested by the Nuffield report are curious and will meet strong opposition. One of them is to push down into the schools a good deal of the instruction now given in the universities—a suggestion which runs directly counter to the widespread complaint that the schools are already over specialising and covering work more proper to the universities. Another proposal designed to avoid "professionalising" the universities is to thrust vocational courses out of the universities proper and to develop more specialist institutions on the lines of the technical institutes in America and Germany—a policy for which there is something to be said, but which risks sacrificing the liberalising influence of university life on technicians.

The report casts few doubts on the employability of more graduates; it is about the sanctity of university life that it is concerned. Even so, the anxieties of Oxford dons are not the same as those of the provincial universities. The difficulties of rapid expansion are visible everywhere. It would nevertheless be an immense loss to the nation if over-caution and conservatism were allowed to restrict the larger prospects to which the universities are now becoming accustomed.

* * *

Two Clamours in Italy

With the Togliatti outrage past and with Government prestige increased by its handling of a tricky situation (described by our Rome Correspondent on page 150) the Italian people are scrutinising the prospects for a more peaceful period of reconstruction. In the three months that have passed since the elections, economic stagnation has got worse. The Government faces a clamour for work for over 2,250,000 persons. According to the round official figures these included on March 31st, 400,000 agricultural workers, 540,000 in the building trade, 540,000 mechanics and 185,000 textile workers. There is also from the employers' side a clamour that they should be free to discard the redundant labour which, under pressure from parties and trade unions, they have been carrying on their books for years. Conflicting voices call too for the raising and the reduction of wages.

It was unfortunate that the date fixed—after long negotiation—for an authoritative meeting between industrialists and trade union representatives was the day on which the assassination of Togliatti was attempted and followed up by a general strike. In any case, the employers had shown little enthusiasm for agreements likely to be reached with the representatives of labour in their prevailing mood. Symptomatic of that mood was the denunciation early this month by the dominant elements in the Confederation of Labour of the Government's favourite measure for dealing with unemployment—the "Fanfani Plan," named after Signor Togliatti's Minister of Labour. This plan proposed financing of the construction of 1,200,000 habitable rooms in the years 1948-52, partly by compulsory lending to the state of variable percentages of the "thirteenth month bonus" enjoyed by all wage earners at Christmas time. Labour representatives of the Left showed determination to oppose to the uttermost any measure affecting the spending-power of the wage earner.

In the present atmosphere there seems to be little hope of remedying the nation's economic maladjustment, revealed in the excessive costs of production, the immobility of mislocated labour and the heavy deficits of public finance. Signor De Gasperi has still to find the touch of statesmanship which will convince employers that he means business and employees that he aims at social justice. And if he uses strength to break a trade union leadership which makes a political issue of every attempt at two-sided adjustment, he should also use strength to make a reality of direct taxation.

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Cold War from Whitehall

It is high time that Whitehall took the theory and practice of "cold war" more seriously. For there is no reason to suppose that the blend of propaganda, economic pressure, filibustering and party agitation which has received this name has not come to stay. "Cold war" is nothing new; it has a very ancient tradition and among its past masters was our own Queen Elizabeth. All that is new is the scale on which it is waged and the organisation, thought and ingenuity that goes into it—in Russia.

The last few months have made it painfully obvious how ill-designed is the defence organisation of Whitehall to deal with such methods used by a foreign Power. The same questions and the same demands for counter-action come in from all areas where British interests are under attack—from Europe, from south-east Asia, from the Middle East, from Africa. Again and again they are brought to the attention of joint service committees of senior officers of the fighting services, who pass these unfamiliar problems on to relatively junior members of the Foreign Office, whence they reach the overloaded desks and limited talents of the so-called information organisations. Attempts to set up special machinery to deal with these problems have been resisted by the Foreign Office for the same reason that it resisted the adequate planning of political warfare in 1939-40—for fear of losing "control over policy."

It has become clear to the younger generation in the Service Ministries and in the Defence Ministry that a planning and intelligence staff is badly needed to deal with the urgent questions and opportunities that arise out of daily events. The Tito-Cominform quarrel, rich in propaganda, economic and political possibilities, is only one example of recent opportunities which have not been fully used. There appears to be no body in which the political, economic, intelligence and propaganda experts can be quickly brought together to pool their ideas and information, frame a policy and follow through its execution. And there appears to be no attempt to co-ordinate such activities either with the Americans or with the Western allies. These shortcomings should receive the attention of the Chiefs of Staff and Mr Alexander.

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Youth Without Politics

On exactly the same day towards the middle of August one international youth conference will meet in London under the auspices of the National Council of Social Services to discuss "Work and Leisure—Youth's Opportunities and Responsibilities," and in Warsaw the World Federation of Democratic Youth will hold another "conference of working youth." The Executive Committee of the WFDY has been meeting in London this week with Mr Bogatyrev, its vice-president and a member of the Supreme Soviet, attending.

Since the war youth organisations all over the world have wanted an international organisation through which they could both learn about each other and also discuss their common problems. Granting the need, is it necessary to have two organisations for the purpose? The Russians would say that it is not. They have declined an invitation to the London Conference because they say the WFDY, which was formed in 1945, already covers the same ground. But it was precisely because the WFDY had become little more than a vehicle for Communist propaganda that the conference in London next month has been organised.

Not only does the WFDY preach a political creed alien to the majority of democratic youth organisations, but it occupies itself with politics to the exclusion of all else. Neither the gymnastic clubs of Denmark, nor the All-Pakistan Boy Scouts Association see the point of passing resolutions denouncing the rapacious imperialism of the colonial Powers. They would much rather discuss (as the first commission of the London Conference will do) whether existing facilities meet the need for general education, vocational guidance, apprenticeship and technical training. Or they would prefer to discuss (as the eighth commission will do) how far the young are benefiting from existing opportunities for

travel, how far these could be increased, and how far existing schemes for exchanges between different countries help and promote international understanding.

That is probably as far as the delegates will get towards discussing politics, and their best contribution towards promoting international good will certainly lies in fostering understanding of other points of view. The sponsors of the London Conference have done their best to ignore the fact that one iron curtain already exists by sending invitations to countries behind it. It was right to invite the Russians and their satellites, but it was a mistake to placate them by restricting invitations to members of the United Nations. Thereby are shut out not only supporters of General Franco but also, among others, the Austrians, the Italians and the Germans.

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Dilemma of the Atomists

The Atomic Scientists' Association, which was founded in 1946, has just issued a statement which deserves consideration by all those who do not forget that atomic explosions and rays constitute the greatest single danger to human life and civilisation on our planet. The Association's report is a sober and weighty document, commendably free from political bias, and it frankly recognises that the attempt to achieve international control of atomic energy, advocated by the Association since its inception, "has, for the time being, failed." The report considers that "without a substantial change in international relations," the positions of the United States and Russia are irreconcilable. The former will not abandon its lead in atomic weapons without a complete system of inspection to ensure that no other country secretly takes advantage of the renunciation, while Russia will not accept complete inspection because of fear that, being with its allies in a minority, Russia would have to submit to hostile control of its economic development and disclosures of the location of its strategic industries.

Can anything then be done to remedy the situation? Apart from the platitudinous argument that the best way to prevent atomic bombs being used is not to have any war, the main proposal of the Atomic Scientists is that "in view of recent political developments we believe it important to maintain and improve contacts between the scientists of countries in the East of Europe and those of Western Europe and America." Such collaboration is recommended "both in the interests of science itself and as a contribution towards international understanding."

Yet this advocacy raises an issue of acute difficulty. No principle became more firmly established during the nineteenth century than that of the international character of knowledge and the free exchange of scientific information. But the scientist in the modern totalitarian state, though he may have social status and emoluments such as to provoke the envy of his colleagues in democratic countries, is essentially a servant of the state, so that it is treason for him to divulge any knowledge whatever, save as the state allows. In this age, moreover, science has entered fields where secrecy or disclosure may decide the destiny of nations, and the nervousness of Western military authorities about international scientific discussions is understandable. British and American scientists have been reared in the full tradition of scientific freedom, they are impatient at every restriction imposed on them for the sake of security, and even though they have no will to do harm, they lack instinctive inhibitions in talking freely to men trained under police terror to be ever wary in speech. It is difficult to see how anything could come of such "collaboration" except a one-way traffic to the disadvantage of the Western democracies. It seems, indeed, that only an improvement in political relations can really reopen the door to cultural intercourse.

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Supplementary Insurance Scheme for Miners

Some doubts were expressed in the House of Lords last week about the wisdom of the supplementary insurance scheme for miners. It has been made by virtue of Section 83 of the National Insurance (Industrial Injuries) Act, which allows, subject to the Minister's approval, representatives of workers and employers to draw up a scheme for supplementing the benefits conferred by the Act. This section was incorporated in the Act largely as a result of pressure from the National Union of Mineworkers, and it is not surprising that the mining industry, with its high rate of accidents and industrial diseases, should have wanted the power to make supplementary schemes and be the first industry to produce one. But, as Lord Beveridge and others pointed out in the Lords debate, the implications of this scheme may be very important, and the House of Commons ought not to pass over them in silence. First it raises the question whether it will not push the level of benefits up to a point where it may discourage a return to work. A payment under the Act of 45s. a week plus 16s. for a wife plus, possibly, 20s. unemployability supplement and now 20s. under this supplementary scheme all add up to a sum not much below the minimum wage. More important, however, is the question of whether the method of financing the supplementary scheme is justifiable. The miner is to pay 4d. a week and the Coal Board 4d. a ton of coal mined, which means that roughly five-sixths of the contributions will be payable by the employer and only one-sixth by the worker.

The basis of contributory insurance in this country, said Lord Beveridge, is that the contribution should be fairly equally divided between employer and worker. The division proposed in this scheme is, therefore, a blow at the principle of contributory insurance, and it removes one of the barriers to the pressure to increase benefits—that formed by the insured person's obligation to pay for the increase. Moreover, it will be the consumer of coal who will really pay the employer's contribution. If the taxpayer can subsidise a scheme in this way can Sir Ian Fraser's argument that the taxpayer can also pay higher pensions to the ex-Service disabled be denied? Could any private industry be asked to operate an insurance scheme where the employer pays five-sixths of the cost? The case of merchant shipping, which also has a high accident rate, was raised in the Lords debate. The miners' argument that the employers in the coal industry were paying more under workmen's compensation is irrelevant because it is agreed that workmen's compensation worked badly and should be superseded. The Minister of Pensions has already promised that the reactions of the miners' scheme on war pensions will be studied. The likely reactions in other industries should be assessed before the Commons are asked to approve it next week.

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Examination Changes

There is a gathering weight of criticism against the Minister's decision to fix 16 (and subsequently 17) as the minimum age at which boys and girls can take the new version of the School Certificate Examination. This decision was criticised at the time it was made in an article in these pages on May 1st. Since then objections have appeared at conferences and in the press; defenders have been few, the attackers many and convincing. The extraordinary thing is that the objections should have been so late—too late to make a change of decision easy, and probably too late to make it possible at all. Why did the protesters not raise their voices months earlier, between the publication of the Report in which the proposals were first put forward in September, 1947, and the acceptance of that report in April, 1948? During that six months interval there were plenty of scurryings behind the scenes, but no one dared to come into the open. Why have the teachers in the public and secondary grammar schools been so timid?

The burden of the criticism rests on two main points. The first is that the age of 16 corresponds to no known assessment of mental age. One boy may be intellectually mature enough at 14 to take the examination without cramming; another may not be ready until 17. To fix the minimum age at 16 is to accept an administrative and political convenience on a matter which is essentially human and individual; every school has its faults, but the individual master knows his boys better than someone in London. The second focus of criticism centres on the requirements of scholarships; if a boy or girl must follow half a dozen subjects up to 16 he will only have two years of undivided attention on his sixth form work, and its quality will in consequence suffer. The solution of this difficulty rests partly in the hands of the universities, since they can modify their matriculation requirements. But they must insist on a minimum breadth of education before specialisation starts; they cannot weakly submit to schoolboys specialising even earlier than they do now, and it is difficult to secure this minimum competence without an examination.

The new regulations do not come into effect until after 1950, and it would be theoretically possible for a Conservative Government to change the age limit then. But as the National Union of Teachers is strongly entrenched on this issue—as a matter of trade unionism more than of party politics—the prospects of change are poor unless the next Minister of Education is both clear-sighted and courageous.

Letters to the Editor

Crown and Commonwealth

SIR,—The reflections of a British subject on your leading article of July 10, 1948, suggests the following classification:—

Political Divisions:	United Kingdom	United Kingdom; Dominions; Colonies	United Kingdom; Dominions; Colonies; Republican Dominions (if any)
Adjectives:	British Irish	Britannic	(Great) Commonwealth
Collective Noun:	Great Britain & Northern Ireland	Britannic Empire	Great Commonwealth
Legal Status:	British subject	Britannic subject or citizen (either, as preferred).	Great Commonwealth citizen

Perhaps it would be a pity legally to abolish the "British Empire"; but "Britannic" seems to have the wider connotation, and the category of persons indicated are subjects of His Britannic Majesty (or citizens of His Britannic Majesty's Dominions). "British" and "Britannic" could be interchanged, of course, if that were preferable.

Why "Great" Commonwealth? Partly because it is great, and because the adjective suggests inclusiveness; and partly because "Commonwealth" alone would be lacking in particularity. We have succeeded in having "Great Britain" translated into other languages; "Commonwealth" does not translate happily in any case; "Great Commonwealth" would make that problem no worse.

But perhaps a more important thought is that implied by your leading article, that it may not be prudent to seek precision in these matters.—Yours faithfully, W. A. L. COULBORN

Oglethorpe University, Georgia

Food and the Future

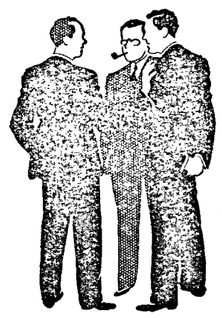
SIR,—The admirably objective tone of your article of July 17th will not, I am afraid, suffice to convince the ordinary reader that its conclusion—"the only sensible policy . . . is to wait and see"—*is* essentially different from the "false optimism" which is legitimately laid at the Government's door in the accompanying Notes of the Week. For does not such a policy, like the food-subsidy and exports-first policies, depend for its validity upon the wishful thought that a return to a "normality" of cheap food is close at hand?

If indeed there are more solid grounds for such a thought than a run of good seasons in the US, it would be interesting to have them. Otherwise, a waiting policy, far from being sensible, is in fact a desperate gamble, seeing that no community, least of all one accustomed to a relatively high rate of consumption, can long endure even a moderate degree of sub-nutrition without progressive deterioration in its well-being and productive efficiency.

But all that the article has to set against the acknowledged factors making for continued food-scarcity—expanding human populations and shrinking soil fertility—is the rather dogmatic statement that "it is virtually certain that . . . the long secular downtrend of food prices, relatively to the prices of manufactures, will be resumed." This pronouncement, for which no real evidence is adduced, appears to disregard altogether the transient nature of the conditions under which the downtrend developed.

During the 19th and early 20th centuries, the first few countries to become industrialised (Britain among them) enjoyed a virtual monopoly for their manufactures, while at the same time an extremely rapid exploitation of the last easily-tapped reserves of virgin soil fertility threw upon world markets an unprecedented volume of foodstuffs. In other words, soil-products fell in price relatively to factory-products because soil capital was being treated as income while industrial capital was being built up.

But clearly such a trend would develop within itself the



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mechanism for its own reversal. And so it has happened. Manufacturing industry, because of its attractions as a source of profits and power, has expanded rapidly and is becoming universalised. Agriculture, because of its steady impoverishment, has lost and is still losing both manpower and natural capital.

Here the article, in assuming that soil fertility is lost *by* erosion, underestimates the seriousness of the situation. For erosion is not a cause bu. a *result* of fertility depletion—the mechanical removal by wind or water of soil that can no longer hold together because it is dead or dying. It is in fact the *end-phase* of a process of soil debilitation which is now almost worldwide, and which is largely attributable to the inability of low produce prices (combined with general economic insecurity) to support balanced systems of farming. There is general agreement among soil experts that the one hope of reversing the downtrend of soil fertility, so that it may more nearly conform to the uptrend in human fertility, lies in the restoration or evolution of such systems, which are of course much more costly in labour and materials than is the mere extraction of commodities without regard to the well-being of the land. In other words, the industrial communities, having eaten their cake in the form of favourable terms of trade, must now help the farmers of the world to reorganise agriculture on the basis of good husbandry.

The cost of developing British agriculture, say to the productive level of Danish or Dutch agriculture, seems "enormous" only by comparison with the sub-cost prices of foodstuffs during the inter-war period. Actually, it will be found, in the final analysis, to consist overwhelmingly of labour; and if a country which has a mere 7 per cent of its working population in agriculture is unable to divert to essential food production any larger proportion of its man-power, its economy must indeed be in a parlous plight—much too parlous for any policy of "wait and see."—Yours faithfully,

JORIAN E. F. JENKS

West View, Horseshoe Road, Pangbourne, Berks

Palestine

SIR,—In an editorial note you say that territorially the Negeb is "in fact," apart from the small garrisons cut off by the Egyptians, lost to Israel. This is pure invention. The Negeb is no more lost to Israel today than it was on November 29th last, when this region was allotted to the Jews as part of their state. True it is that "it is mostly desert"; but the Jews have already established between 20 and 30 settlements therein and large tracts open up important prospects for future settlement. For the Arabs the Negeb is perhaps not worth fighting for: under their rule it is likely to remain desert. But the Jews have every reason to defend this territory against Arab aggression.—Yours faithfully,

41 Queen's Road, Richmond, Surrey R. S. DOUGAN

Cartels or Competition

SIR,—In your issue of July 10th there is a review of "Cartels or Competition" by George W. Stocking and Myron W. Watkins. Your reviewer says that the authors do not "approve of the restrictive aims of the World Trade Alliance." If those aims were restrictive I should be the first person to agree with the authors' disapproval. However, the main aim of the World Trade Alliance is to achieve an all-round expansion in international trade. Further, the W.T.A.'s plan for a world development commission is ample evidence of the fact that our aims are the very opposite of restrictive.

I agree with your reviewer that the whole problem of international cartels and international agreements for production and distribution is very much open to controversy. But I feel it would be as well to get the premises straight before the argument begins. Expansion, not restriction, is our keynote.—Yours faithfully,

W. P. BRIDGE, Director,
World Trade Alliance Association

Temple Chambers, Temple Avenue, London, E.C.4

Books and Publications

The Science of War

"The Second World War." By Major-General J. F. C. Fuller, CB, CBE, DSO. Eyre and Spottiswoode. 431 pages. 21s.

THIS is an outstanding book. It is not only a brilliant analysis of military tactics but also a discourse on the science of war by a military historian who knows his business better than most. He has condensed into one volume a detailed description of all the important campaigns of the Second World War. The descriptions are technical; yet they are presented in such a way as to be intelligible to the layman, and the lessons to be learnt are set out with deceptively simple clarity. As a history, it is a balanced and unemotional account of what happened; as a criticism of the conduct of the war, it is dogmatic but always interesting. Major-General Fuller is, as he says, being wise after the event, but his wisdom is thereby all the more penetrating.

By far the greater part of the book is taken up with the strategy and tactics of each of the belligerents during the war. The German, Italian, Japanese, Russian, British and American campaigns are impartially examined and held up to the reader as examples of good, bad or indifferent generalship. Numerous authorities, ranging from Alexander the Great to the US Strategic Bombing Survey, are quoted in support of his judgments and arguments, and throughout the book runs the central theme of the use of war as a means to an end and not as an end in itself.

The fundamental premise of this discourse on war is that war is iniquitous, but that if man cannot learn virtue, he must at least learn how to use war—or else iniquity will breed calamity. War is the instrument of politicians; if, therefore, war is to be used at all, it must be subordinated to policy. Where there is no policy, or where the policy is stupid, then war will take charge of the politicians and annihilation will follow.

> What the scalpel is to the surgeon, war should be to the statesman. Whatever the causes of war may be, if the aim of the statesman is purely destructive, then clearly the activities of the soldier become those of the slaughterhouse. But if, instead, the aim is constructive and curative, then these activites become those of the surgery. Due to mischance or misunderstanding, or to lack of skill, or of judgment, or of knowledge, a surgical operation may fail—it sometimes does; but when the aim of the slaughterer becomes the aim of the surgeon, it (the operation) must fail, no other alternative is possible.

Hitler's aim, intolerable though it was to the West, was constructive. The skill of the Germans in waging war was also great, and Major-General Fuller shows how in all the early campaigns—in Poland, in Denmark and Norway, in the Low Countries and France—Hitler used the instrument of war so successfully that he was able to seize the western half of the continent with the minimum loss of life and damage.

Major-General Fuller maintains that the policy of Britain and its Allies should also have been constructive not destructive—to restore the balance of power, not to annihilate Germany and Japan. Had the Allies used war as an instrument to achieve such a policy, then destruction would have been limited to purely military objectives and the world would not have been reduced to its present chaotic state. Instead, the leaders of the West were blinded by emotional hatred against the Nazis. Strategical bombing was adopted as the primary method of warfare, and the bug of "unconditional surrender" corrupted the judgment of the War Cabinets and the Chiefs of Staff.

The result was that unlimited warfare was carried to its ultimate end. Germany and Japan were annihilated; the balance of power was destroyed, and the way was paved for a much more powerful and brutal hegemony over Europe than the German. The bottom was knocked out of traditional British foreign policy, and, above all, the British Empire, which rested upon the balance of power, was placed in jeopardy.

Outstanding July Publications

Harrod, R. F.	Towards a Dynamic Economics (*in stock*)	7/6
Booker, H. S.	Problems of Britain's Overseas Trade (*July 27th*)	10/6
Meade, J. E.	Planning and the Price Mechanism (*July 29th*)	8/6
Steinberg, S. H. (ed.)	The Statesman's Year-book (*July 30th*)	32/-

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A Frenchman's View

"Problèmes de l'Angleterre Socialiste." By Bertrand de Jouvenel. La Table Ronde. (Distributors: Anglo-French Literary Services, Limited). 354 pages. 9s. 6d.

THIS is a brilliant essay in international interpretation. M. de Jouvenel offers in his matter a blend of first-rate journalism and serious social, political and economic analysis, in his attitude a nice balance of sympathy and detachment, in his style an example of that effortless felicity which is the enviable hallmark of French civilisation. "Problèmes de l'Angleterre Socialiste" falls into four sections. The first consists of a masterly summing-up of the situation as it stood in the autumn of 1946, together with an analysis of the influences—economic, political, moral, psychological—which had converged to produce it. In part, it is frankly journalistic, as in the brilliant reporting of the Conservative Party conference at Blackpool; in part, it is more-than-competent narrative summary, for the benefit of his compatriots, of events naturally less familiar to them than to ourselves; in part, and this part is perhaps the most valuable as it is certainly the most stimulating, it is a marshalling of generalisations concerning liberty and authority, the genesis of British political traditions, the nature and antecedents of the present climate of British opinion, and Britain's place in the high strategy of international affairs. One resists with difficulty and regret the temptation to quote *in extenso*.

The second section, entitled *Les grands problèmes matériels*, deals more closely with the economic data of the British dilemma; dependence on foreign trade, balance of payments difficulties, the problem of coal, the arrears of industrial reorganisation, inflationary pressure, mis-allocation of national resources. To the English reader, much of this section is common knowledge, though it has rarely been so well summed up; but the close and luminous argument of its last chapter lifts it to a level rarely touched in such discussions, and recalls, in current non-academic language, the force and elegance of Professor Robbins' *Economic Problems in Peace and War*.

The third section outlines and comments on the corresponding politico-moral problems; equality, incentive, class structure, particular and general interests, the formation of popular opinion, the concentration of power. It is full of shrewd observation, wisdom, and objectivity tempered with affection; it abounds in pithy sayings:

> Modern democracies display this paradox, indefensible in the long run; that of allowing fewer and fewer *material and moral* advantages to exceptional talents and of needing these talents more and more.
>
> . . . the "new spirit" which affirms much less the right of ability to rise than the right of lack of ability not to be outstripped. (Socialism) has been an emotion; now it must be a technique.

Here, were only English readers concerned, the book might well stop; unless indeed the last section—on the summer crisis of 1947—were to be recast and brought up to date. The lapse of seven months between publication in Paris and distribution in Great Britain has not, indeed, falsified to any significant extent either M. de Jouvenel's account of this crisis or the conclusions which he draws; but the perspective is "out"—up-to-the-minute reporting does not wear like history. This comparative tailing-off, however, is a very minor defect. It is not too much to say that the English reader seeking to understand his own times can turn as confidently to M. de Jouvenel as, seeking to understand the Britain of the nineteenth century, he would turn to Professor Halévy.

Industry and the Universities

"The Graduate in Industry." By Percy Dunsheath. Hutchinson. 276 pages. 10s. 6d.

THIS book attempts too much. In the space of 276 pages, one cannot easily combine matters of high policy such as the functions of universities in an industrial society, the demand for graduates and the national requirements of research with a description of the structure of industry and a detailed job analysis of what appear a random sample of industrial occupations ranging from professional engineers, metallurgists and industrial chemists to personnel managers, patent agents and works' padres. The book contains a wealth of useful information and interesting comment, but it is so mixed up with large generalisations and small details that it is difficult to keep any sense of the direction in which the argument is leading.

This is the more the pity since the subject of the book is important and represents a gap in existing knowledge. One of the main deterrents to the entry of graduates into industry is the general ignorance of what happens inside the factory gates or the doors of the headquarter's office; by comparison entry to the civil service or teaching seems straightforward, and many avoid careers in industry from sheer inability to discover what happens there. A book about the functions of industry, its methods and the careers within it, is therefore timely, and Mr Dunsheath should find a wide audience for his book, particularly among the young men and women now leaving the universities. It is regrettable that in the face of such an eager public he should not have marshalled his ideas to better effect.

Nor has he got his sights adjusted quite right. On the one hand as an engineer he devotes insufficient attention to the possibilities of employing arts graduates in industry—he only gives one short chapter to this subject. On the other he does not seem sufficiently to appreciate the difference between the graduates of Redbrick and those of Oxbridge: in the future the big battalions will be coming from the provincial universities, and it is necessary to convert industrialists to taking not only technicians and high-grade trainees, but the more modest men who need at present to be recruited straight from school at eighteen, but who will in future be passing through the universities. Many of these men do not aspire to be directors and £800 or £900 a year would appear to them as an adequate ultimate goal.

Shorter Notice

"Shall We Reform the House of Lords." By Martin Lindsay, DSO, MP. The Falcon Press Limited. 71 pages. 4s. 6d.

THIS useful little book appeared just too late to make its contribution to the dispute over the Parliament Bill, 1947. Colonel Lindsay has not attempted to propound a new solution to the problem of Lords Reform, but has performed a more useful function—the condensation of most of the existing arguments into a form where they can be studied by the weariest of legislators or citizens. He favours the Conservative proposal—retention of the powers granted by the 1911 Bill with a drastic reform of the composition of the Upper House—but he presents the argument with commendable detachment. Those who disagree with him might do well to ponder his reason for desiring a two-year period of delay:—

> "An Upper House which commanded sufficient confidence to be able to check some of the more headstrong actions of the present Government would certainly be of value today, as it might well be in the not far distant future in restraining its successor from galloping off too far to the Right. And it is by no means impossible that the present leaders of the Labour Party might themselves one day be grateful for the delaying functions of an Upper House, should some new political alignment to the Left of them secure temporary success at the polls."

Appended to the text are two tables, one of which tabulates the 23 proposals for Reform between 1834 and 1947, while the other compares the powers and composition of the House of Lords with the Upper Houses of other countries.

From *The Economist* of 1848

July 22, 1848

THE very important truth, that most of the evils of society are more economical than political, and to be remedied rather by ascertaining and observing the economic laws than by making political changes, is fast gaining ground with the public. We see a profound homage paid to it almost every day in the columns of some one or other of our daily contemporaries. If, in addition to this—as we took occasion to show in our article on the Increase of Pauperism and Crime, on the 17th ult.—the physical condition of the people is far more influential over criminality than penal laws or the best devised systems of punishment, it is now, above all things, incumbent on those who aspire . . . to guide society, to study the means of insuring a continual stream of prosperity. Though Mr Mill in his late work—"Principles of Political Economy"—has declared that the stationary condition of society is not undesirable, it cannot, we think, be doubted that the stationary condition involves great social misery, and that the natural and normal condition of society is progressive. The general instinct which induces each one to strive for improvement carries with it the progress of the whole. We want not merely, as Mr Mill justly says, an improved distribution of wealth, but we want also, though he thinks we do not, a large production and a rapid increase, that shall be both permanent and go on in an accelerating ratio, in order to meet the demands of an increasing population. If that cannot be obtained, or if population cannot be prudentially and wisely kept within limits by the care of individuals honestly to provide for themselves and families, there can be, we are afraid, no means devised of conducting society in peace, and of avoiding those convulsions which it is now admitted have their origin in social rather than political causes.

not need Mr Truman to tell them that this is their most vulnerable flank and that their foreign policy record has much more appeal for the voters. The summoning of the special session of Congress has ensured that the Presidential campaign will be a bitter fight to the finish and that there will be little temptation for either party to put national unity before political profit.

* * *

Half-hearted Revolt in Dixie

The Mississippi and Alabama delegations which marched defiantly out of the Democratic convention into the pouring rain have met again at Birmingham, Alabama, to set up a Fourth Party. Its relation to Mr Wallace's Third Party is clear; it was the fear that Mr Wallace would appeal successfully to the minorities in the big cities which forced an uncompromising stand upon civil rights on the Democratic convention. The Southerners have nominated Governor Thurmond of South Carolina for President and Governor Wright of Mississippi for Vice-President on a States' rights platform. Governor Thurmond, unlike Governor Wright, has a liberal record on the race issue; he opposes the poll tax and displayed unusual energy in bringing the Greenville lynchers to trial last year, but, like almost all Southerners, he believes that racial issues can best be solved by the States.

The hope at Birmingham was to bring pressure to bear to forestall the passage of civil rights legislation, but the dream is to capture the entire 127 electoral votes of the South and demonstrate to the Democrats that they cannot trample upon Southern views to win local victories in the North and West. This threat would be more effective if the South could deprive Mr Truman of victory rather than merely deepen his defeat. But even in the South the rebellion is regarded with suspicion and alarm. Senator Russell, for whom the Southern States voted at the Convention, refused to stand at Birmingham; Senator George has announced that the convention, in his view, can accomplish nothing. The refusal to join the bolt is not because the other Southern States do not fully share the indignation against Mr Truman, but because a Southern party, launched even without the present taint of tidelands oil and race suppression, promises so little in the way of present rewards and so much in the way of future retaliation and loss of patronage when the Democrats return to power. It is thought that Governor Thurmond may carry only his own State of South Carolina, Alabama and Mississippi.

* * *

Progress in the South

The impressive unanimity of Mr Truman, Mr Dewey and Mr Wallace on the need for Federal authority to protect the economic and political rights of the negro is more a tribute to the strength of the negro vote than conclusive evidence that nothing is being done in the South to improve race relations. In fact the pace in recent years has been rapid; and it is the fear of Southern liberals that making the civil rights issue a political football may set back the cause of progress in the Southern States by as much as twenty years.

The Federal courts have, in one case after another, outlawed the efforts to keep the negro disfranchised. Only last week, in South Carolina, a Federal Judge issued a temporary injunction to force the Democratic party to accept negro members, and to keep its books open until July 31st to enable the negroes to enroll. The Southern Regional Council reports that the number of qualified negro voters has tripled since 1940, and though the number of white voters has increased even faster in many States, it is revolutionary that negroes may register to vote in most Southern cities with the same ease that they do in the North. In only three of the seven States which retain the poll tax is it found to be a real barrier to negro participation. There are negro police in forty Southern cities; negroes have been elected to city governments. There is a danger that Federal interference to hasten the pace of emancipation may, by arousing Southern fears and ancient hostilities, blight these efforts and give the advocates of white supremacy a new cause and a new lease of life.

* * *

The Housing Paradox

The failure of the Republicans in Congress to act on housing legislation was their outstanding political blunder; it is one of Mr Truman's few strong cards. But this does not mean that few houses are being built; on the contrary, there has been an unprecedented building boom, concentrated in residential construction. In the first five months of the year, 356,000 dwelling units were started, 28 per cent more than in the same months last year. If this rate is maintained, with the usual seasonal increase, the year's total would exceed not only last year's total, but the record established in 1925 when 937,000 units were put in hand. But these houses were floated largely on an ocean of government credit through the war-time programme of insuring mortgage loans to veterans and the ordinary public.

Congress, more by accident than design, partially shut off the tap of easy credit and unexpectedly won the approval of the economists, who have long argued that excessive government credit for housing was one of the main causes of high prices not only of homes, but throughout the economy. Stiffer credit terms, they have argued, would reduce prices and in time revive demand on a sounder basis. Easy credit could not produce more houses; it only succeeds in raising prices. The motives of Congress diverged somewhat from this high plane of economic purity. Both the Taft-Ellender-Wagner Bill, passed by the Senate, and the Wolcott Bill, passed by the House, would have extended Title VI of the Housing Act, which has been the major source of government funds for private builders of flats and houses. But the Senate Bill authorised Federal funds for slum clearance and urban redevelopment, for modernising farm housing, for housing research and for 500,000 units of public low-cost housing to be built by state authorities for those unable to pay the prices of private enterprise. These attempts to use Federal money to divert materials and labour into the under-privileged and blighted areas were opposed both as extravagant and "socialistic" by the House; its Rules Committee, by a vote of 6 to 2, refused even to allow the Senate Bill to come before the House. Mr Wolcott's Bill, which was equally unacceptable to the Senate, merely offered more liberal depreciation allowances for tax purposes, and a Federal guarantee of yields and investments in rental projects, as baits to private enterprise.

In the end, the only Bill passed which, by the widest stretch even of Republican imagination, could be called a housing measure merely provided a very limited secondary market for insured mortgages. The unintended effect of this stalemate between the Senate and the House has been to tighten credit, for while Federal funds are still available under Title II of the Housing Act, it is on substantially less liberal terms, and some slowing up in the application for new building permits is already reflecting the chill felt by the builders.

The special session provides the Republicans with the opportunity, and a strong incentive, to sink their differences and secure a stronger housing plank for their platform than that devised at Philadelphia. Mr Truman is counting heavily on the intransigence of the House, and certainly his support for the Taft proposals will not make them appear any less "socialistic" to the House. At the very end of the regular session the Senate refused to accept a Housing Bill merely extending Title VI, which was favoured by the real estate lobby, in the hope that the House would accept the whole Taft-Ellender-Wagner Bill. Should the Senate now give way, a revival of easy credit terms for housing would help to defeat another major purpose of the special session, the reduction of the high cost of living.

Shorter Notes

The Atomic Energy Commission has investigated the charges that Dr Edward Condon, head of the Bureau of Standards, is a poor security risk, has pronounced them totally unfounded, and has asked him to resume his work in connection with atomic energy. This step was taken because Dr Condon voluntarily resigned after the House Committee on Un-American Activities refused to accept the clean bill of health given him by the Department of Commerce.

*

Mr Henry Wallace and the *New Republic* (the liberal weekly) have parted company. In December Mr Wallace resigned as editor, although his name remained on the masthead as contributing editor and he continued his weekly column. Mr Wallace's official reason for retiring altogether is that he feels that he must devote all his time to his election campaign but his departure from the magazine—just before the Third Party's convention—cannot fail to ease a situation of mutual embarrassment. The *New Republic* was rather in the position of a chef who refused his own dish, for, while Mr Michael Straight, the present editor, is in agreement with some of Mr Wallace's liberal ideas, they do not see eye to eye on the European Recovery Programme or the new Party's flirtation with Communism.

THE WORLD OVERSEAS

Break-up of the German Trusts

(By a Correspondent)

THE problem of the future of the great industrial combines of the Ruhr and Rhineland is now entering a new stage in which fresh decisions must be taken. It shows unwelcome divergencies between British and American views, which may develop unless the situation is clarified in time.

As part of the Potsdam policy of smashing Germany's war-making power, Britain, America and Russia undertook to break up all excessive industrial concentrations. This process has been misleadingly termed "decartelisation"; it involved not only the dissolution of horizontal sales cartels, but also the break-up of vertical trusts. According to the laws passed by both the British and the American Military Governments, any undertaking employing more than 10,000 persons was considered to be *prima facie* an "excessive concentration." In practice, however, the combines which have been tackled to a greater or lesser extent are the giants —the I.G. Farbenindustrie in the American zone, and in the British zone the eight big complexes of the Ruhr-Rhineland—the Vereinigte Stahlwerke, the Otto Wolff concern, Kloecknerwerke, Krupps, Mannesmann, Hoesch, Gutehoffnungshütte and the Thyssen group.

With the same dogged adherence to Potsdam doctrine that they show over dismantlement, the British have gone much further in decartelisation in the Ruhr than the Americans with the I.G. Farbenindustrie. At the beginning of 1947, British action against the trusts, which had previously been placed under control, began under the name of "Operation Severance," with the aim of breaking up the iron and steel industry into separate units, "under entirely new management." A clean cut was to be made with the past. At the same time, nothing was to be done to prejudice the steps which, it was thought at that time, were being taken to bringing the industry under German public ownership.

Execution of "Operation Severance" was placed in the hands of a Trustee Administration, a German organisation formed under the (British) North German Iron and Steel Control. At its head is Herr Dinkelbach, who had been in the past a leading figure in the Vereinigte Stahlwerke. Controversy over Herr Dinkelbach rages between the school that believes the burglar makes the best policeman, and that which holds that leopards cannot change their spots. The evidence of what has been done speaks for the Trustee's objectivity, since the break-up of the combines has gone far.

The first operation, removal of the steel companies from the industrial complexes, has now been completed. Twenty-five separate companies have been formed, mainly out of the Vereinigte Stahlwerke. Their share capital is in the hands of the Trustee Administration; their property has been either bought for cash (now reduced by ninety per cent by the currency reform) or on lease from the original companies. The Trustee Administration retains control over the rump complexes.

The management and supervisory boards of the new companies show a regard for the interests of labour which is reassuring in view of the good record of the trade union leadership and the unrest which is inevitably coming as a result of rising prices. On each supervisory board five out of eleven members represent the workers' interests, including a public official, such as the local mayor; one—the chairman—who is in ten companies, Herr Dinkelbach himself, represents the Trustee Administration, and five (usually experienced directors of the old combines) represent industry. On the management boards, one is a technician, one a commercial expert, and one a labour representative, nominated not by the works council but by the TU Federation. Herr Dinkelbach has stressed, in taking the chairmanship of so many companies, that his intention is not to build up another giant combine, but to see that treatment is uniform.

American Second Thoughts

Now that the European Recovery Programme is in force, decartelisation in the British zone has become a matter in which the Americans take a direct and critical interest. Hitherto, their own ranks have been torn; but now the most ardent trustbusters have gone home in sorrow and anger, leaving the field clear for the efficiency experts, who ask only whether smashing the combines hampers production. A commission, consisting largely of experts from the US Steel Corporation, is at present investigating the steel industry from all angles, including that of decartelisation. In the American view, the British have done more than break up the combines; they have atomised them. A partial re-grouping will probably be recommended.

From the German industrialists violent opposition has been expressed from the start, and ample propaganda data is available for impressing the American investigators. As usual, the Germans overstate their case. They try to exonerate the industry from any share in war preparation or execution; the combines were, they declare, merely helpless branches of Hitler's State controlling organisations. A major part of the German case consists in an irrefutable, but irrelevant, account of the admirable integration of the Ruhr-Rhineland coal, coke, gas, iron and steel production and consuming industries, which ensures the maximum use of coke. Legal objections, based on the British violation of the rights of private property, form another chapter of complaints. The crux of the German industrialists' opposition, however, is their fear that the break-up will go further, and end in State ownership. In German political circles, however, decartelisation has the support of the trade unions, the Social-Democrats, and the Left wing of the Christian Democrats.

The British case is based on practical as well as political reasoning. When Military Government took over, the Ruhr was at a standstill. The companies had in any case to be reorganised after drastic losses. Were they to be set up on the old lines, under the old management? Everything spoke against such a course.

The combines represented vast concentrations of power. At their head stood the Vereinigte Stahlwerke, responsible for 47 per cent of Germany's entire prewar steel output. The holding company, which had an issued capital of RM 460 million (£36,800,000 at the prewar rate), controlled 12 steel companies and hundreds of subsidiaries, ranging from coalmines and engineering plants to hardware shops, farms and hotels. More than economic necessity, the German love of organisation and of power for power's sake, led to this vast conglomeration which had absorbed dozens of small businesses. In the combines the small shareholder had no voice owing to the German system of bearer shares, which gave the banks, apart from their own holdings, the right to exercise proxy votes. The selling company, in which the profit for the whole trust was concentrated, was often in the hands of a single family, notably, the Krupps, Thyssens, Haniels and Flicks—a fact which justifies the peculiarly personal way in which the German combines are usually described, and the trial of the family heads as war criminals.

Effects on Future Production

From the economic point of view, the trusts were largely formed with the idea of evading the turnover tax, by placing all stages of production under one ownership. The policy was to run the basic and intermediate companies at a loss, channelling all the profits into the end product. Decartelisation has broken up this structure by cutting the steel companies out of the combines. It has not, however, destroyed the working integration of the Ruhr production and consuming industries; the change is simply that, instead of being under single ownership, the individual companies now buy each other's goods or services under contract.

In general, it can be said that no harm has as yet been done to production by the break-up. But the future is another matter. In the first ERP year, steel production has to be raised to 6,000,000 tons and every branch of Ruhr production with it. The argument against dislocation of any kind can be used as strongly against decartelisation as against dismantlement.

Even more important than the structure of the combines is the question of their future ownership. Here, too, the Germans are divided into Left and Right, with the Right holding the reins.

A final decision will not be made for some time; but changes are coming soon in the organisation of control, which will place complete operative authority and trusteeship of the shareholdings of the iron and steel combines in the hands of the German Economic Committee in Frankfurt. This body is wholly anti-Socialist and will be in effective control of policy on the German side for at least a year to come. The Americans, though pledged to respect a German decision, are too firmly convinced that Socialism impedes production not to object to any practical steps which lead in that direction. The British Government, on the other hand, is still bound by Mr Bevin's word to support public ownership for the Ruhr industries.

Food from Eastern Europe—II

[FROM A SPECIAL CORRESPONDENT]

IN the preceding article it was argued that the agricultural production of Poland was being directed on lines which suggest that grain exports to western Europe of the kind and on the scale encouraged before the war were unlikely in future. The same trend can be seen in Czechoslovakia, Hungary, Bulgaria and Jugoslavia.

In Czechoslovakia, as in Poland, the main agricultural increase is to be in livestock products:—for instance under the Two Year Plan pork production is to be doubled, milk increased by 75 per cent, eggs by 50 per cent, and beef by 35 per cent.

Industrial crops, too, are to be increased, in particular oil seeds by 43 per cent. So far the plan has met with little success, due largely to last year's disastrous drought. Bread grain production in 1947 totalled 1.85 million metric tons compared with the 1935-1937 average of 2.99 million metric tons. Fodder grains, including maize, amounted last year to 1.58 million metric tons, compared with 1935-37 average of 2.41, while potatoes in 1947 yielded 4.68 million metric tons compared with 9.85 in 1935-37. There was, however, another factor at work, of more lasting effect than the weather, and that was the movement of population which has occurred, especially in the former Sudeten areas. In some districts not more than one farmer in six is cultivating the same holding as he had before the war; and the general uncertainty which is felt, partly as a result of this shift of population and partly because of land reform, is a serious handicap to the plans for increased production.

Czechoslovakia, as has already been said, has always imported more food than it has exported; in the future it is unlikely to have any significant increase in its agricultural exports, and it will certainly require more from its neighbours than in the past.

Hungary is another country where in 1947 there was a disastrous decline in production. The wheat harvest, for instance, yielded 1.13 million metric tons in 1946-47 compared with 2.48 million metric tons in 1938-39. Reductions of a similar order took place with rye, maize and potatoes. The final figures for 1946-47 are not yet available, but bread grains are not expected to show any significant rise over the previous year, potatoes should reach nearly 90 per cent of 1938-39, and maize may show a slight increase over the pre-war figures. But even the Three Year Plan, the last year of which is 1949-50, looks forward to yields of wheat and rye well below prewar—1.8 million and 0.45 million tons respectively; a maize yield of 2.46 million tons compared with a prewar figure of 2.34, and a potato yield of approximately the same as prewar. It is in industrial crops where the greatest rise in production is to take place; sugar beet is to increase nearly tenfold, and the number of pigs will, according to the plan, be double the prewar figure by 1950.

But the emphasis of Hungary's economic plan is on the industrial side; this is shown by the fact that agricultural production is planned to yield 10 per cent less in value that it did in 1938—9,500 million forints compared with 10.4 million; while industrial production is to increase by 4,000 million forints over the 1938 figure of 14,700 million forints. Therefore, even if the plan succeeds, Hungary's agricultural exports will be greatly reduced; indeed it is probable that its grain exports will disappear entirely, since the reduced crop will have to feed not only a growing human population, but a much enlarged animal population also.

There are, however, great difficulties in the way of executing even such a modest plan as this, because in Hungary—alone of Eastern European countries—the Government has not been content to dispossess the former large land-owners, but has continued to distribute this land among the peasants. Out of a total agricultural area of 18 million acres, the state obtained by its land reform 7 million acres, and a further 1½ million acres of forest land. By far the largest proportion of the agricultural land has already been divided between former peasants and farm workers, and only a very small area has been retained as state farms or experimental farms. What is more, so great is the mistrust of the peasant for any form of co-operation or collectivisation, that no attempt has been made to increase production or facilitate marketing by co-operative means. The absence of co-operation will make itself felt particularly in Hungary's seed trade, which formerly accounted for 15 per cent of its agricultural exports or 5 per cent of its total exports. The technical problems of isolation to prevent contamination by other varieties and of inspection for purity are such that peasant farmers will not be able to grow seeds of sufficient quality unless they co-operate. Nor will they be able to preserve, pack and grade their animal products, fruit and vegetables in a manner suitable for export if they insist on operating as single individuals. It therefore seems certain that Hungary's value to Western Europe as an exporter of agricultural produce in any form has largely disappeared.

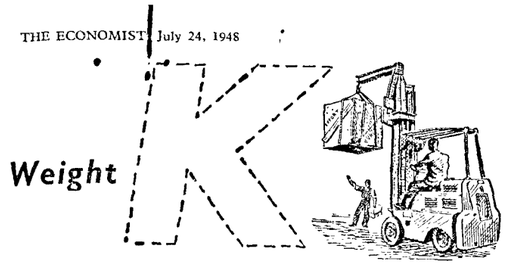
Like Poland and Czechoslovakia, Jugoslavia, too, is trying to become an industrial country. Agricultural production is to increase, but to a far lesser extent than industrial production; while the agricultural increase is to be in industrial crops and livestock. The Five Year Plan, which is due to be completed in 1951, aims at a reduction of the total grain area from the 1939 figure of 6.24 million hectares to 5.71 million hectares by 1951, while industrial plants are to be increased by 245 per cent—from 204,000 hectares to 1½ million hectares. The greatest increase will take place with soya beans (715 per cent), cotton (415 per cent), sunflower (381 per cent) and flax (268 per cent).

Jugoslavia's Difficulties

But, in spite of reductions in the area of Jugoslavia's grain crops, total production is to be increased, according to the plan, by a higher yield per hectare, with the result that the total grain yield is to rise by 113 per cent. In all, agricultural production will grow from the 1939 value of 63.8 milliard dinars to 96.7 milliard in 1951. A variety of means is to be adopted to bring this about. A comprehensive cropping plan is drawn up year by year by the Federal Government for each of the People's Republics, and this plan is broken down by the Ministries of Agriculture of each Republic for each district. Here and in the villages People's Committees continue the work, so that eventually every farmer receives his quota of crops to be grown and cattle to be delivered. Up to date methods are to be applied, and to this end agricultural technicians are to be trained and sent round the countryside. State farms are to breed good seeds and livestock and to carry out research. Agricultural machinery and fertilisers are to be produced on a far greater scale than prewar—nine times as many ploughs as in 1939 and 4.8 times the prewar fertiliser production. Finally, co-operation is to be encouraged in every way, both by co-operative farms and by co-operative marketing and buying.

However, in spite of these comprehensive plans and statistics, the Federated People's Republics of Jugoslavia are likely to have many headaches before success crowns their efforts. Before technicians can be sent round the countryside they must be trained; and before they can be trained, faculties at universities must be enlarged to cope with the increased number of students. Before agriculture can be adequately mechanised, supply depots for spare parts must be established throughout the country, and it must be possible for the farmer to get in touch with these depots without delay if a machine is broken. Mechanised farming requires modern roads and communications, and it does not need more than a short drive through the Bosnian countryside to show the lack that there is of these. Before modern methods in any form can be adopted, the farmer himself must be prepared to accept them; and the very type of man who is most likely to adopt new methods is to be enticed away from agriculture in order to build up the industrial power of Jugoslavia—that is to say, to help in the planned increase of crude oil production to 45,000 per cent of its prewar level, railway trucks to nearly 30,000 per cent, machine tools to 75,000 per cent and electrical machinery to over 3,000 per cent.

Jugoslavia can certainly spare a large number of its 5½ million people who are engaged in agriculture without lowering production, but the most go-ahead men must remain if the planned increase is to be achieved. This will mean stern competition for good labour between agriculture and industry, and, in view of the predominant emphasis placed upon the latter, it is unlikely that agriculture will win. Jugoslavia will undergo in a short space of time the drain of good workers from the countryside which has been taking place in England for the last hundred years; and this is to take place at the very moment when



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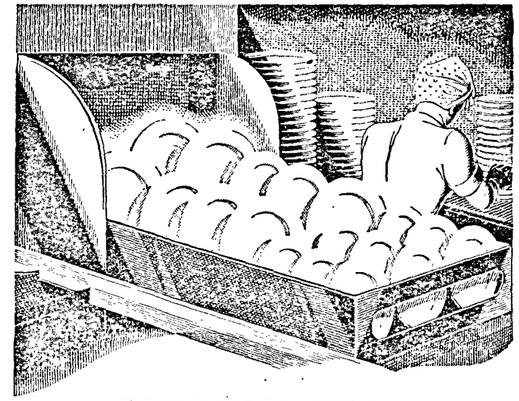
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a greater intensity and mechanisation of agricultural production is contemplated.

Finally, as in all the other eastern countries, the Jugoslav peasant lacks confidence in his Government. Although land reform is not an important factor—only 1,750,000 hectares of agricultural land have been expropriated since 1945—the peasant sees all round him, and particularly in the replacement of the village shops with the state and co-operative shops, evidence of the Government's feeling towards private ownership. He feels no security, and for this reason lacks goodwill towards the Government; therefore he will not co-operate.

Bulgaria Imports Food

In Bulgaria before the war the agricultural exports (including tobacco) accounted for over 90 per cent of total exports, while imports of food were almost insignificant. By 1946 tobacco and cigarettes accounted for over 75 per cent of the total agricultural exports (compared with approximately 50 per cent prewar), while food imports amounted to two-thirds of the value of food exports. In 1947 the relative importance of tobacco and cigarettes had risen still higher, so that they totalled over 85 per cent of agricultural exports, and for the first time food imports were higher than food exports—an extraordinary state of affairs for a country where over 80 per cent of the people are dependent upon agriculture for their livelihood.

Official pronouncements talk of the encouragement of "important farm products for trade and industry." But at the moment all energies are being directed towards increasing general agricultural output, regardless of whether it is for industry or for food. However, it is probable that, as soon as the immediate food shortage is over (which should be by the end of this harvest), there will be a renewed emphasis upon industrial crops. The immediate plan is to increase production to 160 per cent of last year by mechanisation and through co-operative farms. But it must be remembered that co-operative and state farms between them do not cover more than 4 per cent of the total agricultural area of the country. In the immediate future, therefore, it is impossible for these to play a large part in any increased production.

Here, as in so many other things, Bulgaria is following in the footsteps of Jugoslavia. The plan, though not worked out in the same detail, is likely to be the same, the means for achieving the plan are also the same, and the difficulties which stand in the way of such achievement are the same. The Bulgarian farmer, like his Jugoslav neighbour, is a small capitalist and, what is more, he has learnt through generations of occupation how to defeat the plans of a Government which he does not like. In spite of this, it is certain that Bulgaria will soon no longer need imports of grain from Jugoslavia or Rumania, and will be in a position to export food elsewhere. But this export will never reach the heights that it did before the war, because of the tendency towards increased livestock production. In any case it is probable that a considerable part of the exportable surplus will go to Czechoslovakia, and possibly to Hungary and Poland, in return for industrial products.

(Concluded)

Aftermath to Violence

[FROM OUR ROME CORRESPONDENT]

THE attempted assassination of a man, who claims to be a national leader, at the moment when he was casting round for an escape from embarrassment and eclipse, may be expected to act as a strong, if temporary, tonic to his politics. The last parliamentary speech of Palmiro Togliatti before the shocking act which appears, happily, to have spared his life, was judged to have been his weakest. After an exordium to the effect that peaceful coexistence of capitalist and communist economies is not impossible—which is what Stalin has said to Stassen and other visiting Americans for months past—Togliatti spoke at great length against the Marshall Plan. He ended with a pledge to meet imperialist war by an insurrection in the name of peace.

According to alleged minutes of the Bucharest meeting of the Cominform a month ago, Togliatti and his companion Secchia suffered a sharp reprimand and were ordered to resume the struggle against the bourgeois state and not to wince at insurrectionary methods. Authentic or false, the alleged instruction was borne out by Togliatti's speech of July 10th, by his party's actions on July 14th after the attempted assassination, and by the harsh post-strike article, "The struggle continues," in which Luigi Longo, operational chief, second in command, and incorruptible confessor of the purest Muscovite word, issued instructions to Italian Communists. There can be no doubt of Togliatti's courage, energy and brilliance, and probably no doubt of his readiness to serve the cause, if necessary, as a commander in direct action. But he has stood from first to last, since 1943 (and earlier as a broadcaster from Moscow) as the protagonist of rhetorical, insinuating, propagandising Communism. And the scope for that sort of activity seems to have vanished, with the eclipse of the Popular Front, under two impacts—the election failure, and the Cominform's Menetekel to fellow travellers. What scope is there now for marching towards Communism by direct action? Much, no doubt, for work as a fifth column, if Italy became involved in a Crusade of the West. But if Italy enjoys external peace for a while, then insurrectionary Marxism, like evangelising Marxism, seems to face dim days.

Insurrection According to Plan

The attempted assassination offered possibilities for the Italian Communists and their friends to recover some political influence, had they been free agents. There was genuine national indignation at the crime. This might have been exploited both by weakening the Christian and Third Force separatism which has long been at work in the General Confederation of Labour, and by obliging Premier de Gasperi to take the opposition into consultation on questions of public order. Pietro Nenni, indeed, made gestures in this sense to de Gasperi, but they were spoilt by the Communist "Plan K" or "Plan Z" which was put into operation immediately after the crime.

In Genoa, almost immediately, about 50,000 workmen, pouring from the industrial suburbs to the centre of the town, disarmed the police on their route, seized four armoured cars from the military, and established road blocks with machine guns. Unsuccessful attempts were made to occupy the telephone exchange and a generating station. In Milan, the local Chamber of Labour ordered all workers to stand by at their factory posts, suspending work. Later, two factories, the Motta confectionery works and the Bezzi engineering works, both of which in recent days have been cleared by police of sitdown strikers, were entered by force.

In Turin, according to the Government, the Managing Director of Fiat, Signor Valletta, and a number of the higher personnel, were seized and held at the works. A later statement by Signor Valletta indicates (perhaps for diplomatic motives) that they remained in the factory for two days of their own accord. A kind of Committee of Public Safety was formed in Turin, headed by Moscatelli, one of the romantic figures of the Communist Partisan Army of 1945, now a Senator. There was extensive sabotage to railway lines in North and Central Italy; according to the radio this took place at over a hundred places. The Communist argument is that a great many scattered operations, unconnected with the order for a general strike, demonstrated the spontaneous wrath of the workers at the assault upon Togliatti. The Government thesis is that the acts had a planned insurrectionary character. Possibly they were parts of a Plan requiring a cue, and young Pallante's shots were a not quite definite cue on which only partial action ensued.

Split Labour Leadership

In any case, the Government has emerged from its trial with enhanced prestige. The attempted assassination, followed by three days of what might be termed syndical insurrection, has brought the question of labour leadership suddenly to a head. The formation, nominally inside the General Confederation of Labour, of a separate Christian Democratic leadership has been proceeding more or less quietly for many months. During the winter the Christian Democrat minority won for itself the right to express and to explain its dissent from decisions taken by the Confederation's executive, without such dissent being regarded as treachery. This right has been freely used in connection with national and local strikes. The syndical insurrection of mid-July has, however, spurred large numbers of Christian syndical organisers to demand what their chief guide, Giulio Pastore, has hitherto avoided—repudiation of the syndical unity established in 1944. This would mean a return to the regime of a separate Christian Confederation such as existed, and at times competed powerfully with, the "Red" Confederation before both were suppressed by Fascism.

At the moment it is not clear whether the dispute between Marxist and Christian syndicalists will result in this clear breach. For their part, the "Third Force" syndicalists, hopeful of swaying the old organisation towards their own gradualist purposes at the expense of the Communists and Nenni Socialists, are striving hard to avoid it.

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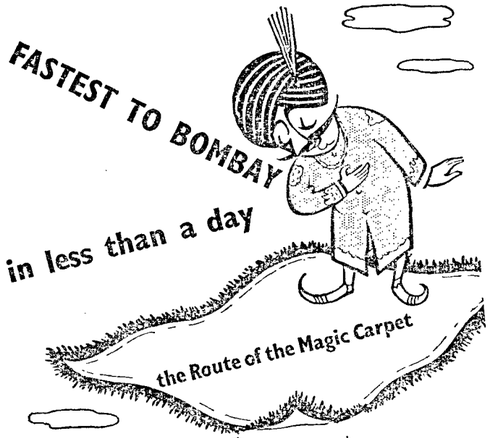
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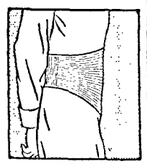


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Britain's Food Stocks

INFORMED discussion on Britain's food policy is almost impossible because no official figures of British food stocks are published. This difficulty was voiced during the debate on food supplies in the House of Commons a fortnight ago. But Mr Strachey gave no ground; indeed he even refrained from pressing into service the old argument that publication of stock figures would weaken Britain's bargaining power in bilateral trade negotiations. This doctrine has always been difficult to swallow. If it had any force, it might be expected that publication of non-ferrous metal stocks would damage Britain's bargaining power with producers of non-ferrous metals, but there is no evidence that it does. Mr Strachey offered to the House the innocuous assurance that "the stock figures are, if anything, a little higher"—that is, compared with a year ago. The Ministry of Food's trading accounts—the latest relate to 1946/47—seem to be designed to shed as little light as possible on its operations. Commodities are grouped together in such a manner as to defy statistical investigation; for example, "cereals" form one category, "milk products" another, "meat and livestock" a third. Moreover, the value of stocks given in these accounts is said to be calculated on "a cost basis," but it is impossible to correlate these stock figures with the average costs (excluding subsidies) of the foodstuffs concerned, as given in Parliament from time to time.

This policy of secrecy certainly prevents constructive discussion of the Ministry's operations. Nevertheless, it is possible to get some impression of the size of Britain's food stocks. An arduous and lengthy method is involved*, and though the results may not be absolutely accurate at any given date, they should give a fairly reliable indication of trends. A calculation based on the same method was published in *The Economist* of May 17th last year and the figures have now been brought up to date. Table I shows the estimated bulk stocks (excluding wholesale and retail stocks) for eleven rationed foodstuffs on April 1, 1948, with comparative figures for the two previous years. Stocks last year were known to be low—for some foods dangerously low. But the high rate of imports during the summer months materially increased the level of stocks, and by October 1st, wheat stocks, for example, were probably about three times the April level. The figures in the table are in line with Mr Strachey's recent statement. Stocks, if anything, are a little higher; indeed, for certain foodstuffs, that may even seem an understatement, but Mr Strachey may have been referring to the figures for July 1st and not April 1st.

But, if these figures are reasonably accurate, they do not suggest any ground for complacency. Of canned corned meat—the one food which few people like in any quantity—there was just over a year's stock. Stocks of dried egg—another food which also has a limited sale—amounted to over thirty-three weeks' supply, at current rates of consumption, while there was more than three months' supply of sugar and tea. For other foodstuffs, stocks are much tighter, ranging from two and a-half weeks' supply of butter to over eight weeks' supply of wheat. For many items a fortnight's supply must represent the lowest working margin. Perhaps the stocks on April 1st were not quite so low as Table I would suggest because the Easter holidays at the end of March tended to reduce the published import figures below actual arrivals—a discrepancy which would, of course, be balanced out in April. Movements of stocks in the second quarter cannot yet be assessed with any accuracy, and the last column of Table I gives at best only a rough indication of what may have happened to food stocks in the second quarter. All the foods listed, except flour, butter, bacon and sugar, appear to have declined, but the changes are not exceptional and seem largely to reflect seasonal fluctuations in imports.

If these figures give a reliable indication of food stocks, what inferences do they suggest about British food policy? First, despite heavy expenditure on food imports during the past year, there have been no excessive increases in stocks. Supplies of wheat, flour, margarine, cheese, carcase meat, dried eggs and sugar at the beginning of April were all larger than two years ago, whereas stocks of butter, canned corned meat, bacon and hams and tea have been reduced. The Minister of Food has admitted that stocks of sugar are large, but has refused to increase the ration; instead overseas purchases will be reduced (with some saving of dollars) and stocks will be used to meet current needs. This policy is sound, but it covers a previous mistake in buying, for stocks were accumulated when the sugar was at or near its peak, and the cuts in sugar imports are now to be made when sugar is becoming cheaper. The increased stocks of dried eggs in April, 1947, perhaps provide another example of openhanded expenditure of dollars on a food for which the public has only a second preference. Yet, apart from these examples, the stock figures suggest little ground for criticism of the Ministry's policy, so far as the staple rations are concerned.

But examination of the balance of payments shows that, although the quantities of food imported in 1947 were in general much lower than in 1938, Britain could ill afford them. If dollars from ECA had not been available this year, a sharp reduction in rations would have been inescapable, with serious repercussions on British recovery. Despite repeated affirmations by Government spokesmen that food policy took no account of the possibility of Marshall Aid, it is obvious now that a high level of consumption—relatively to what the country could afford from its own

TABLE I.—ESTIMATED FOOD STOCKS IN GREAT BRITAIN
('000 tons)

	April 1, 1946	April 1, 1947	April 1, 1948	Current Average Weekly *Consumption*	No of Weeks' Supply on *April 1*, 1948	Movements in Stock April–*June*, 1948
Wheat	625	410	835	99·9	8½	−219
Flour	394	280	435	100·2	4½	+ 85
Butter	22	10	12	4·8	2½	+ 12
Margarine	22	22	26	8·0	3¼	− 5
Cheese	15	21	21	3·7	5½	− 2
Meat (carcase)	118	108	203	30·1	6¾	− 67
Meat (canned corned)	160	118	111	2·1	53½	− 35
Bacon and ham	31	8	20	4·1	5	+ 18
Eggs, dried	11	19	17	0·5	33½	− 3
Tea	81	49	45	3·4	13¼	− 10
Sugar	311	530	653	45·8	14¼	+ 34

* Stocks have been computed by deducting total disposals in the United Kingdom (including exports and re-exports) from the aggregate of home production and imports for each year and relating the series backwards to prewar stock figures.

resources—was maintained on the hope that dollars, in one form or another, would be provided by America. The changing pattern of British food imports is shown in Table II. Wheat imports in 1947 were 83 per cent of the 1938 figure, though imports of flour were two and a half times heavier. Canada is the main source of supply. More Argentine wheat, however, was purchased than before the war, but the expansion of grain production in Australia suggests that imports from South America will be reduced in future. Imports of butter were less than half the prewar level, largely because smaller quantities arrived from Denmark, though neither New Zealand nor Australian shipments are yet as large as in 1938. Cheese imports, on the other hand, have increased by over 30 per cent and the United States has become the second most important source of supply. Meat imports, calculated by carcase weight, show little change compared with 1938, but they no longer include large quantities of chilled beef; instead there is more frozen beef and mutton. Nevertheless, Argentina remains the largest supplier. Bacon and ham imports were much smaller in 1947 than in 1938, but over three-quarters of the total quantity came from Canada, compared with one-fifth before the war. This reflects the great efforts of the Canadian farmer to help to feed Britain during the war. Large imports of dried eggs for direct consumption were another wartime development, which has persisted at a significant cost in dollars. India and Ceylon remain the chief suppliers of tea, but the quantities received from each is less than before the war. Sugar imports, on the other hand, are smaller than in 1938 and, moreover, they are now derived to a greater extent than formerly from dollar countries, such as Cuba and St Domingo, instead of Australia, Mauritius and South Africa.

The Government did not begin to switch from dollar to sterling sources of food supply until last August. In 1947, a greater proportion of Britain's staple food imports came from hard currency countries than before the war. And figures for the first six months of 1948 show only a slight change towards sterling sources; the only foodstuffs affected are cheese and sugar. Indeed, there can be no immediate saving in dollars for food imports unless the level of home consumption is reduced. The new long-term contracts may be more successful in future in securing larger quantities of food, particularly from sterling areas. Contracts have been signed with Australia and New Zealand for meat, butter and cheese, and with other Commonwealth countries for sugar, coffee, vegetable oils and fats. But past experience shows that in few cases has the existence of a long-term contract encouraged a large-scale expansion in output. Again, where contracts have been made with hard currency countries—such as the Canadian contract for wheat, beef, bacon and eggs, and the Argentine contract for meat—first intentions have been greatly affected by exchange difficulties. In the case of Canada, the contractual quantities had to be reduced to conform to Britain's ability to pay dollars, while two separate attempts in 1946 and 1947 to find a basis for regular supplies of Argentine meat over a period of years have failed. These difficulties do not necessarily mean that the notion of a long-term contract is worthless. But they do demonstrate that the contracts so far negotiated by the Ministry of Food have yet to succeed in one of their avowed purposes—to secure an expanding supply of foodstuffs for Britain.

The Commonwealth producers require a guaranteed market for their produce. If they will accept sterling, Britain can certainly give that guarantee, but price still plays an important part. The contract for butter and cheese signed with New Zealand last week is an attempt to give farmers there some measure of price stability; negotiations are also proceeding with Australia and Canada. Britain has agreed to purchase New Zealand's exportable surpluses for the next seven years until July 31, 1955. The initial price for butter is 235s. a cwt., against 205s. in 1947/48, and for cheese 133s. a cwt., against 118s. last season. These are sharp increases and they bring New Zealand prices more in line with Danish prices. They will, incidentally, also raise the cost of food subsidies close to £500 million a year. But the contract stipulates that at the annual price review, prices are not to be altered by more than 7½ per cent in either direction. Thus in 1955, New Zealand butter and cheese cannot cost Britain less than 147s. and 83s. a cwt. respectively—and these prices would show an advance of little less than 50 per cent above the prewar level. Such

TABLE II.—BRITISH FOOD IMPORTS
('000 tons)

Commodity and Main Sources	1938	1947	Jan.–June, 1948
Wheat:			
Total	5,081	4,195	2,036
Canada	*1,442*	*3,439*	*1,615*
USA	*290*	*347*	*94*
Argentina	*291*	*387*	*105*
Flour:			
Total	384	894	390
Canada	*183*	*661*	*381*
USA	*20*	*132*	...
Butter: Total	476	216	162
Cheese:			
Total	146	192	82
New Zealand	*82*	*83*	*64*
USA	*(a)*	*60*	*1*
Meat (carcase):			
Total	1,010	1,002	414
Argentina	*367*	*381*	*157*
Australia and New Zealand	*442*	*491*	*210*
Bacon and Hams:			
Total	377	132	101
Canada	*75*	*98*	*75*
Denmark	*169*	*33*	*16*
Eggs, dried—Total	*(a)*	34	3
Tea—Total	235	174	80
Sugar:			
Total	2,369	1,877	956
Cuba	*601*	*1,134*	*428*
St Domingo	*271*	*315*	*189*

(a) Less than 500 tons

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prices may or may not prove to be too high, but the limited correction of prices each year should afford some stability to both Britain and New Zealand, although Britain would prefer to have this stability nearer the bottom of the market, rather than at the peak. The main weakness of the new contract, however, is the lack of a specific guarantee to increase output. It is hoped that over the next seven years, New Zealand production will expand by between 20 and 25 per cent. But it is no more than a hope. From Britain's point of view, the success of any long-term contract must depend partly on the extent to which it encourages a larger output when that output is required.

The development of new sources of food is fraught with its own difficulties, apart from any question of long-term contracts. So far little headway has been made, even with the East African groundnuts scheme and the Queensland project. To expand agricultural production for the British market in those countries with which Britain has a serious trade deficit—even a sterling deficit, unless it is likely to be temporary—only postpones the problem to the future. Suppose that increased industrialisation of a particular Dominion causes Britain's trade balance with it to become permanently adverse, because British manufactures no longer find an adequate market there. Unless such a deficit can be balanced multilaterally, there is little point in allowing it to rise by exporting more food and raw materials to Britain. This consideration may encourage new development projects in colonial areas where the likelihood of rapid industrialisation is smaller. Such projects, however, involve large capital investment, the resettlement of natives and will take many years to mature. They promise no relief in the short run for Britain's food supplies.

Bill Market Documentary

UNTIL quite recently, one of the peculiarities of the London Money market has been the paucity of precise information about the scale of its operations. Traditionally, a high proportion of its members comprised firms or private companies which published only very meagre and inadequate balance sheets, or none at all. As a result, unofficial investigators had to rely upon estimates—and often mere guesses—of the activities of an important part of the whole mechanism. This is still true of a large segment of the acceptance market, but is fortunately no longer true of the discount market. When hostilities ended in 1945, the eleven London discount houses envisaged great opportunities for expansion by providing facilities for smoothing the course of reconversion finance, as well as the ex-Chancellor's cheaper money programme, in the short bond market. Encouraged by the central authorities, they were quickly released from the postwar queue of applicants to the Capital Issues Committee, and during 1946 and early 1947 succeeded in increasing their aggregate capital resources by some 50 per cent—raising them to about £34 million. This financing, traced in some detail in these columns at the time, involved the conversion of a number of firms and private companies into public companies, and a series of introductions of discount market shares to the Stock Exchange. Of the eleven discount houses in existence in 1945, nine are now required to publish balance sheets. Including one new private company, formed early last year, the segment of the market whose operations are still undisclosed now represents one eighth or less of the whole.

For the first time, therefore, it is possible to obtain an authentic picture of the bulk of the market's operations. Unfortunately, the several accounts are compiled on diverse accounting principles and the spread in accounting dates is very wide, so that no instantaneous photograph is possible. For the purpose of aggregating the figures of the nine houses, even the minimum spread ranges from a balance sheet dated as early as September 30, 1947, to one dated April 30th last. This is the spread adopted in all the aggregates which follow, but it should be noted that the centre of gravity in each falls early in the calendar year, because the "Big Three" companies all make up their accounts on December 31st. To some extent, however, the spread has the advantage of reducing the distortion due to seasonal factors, which are strongly marked on the Treasury bill side of Lombard Street's activities. The resultant composite balance sheet is on the next page, with comparisons for the two preceding years. The comparative figures of the new public companies are mainly drawn from the statements published for Stock Exchange purposes, but one or two have had to be estimated.

To people unfamiliar with the technicalities of Lombard Street's operations, the size of this account may come as a surprise. These nine houses, it will be seen, together commanded loans and deposits totalling no less than £736 million. If figures were available for the three discount houses which do not publish accounts, as well as for the four "running brokers" which also carry a small portfolio on borrowed money, the total for the discount market as a whole would be fully £825 million. The significance of this figure will perhaps be more readily grasped if it is compared with the level of ordinary bank deposits: it is appreciably bigger than the whole volume of clearing bank deposits on the eve of the 1914-18 war, and is equivalent to about one seventh of average bank deposits during the past year.

This deposit comparison is given purely as an indication of size, for the character of the discount market's borrowed funds is radically different from that of the banks' resources. Some of the discount houses do, indeed, attract a moderate volume of deposits from the public (mainly from large business undertakings at home and abroad), since they pay interest even on balances which are withdrawable without notice, but by far the greater part of the market's borrowed resources comprises loans at call or short notice from the banking system. This call money from the banks is invested in, and is secured by the deposit of, Treasury bills, commercial bills of exchange and short-dated Government bonds. Because of the special nature of this business, and particularly of the risks inherent in dealing in the gilt-edged market on the basis of borrowed funds, much of which may be withdrawn by the banks at a moment's notice, the discount market's own capital resources play a pivotal role in its operations. They determine the size of market commitments in much the same way as the cash reserves of the banks govern the size of bank deposits.

It follows, therefore, that the total of discount market portfolios of bills and bonds is appreciably larger than its loans and deposits. The composite balance sheet for the nine houses shows an aggregate portfolio of nearly £750 million—just under thirty times the published capital resources of £25½ million, including all disclosed reserves and the free balances on profit and loss accounts. The three remaining discount houses have an aggregate paid-up capital of about £3,250,000, but do not publish any figures of reserves. If, therefore, these three houses work on the same average capital ratio as the nine, the total portfolio of the twelve houses would be rather more than £845 million. These figures show that in the past ten years the London discount market has expanded even more rapidly than has the business of the banks. The total portfolio of the market before the war is generally put at rather under £250 million, so that it has been multiplied nearly three and a half

times, whereas the volume of bank deposits has been multiplied less than two and three quarter times. This more rapid growth of Lombard Street business is to a large extent due to greatly increased operations in the short bond market, in which the jobbing activities of the discount houses now perform an important shock-absorbing function. The technical nature of this function has been fully described in several earlier articles in *The Economist*, and need not be detailed on this occasion.

Unfortunately, the published balance sheets are a rather unreliable guide to the scale of this business, because several of the discount houses still follow the practice, which used to be general, of including their shortest bonds in the balance sheet item for bills—and bonds with up to three years to run are sometimes included under this heading. The aggregate of £183 million for disclosed bond holdings shown in the accompanying table is therefore an understatement. The true average ratio of bonds to published capital resources is certainly higher than the 7:1 proportion given in the table. If the aggregate bond portfolio of the twelve houses is estimated on the basis of the figures of those houses which do show all their bonds separately, the total, computed proportionately to disclosed capital resources, would be about £250 million.

NINE DISCOUNT HOUSES: COMBINED BALANCE SHEET, 1946-48*

	1945-46		1946-47		1947-48	
	£ mns.	Capital Multiplier	£ mns.	Capital Multiplier	£ mns.	Capital Multiplier
Published Capital Resources	15·4	...	23·7	...	25·4	...
Bills	361·9	23·4	556·5	23·4	565·7	22·3
Bonds	160·3	10·4	168·7	7·1	182·9	7·2
Total Portfolio	522·2	33·8	725·2	30·6	748·6	29·5
Re-discounts	19·2	1·2	43·5	1·8	68·3	2·7
Loans and Deposits	517·50	33·4	712·48	30·0	736·0	29·0

* Balance sheet dates in each period range from Sept. 30th to April 30th.

Because of this partial concealment of the bond portfolio in some balance sheets, the true holding of bills by the nine houses is, of course, appreciably smaller than the figure shown in the table. But it will be seen that, on the basis of the estimate of £250 million of bonds for the market as a whole, the true aggregate bill portfolio would be rather under £600 million, compared with, say, £350 million or less two years ago. The earliest year shown in the table relates to the period just before the wave of capital expansions, and, subject to the qualification already mentioned about bonds, the comparison gives a fairly reliable indication of the resultant expansion of bill portfolios. But it does not measure the corresponding growth of bond portfolios, because these rose very fast during the opening of the cheaper money drive during the autumn of 1945, and this expansion was virtually an anticipation of the new capital resources—in the sense that the subsequent permission to the discount houses to raise new money was specifically designed to enable them to take in bonds on approximately the scale of 1945 when their shock-absorbing function in the gilt-edged market so required.

In one particular, however, the comparison strikingly measures a significant trend of the past two years. The biggest proportionate expansion is in the item "re-discounts," which represents the amount of commercial bills of exchange re-sold by the discount houses to the banks and still outstanding at the dates of the accounts. As the discount houses generally have the greater part, and a roughly consistent part, of their commercial paper under re-discount, this impressive increase, from £19 million to £68 million, is a good index to the scale of the revival which has occurred in the use of bills of exchange for business financing. If allowance is made for the three houses whose accounts are not made public and also for the further expansion in this type of business since the average date of this composite balance sheet, it is clear that the volume of commercial paper in the discount market may now be approaching £100 million. This is only a modest fraction of the volume in existence twenty years ago, but it reflects a much more vigorous postwar revival than many had dared to hope for during the war.

The period embraced by the latest accounts of course covered the months of collapse in the gilt-edged market—a phase which confronted the discount houses with the first real test of their new-style bond business under adverse conditions. Unfortunately, the accounts are only a poor guide to their experience in this important matter, partly because of diverse methods of treating depreciation and especially because the published profits of the discount houses are peculiarly subject to the intricate vagaries of divergent incidence of taxation—not to mention inner reserve policy. For this reason, no attempt has been made to compile a composite table of profits. One company, the first to make up its balance sheet after the gilt-edged slump, did indeed show an actual loss after provision for depreciation; other companies, whose accounts were made up later, showed lower but still substantial profits after charging their depreciation against them; and one large company actually showed increased profits but drew upon its inner contingency reserves for the purpose of writing off investment depreciation.

Unless the gilt-edged market again turns sharply downwards, the financial effects of the slump will be gradually obliterated in Lombard Street, for the yield margins now obtainable on bonds, by comparison with the cost of financing them, are relatively generous, thus enabling the discount market steadily to replenish the sums it has had to withdraw from internal reserves. Meanwhile, the change in the gilt-edged market has induced the discount houses to shorten sail. Their shock-absorbing role drove them to buy large quantities of bonds during the pressure of public selling last summer. Their portfolios now are smaller than the bloated size they then assumed, and they are also concentrated almost entirely upon the shortest bonds. After years of easy money from bond-dealing in a rising gilt-edged market, there was always the risk that the capital increases of 1946 and early 1947 might induce an excessive expansion. On a long view, perhaps last year's gilt-edged collapse was a good thing for Lombard Street. It has certainly driven home the first principle of sound dealing for bond-jobbers working on borrowed money: Keep short—if you can.

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Business Notes

London and Wall Street

In London, the reaction of the Stock Exchange to the Berlin crisis has been one of almost complete aplomb; on Wall Street, nerves have not been so strong. The difference in behaviour does not arise from any sharp contrast between the assessment of the Berlin problem in the two centres. It reflects rather the fact that London was already oversold, and Wall Street overbought, before the crisis broke. For several weeks, the British investor has been trying to assess the balance of forces between the Chancellor's policy of disinflation and the accumulated inflationary strain which must be contained or released if that policy is to succeed. The evidence of still rising costs, of growing strain on capital resources, and of dividend limitation has led him to take a cautionary view of market prospects. In Wall Street, since the break in prices last February, the condition has been almost the reverse—a renewed rise in prices, no sign of disturbance to the high level of industrial activity, and the reinforcing effects of ECA expenditure on a market which is fully occupied in meeting domestic demand.

Thus, London was relatively proof against any major disturbance, so long as the volume of business remained subnormal. The past week, indeed, has demonstrated the occasional advantage which a narrow market and a "short" position may provide. On Friday last week, the market wavered, largely as a reflection of the critical political situation, but partly in vicarious sympathy with New York. The *Financial Times* industrial ordinary share index dropped by a full point to 109.7. This week, the opening declines in prices were quite modest, and by Wednesday the better tone produced a fractional rise in the index to 109.4. The private investor seems convinced that his best policy is to "stay put"; but despite the inert appearance of the market, with its quite subnormal turnover, there is evidence of institutional support for the leading equities, whose yields are now fully half of one per cent more favourable than they were three months ago.

* * *

Exports and the Gap

Exports in June achieved a new postwar record. The daily rate was 3 per cent higher than in May—the previous postwar record—and the total value of £134 million was only £3,000,000 below the figure for July, 1920, when the highest exports of all time were recorded. The effect of the London dock strike is not yet evident in the trade accounts owing to the time-lag in compiling the figures, but it is likely to be marked enough in the July returns. The volume of exports for June has been provisionally estimated at 138 per cent of the 1938 level—2 points below the mid-year target of 140 per cent set by the Government. Those who require statistical comfort may allow for June having only 25 working days instead of the usual 26, and recalculate the volume of exports at 144 per cent—an exercise reminiscent of counting 53 weeks coal output in 1947. But apart from such spurious target-shooting, the export drive initiated by Sir Stafford Cripps last September is going fully as well as could have been expected. The following table recalculates the monthly figures on the standard basis of 26 working days.

BRITISH EXPORTS
£ million

October	104	January	115	April	126½
November	106½	February	122½	May	135
December	114½	March	126	June	139½

The volume of exports in the second quarter is estimated at 134 per cent of 1938 compared with 126 per cent in the first quarter and 118 per cent in the last quarter of 1947. In fixing the end-of-year target at 150 per cent, the Government set out to achieve an average volume of 125 per cent for the first six months and 136 per cent for the second. At least the first objective has been attained—indeed, the average volume was in fact 130 per cent of the prewar level. But it will be no easy matter to raise the average rate by a further six points during the second *half* of the year.

Imports in June increased by £1,100,000 to £177 million. Exceptionally large quantities of raw cotton were received—mainly from Egypt and the Sudan—and their value (£13½ million) was the highest since 1925. There was also a record import of paper-making materials, largely woodpulp, from Sweden Canada, Newfoundland and the United States. Nevertheless the adverse balance, without allowing for insurance and freight, fell by £2,200,000 to £38 million. The excess of imports (valued c.i.f.) over exports and re-exports (valued f.o.b.) for the first half of the year amounted to £251 million against £267 million in the same period of 1947. Deducting the customary 10 per cent from the import figures to allow for insurance and freight, the visible adverse balance for the first six months would be about £150 million compared with £185 million for the first half of 1947. But the deficit is not being reduced quickly enough to satisfy the Government's planning in the "Economic Survey" which put the deficit for the whole year at £250 million.

* * *

Towards the Targets

Machinery and vehicle exports—the two main groups—are already very close to the end-year targets. Shipments of machinery have been at a record level and in recent months have been running at double the rate in 1938. Sales of agricultural machinery—tractor exports, for example, were two and a half times larger than a year ago—textile machinery and internal combustion engines have been particularly good. In the vehicle group, exports of both private cars (115,800 in six months) and commercial vehicles (34,000) have increased appreciably, and greater numbers have been shipped to hard currency countries. Some 8,300 cars were exported to the United States in the first half of the year compared with 185 twelve months ago, and 9,280 to Belgium against 3,186. It is estimated that over three quarters of the national output of cars and more than a half that of commercial vehicles are being exported.

The main weakness of the export drive lies in textiles. Exports of cotton goods in June were only £10 million against an end-year target of £13 million; piece-goods and other manufactures are the farthest from their target. There has been a small but steady rise in manpower in the cotton textile industry since the beginning of the year which has been reflected in a significant expansion in yarn production—at the beginning of June it reached a postwar record. Cloth production, however, has lagged behind, and if the export target is to be achieved the home market will have to go short. The export of wool goods, especially piece-goods and blankets, is even more disappointing. The June figure of over £7½ million compares with an end-of-year target of nearly £12½ million. The one bright spot here is the export of tops, which is almost up to the target; production has expanded continuously and is now above the average for 1937, itself a year of high output. Worsted yarn production has also increased, but the expansion in deliveries of finished cloth has been much slower owing to the difficulty of switching from utility to fine quality cloths. And the export market has still a very definite preference for fine worsteds.

PROGRESS TOWARDS EXPORT TARGETS
(£ million)

	1948				
	1st Quarter Monthly Average	April	May	June	End-1948 Target
Food and drink	6·27	6·72	7·01	6·84	6·65
Tobacco	1·35	1·53	1·13	1·43	1·70
Raw materials	3·87	5·02	6·07	6·73	6·00
of which—					
Coal	1·25	2·75	3·59	4·04	3·90
Manufactures	102·53	109·73	112·51	115·22	132·65
of which—					
Pottery	3·57	3·88	3·90	3·82	4·25
Iron and steel	7·88	8·44	8·65	8·56	8·10
Cutlery, etc.	3·34	3·63	3·61	3·57	3·77
Electrical goods	5·31	6·24	5·85	6·57	7·07
Machinery	18·83	20·60	21·15	20·96	22·06
Vehicles	18·53	19·83	19·42	20·92	21·01
Cotton goods	8·56	9·08	10·54	10·00	13·00
Wool goods	7·03	7·60	8·18	7·64	12·40
Silk and rayon	2·89	3·22	3·21	3·42	4·40
Other textiles	2·20	2·49	2·41	2·48	3·40
Apparel	2·28	2·53	2·43	2·64	4·20
Chemicals, etc.	6·37	6·90	6·99	7·17	8·05
Leather goods	0·70	0·63	0·71	0·69	1·45
Paper goods	1·72	1·66	1·66	1·73	2·20
Rubber goods	0·52	0·57	0·53	0·54	1·05
TOTAL	117·81	126·36	129·92	134·03	150·50

Stock Exchange Commissions

The Council of the London Stock Exchange have rejected the recent petition which asked that the new rules governing the sharing of commissions, which are due to be introduced next January, should be rescinded. Their decision has been supported by a detailed statement, which discloses at the outset that the Council sought for means of a compromise; but "the rules form part of one integrated policy" and the Council have been unable to find any middle course that they could recommend. Again, they rejected the idea of a referendum, on the ground that the issues were too complicated for a simple decision, yes or no.

That disposes, in the Council's evident view, of the petition, "which raised no points which had not received the fullest consideration." But the Council then proceed to set out the historical course of changes in agency rebates, from 1912 onwards, with the intention of demonstrating that the new rules are in line with the long-term policy of the Stock Exchange. The alterations in the rules at the critical dates 1912, 1932 and 1941 were opposed at the time, but "contributed materially to the interests of members." The Council reaffirm their opinion that the new rules equally will prove advantageous. The opposition will be no less convinced that the agency system brings its own contribution of business to the Stock Exchange, that not all of this business comes "automatically" and that the logic of the Council's case would be enhanced if the banks' agency business (and, incidentally, that of investment trust managers) was treated on all fours with that produced by other agents.

Even with the assertion of their own high authority, the Council are unlikely to convince the opposition. The numbers supporting the petition reflected a large element of dissatisfaction with the new rules; and since the Council (unlike some sovereign bodies) do not trade in mandates, they might have been expected to pursue further the elucidation of the exact opinion of members about the changes. The Council are on safe ground when they claim that the new rules will not raise the cost of doing direct business on the Stock Exchange; but conceivably the result may be to raise the cost of doing business through an agent. In one form or another, the investor who deals through an agent may have to pay more, and since perhaps one-quarter or one-third of the total volume of business reaching the Stock Exchange comes via agents, the possible consequences of this rise in costs are not lightly to be dismissed. Nor are the Council wholly convincing in their arguments that there are only two ways of relieving members from the rising costs of carrying on this business—by reducing rebates or increasing commissions. Stockbrokers, indeed, have no general ground for complaint that commissions are too low, for they have moved in step with the general rise in the value of securities. It is less certain that brokers have gone as far as they could in reducing the clerical costs of dealing by central arrangements for delivery and clearing. Should not the Council really fortify itself with something more than the exercise, so to say, of their casting vote to resolve the balance of honestly-held opinion for and against the new rules?

* * *

Imperial Chemical Issue Terms

Two months elapsed between Lord McGowan's disclosure to I.C.I. stockholders that application had been made to the Capital Issues Committee for a new share issue, and the publication of the terms last Tuesday. As expected, the issue consists of one new ordinary share of £1 for every £5 ordinary stock held; but, as the equity market has since waned, the price has been scaled down, well below original expectations, to 40s. 6d. When Lord McGowan made his announcement at the general meeting, the stock units stood at 48s. 9d., and an issue price of 45s. seemed plausible. At the close of business last Monday, the units stood at 44s. 3d.—the lowest of the year.

In all, slightly over 10 million new shares will be issued, and the total capital and premiums will amount to £20.4 million. Provisional allotment letters will be sent to ordinary stockholders registered last Tuesday, on August 18th, and both classes of stockholders will have the opportunity to apply for any shares which are not taken up as of right. The issue has been underwritten by a group of four leading firms of brokers—Hoare and Company, Panmure Gordon and Company, Rowe and Pitman, and J. and A. Scrimgeour—for total commission of 7½d. per share. Acceptance must be made by September 14th, with a payment of 20s. per share, and the final payment will be due by October 28th. The new shares will not rank for interim dividend this year, but will be entitled to the final dividend.

A statement on future earnings and dividends, for all its justifiable emphasis on rising costs, Government pressure to reduce prices and dividend limitation, "confidently expects" that the present rates of earnings and dividend will be maintained in the future on the increased capital. On the basis of a 10 per cent dividend, the new shares offer £4 18s. 9d. per cent, which should be attractive enough, for an issue of this quality, to ensure a favourable response unless markets deteriorate most markedly. Seven weeks is a long period at the best of times, and these certainly are not the best. Whatever the outcome of the issue—and there is no reason, despite the clouded horizon, for expecting it to be other than satisfactory—the underwriters will certainly be entitled to their commission.

* * *

Pakistan's Sterling Releases

The details of the financial agreement with Pakistan announced this week concern only the releases from accumulated sterling balances and the allocation of hard currency. The other aspects of the negotiations that have recently taken place in London referred to the sale of assets to Pakistan and the capitalisation of pensions. These particular points were discussed and agreed jointly with India and the details of the Indian agreement covered the arrangements made with Pakistan. On the question of releases and hard currency allocations the agreement with Pakistan covers only the twelve months from July 1, 1948. Over this period Pakistan will be allowed to draw the sum of £5,000,000 from its accumulated balances to be transferred to the freely available sterling in the No. 1 Account. An additional £5,000,000 may be released to meet Pakistan's external expenditure for resettlement of refugees. Of the balance in Pakistan's No. 1 Account, £2,000,000 is to be regarded as an additional working balance, supplementing the £10 million made available for this purpose earlier this year. The British Government has also undertaken to make releases of not less than £5,000,000 in each of the two succeeding years, to enable the Pakistan Government to prepare its plans, though the precise releases will be negotiated later. The hard currency quota for the next twelve months will be the equivalent of £5,000,000. In addition, Pakistan will have at its disposal its direct hard currency earnings and any such currencies as it may purchase from the International Monetary Fund.

* * *

The Hongkong Leak

Ever since the end of the war Hongkong has been one of the most temperamental members of the sterling area family—valuable, but exasperating. The decision was made on the liberation of the Colony to regard it as a member of the sterling area, though it had not been so from the establishment of exchange control in 1939 until the Japanese occupation. The intention was to apply to Hongkong the same mechanism of exchange control as was operated in Britain and other parts of the sterling area. This was soon found impracticable and indeed undesirable. Hongkong has developed and subsists largely on entrepot trade, and for this trade requires comparative freedom of exchange operations. In any case the geographical position of the Colony, close to the Chinese mainland, and the presence in it of the elite of Chinese merchants and exchange dealers, would have defeated any attempt to operate control on the British lines. The actual policy followed was to give the exchange control authorities in Hongkong all the powers wielded by their counterpart in Britain but to leave it to their judgment and knowledge of local conditions to decide, how much of this power should be used. This discretion has been applied with considerable latitude, but the success of the experiment has been evident in the immense trade handled by Hongkong and the prosperity it has created.

Among other matters, latitude has been allowed to exporters from Hongkong about remitting the proceeds of their sales to the authorities. The general rule has been to require exporters to remit only 25 per cent of the hard currency export proceeds, which must be sold at the official rate, leaving them free to deal as they wish with the remaining 75 per cent. This balance has been dealt with in an unashamedly open and free market in which the cross rate between sterling and dollars has recently been quoted at around $3.20. This toleration of a free market is the second main contrast between London and Hongkong practice in exchange control and again shows the latitude which has been given to the exchange control authorities in the colony.

The experiment has undoubtedly justified itself but it has also involved certain risks. It is notorious that Hongkong has proved one of the main leaks through which capital and resources have left the sterling area. There is a danger that the entrepot trade of Hongkong may be abused to an extent which would more than offset the beneficial results of the freedom granted to that market. The kind of operation which the authorities have had specially in mind is the re-export through Hongkong of com-

modities from other parts of the sterling area which would in any case have gone to a hard currency destination. Because of this diversion of trade the sterling area pool, instead of receiving 100 per cent of the hard currency proceeds, has received only 25 per cent of them, leaving the rest to feed the free market in Hongkong and those who thrive on it.

The matter was raised in Parliament this week and the Chancellor of the Exchequer announced that changes in the exchange control arrangements in Hongkong were imminent. In particular, the exchange proceeds of exports from Hongkong other than Chinese goods sold for dollars and goods destined for China will in future have to be surrendered to the sterling area pool in full. There will also be a tightening up of the import licensing system so that imports of sterling area goods for re-export will be better controlled. Hongkong has also introduced a control of exchange from sterling into Hongkong dollars and *vice versa*. These represent drastic changes. It remains to be seen whether they will achieve their object and whether, in the long run, they will not do more damage than good.

* * *

Adjustments in Coal Prices

On Monday, the National Coal Board introduced the first instalment of the new price structure on which it has been working during the past year. This problem, as the Board's report showed last week, is intensely complicated, and the interim changes now introduced, though broadly commendable to common sense, are far from being a complete solution of the problem of fixing coal prices in accordance with grades and quality, costs of production, differences in transport charges and in size of consignments. The adjustments in fact merely go some distance towards removing the grosser anomalies and distortions in coal prices which have resulted from the wartime (and postwar) practice of applying flat increases to all grades of coal—with the result that bad quality coal became ludicrously costly, and good quality coal relatively (though not absolutely) cheap.

From Monday last, lower grades of coal, mainly "untreated smalls," have been reduced by amounts varying from a few pence to 15s. a ton, while prices of higher grades (mainly large and graded coals) will be raised by amounts varying between a few pence and 3s. a ton, with exceptional increases for the highest grades of "a shilling or two" more. Other grades of coal, including domestic supplies, will remain unchanged. Thus the changes in prices apply largely at the two extremes of the quality scale; they will remove the worst anomalies, but plenty will remain for later adjustment. There is, in particular, the problem of how far future adjustments can be introduced within the limits that the Coal Board has set itself on this occasion—namely to secure broadly that increases are offset by decreases in prices. Moreover, while the reduction in price of low quality coal may be of some help to the electric power industry, the raising of high quality coals, for gas, or coking, or railway operation, will further increase the costs of several important sectors of the economy.

These are unavoidable consequences, however, of any attempt to rid the coal industry of the distorted price structure which has developed since 1939. If good coal is too cheap, industry will tend to use too much of it. If poor coal is too dear, complaints about "dirty coal" are multiplied and industry is discouraged from using it.

* * *

Scarce Oils and Fats

The shortage of oils and fats is the most serious food problem which the world has to solve. Hopes that supplies might increase significantly within the next four years were recently dashed by Mr J. C. A. Faure, of Lever Bros. and Unilever, in an address to the International Association of Seed Crushers' Congress. Mr Faure showed, with a complete array of statistics, that in 1951 world exports of the principal oil-yielding products, oils and fats would still be 900,000 tons below the 1938 level. Despite increased butter production in Europe this summer, and a heavier olive oil crop, exportable surpluses of oils and fats from sources outside Europe will be smaller than anticipated. Moreover, the United States has become a net importer and the rising standard of living in Eastern countries has increased their domestic consumption.

The effect of the war on the world output of oils and fats is also revealed in two surveys published by the Commonwealth Economic Committee.* In 1946 the production of the main oilseed crops amounted to 11,491,000 tons (oil equivalent), compared with the 1934-38 average of 13,378,000 tons—a reduction of 11 per cent. The main decline has occurred in tree crops, particularly coconut and palm. Among the field crops, groundnuts, soya beans, rapeseed and sunflower seed each showed an output larger than before the war. But despite these increases, exports have fallen significantly—largely because the producers of vegetable oils have greatly increased their domestic consumption. In 1946 exports totalled 1,877,000 tons compared with an average of 4,141,000 tons between 1934 and 1938—a reduction of 55 per cent. And of all the oil-bearing crops, sunflower seed was the only one of which exports were larger than before the war. The only countries whose exports of vegetable oils and oilseeds in 1946 were above the 1934-38 average were the Philippines, the Belgian Congo, the United States and Canada. And in each case the increase was only moderate. Tables showing world production and export of oilseeds by crops and countries are published in this week's issue of the *Records and Statistics* Supplement.

World butter production was similarly affected by the war. In 1946 output was some 25 per cent lower than before the war—production in Commonwealth countries had fallen by 16 per cent—while exports were less than half. Some recovery has since taken place, but the main limitations to a large expansion in the world's butter production are the reduced number of dairy cows and the increased consumption of liquid milk and milk products other than butter.

The prospects for increased supplies of oils and fats for Europe are not therefore very encouraging. If inflationary policies throughout the world were successfully curbed, there might indeed be more than a chance that exports from the primary producing countries might increase. But the necessary reduction in prices could only come about if importing countries generally (including Britain) kept their requirements within the limits set by their balance of payments. Moreover, the political consequences of such a "deflationary" effect might be important for the primary producing countries. The prospect for supplies of fats and oils based on purely physical factors is rather disappointing; but a change in the economic climate might overcome present shortages quicker than is sometimes anticipated.

* "Vegetable Oils and Oilseeds." H.M.S.O. 5s. and "Dairy Produce." H.M.S.O. 5s.

* * *

Peru Chooses Sterling

The Treasury-Bank of England Mission which has been touring South America ended its labours in Lima with another minor victory for sterling. The agreement reached with Peru re-establishes sterling as the currency in which trade between that country and the sterling area is to be conducted in the future. Throughout the war trade with Peru was, in fact, conducted in sterling, but was maintained in approximate balance. In 1947, as part of the preparations for making sterling convertible, Peru was classed among American account countries, which meant in effect that any surplus or deficit on that trade had to be covered in dollars. After the suspension of convertibility of sterling the arrangements were found to be highly restrictive in their effect on the trade between the two countries. Peru's shortage of dollars on the one hand and Britain's unwillingness to incur a deficit in trade with Peru, since this would be convertible into dollars, had put a considerable brake on this trade. Under the new arrangements Peru will leave the American account group, and will, as from August 1st, finance its trade with sterling area countries in sterling. To begin with, these will be strictly bilateral arrangements, though wider use of sterling by Chile may be developed administratively, with the consent of the authorities in each country for each payment when sterling is used between Chile and non-sterling countries. In due course, it is hoped that Peru will, like Chile, enter the fold of the fully transferable account countries.

* * *

Switching in Sterling Securities

The freedom of non-residents to "switch" in sterling securities has been severely curtailed by three regulations issued by the Bank of England. The first order divides all British securities into thirteen compartments, broadly following the classification of securities in the Stock Exchange List. With one important exception, switching between these groups is now disallowed; if a non-resident sells an industrial share he must re-invest the proceeds in another industrial issue, domiciled in the same country. For some oil and mining issues this stipulation about fixed domicile may prove very restricting. The one important exception is to permit switching from any group into British



The fable of the well-dressed man

A Visitor from another land once exclaimed in admiration at the spartan way of life he found in a certain isle. 'Ah!' he cried, 'I fear you must despise the superior elegance of my attire!' His hosts discreetly forbore to point out that his suit had come from their own best tailors, his sword from their own armourers, his hat and boots from their native hatters and cordwainers. They wisely preferred things that way round.

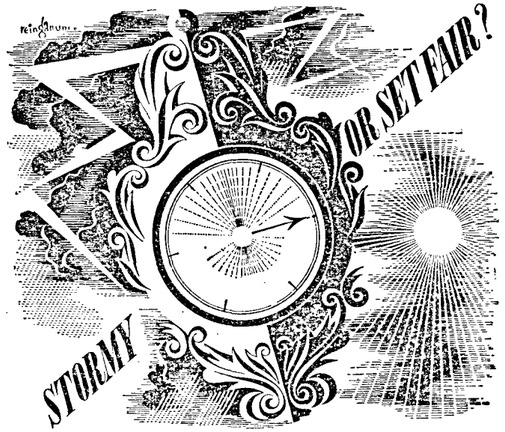
Britain's best merchandise is the quality of her manufacture, which is still the envy of other nations. TI is busily selling British skill in the form of wrought light-alloys, precision steel tubes, bicycles, ski-sticks, electrical equipment and automobile parts. Every dollar which can be made that way is needed, and every softer coin.

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THE CONDITIONS which interest the modern exporter are those prevailing in his market, the 'commercial weather' in which he must trade. British products will always sell in Australia and New Zealand provided they are adapted in both quality and price to the Dominion markets. The Overseas Department of The Bank of Australasia can put at the disposal of the British exporter accurate up-to-date information from the Bank's Branches 'down under' giving him a picture of prevailing conditions upon which he can base his export programme.

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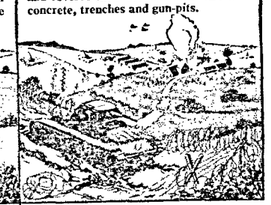
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RECLAIMING 30,000 ACRES

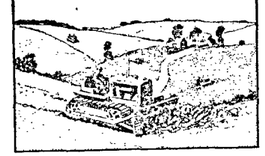
1. For 1,000 years the turf of the Sussex Downs lay undisturbed, except by grazing sheep. But war forced the authorities in 1942 to take great stretches for battle training.



2. For four years troops fired thousands of tons of ammunition into the slopes, and covered their surface with wire and concrete, trenches and gun-pits.



3. 'Caterpillar' Diesel Tractors are now speedily clearing the Downs of their dangerous litter, so that the urgent job of food production may begin again.

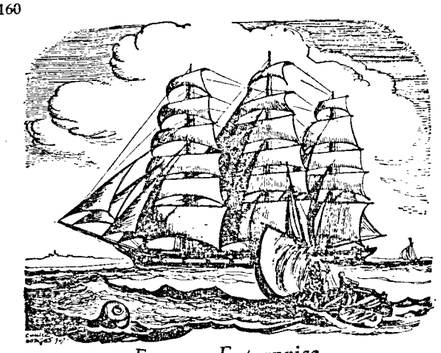


Before the Sussex Agricultural Committees could begin reclaiming the downland, miles of rough roads had to be cleared by 'Caterpillar' Bulldozers. Before ploughing could begin, innumerable shell and bomb craters had to be filled in, and undergrowth, wire, and defence works had to be uprooted. Once again, 'Caterpillar' equipment, provided and serviced by the Jack Olding organization, has saved precious time, manpower and money.

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PAID-UP CAPITAL: . . Rs. 20,000,000
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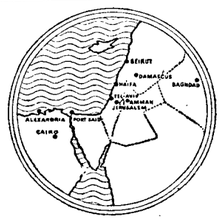
The Boards of Lever Brothers & Unilever Limited and Lever Brothers & Unilever N.V. RESOLVED to-day to RECOMMEND to the Annual General Meetings of their respective Companies which will be held on 26th August, 1948, the DECLARATION of DIVIDENDS on the Ordinary Capital in respect of the year 1947 payable on the 3rd September, 1948, as set out below :—

In the case of *Lever Brothers & Unilever Limited* a DIVIDEND of 10 per cent. (2/- per £1 of Stock), less Income Tax at 9/- in the £ (same as for 1946) PAYABLE to Stockholders registered in the books of the Company on the 31st July, 1948. Consolidated profit was £17,497,459 (1946, £16,979,742) after charging £2,000,000 (1946, nil) reserve for replacement of fixed assets and £3,235,000 (1946, £639,362) reserve for stocks but before charging taxation on profits. Consolidated net profit was £5,286,818 (1946, £7,769,870) after taxation and excluding the proportion attributable to outside shareholders' interests in subsidiaries. Net profit in the Parent Company's accounts before appropriations was £4,757,132 (1946, £6,187,647, out of which £2,500,000 was set aside to build up the future Tax Reserve).

In the case of Lever Brothers & Unilever N.V. a corresponding DIVIDEND calculated in accordance with the Equalisation Agreement converted at the rate of exchange of Fl. 10·691 to £1 sterling of 8.9% (Fl. 89 per share of Fl. 1,000), less 15% dividend tax (same as for 1946), PAYABLE on PRESENTATION of the appropriate DIVIDEND COUPON. Consolidated profit was Fl. 94,077,552 (1946, Fl. 64,132,865) after charging Fl. 17,500,000 (1946, nil) reserve for replacement of fixed assets and Fl. 10,000,000 (1946, Fl. 6,000,000) reserve for stocks but before charging taxation on profits. Consolidated net profit was Fl. 34,481,962 (1946, Fl. 32,050,898) after taxation and excluding the proportion attributable to outside shareholders' interests in subsidiary companies. Net profit in the Parent Company's accounts before appropriations was Fl. 28,391,926 (1946, Fl. 27,402,722).

The Reports and Accounts of both Companies will be issued on 3rd August, 1948.

22*nd July*, 1948.



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Government securities (though not *vice versa*) and as hitherto, no gilt-edged stock with less than ten years' life may be bought; nor may non-residents exchange gilt-edged stocks already held for shorter dated stocks.

The second order requires that before a licence to switch is granted, "satisfactory evidence" must be submitted to the Bank of England to show 'that the security to be sold has been in the possession of a resident in the country of the present beneficial owner since May 1, 1947.' The intention is clearly to prevent securities from changing hands between non-residents so that dividends hitherto payable in, say, French francs, have to be remitted in dollars; dividends and interest, being currently earned sterling, have of course to be remitted in the currency of the country of the beneficial owner. The additional burden on Britain's hard currency funds caused by this drift of beneficial ownership from soft to hard currency areas be simply illustrated: in 1945 dividends remitted to Switzerland amounted to SF.30-40 million but by 1947 the sum had risen to SF.176 million, though some of the increase was doubtless attributable to payments on old coupons. The third order forbids the export of sterling bearer securities of any type.

The limits of effectiveness of the second order are suggested by the third. "Satisfactory evidence" regarding the beneficial ownership of registered stocks can often be checked, but for bearer securities there is no means of checking, as earlier experience has shown. The third regulation should effectively stop any further additions to bearer shares in non-resident ownership, but evidence about the ownership of the large amounts already held abroad will have to be obtained and assessed as before. As a sequel to these orders a further regulation issued last week limits the investment of blocked sterling funds to purchases of British government or government guaranteed securities.

Activity on the London Stock Exchange by non-residents—and that means mainly Americans—will be severely curtailed. Such dealings have taken place in New York against so-called "security sterling" which was recently quoted at $2 to the £. The rate had at one time been as high as $3.25 but the immediate result of the new regulation has been a fall from $2 to about $1.85. In theory there might be 13 different rates of "security sterling"; in fact, there are at present three rates, one for gilt-edged at $1.83; one for industrials at $1.85; and one for Rhodesian shares at $1.90. It is ironical that last week's action should have reduced the price, in terms of dollars, at which Government stock can be bought.

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Switzerland's Nominee Assets

The conflict between Switzerland's highly developed and traditional business as the nominee repository of foreign capital, and its unwillingness to accumulate the foreign currency proceeds on such capital, is illustrated by new Bank of England instructions sent to bankers this week. This deals with the treatment of proceeds of coupons remitted to this country by Swiss banks on account of clients who are not residents in Switzerland. Hitherto the proceeds of all coupons remitted and encashed here by Swiss banks have been credited to Swiss accounts. The Swiss authorities have, however, shown some dislike of the resulting accumulation of sterling on non-resident accounts, a position which might conceivably involve the accumulation of assets in one currency against liabilities in another, with the consequent exchange risk. In future, therefore, the proceeds of such coupons are not to be credited to Swiss accounts, but to a sterling account appropriate to the residence of the beneficiary. The move implies that the Swiss banks concerned will be prepared to divulge the identity or at least the residence of the nominees for whom they are acting. Since the initiative in this matter has come from the Swiss authorities, it is to be presumed that no untoward sensitiveness will be felt on this score.

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Shipbuilding Activity Sustained

A further rise in the tonnage of ships under construction in Great Britain and Northern Ireland at the end of June is recorded by Lloyd's Register of Shipping. The total now stands at 2,243,703 tons gross, an increase of 105,668 tons since the end of March. Apart from a slight setback in the previous quarter, the total has been increasing steadily since the beginning of 1944 and it now stands higher than at any time since December 1921, when the tonnage was 2,638,679. Ships completed during the quarter totalled 374,323 tons gross, bringing the figure for the first six months of 1948 up to 507,962 tons. If this rate is maintained therefore, output for the year will exceed 1,000,000 tons, a slight improvement on 1947. Shipbuilders maintain, however, that if they could obtain enough steel the industry could build more than half as much again—perhaps an extreme claim which puts insufficient emphasis on shortages of other materials. There is no indication, moreover, of the extent to which steel, produced in excess of the "Economic Survey's" budgeting is reaching the shipyards. Launchings during the last three months totalled 301,730 tons, compared with only 181,168 tons for the previous quarter while work was begun on 375,000 tons, compared with 213,451 tons gross.

The proportion of tankers under construction is still rising. Tankers of 1,000 tons gross and over now under construction number 61 of 579,205 tons, compared with 54 of 493,155 tons at the end of March. Of the 2,500,000 gross tons of ships still on order but not yet laid down, more than half are tankers, which tend to use a greater proportion of steel in their construction than other ships. Ships being built for export also continue to increase; they have risen from about 100,000 tons in March, 1946, to as much as 711,455 tons gross, or 31.7 per cent of the total.

There was a slight fall in the tonnage of ships building abroad, which now total 1,778,186 tons gross, although the British contribution has masked this fall and increased the world total from 3,919,374 tons to 4,021,889 tons. The only important shipbuilding countries abroad to show an increase are France, Italy, Spain and the United States. The greater part of the US total of 162,672 tons under construction consists of eight tankers, totalling 114,940 tons gross. Of the world total, 99 ships of 964,312 tons gross are ocean-going tankers. When these are completed, they will have added some 1,500,000 tons deadweight to the carrying capacity of the world's tanker fleet, which is already estimated at more than 23 million tons d.w., compared with 16 million tons in 1939.

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Big Rise in Bank Deposits

The latest banking figures underline the Chancellor's remark last week that the greatest care is needed when trying to use purely monetary indices as a measure of the progress (or lack of progress) of the disinflationary policy. Certainly, there is no trace of disinflation in the end-June deposits of the clearing banks. The net figure, at the new record level of £5,736 million, is no less than £94 million above that shown by the May make-up. This is disappointing. During March and April the effects upon the level of deposits of the earlier phase of record budget surpluses were largely obliterated by the credit created in connection with the Argentine rail purchase. This, however, was an abnormal operation, and it was expected that part of the new credit would gradually be cancelled as the funds were reinvested. Some heartening signs of this process did, indeed, become visible during May, when the disbursements were being made to the Argentine debenture stockholders; net bank deposits then dropped by £32 million, a figure well below the amount disbursed. The latest rise, however, carries net deposits to some £54 million above the end-1947 level.

CLEARING BANKS, 1947–48

(£ mns.)

	At June 30		Average of Six Months, Jan.–June	
	1947	1948	1947	1948
Deposits	5,658	5,955	5,586	5,816
Net deposits	5,446	5,736	5,402	5,617
Cash	464 (8·21)	492 (8·27)	468 (8·39)	479 (8·25)
Call money	451 (8·0)	473 (8·0)	435 (7·8)	460 (7·9)
Bills	672 (11·9)	659 (11·0)	679 (12·1)	746 (12·8)
T.D.R.s	1,330 (23·5)	1,361 (22·8)	1,399 (24·9)	1,229 (21·1)
Investments	1,479 (26·2)	1,478 (24·8)	1,455 (26·1)	1,481 (25·5)
Advances	1,119 (19·8)	1,340 (22·5)	1,047 (18·8)	1,294 (22·3)

Italic figures in brackets are percentages of deposits.

This experience demonstrates once again the fallacy of the still common belief that the large prospective budget surplus of 1948-49, plus Marshall aid, must necessarily involve an approximately corresponding repayment of floating borrowings by the Government. The budget surplus is a surplus on current account

—before allowing for the Exchequer share in the nation's investment programme. And the finance available to the Government from the external deficit (including Marshall aid) is declining as the deficit slowly narrows. In fact, most of the credit created in June seems to have been for the purposes of the Government, though it is hard to see why so large a sum should have been required. Bank advances rose in June by £15½ million—the rise would have been much bigger but for a sharp, and probably temporary, fall in the advances of the National Provincial Bank—while investment holdings were fractionally larger.

Ostensibly, therefore, some £77 million of the increase in bank deposits seems to have resulted from the Government's financial operations. During the period most nearly corresponding to the banking figures the Exchequer returns showed an above-line surplus of £40 million, but heavy outgoings "below the line" converted this into a final deficit of at least £50 million—before allowing, however, for the sterling proceeds of drafts on the gold reserve, which in May and June are believed to have been rather smaller than the recent average rate of depletion. The fact that the first ERP refund of dollars was not received until the end of the month and was not at once brought into the accounts does not, it should be noted, explain the apparent discrepancy in the banking figures. These ERP dollars 70 to replenish the exchange reserves, but bring in no sterling to the Treasury unless and until they are sold.

* * *

After the Leather Subsidy

The third and last of a series of Leather Charges Orders last week brought to a close nearly nine months of negotiations. When the leather subsidy was removed at the beginning of the year, the value of stocks in tanners' hands naturally rose. Hides and skins had been bought below cost from the Leather Control, but the finished leather produced from them could be sold at a price related to the current cost of hides. By Order No. 1 the Government proposed to charge the tanning industry with the full value of this gain, put at £8,500,000. Tanners protested that since they would lose if hide prices fell—and they are traditionally unsteady—it was unfair that they should gain no advantage when prices rose. Moreover, with the ending of the subsidy, the Government's liability to meet any fall of prices to the 1942 level was ended. Accordingly, Order No. 2 postponed the operation of the first Order, and an agreement was then reached, the terms of which comprise Order No. 3. The Treasury receives one-third of the appreciation in value, and the remaining two-thirds (less tax) is to be placed in a special account kept by each company where the appreciation of stocks exceeds £1,000. Future losses on stocks resulting from lower prices can be met, with the Board of Trade's permission, from these funds.

The agreement is well-timed, for it is possible that stock losses may be just round the corner. Prices of hides and skins remain outwardly firm, but several overseas sellers are having difficulty in disposing of stocks. Argentina in particular is reported to hold two million hides of all types. Madras shippers have been holding out for higher prices without success, and in France prices at the July sales fell by 10 to 30 per cent below the high level reached in June after decontrol. The limited buying power of the French consumer accounted for this setback in prices. Tanners in this country also are watching the retail trade for footwear more anxiously. Better quality leather is scarce, but when it is unobtainable the market is very quiet. So far, footwear sales have responded well to coupon concessions in May. But shoe manufacturers hold large stocks; and they may be rather reluctant buyers when the autumn trade starts.

* * *

Dundee's Jute Supplies

The new jute crop is now being harvested and preliminary reports suggest that the yield will be a little higher than last season's—about 1,550,000 tons. Despite this encouraging news, supplies are still short and prices have remained high, with Daisee (seed marks) at £101 a ton, compared with £82 a ton a year ago. Although three-quarters of the crop is grown in Pakistan, only 25,000 tons were exported through Chittagong last season. But even if Chittagong handles an average of 18,000 tons a month during the next year, a large part of the export trade is bound to go through Calcutta especially as only a single export duty is now payable. Export quotas have not yet been issued either by India or Pakistan but the Indian Government has announced that no raw jute will be available for shipment during the July-September quarter and only 45,000 tons for all destinations during the following three months. Dundee is expected to get a quarter of this quantity. Total consumption of raw jute in the United Kingdom in 1947 amounted to little over 97,000 tons. But weekly consumption during the first five months of 1948 averaged 2,000 tons against 1,850 tons in the same period last year. Stocks at the end of June were about 42,000 tons—or 21 weeks' supply, whereas a year ago they totalled 59,000 tons.

Despite the Jute Controller's recent visit to Calcutta, it is still problematical whether larger supplies of raw jute will be sold to Britain. The promise of good grain harvests in the Northern Hemisphere and of another bumper crop in Australia, has heightened the demand for jute cloth, and India naturally prefers to export woven jute rather than raw jute. But the Calcutta mills are not working to full capacity; one of the limiting factors is the shortage of labour. Their productive poiential, if it were fully utilised, would be more than sufficient to cover the world's demand for jute manufactures. If, however, Indian consumption shows no marked increase on last year, some 400,000 tons from the new crop should be available for export. Unrestricted export of raw jute to hard currency countries is now permitted and it is impossible at the moment to estimate how large such exports might be. If, however, Dundee received 100,000 tons, it could maintain its current consumption throughout the season, without drawing further on stocks which are already low.

* * *

Cost of Higher Management

Under Section 196 of the new Companies Act directors' emoluments from parent and subsidiary companies have to be disclosed. Emoluments "include fees and percentages, any sums paid by way of expense allowances in so far as those sums are charged to United Kingdom income tax, any contribution paid in respect of a director under any pensions scheme, and the estimated money value of any other benefits received other than in cash," as well as compensation paid for loss of office.

Other people's money is always a popular topic. What useful purpose is served by thus making public directors' emoluments? The shareholder is given further facts about his company which he has every right to know, and prospective investors, when forming an opinion about a company, may in time be able to use this information about directors' emoluments as a yardstick to the cost and efficiency of management of particular companies. But the new figures also have a wider economic importance, for they measure the cost of industrial policy-making.

COST OF BOARDS OF DIRECTORS

Company	Directors' Emoluments	Number of Directors	Average Emoluments per Director	Cost of Board per £'000 Assets	Cost of Board per £'000 Gross Profit
	£		£	£	£
Dunlop	309,463	10	30,946	5·22	32·85
Imperial Chemical Industries	306,225	22	13,920	1·93	12·15
Whitehead Iron & Steel	61,993	5	12,400	15·80	158·40
J. Lyons	200,759	18	11,170	9·19	82·40
Lever Bros.	260,195	24	10,850	1·37	9·14
Boots	122,777	12	10,230	14·26	42·70
Beecham Group	89,755	12	7,480	4·01	37·80
Courtaulds	148,640	17	8,740	2·48	20·55
JR. Thomas and Baldwins	73,395	10	7,339	2·08	11·28
British Insulated Cables	65,872	11	5,990	2·03	14·74
A.B. Pictures	19,000	5	3,200	8·71	93·80
Pye	20,570	7	2,940	9·82	72·80
Total	1,386,339	12½	10,440	6·42	49·05

Publication of directors' emoluments may suggest some provisional answers to a number of important questions. At what point do higher payments to individuals, or the increased total cost of enlarging a board of directors, absorb more revenue than they contribute by way of more efficient management? In textbook language, where do diminishing returns on the expense of management set in? The question poses the further problem of how cost of management should be measured. In the accompanying table particulars of directors' remuneration are given for twelve companies. The table shows total emoluments, the average emolument per director, and the cost of total emoluments expressed per thousand pounds of group assets and per thousand pounds of group gross profits. The list is arranged in descending order of the average sum paid to each director. But this, clearly, is not the criterion of directorial efficiency. That can be better measured in the two last columns—which reflect the size of the undertaking which the directors administer and the gross profits which it earns. These latter calculations show that the directorial costs of Dunlop and Pye (to take two companies quite arbitrarily because they appear at the head and the foot of the table respectively) cannot be measured by total costs or averages per head. Whether the recalculation of directors' emoluments in terms of assets or gross profits is the final test of value for shareholders' money may be open to further argument. The table provides no final conclusions about the relation between the size of a business and costs of management. It suggests that cost of management tends to be higher in the distributive trades than in industry, and that, within broad limits, the bigger unit spreads cost more economically than the smaller one.

* * *

Workers' Control

Claims for the greater participation of workers' representatives in the management of industry have recently been heard from three powerful trade unions. Mr Arthur Horner, at the miners' conference, hinted that the time might come for the National Union of Mineworkers to seek direct representation on the Coal Board, including chairmanships of Divisional Boards. It is true that Mr Horner was not stating NUM policy, and the president of the union stated at the same conference its intention of remaining independent of the Board. The current *Journal* of the Amalgamated Engineering Union advocates that trade unionists should be trained for management since, in its view, many able and experienced union organisers could, with training, easily qualify for managerial posts. But the claim for workers' control put forward by the National Union of Railwaymen is the most immediate and definite of the three.

As long ago as 1914, the NUR conference passed a resolution calling for nationalisation and demanding for organised railwaymen "a due measure of control and responsibility in the safe and efficient working of the railway system." Last week, its General Secretary, Mr J. B. Figgins, urged that three more union representatives should be appointed to the Transport Commission in order to "put forward the workers' point of view," and suggested that the union should have a voice in matters of promotion. The men wanted to be "not beggars, but partners." They complained that too many opponents of nationalisation were in positions of authority. The union was seeking an interview with the Minister of Transport to press its case.

Mr John Benstead, the former secretary of the union who is now a member of the Commission, reminded the conference that public ownership did not exist merely to provide better conditions for the employees, important though that was, but that the interests of the community must come first. Mr Benstead stressed the importance of developing consultation at all levels. Effective consultative machinery has been singularly lacking on the railways and even the General Secretary admits in his report that "little enthusiasm has been displayed in the past, particularly among the lower-paid grades, for participation in the local negotiating machinery." There seems to be a clear need for greater education and co-operation on the part of the men, and for a more liberal attitude on the part of managements, if joint consultation on the railways is to be effective.

* * *

Tea Imports and the Ration

Tea imports from India and Ceylon together with purchases from the smaller overseas suppliers should be sufficient to cover a ration of 2 oz. a week for the rest of 1948. There was little surprise when earlier this year the Ministry of Food failed to obtain the full 150 million lb. of tea which it had hoped to purchase in Ceylon—at by no means ungenerous prices. The Ministry received tenders for only 96½ million lb.—5 million lb. more than in 1947. Indian tea production is forecast at 550 million lb. this year, or 10 per cent. more than last season. Though no accurate estimates are available for Pakistan, it is expected to produce 80 million lb. From India the Ministry of Food will purchase 300 million lb. of tea this year and from Pakistan about 25 million lb. African supplies, coming chiefly from Kenya and Nyasaland, where production was greatly expanded during the war, should again provide about 14 million lb. With small quantities from various other countries, including China, imports should thus amount to at least 435 million lb.—a useful increase over last year's supplies, but still well below the prewar figure. In addition some open market purchases are not out of the question.

At the present level of consumption, it should be possible to replenish stocks. Yet the margin is not excessive. A temporary increase in the ration, say over Christmas, could be justified but any addition to stocks this year might prove more useful as a bargaining counter in later price negotiations with the suppliers.

TEA CONSUMPTION AND IMPORTS IN GREAT BRITAIN
(in million lb.)

	1938	1947	1948(a)
Imports	526·7	388·7	435·0
Consumption	510·0	436·0	401·2
Re-exports	66·0	14·3	14·3
Change in stocks	−49·3	−61·6	+19·5

(a) Assuming 2 oz. ration for the whole year.

Until the Netherlands East Indies can raise their exports from the present purely nominal level, the Ministry of Food is bound to be in a weak bargaining position against other growers. There are signs that greater supplies may soon be forthcoming from Indonesia, though exports from that area to Britain cannot be expected to approach their 1938 figure of 30.2 million lb. for some time. A sizeable, or even promising, resumption of exports from the Netherlands East Indies, not only welcome in itself, might also make the Ceylon growers more responsive to this country's needs. At present, by selling only 60 per cent of its prewar exports to Britain, Ceylon's contribution has been lowered by 60 million lb., and even a partial filling of this gap would make the British tea position relatively comfortable.

SECURITY PRICES AND YIELDS

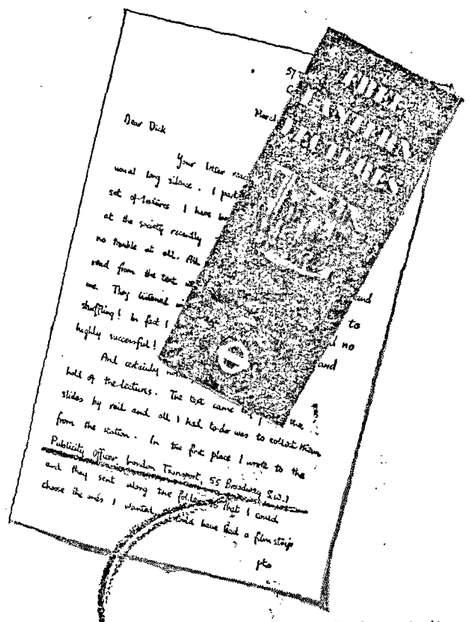
A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Hudson's Bay Company; Lewis Berger; Renold and Coventry Chain.

Prices, Year 1948 (Jan. 1 to July 21) High	Low	Name of Security	Price, July 14, 1948	Price, July 21, 1948	Net Yield, July 21, 1948 (b) £ s. d.	Gross Yield, July 21, 1948 £ s. d.	
		British Funds					
101⅝	101	War Bonds 2½% August 1, 1949-51	101½	101⅜		1 6	7d
101⅜	100⅛	Exchequer Bonds 1½% Feb. 15, 1950	100⅛	100⅛	0 9 5	1 4 5	
102¼	100⅞	War Bonds 2½% March 1, 1951-53	102⅛	102⅜	0 7 2	1 12 9	6
102⅛	100	War Bonds 2½% March 1, 1952-54	102⅛	102⅛	0 14 0	1 18 8	6
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	102⅜	102⅜	1 7 8	2 19 9	
102⅝	99⅛	War Bonds 2½% Aug. 15, 1954-56	101⅛ xd	101⅛ xd	1 2 0	2 3 0	6
103⅛	100⅛	Funding 2½% June 15, 1952-57	102⅛	102⅜	1 4 3	2 8 11	2
105⅛	100⅛	National Def. 3% July 15, 1954-58	104⅛	104⅜	1 4 2	2 10 7	1
105	101⅛	War Loan 3% Oct. 15, 1955-59	104⅛	104⅛	1 4 9	2 11 10	1
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	101⅛ xd	101⅜ xd	1 11 0	2 17 8	1
101	98⅞	Funding 2½% April 15, 1956-61	100⅛	99½	1 8 3	2 11 4	1
102⅜	98⅛	Funding 3% April 15, 1959-69	101⅛	101⅜	1 11 6	2 18 9	1
114⅛	110⅛	Funding 4% May 1, 1960-90	113	112⅞	1 7 2	2 19 8	0
102⅞	97⅞	Savings Bonds 3% Sept. 1, 1960-70	101⅛	101⅜	1 12 2	2 19 8	1
96	92⅜	Savings Bonds 2½% May 1, 1964-67	95⅛	95⅜	1 13 2	2 16 8	1
115⅞	112⅛	Victory Bonds 4% Sept. 1, 1920-76	115	115	1 4 7	2 18 5	*
101⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	99⅛ xd	99⅛ xd	1 13 9	3 0 9	1
111⅜	107⅛	Consols 4% (after Feb. 1, 1957)	108⅛ xd	108⅜ xd	1 3 2	2 17 5	1
106⅛	102⅛	Conversion 3½% (after Apr. 1, 1961)	105	104⅞	1 11 7	3 3 3	1
83⅞	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	76⅜	76⅛	1 16 3	3 3 6	1
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	94⅜	94⅛	1 15 1	3 3 4	0
100	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	96⅜	96⅜	1 15 3	3 3 3	1
83⅜	14⅛	Consols 2½%	76⅛	76⅛	1 16 2	3 3 5	9
103⅛	96	*British Electricity* 3% Gtd. 1968-73	100⅛	100⅜	1 13 5	3 3 1	0
98⅛	93⅜	British Transport 3% Gtd. 1978-88	96⅜	96⅛	1 15 4	3 3 0	0
100⅛	95⅛	British Transport 3% Gtd. 1968-73	100	100	1 13 6	3 3 1	1

Prices, Year 1948 (Jan. 1 to July 21) High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, July 14, 1948	Price, July 21, 1948	Yield, July 21, 1948 £ s. d.	
104⅛	101⅛	% (d)	% (d)		**Other Securities**				
94⅛	91⅛	(d)	(d)		Australia 3½% 1965-69	102⅛	102⅛	3 1	2†
101⅛	99	(d)	(d)		Birmingham 2½% 1966-71	93	93	2 18	5†
10⅛	7⅞	5	25	b	Argentine 3½%	101	101	3 9	4
8⅜	6⅜	50 c	50	c	Anglo-American Corp. 10s	6⅛	6⅛	4 1	9
10⅛	7⅞	5	25	b	Anglo-Iranian Oil £1	8⅛	8	3 15	0
76/6	62/4½	15 c	15	c	Assoc. Port. Cem. Ord. Stk. £1	73/9	72/6	4 2	9‡
38/6	29/6	40 c	40	c	Austin Motor 'A' Ord. Stk. 5s	31/3	31/3	6 8	0
84/-	72/9	7 a	7	b	Barclays Bank Ord. 'B' £1	74/6xd	75/ xd	3 14	8
10⅜	8⅜	20 b	15	a	Bass Ratcliff Ord. £1	8⅞	8⅞	2 16	6†
104/9	85/-	8 c	12	b	*British Oxygen Ord. £1*	4⅛	4⅛	4 5	3
46/11½	36/-	24 a	5	b	Courtaulds Ord. £1	37/6	36/9	4 1	8
32/6	25/1	25 c	7½	a	Distillers Co. Ord. 4s	26/-	26/-	3 16	11
32/10½	27/9	8 c	8	c	Dorman Long Ord. £1	29/9	29/-	5 10	4
79/9	68/-	15 c	15	c	Dunlop Rubber Ord. £1	69/9	68/6	4 7	7
53/-	44/-	3 a	7	b	Imp. Chem. Ind. Ord. Stk. £1	46/-	44/6	4 9	11
6⅞	4⅛	133 a	19⅛	b	Imperial Tobacco £1	5⅛	5⅛	6 10	4
48/9	40/-	10 c	10	c	Lancs. Cotton Ord. Stk. £1	41/3	40/7½	4 18	5
56/6	44/10½	5 c	10	c	Lever & Unilever Ord. £1	47/6	46/3	4 6	6
61/3	47/6	12½ c	10	c	London Brick Ord. Stk. £1	51/3	51/3	3 18	1
68/1½	47/-	25 c	31½	m	P'chin J'son Ord. Stk. 10s	51/-	51/-	4 18	0†
35⅛	30⅛	1741 c	1741	c	Prudential 'A' £1	32	32	2 8	1
59/3	49/9	12½ c	12½	c	Stewarts & Lloyds Ord. £1	51/3	51/-	4 18	0†
85/7½	73/1½	12½ a	15	b	"Shell" Transpt. Ord. Stk. £1	77/6	73/9	2 0	8
7⅞	5⅜	22½ b	12½	a	Tube Invst. Ord. Stk. £1	5⅜	5⅜	4 5	1
90/9	63/3	11½ c	3⅞	a	Turner & Newall Ord. Stk. £1	74/-	74/-	4 1	1
53/3	44/-	95 b	15	a	Woolworth (F. W.) Ord. 5s	78/-	78/-	4 9	9

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'c'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). (b) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (g) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (l) To latest redemption date. (m) 15 months Basis 25% † Free of tax.



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COMPANY MEETINGS

BLEACHERS' ASSOCIATION, LIMITED

SIR ALAN SYKES' REVIEW

The forty-ninth ordinary general meeting of Bleachers' Association, Limited, was held at the Midland Hotel, Manchester, on Monday, the 19th instant. Sir Alan Sykes, Bt. (the chairman), presided.

In proposing the motion for the adoption of the report and accounts, Sir Alan said: The report of the directors and the statement of accounts have been circulated, and as they have been in your hands for some time now, you will, no doubt, agree that they shall be taken as read. (Agreed.)

Before dealing with the accounts I should like to refer to the loss which we have suffered through the death of Colonel H. M. Hardcastle. He had been a member of the board for more than forty years, and was always ready to place his knowledge and experience at our service. He was deeply interested in the advancement and well-being of the Association, and we shall miss his genial presence and his abounding faith in the future of our company.

As you will have learned from the report, the accounts are presented this year in the form now required by the Companies' Act, 1948, and for that reason they are in many respects not comparable with the accounts for previous years. There is one item in particular where the change of method is not unlikely to lead to incorrect conclusions, and to which I feel that I should direct your attention at once. This is in the amount of the net trading profit this year compared with the figure which appeared in the accounts for the previous year. In the past we have always shown the dividends payable at the gross amount before deduction of income tax, and the provision for taxes charged against the profits of the year was less than it otherwise would have been by the amount of tax deductible from the dividends on payment. The Companies' Act now requires dividends to be shown at the net figure payable, and, therefore, the provision for taxes charged against profits is increased by an amount equivalent to the tax deducted from the dividends.

INCREASE IN PROFITS

In the accounts under review, the tax on dividends amounts to £90,731, and in comparing the net trading profit, after providing for depreciation and the payment of debenture interest, which appears in the report and in the profit and loss account this year at £188,023 with that of last year, which was £233,679, we must increase this year's figure by £90,731 to obtain a correct comparison. The net trading profit this year is therefore £45,075 higher than that of last year—not £45,656 less, as might be assumed from a superficial comparison of the published figures.

As I have referred to the net trading profit, it will perhaps be more convenient if I deal now with the profit and loss account and the proposed distribution of profits before explaining the few changes that appear in the balance-sheet.

The profit and loss account is presented as a consolidated account in the form now required by the Companies' Act, and this precludes any detailed comparison with the consolidated account published last year. The figures which relate to the Association's balance sheet—as distinct from the consolidated balance sheet—are shown in heavier type.

The item described as "Trading Profits Available"—£763,299—which appears on the credit side of the account is, of course, not a true profit, since it is charged on the debit side with directors' fees, salaries of management and auditors' remuneration, which are now required to be shown separately. Neither does it include the income from investments which appears at £86,922.

PROFIT ON SALE OF INVESTMENTS

The profit on the sale of investments—£166,299—has been transferred to the depreciation and obsolescence fund, as shown by the entry on the other side of the account, and there used for writing down the value of certain works properties, which were closed under concentration and which are not likely to operate again. Also, on the debit side of the account, provision has been made to the extent of £35,000 for the cost of reopening concentrated works.

Apart from the items to which I have already referred and the provisions for taxation, which amount to £319,927, and which are now required to be shown separately, the remaining items on the debit side of the account are in all respects comparable with last year and show no material change.

The net profit amounts to £219,862, of which £188,023 constitutes the profit of Bleachers' Association, Limited, and this amount appears in the report of the directors, together with our recommendations as to its distribution.

Including the amount brought forward from the last year's accounts—£156,488—we have available a total of £344,511, out of which we have paid an interim dividend on the preference stock for the six months ended September 30, 1947, which after deduction of income tax amounted to £37,623, and interest on that portion of the funding certificates redeemed on October 31, 1947, which required £1,098.

REDEMPTION OF FUNDING CERTIFICATES

Our recommendations cover the payment of interest on the funding certificates for the year to March 31st last, amounting to £3,043, and the final dividend on the preference stock amounting, after deduction of income tax, to £37,623. We propose to redeem the whole of the outstanding funding certificates in October next, and for that purpose we are providing out of the year's profits a sum of £20,000, in accordance with the conditions under which the certificates were issued. The remainder of the amount required for this purpose—£118,368, is being taken from the available revenue reserves. Finally, we propose the payment of a dividend on the ordinary stock at the rate of 3 per cent., which is the same as last year, and to increase the amount carried forward by £57,132 to a total of £213,620.

We had every intention of paying an increased dividend this year if trading conditions permitted—which they certainly have done—but in view of the Government's exhortation to limit dividends to the amount distributed in the previous year, we feel that this injunction must be observed. In these circumstances, we have thought it best to take the opportunity to redeem the whole of the outstanding funding certificates, and thereby greatly to improve the prospects for the ordinary stockholders when the present ban on increased dividends is removed.

BALANCE SHEET

Such changes as have taken place as a result of the year's operations are shown more clearly by the Association's balance sheet than by the consolidated balance sheet, and my remarks will relate therefore to the former account.

Here again, the balance sheet is drawn up to conform to the requirements of the new Companies Act, and since this involves some reclassification of assets, it is not possible in all cases to make direct comparison with the figures for the previous year.

The net addition to the value of fixed assets, which appears at £6,105, does not represent the full expenditure on capital account during the year—the total was very much larger than that, but it has been offset by an almost equivalent amount derived from sales of property.

We have written off during the year a sum of £201,355 in respect of renewals and replacements charged against the depreciation and obsolescence fund, and in respect of works properties which have been closed under concentration, and which are unlikely to be reopened. The greater part of this amount has been provided by the profit on the sale of investments, which has been transferred from the profit and loss account to the depreciation fund.

Under the modified definition of a subsidiary company introduced into the Companies Act, the item appearing under the heading of shares in subsidiary companies—£137,252 is substantially less than the corresponding item in the previous balance sheet. The difference is included in the item trade investments, which are now separated from quoted investments. The changes are merely in the classification and the aggregate of the three items is little different from the previous year's total.

INCREASE IN WORKING CAPITAL

Advances to subsidiary companies at £1,348,255 are considerably higher than last year—the increase being almost £500,000. This item represents the working capital of our subsidiary companies, and the increase is attributable to the increased volume of trade and to the higher cost of all materials used in production.

On the liabilities side of the balance sheet, the principal changes are in the separation of provisions for taxation and sundry revenue reserves, which previously were included under the heading of trade creditors and provisional accounts. We have utilised a part of the revenue reserves to round off the general reserve fund and the contingencies fund to £500,000 and £175,000 respectively, and we have withdrawn the sum of £118,368 to complete the redemption of the funding certificates.

I do not propose to take you through the consolidated balance sheet, since it merely reflects the changes to which I have referred in the Association's balance sheet, together with the balances in the accounts of our fully controlled subsidiary companies. The consolidation involves some further rearrangement of the assets and liabilities, mainly by the breaking down of the working capital of the subsidiary companies into its component parts, which in the Association's balance sheet, were shown as advances to subsidiary companies. The effect of the consolidation otherwise is not important, and the totals of the two balance sheets differ by less than £500,000.

IMPROVED TRADING RESULTS

You will have judged from the figures I have given you that the trading results of the past year were better than those of the previous year. Primarily, this was due to the increased volume of trade. Such advantage as we derived from the belated increase in prices, approved by the Board of Trade in March, 1947, to cover increased costs which we had borne since early in 1946, was neutralised by the further increase in costs which accumulated during the ensuing year.

The increased profits derived from the increased volume of trade would have enabled us to pay, as I have intimated earlier, a higher rate of dividend on the ordinary stock, and having regard to the past dividend

record under the depressed conditions which have governed our trade for so many years, I believe that we could have justified the non-observance of the Government's request to limit the rate of dividend to that of the previous year. Nevertheless, we felt that the right course of action was to support the Government in its policy of disinflation.

I believe you will agree that we have done right in shaping our policy to what we believe to be the national interest, and, though it presses somewhat hardly on the ordinary stockholders, they have the satisfaction of knowing that we have created a more solid foundation for a beter return on their capital than they have been able to contemplate for a long time past.

Sir William Clare Lees, Bt., seconded the resolution, and the meeting approved the report and accounts.

The secretary announced that transfers of the 4 per cent. funding certificates due for redemption on October 30th will be accepted (accompanied by the certificates) on or before September 30th.

A vote of thanks to Sir Alan Sykes for presiding was moved by Mr. J. G. Gray and carried unanimously.

HUDSON'S BAY COMPANY

RECORD RETAIL SALES

The two hundred and seventy-ninth annual general court of the governor and company of Adventurers of England trading into Hudson's Bay will be held, in London, on the 6th proximo.

The following is an extract from the circulated statement of the Governor, Sir Patrick Ashley Cooper: The company's working capital requirements during the year to January 31, 1948, fluctuated considerably in the economic conditions and even now are such that it is not possible to predict what may be required, but we believe our financial arrangements are sufficient for the immediate future. The year's pattern in retailing has been a strong demand for consumer goods, vagaries in the flow of merchandise, and many price increases. Nevertheless, 1947 must be classed as a good, although difficult, year in retailing

The retail stores department is of primary importance and makes the greatest revenue contribution in our organisation. During the year under review the total sales constituted a record in value—although not in volume. In a difficult year we have every reason to be pleased with the results of this department, and we expect that with the continuance of our policy of modernisation its future activities and results will improve.

The activities of our fur trade department, viewed as a whole, were successful and resulted in a substantial profit on the year's operations, despite increases in operating costs attributable largely to higher wage levels and the rise in cost of all essential equipment. In London our fur sales organisation can fairly claim to have successfully re-established London as an international fur market, and the great entrepot trade which has been built up is making a valuable contribution to the national economy.

THE WHITEHEAD IRON AND STEEL COMPANY, LIMITED

IMPROVING SUPPLY POSITION

The forty-first annual ordinary general meeting of the Whitehead Iron and Steel Company, Limited, was held on the 20th instant at the Westgate Hotel, Newport, Mon., Mr G. H. Latham, chairman and managing director, presiding.

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

During the past few years, certain changes have been made in the form of our accounts in order to bring them into line with modern accountancy practice. The Companies Bill has now reached the Statute Book and became operative on July 1, 1948. To comply with the requirements of the Act, some further changes have been made this year. Consequently, we are submitting a consolidated balance sheet and profit and loss account for the parent company and its subsidiaries. In that balance sheet it is shown that the net assets, i.e., after deducting all liabilities, amount to £2,914,298. The current assets, including Government and other securities (£766,976) total £2,408,730, and exceed by £1,401,674 the amount of current liabilities (£1,007,056). The liquid position of the group is therefore exceptionally strong.

THE ACCOUNTS

Dealing with the accounts of the parent company, it will be noted, with satisfaction, that during the past year we have paid off the balance of the 5½ per cent. first mortgage debenture stock, so that there are now no prior charges of any kind.

The total amount of £300,000 provided for special depreciation during the war years, instead of being applied to the reduction of the value of fixed assets, has now been transferred to depreciation reserve. This transfer has the effect of contributing to the increase of the book value of the net assets, which now stand at £2,618,391, compared with £2,110,681 as at March 31, 1947.

The profit and loss account shows that the trading profit for the year to March 31st last amounted to £627,843, a decrease of £36,090, compared with the previous year. Income from dividends and interest amounts to £63,166, representing an increase of £15,311.

After making full provision for taxation liability and depreciation, the net profit of £292,106 is £33,407 less than the corresponding figure of last year; adding the sum of £60,846 brought forward from 1946-47, the total amount available for the year is £352,952, out of which an interim dividend of 12½ per cent., absorbing £53,888 (net) has been paid, leaving a balance of £299,064.

Your directors propose to transfer £150,000 to general reserve, and to recommend the payment of a final dividend of 17½ per cent., less tax, making a total distribution for the year of 30 per cent. (less tax), and to carry forward a balance of £73,620. The general reserve, after making this transfer, will stand at £1,200,000.

A DIFFICULT YEAR

During the year the whole of our plant, which is of the latest design, has been efficiently maintained. The year under review has been an extremely difficult one very largely due to an acute shortage of semi-finished steel, which is the raw material required by these works. This has led to the plant being used for the manufacture of sizes and sections of steel which are by no means suitable. This policy has, however, enabled us to keep our men employed to a greater extent that we could have done otherwise. With adequate supplies of suitable raw material, we could easily have doubled our output during the year. I am pleased to say the position is now showing distinct signs of improvement which I sincerely hope will be maintained.

Geographically, our works is in an excellent position to cater for the export trade which normally represents approximately 40 per cent. of our output. Having regard, however, to the enormous unfulfilled requirements of the home trade and the limited quantities of raw material placed at our disposal, the bulk of our production is readily absorbed by the home market and only a very small proportion of our output can be spared for export. Our products happen to be those which are in very great demand, but are in short supply. Nevertheless, I am happy to say that once we can settle down to more normal trading conditions we have a plant which enables us to compete by selling our products in a suitable quality at competitive prices in the overseas markets.

Welfare.—The welfare of our ever-increasing number of employees is taken care of in every respect. We have a full-time welfare officer, and our sports ground at Bassaleg is well used and caters for every kind of sport. Our medical services are efficient, and our surgeries in the various works are staffed by an excellent body of trained nurses.

SPECIAL DIRECTORS

An extraordinary meeting will be held immediately after the annual general meeting for the purpose of passing a special resolution to amend the company's articles so as to give the board power to appoint special directors. The text of the resolution shows where the status and responsibilities of the special directors will differ from those of full members of the board.

The aim of the board in creating this special class of directors is to draw into more intimate association with the formulation of policy certain senior officials responsible for the conduct of particular spheres of the firm's activities. The creation of special directors may be regarded as recognition of the responsible character of the work done by the officials concerned, and achieving the most effective integration of the company's varied interests.

I should like to pay a warm tribute to our staff and employees, both of the Whitehead Iron & Steel Company, Limited, and its subsidiary companies, for their loyal services during the year. I am sure you would wish me to accord to them the thanks of stockholders represented at this meeting.

The report and accounts were adopted.

At a subsequent extraordinary general meeting the proposed alterations in the Articles of Association were approved.

NOTICES

AN ASSISTANT to the Financial Controller is required by a firm of light engineers in the London area, manufacturing well-known office machinery. Responsibilities would include the supervision of the accounting, budgetary control and standard costing in the Works. Candidates must be qualified and must have held an executive position in industry. A knowledge of budgetary control and standard costs, and some experience in the engineering industry is desirable. Age not over 40. Four-figure commencing salary. Applications, giving age, full details of education, qualifications, experience, positions held and salaries earned, should be addressed to Robson, Morrow & Co., 59, New Cavendish Street, London, W.1, marked "Application."

OPPORTUNITY for Business Concerns. Gentleman, F.S.S., M.I.E.E., with the following experience, seeks permanent position or single task: International negotiations (Export and Finance), economic, statistical and legal University Training, Linguist, modern Production Planning (Time and Motion Study, etc.). Good connections in most continental countries.—Write Box 771.

S. RHODESIA or S. AFRICA—Active Partnership or Directorship wanted in some established farming or industrial enterprise by business executive with 13 years' experience in Far East preceding 5 years in Indian Army (Lt.-Col., D.S.O.) and 2 years in Germany, age 43, very fit and energetic, willing to invest up to £12,000.—Write Box 770.

FOREIGN Office Executive (age 33), anticipating redundancy, seeks promising position (preferably on Continent) offering scope for initiative and energy. Knowledge of economic conditions in Germany, and extensively connected in most industries, especially textiles, and to some extent shipping. Able undertake complete control. Suitable qualifications. Knowledge German, French and Spanish.—Box 773.

"YOUR Obedient Servant"—some reflections on correspondence between Government Departments and the Public. "Frank and brightly-written . . . everyone should read it. . . ."—Sir Ernest Gowers. —1s. 1d. post free from the Institute of Public Administration, 18 Ashley Place, S.W.1, or from any bookseller.

EASTERN WORLD, independent monthly on S.E. Asia, Far East Pacific, 1s. 6d. per copy; 19s. p.a.—141, Wellesley Court, W.9.

Statistical Summary

GOVERNMENT RETURNS

For the week ended July 17, 1948, total ordinary revenue was £48,368,000, against ordinary expenditure of £63,095,000 and issues to sinking funds £30,000. Thus, including sinking fund allocations of £3,473,493 the surplus accrued since April 1st is £161,617,724 against £275,823,724 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand) April 1 to July 19 1947	April 1 to July 17 1948	Week ended July 19 1947	Week ended July 17 1948
ORDINARY REVENUE					
Income Tax	1309150	234,990	257,887	18,434	17,585
Sur-tax	90,000	14,380	19,700	350	350
Estate, etc., Duties	160,000	52,683	57,700	4,800	2,900
Stamps	55,000	12,170	17,835	800	1,350
Profits Tax	250,000	7,010	26,110	550	1,150
E.P.T.		61,448	42,850	3,600	1,100
Other Inland Rev.	1,000	95	85	...	5
Special Contributn.	50,000	...	6,700	...	650
Total Inland Rev.	1915150	382,776	428,867	28,534	25,090
Customs	820,600	233,077	248,758	10,700	13,929
Excise	726,550	147,100	195,800	6,400	5,800
Total Customs & Excise	1547150	380,177	444,558	17,100	19,729
Motor Duties	50,000	7,215	6,959	112	412
Surplus War Stores	102,000	60,007	20,766	30,245	1,670
Surplus Receipts from Trading	57,000	25,000	826	5,000	...
Wireless Licences	11,000	2,140	2,220	...	...
Crown Lands	1,000	210	180	...	...
Receipts from Sundry Loans	14,000	12,382	4,607	1,970	...
Miscell Receipts	68,000	154,777	21,207	10,241	1,467
Total Ord Rev.	3765300	1024684	930,189	93,202	48,368
SELF-BALANCING					
Post Office	150,200	39,280	41,060	1,900	2,000
Income Tax on E.P.T. Refunds	16,000	6,436	2,394	273	88
Total	3931500	1070400	973,643	95,375	50,456

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to July 19 1947	April 1 to July 17 1948	Week ended July 19 1947	Week ended July 17 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	129,836	125,059	5,859	5,846
Payments to N. Ireland	26,000	5,778	4,996	...	...
Other Cons. Fund Services	8,000	3,140	3,117	239	249
Total	534,000	138,755	133,171	6,097	6,095
Supply Services	2441679	606,634	608,897	42,000	57,000
Total Ord. Expd.	2975679	745,389	742,068	48,097	63,095
Sinking Funds	...	...	3,473	...	30
SELF-BALANCING					
Post Office	150,200	39,280	41,060	1,900	2,000
Income Tax on E.P.T. Refunds	16,000	6,436	2,394	273	88
Total	3141879	791,105	788,996	50,270	65,213

After decreasing Exchequer balances by £423,737 to £2,705,139, the other operations for the week increased the gross National Debt by £31,515,749 to £25,718 million

NET ISSUES (£ thousand)

P.O. and Telegraph Acts, 1946 and 1948	400
E.P.T. Refunds	108
Overseas Trade Guarantees Act, 1939, sec. 4(1)	1
Local Authorities Loans Ac. 1945, sec. 3(1)	4,350
Cotton (Centralised Buying) Act, 1947, sec. 21(1)	10,000
War Damage: War Damage Commission	2,000
Finance Acts, 1946 and 1947, Post-war Credits	323
	17,182

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	6,505	Nat. Savings	500
2½% Def. Bonds	230	3% Def. Bonds	*2,577
Tax Reserve Certs	982	Other Debt:—	
Ways and Means Advances	26,950	Internal	71
		External	4
	34,667		3,152

* Including £1,978,000 paid off on maturity

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
July 19	2180·0	2503·1	328·9	...	1408·5	6420·5
1948						
Mar 31	4910·2		334·8	6·0	1291·0	6542·0
Apr 10	2160·0	2752·0	328·9	...	1326·5	6567·4
„ 17	2160·0	2750·0	324·4	...	1340·5	6574·9
„ 24	2170·0	2716·9	322·5	...	1349·5	6558·9
May 1	2180·0	2689·3	322·9	...	1346·5	6538·7
„ 8	2200·0	2643·2	310·2	...	1346·5	6499·9
„ 15	2210·0	2643·5	301·0	20·3	1326·5	6501·3
„ 22	2210·0	2626·6	297·8	14·8	1362·0	6511·1
„ 29	2210·0	2620·2	303·3	...	1377·0	6510·5
June 5	2210·0	2616·7	283·2	3·5	1410·0	6523·5
„ 12	2210·0	2608·9	281·7	1·0	1423·5	6525·2
„ 19	2210·0	2635·1	274·0	11·3	1443·5	6573·8
„ 30	4817·3		270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
„ 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
July 18	170·0	294·5	170·0	10 1·39	44
1948					
April 16	170·0	267·8	170·0	10 3·15	55
„ 23	170·0	295·1	170·0	10 2·51	42
„ 30	170·0	287·9	170·0	10 1·34	45
May 7	170·0	290·3	170·0	10 1·24	43
„ 14	170·0	290·7	170·0	10 1·36	45
„ 21	170·0	294·5	170·0	10 1·26	43
„ 28	170·0	278·6	170·0	10 1·68	50
June 4	170·0	295·8	170·0	10 1·20	40
„ 11	170·0	277·5	170·0	10 1·70	49
„ 18	170·0	259·6	170·0	10 1·89	57
„ 25	170·0	279·7	170·0	10 1·65	48
July 2	170·0	286·8	170·0	10 1·45	45
„ 9	170·0	276·5	170·0	10 1·48	48
„ 16	170·0	279·7	170·0	10 1·55	48

On July 16th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 48 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for July 23rd. For the week ended July 24th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended July 12, 1947	Week Ended July 10, 1948	Totals Apr. 1 to July 10, 1948
Savings Certificates:—			
Receipts	3,050	2,100	33,800
Repayments	3,000	2,850	37,800
Net Savings	50	*Dr. 750*	*Dr.4,000*
Defence Bonds:—			
Receipts	2,045	855	12,055
Repayments	830	930	12,074
Net Savings	1,215	*Dr. 75*	*Dr. 19*
P.O. and Trustee Savings Banks:—			
Receipts	12,958	14,066	176,935
Repayments	16,173	13,480	176,399
Net Savings	*Dr.3,215*	586	536
Total Net Savings	*Dr.1,950*	*Dr 239*	*Dr.3,483*
Interest on certificates repaid	540	513	6,710
Interest accrued on savings remaining invested	2,276	2,313	33,224

BANK OF ENGLAND RETURNS

JULY 21, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1276,469,214	Other Govt. Securities	1288,256,870
In Bankg. Department	23,778,619	Other Secs.	714,917
		Coin (other than gold)	13,113
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	366,869,291
Rest	3,721,922	Other Secs. :—	
Public Deps.*	14,710,650	*Discounts and Advances*	*15,616,270*
Other Deps. :—		*Securities*	*22,132,694*
Bankers	*307,047,550*		37,748,964
Other Accts.	*89,124,817*		
	396,172,367	Notes	23,778,619
		Coin	761,065
	429,157,939		429,157,939

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

COMPARATIVE ANALYSIS

(£ millions)

	1947 July 23	1948 July 8	1948 July 15	1948 July 22
Issue Dept :—				
Notes in circulation	1408·3	1261·4	1271·9	1276·5
Notes in banking department	42·0	38·8	28·3	23·8
Government debt and securities*	1449·3	1299·2	1299·2	1299·3
Other securities	0·7	0·8	0·8	0·7
Gold	0·2	0·2	0·2	0·2
Valued at s per fine oz	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept :—				
Deposits:—				
Public	8·9	9·6	14·1	14·7
Bankers'	295·5	309·3	303·3	307·0
Others	95·3	92·3	88·9	89·1
Total	399·7	411·2	406·3	410·8
Securities:—				
Government	331·7	347·7	364·1	366·9
Discounts, etc	24·3	22·0	10·2	15·6
Other	17·7	20·2	21·1	22·1
Total	373·7	389·9	395·4	404·6
Banking dept res	44·2	39·5	29·0	24·5
	%	%	%	%
"Proportion"	11·0	9·6	7·1	5·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	July 15, 1947	June 29, 1948	July 13, 1948
Cereals	107·3	120·2	120·3
Other foods	138·6	138·8	138·8
Textiles	141·0	192·0	185·6
Minerals	223·8	246·3	246·3
Miscellaneous	147·4	157·4	157·8
	145·9	164·4	163·4
1913=100	*200·8*	*226·2*	*224·8*

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 15	45	74⅜	170 11	114 2
„ 16	45	74⅜	172 8	113 14
„ 17	Markets Closed		173 2	112 4
„ 19	45	74⅜	Markets Closed	
„ 20	45	74⅜	176 0	110 10
„ 21	45	74⅜	176 2	111 12

THE
BANK OF NOVA SCOTIA
(Incorporated in Canada with Limited Liability.)
Established 1832.
General Office: Toronto, Canada.

Paid-up Capital	$12,000,000
Reserve Fund	$24,000,000
Total Assets over	$700,000,000

Special facilities are available to the public through the Branches of this Bank for the transaction of business with Canada, Newfoundland, Cuba, Puerto Rico, Dominican Republic, Jamaica and the United States at New York.

Address enquiries to London Branch:
108, OLD BROAD STREET, E.C.2.
O. G. WEBSTER, Manager.

B. W. BLYDENSTEIN & CO.

Established 1859

BANKERS

54, 55 & 56, Threadneedle Street, London, E.C.2

ASHANTI GOLDFIELDS CORPORATION, LIMITED

NOTICE IS HEREBY GIVEN that an Interim Dividend (No. 104) of 12½ per cent has this day been DECLARED on the Issued Capital of the Corporation in respect of the year ending September 30, 1948. This Dividend is payable, less Income Tax, at 9s. in the £, on and after October 21, 1948, to all Stockholders on the Registers on August 31, 1948.
THE TRANSFER BOOKS will be closed from *September 1 to 7, 1948*, both dates inclusive, for the preparation of Dividend Lists.
By Order of the Board,
E. W. MORGAN, Secretary.

Registered address:
10 Old Jewry, London, E.C.2.
July 13, 1948.

BIBIANI (1927), LIMITED

NOTICE IS HEREBY GIVEN that an Interim Dividend (No. 22) of 5 per cent has this day been *DECLARED* on the issued Capital of the Company in respect of the year ending September 30, 1948. This Dividend is payable, less Income Tax at 9s. in the £, on and after October 21, 1948, to all Stockholders on the Register on August 31, 1948.
THE TRANSFER BOOKS will be closed from September 1 to 7, 1948, both dates inclusive, for the preparation of Dividend Lists.
By Order of the Board,
E. W. MORGAN, Secretary.

Registered address:
10 Old Jewry, London, E.C.2.
July 13, 1948.

CITY OF JOHANNESBURG

THREE AND A HALF PER CENT INSCRIBED STOCK, 1952

NOTICE is hereby given that in order to prepare the Warrants for Interest due 1st September next, the BALANCES of the several Accounts in the above-mentioned Stock will be STRUCK on the night of July 31st and that on and after August 3rd the stock will be transferable ex dividend.
For Barclays Bank (Dominion, Colonial and Overseas) (Registrars of the above Stock),
ROWLAND SMITH, Manager.

Circus Place, London Wall, E.C.2.
July 10, 1948.

GENERAL MANAGER AND SALES DIRECTOR, 48, University Graduate, experienced in planning and co-ordinating the work of the engineering, design, production, home and export sales, advertising and personnel departments. Accustomed to handling annual turnovers running well into seven figures sterling. At present in charge of important division of very large British industrial concern. Has enviable and unblemished record of profitable achievement. Available shortly for top managerial position.—Write Box 768.

NORANDA MINES LIMITED

DIVIDEND NOTICE.

Notice is hereby given that an interim dividend of Seventy-five Cents ($·75) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable September 15, 1948, to shareholders of record at the close of business August 13, 1948.

Toronto, July 15, 1948.
By Order of the Board,
J. R. BRADFIELD, Secretary.

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Constituted by Act of Parliament 1695

AUTHORISED CAPITAL	£4,500,000
CAPITAL FULLY PAID	£2,400,000
RESERVE FUND & BALANCE carried forward	£2,768,759
DEPOSITS & CREDIT BALANCES as at 28th February, 1948	...£87,927,503

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(1947 Accounts)

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Terms for Mr Molotov

THE Western Allies will negotiate on the German question provided the Russians agree to raise the blockade of Berlin as a preliminary. This is the substance of this week's communication to Mr Molotov. It is, of course, possible that the Russians are now intent on driving the Western Powers from Berlin as an end in itself and not simply as a means of bringing them to the conference table. In which case, it is difficult to see how the talks can even begin. But there is at least a chance that the Western offer of talks will be accepted, that the siege will be temporarily lifted and negotiations between the Western Powers and Russia will begin.

Beyond that point, however, all is dark, for whether the conference is confined to the limited question of Berlin's future or widened to cover the development of Allied policy in Germany as a whole, there seems no genuine basis for a settlement. The disagreements and deep divergences which have mined such a chasm between Russia and the West in the last three years cannot be conjured away simply because Russia holds an awkward trump in Berlin. Nothing has developed in the German situation since last November to make agreement easier—on the contrary, the cleavage is worse. What is new is the element of crisis and the risk of war introduced by the Russian blockade.

On this immediate issue the Western Allies virtually know the Russian position. The blockade will be raised permanently if the Allies abandon their political and economic plans for Western Germany. All attempt to establish Frankfurt as a federal capital must be abandoned, and the Western Powers must drop their economic objective of including Western Germany in the Marshall Plan and in an eventual Western Union. These are the terms. Should they be accepted? The Allies are not completely unanimous on this point. French hesitations have been notorious and M. Bidault's acceptance of the settlement for Western Germany, finally dragged from him at the London Conference in June, has cost him his post as Foreign Minister, even though the new French Government is prepared to honour the commitments he undertook. In the United States, Mr Walter Lippmann has conducted a sustained campaign against the settlement—"this plan that nobody wants"—and like the French appears to favour a return to a Four Power military government for the whole of Germany. One of the strongest arguments put forward both by the French and by those who accept Mr Lippmann's thesis has hitherto been that even the Western Germans themselves disliked both the idea of a government at Frankfurt and the proposal to include them in the Marshall Plan. But now this argument has become out of date. In the last fortnight, the surprising success of currency reform on the one hand and the increasing resentment at Russian pressure on the other have led to a change of mood among the Western German leaders. At this week's meetings they have shown a completely new spirit. All are prepared to go ahead with the arrangements for a provisional assembly in September and the idea of drafting a constitutional document is accepted. To abandon the whole Western plan at this point, under Russian pressure, would be a diplomatic defeat fully

equivalent to—indeed, far more permanent in its effect than—any withdrawal from Berlin.

For this, surely, is the point forgotten by French and American critics: the Western Allies took separate measures in Bizonia only after the Russians' separate measures in the East and their general obstruction had come to threaten Western Germany with total collapse. That a recognisable policy for Western Germany is only emerging now after three years of occupation is one more proof of how slowly and unwillingly the Western Allies have been forced to adopt their separate measures. If now, in return for Allied abandonment of their separate policy in the West, the Russians offer nothing more than the lifting of the Berlin blockade, the Allies will be back in precisely the political and economic chaos from which the Western plan has been a belated attempt to escape. To call such a deal a genuine bargain is to do violence to language. It would simply be an unvarnished Allied collapse.

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There can be no swapping of Frankfurt for Berlin. So much is clear. But it does not necessarily follow that a wider settlement is ruled out. The Russians have given hints from time to time that they are ready to take up again the talks on a peace settlement for Germany which were broken off in December last year. Since no limited negotiation can solve the Berlin crisis, there is in theory everything to be said for seeking to resolve the dilemma by incorporating both Berlin and Frankfurt in a settlement which covers all Germany. The difficulty is to find general terms upon which all four occupying Powers can agree.

The fundamental obstacle is the fact that Europe, in the main by Russian action, is divided into two camps. If there were a neutral area to which both sides could consign the German people, the outlook both for agreement and for peace would be brighter. But from Stettin to Trieste the line runs dividing the Continent in fixed ideological terms. Any shift in the line must, therefore, raise the question of Germany's future adherence to one or the other. Swing the line westwards to the Rhine and the Germans enter the Soviet fold. Swing it eastwards to the Oder (or beyond), and they become potential partners in a Western association. This is a fact which no negotiator can ignore and the terms he proposes will inevitably be designed to swing the line in the sense favourable to his side.

So it is with the Russian terms for a general settlement proposed last year. The four main points—Four-Power control of the Ruhr, $10 billion worth of reparations from current production, elections for a central government in Berlin and the withdrawal of troops—are, with the exception of the reparations clause, reasonable enough at least to consider. But the Western Allies must take into account their further implications. Four-Power control of the Ruhr, coupled with reparations, would draw West German production away to Russia. One of the pillars of the Marshall Plan would fall. Direct Russian control in the Ruhr would be used to stimulate Communism and anti-Western feeling by all means possible. Central elections for a Berlin Government would mean that one-third of the vote would be Soviet-controlled through the Socialist Unity Party. And the parity of Allied and Russian military withdrawals sounds complete only until it is remembered that Russia withdraws across the Oder and America across the Atlantic.

These dangers give the clue to the conditions which the Allies would need to secure in reaching a settlement satisfactory to their interests. In the first place, there can be no compromise on the issue of reparations or the Ruhr. The Ruhr basin is essentially a foundation of European prosperity and no permanent settlement can be envisaged for it which involves control by extra-European Powers. Even American participation is an anomaly which should end in 1952. Russian control is not admissible even for a limited period. This veto need not necessarily be extended to joint schemes of disarmament control. There the Russian interest is direct. But the folly of attempting to control rearmament by a tight supervision of whole industries, as distinct from the prohibition of the manufacture of certain dangerous end-products (such as guns, tanks and aircraft) is becoming more and more generally recognised. Once it is accepted, the last argument for Russian intervention in the Ruhr disappears.

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The proposals for free elections and for the withdrawal of troops cannot be rejected out of hand. In the long run, both are desirable. But the Allies face a situation in which the realisation of either cannot be secured safely under present conditions. The removal of troops from the Soviet Zone is not simply a question of withdrawing Russian combat troops across the Oder. The Zone contains a network of armed Soviet police organised by the MVD, and far more responsible than the army of occupation for the police terror in the Eastern Zone. It would, therefore, be necessary to secure a total withdrawal of all extra-German forces, to have the move supervised by a neutral body and, moreover, to reorganise the German police which is now a totally Communist body (and threatens to become so even in Berlin). On the Allied side, too, the withdrawal of the occupation forces would need to be carefully arranged and even more carefully timed. It should in no case precede the signature of a close, binding Western Defence Pact which, among other things, envisaged periods of training in Western Europe for the armed forces of the United States and Canada. Such a pact and such arrangements would provide the element of forceful guarantee without which any agreement with a dictatorship is worthless, and without which any hint of a total Allied withdrawal might throw German opinion into hopeless and demoralised alarm. Only when a total clearance had been made of Russian troops and Russian police, could there be any question of free elections. Provided they were free, the Western Powers would have nothing to fear. A genuinely free vote would show the Communists up as the tiny minority they are throughout Germany. Then, provided the future constitution were given a federal form, the political future of Germany would be reasonably assured.

The mere enumeration of the conditions which would make a general German settlement safe and acceptable to the West suggests the high unlikelihood of the Russians accepting them. Yet an outright rejection may not be inevitable. Indeed, in some ways, a Russian acceptance would entail grave inconvenience to the Western Powers. Economically, as its Two Year plan shows, the stripped and ruined Eastern Zone is a liability. If Germany as a whole were now to be drawn into the Marshall Plan, very many of the assumptions upon which it is based would have to be drastically revised, and the need for outside assistance would be considerably larger than is calculated at present. The political difficulties are possibly even graver. The fears of Europe—both Western and Eastern Europe—might be dangerously reinforced if a united Germany of over 60 million souls became a founder member of a scheme for Western Association. Yet to leave a reunited Germany out of the plans for Western Union would be impossible, since a Soviet German Reich would be an even more dangerous proposition.

If this account of the possibilities of negotiation is anything like accurate and exhaustive, it must be admitted that the prospects of an agreed settlement are small, and that the talks are likely to end in deadlock. The Western Powers must therefore accompany any discussion with the Russians at the conference table with private discussions to decide what their policy is to be if the Berlin blockade is not lifted. Negotiations may only give both sides breathing space. The Western Powers should come out of it more lucid and more united than they went in.

Production at Any Cost

EVIDENCE continues to accumulate that the too-much-money-chasing-too-few-goods phase of the inflationary problem is waning, even though it is not yet nearly over. Queues are shorter, theatres, restaurants and seaside hotels emptier; prices rather than coupon values restrict the demand for an increasing range of goods. While unemployment remains fantastically low, there can be observed a significant lengthening of the Appointments Wanted columns on the classified advertisement pages, and a corresponding shrinkage of the Situations Vacant. The amount of purchasing power on the home market is still, by any standard, excessive in relation to the amount of goods which Britain can afford to consume; and ominous rumblings from the engineering industry and elsewhere show that a new round of wage increases may begin at any time, in the absence of the firmness and skill needed to prevent it; but with all due caution one can aver that the tide has turned.

Income inflation, however—"too much money chasing too few goods"—is only half the story. Ever since the beginning of the war, but with increasing momentum between 1945 and the eclipse of Dr Dalton, prices have been, as it were, sucked upwards by demand; and the obstacles imposed by controls on essential goods merely concentrated the sucking force of surplus purchasing power on inessentials, thus throwing the whole weight of the profit motive into that distortion of economic activity vainly lamented in successive Economic Surveys. But this process, drearily obvious to every sensible observer, was accompanied by another, less obvious in the past, but now perceptibly moving into the spotlight; the inflation of costs, the pushing upwards, as against the sucking upwards, of selling prices. Throughout the war, throughout the coal crisis, the food crisis, the housing crisis, the national demand has been, loudly and uncritically, for production at all costs; and the harvest of costs has been even more impressive than the harvest of production.

The tide of income inflation can be reversed comparatively easily; the tide of costs is a very different matter. The never-lifted depression which hung like a fog over Britain between the two World Wars was, in part, the product of just such an incomplete reversal of inflation—incomes deflated, costs relatively immovable. Both for obvious political reasons and because there has, after all, been some increase of economic knowledge over the past quarter of a century, the exact situation of the twenties and thirties is unlikely to recur; but some of the factors which went to its making are recognisably present once again. The most obvious example of the typical post-inflation dilemma is, of course, provided by the wireless industry, where the margin between costs and selling prices has dwindled, for the less well-placed firms, to nothing or less; and the troubles of the wireless makers are shared to the full, for no very obvious reason, by the jobbing engineers. Hosiery and woollen textiles face the same dilemma in a form only less acute, and wails of distress are arising from a catering industry which finds its costs not merely irreducible but, under the terms of the Catering Wages Act, rocketing upwards just when demand is unmistakably falling away. The level of demand does not, of course, subside evenly as the tidal metaphor misleadingly suggests. It has local subsidences, local resistances, even local reactions against the downward trend. But the experience of the wireless and hosiery industries is likely to be shared by many others. Pressure for reduction in costs will soon be a universal problem.

The rigidity of costs is a very relative matter. Such price-slashing as has occurred since Sir Stafford Cripps's appeal in the spring has come less out of production costs than out of profit margins, whether of manufacturers, wholesalers or retailers. There is room for a great deal more on these lines, but it would be rash to expect much reduction in costs merely from the process of squeezing margins. For one thing, the psychological atmosphere is hardly favourable. The production-at-any-cost attitude still understandably governs policy in coal and in agriculture, and the example thus set is not conducive to cost-mindedness elsewhere. But this is not the most important influence working against resolution in cost-cutting. The level of costs has been for so long dependent on Government action or inaction that business men have lost much of their sense of personal responsibility. In one industry it is impossible to shop around for cheaper raw materials because the sole supplier is the Government bulk importer; in another, a minor but essential readjustment must be fought for tooth and nail in a three-months' correspondence campaign with stonewalling Departments; in another, controls prescribe the rake-off to be taken by successive supernumeraries; in another, economy depends on steady capacity operation which in turn depends entirely on allocations of fuel or material which are wholly outside the firm's control. The way to thrive, too often, is to know which way the official cat will jump; the most profitably applied efforts of the business man are those directed to making it jump the right way. If these fail, fatalism is a more usual reaction than resolve to do what one can in the field still open to individual initiative.

This supineness, fostered by six years of this-that-and-the-other-at-all-costs, and three more of trimming to the official winds, is not, of course, universal; but unfortunately there are other psychological obstacles to cost reduction. There is the profound national conviction, far antedating the war, that competition is immoral and mobility—whether from place to place, from technique to technique, or from job to job—a detestable last resort; a conviction found in its full flower in the trade union movement, but enthusiastically shared by a very large proportion of business men. Costs, in these circumstances, are not something to be tackled but something to be taken for granted: a datum like the number of weeks in the year or the temperature of boiling water at sea level.

No psychological revolution would, of course, make cost reduction easy. The biggest item in most firms' costs is wages, and no serious cut in wage rates is economically conceivable under a regime of full employment or politically conceivable under almost any regime at all. One can cut expense accounts, tighten up on sundries, and prune overheads, but that does not take one very far. To reduce labour costs by the installation of better equipment, by improved factory and office layout, and so forth, is an avenue too often blocked by the resistance of the unions or by the impossibility of getting the necessary machines or the necessary building; and this is, indeed, as well-worn an excuse for inaction as the obstructiveness or arbitrary behaviour of officialdom. In all industries there are firms which, refusing to be discouraged by these difficulties, have in fact kept their costs down or, after a rise, drastically reduced them; but no single, universally applicable recipe for success emerges from their experience. In a sense, such a recipe is summed up in the words "good management"; but management, like housewifery, comprises a vast number of different skills, ranging from a thorough familiarity with the relevant productive techniques to a diplomatic knack for eliciting the co-operation of bright Red shop-stewards. Deficiencies in management, such as undeniably exist over the bulk of British industry and help to account for the rigidity of its costs, are at once harder and easier to remedy than deficiencies of equipment or buildings. Installing a machine, providing that it is available, is a fairly straightforward business; breeding a race of diplomat-technicians is a

good deal trickier, particularly when the problem is seen in its present-day context of elephantine public-enterprise organisms and of aspirations for workers' control. Emphasis on good management as a means of reducing costs does, however, remain within the competence of the individual firm. Bulk purchase, material and price controls, rationing, licence requirements, and union regulations have removed from that competence, temporarily or permanently, much of the matter on which business ability has traditionally exerted itself; it has not removed the art and science of management, concentration on which has become more rather than less important with the narrowing of other possibilities of cost-reduction.

Even given the utmost ruthlessness in squeezing superfluous water out of squeezable margins, the utmost concentration on good management, the utmost skill in disentangling the red-tape cat's cradle of controls, the most forbearing, public-spirited and constructive attitude on the part of the unions, and the maximum of economic statesmanship in the handling of money, credit and foreign trade relations during the next few years—if all these, and the maintenance of world peace, can be assured, the establishment of a post-inflation equilibrium is bound to be extremely difficult. Inflation, whether overt or partially suppressed, does not merely distort the relationship between costs in general and prices in general, but those between particular costs and particular prices; between the prices of capital goods and consumer goods, of luxuries and essentials; of export and home products, between the costs of more and less heavily capitalised industries, between old-established firms and newcomers, between the sheltered and unsheltered types of enterprise. For as long as the process of inflation—both of prices and of costs—is going on, business works without a reliable yardstick, accountancy is a distorting mirror, and errors are inevitable. Some of these come to light early; the radio industry is already paying the price of undue reliance on the continuation of inflationary luxury spending. Others may take decades to reveal their full consequences. When everything possible has been done to cut costs, there is certain to remain a residue of business problems which can only be solved by the less congenial method of cutting losses.

There is a sense in which "production at any cost" remains obviously essential, a matter of life and death to the impoverished British economy. But it is not a cost to be reckoned in internally devalued pounds. It is the cost of renouncing fatalism, nostalgia for the good old days, and attachment to the privileges embodied in prewar quotas or wartime margins. It must be paid in acceptance of adaptation, of mobility, of the inconvenience of risk-bearing and the grim realities of individual bankruptcy. It must be paid, in short, by the cultivation of a positive, resilient, and strictly realistic attitude to economic affairs, an attitude almost lost in twentieth-century British industry. The lead in willingness to pay it can only be given by private business, which can thus justify its existence at the same time as it lays the foundations of a more solid prosperity.

Bread and the Vote

IS there something wrong with colonial policy? It cannot be denied that there is a widely held belief to that effect—so much was apparent in last week's debate on economic development and in the earlier, more superficial and routine debate on the colonial estimates. The uneasiness is partly due to events in Malaya, where the situation seems to have got beyond the control of the local government in a way only too reminiscent of the Arab revolt of 1936 in Palestine. It is clearly far more serious than the sporadic outbreaks against colonial rule or European employers, which turn up with unhappy regularity throughout the colonial empire. There is, therefore, a fear that the story of Malaya may be repeated elsewhere.

Yet to any unprejudiced eye, British colonial policy since the war is surely outstanding for its aims and achievements. Compared with the nineteen-thirties, which saw Newfoundland fall from dominion status and Malta and Cyprus have their constitutions suspended, and also saw all the symptoms of deep economic distress almost throughout the colonies, the years 1945-48 have marked a big advance. Ceylon has peacefully crossed over the boundary between dependent Empire and independent Commonwealth. Malta has had responsible government in internal affairs restored to it. The promotion of Cyprus is under discussion. The West African colonies now have unofficial majorities in their Legislative Councils. In Kenya and Northern Rhodesia, there is what would have hardly even have been thought of in the prewar years—direct African representation, along with European, on the Legislative Councils. There can hardly be a colony which has not, since the war, had its constitution reviewed and modified in the direction of more self-government.

Has the pace been too fast? Is the rebellion in Malaya, where a most painstaking attempt was made to frame a constitution which would satisfy political aspirations without harming the less advanced communities, to be typical of progress towards self-government? Has British policy fallen into the old mistake of thinking too much of political progress and not enough of the economic and social progress, without which self-government cannot succeed?

Again, the answer must be that economic policy in the colonies since the war has been on a scale quite inconceivable in the 'thirties. Successive Secretaries of State, from 1940 onwards, have emphasised that economic development is no less essential than the grant of new constitutions—not because it is an end in itself, but because it is the only sure means of achieving responsible government in the colonies. The Colonial Development and Welfare Acts of 1940 and 1945, and the Overseas Resources Development Act of this year, have all been inspired by this one aim—that economic development must keep pace with political progress, that the vote is no use to people whose first need is bread.

But in spite of all the energy that has gone into development and welfare, both at home where, as Mr Creech Jones showed in a parliamentary answer last week, the Colonial Office has been reorganised to meet the new demands made on it, and in the colonies, economic development has not proceeded anything like so quickly as has the grant of more responsible government. It is still for the most part a matter of paper schemes, of machinery and organisation, of the appointment of development officers (and, now, development liaison officers), of aims rather than achievements. This was clearly brought out in the recent report on colonial development by the Select Committee on Estimates—and, even more, in the evidence given to the committee. In the year 1946-47, the first year of the ten-year plans drawn up under the 1945 Act, the development and welfare vote amounted to £9,340,000—but only £3,546,688 was actually spent. In 1947-48, the vote was reduced to £7,510,500, but actual expenditure still fell below it — at £5,326,278. In the present year, the vote has again been reduced, to £4,310,000.

The reasons for this underspending are shown in the Select Committee's report. First there is the delay inherent in the division of responsibility for the ten-year plans between the colonial government and the Colonial Office. Consultation locally, consultation centrally and all the to-and-froing between departments that characterise civil service methods must take place before a plan is finally approved. Sir Sidney Caine, until recently a deputy Under-Secretary of the Colonial Office, claimed that the review and approval of a plan in London took place with the minimum of delay. But it took two years for a forestry scheme in Nyasaland to reach the final stage of approval by the Colonial Office.

A much more important reason for the slow progress of the development and welfare schemes is, however, the shortage of manpower and materials—constitutions can be framed without steel. Throughout the evidence given to the Select Committee, the prevailing shortages crop up. "There is a world shortage of tractors," said Sir Edwin Plowden, with reference to the East African Groundnuts Scheme. "We are all," said Sir Geoffrey Heyworth, discussing the relations between private enterprise and Government activity in the colonies, "trying to get hold of the same screw or nail." And a member of the board of the Overseas Food Corporation said that the demand for spare parts for tractors was "immense from all countries in the world." The Colonial Development Corporation and the Overseas Food Corporation are to have more freedom in executing their projects than the colonial governments have for their ten-year plans. But they, too, are frustrated by the lack of supplies.

A third reason for the lack of progress is that colonial development has become caught up in the toils of the United Kingdom's balance of payments. Some of the badly-needed equipment could be had—from America. More labour would be available if more consumer goods could be sent to the colonies instead of to hard currency areas. More important, however, is the effect of the balance-of-payments crisis on the whole strategy of development. When this strategy first took shape, it was assumed that the first and foremost, if not the sole, aim of colonial development was to raise colonial standards of living and thereby strengthen their political advance. This is, in fact, still the view of the Colonial Office. The Nigerian development and welfare plan, said an Assistant Under-Secretary of State to the Select Committee, was not designed with an eye to the United Kingdom's balance of payments. "It was designed for the development of Nigeria."

But the practical effect of this policy was, quite naturally, that development began all over the colonial empire at the same time. What supplies of capital equipment and technicians were obtained were consequently scattered. The question now being asked, therefore, is whether a few schemes ought not to be completed rather than many started. Ought we not — the question was raised in last week's debate—to get the groundnut scheme well going before we move on to the waters of the Nile? Let us finish at Kongwa before we move on to Jinja. Moreover, in selecting colonies for rapid intensive development, ought we not to have an eye to their dollar-earning capacities? Would it not have been better to put the effort that has gone into the groundnuts scheme into rehabilitating Malaya, whose tin and rubber are wanted in the United States? As it is, by concentrating on Malaya's constitution and hastening on its political progress before its shattered economy was restored, the Colonial Office—so the argument goes—is in danger of losing this dollar-earning colony altogether.

These are weighty arguments. And now that colonial development has been drawn into the orbit of the Central Planning Staff under Sir Edwin Plowden, some selection will, it seems, take place. Development, actual development as distinct from the framing of plans, will be more intensive in the future—and will be carried out with an eye to the balance of payments. But what will be the effect on those colonies which are told that their schemes will have to wait? Will it not lead us to as much trouble as the premature grant of a new constitution? It may be possible to restrict development to a few attainable schemes. It is quite impossible to restrict constitutional progress to colonies whose economic future is assured. The demand for more responsible government is infectious, and all experience shows that it cannot be indefinitely withstood.

The difficulty, as Mr Rees-Williams pointed out in last week's debate, is that successful development may need tight control from Whitehall, whereas political progress means that that control becomes looser and looser. The dilemma seems inescapable, but there is at least a partial solution which was recommended in the Select Committee's report. For all its emphasis on the need for better planning at the centre and a stricter system of allocations, the committee did not fall into the mistake of thinking that "well-meant authoritarianism" was the right answer.

> Even at the risk of apparent inefficiency, it is essential that the work undertaken should spring from the desires of the people themselves, and that they should be partners in it at every step.

It therefore recommended—with reference to Nigeria, but the proposal is equally applicable in other parts of the colonial empire—that there should be a great extension of the practice of communal development (on the lines, perhaps, of development at Gezira in the Sudan), that is, "an upward movement of the people to meet the downward movement of Government-provided services." Whole villages are encouraged to practise better methods of agriculture and better ways of living; they are encouraged to think of ways in which their money, collected in taxes, can be usefully spent; they are encouraged to build their own schools, possibly with local materials. In this way a mass movement towards economic and social betterment may be initiated, which would be a surer foundation for constitutional progress than grandiose schemes that cannot be begun. Thus,

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although such schemes, needing scarce materials and equipment, may in future be subject to tighter control from this country, there is still a vast amount of development, needing energy and faith rather than tractors and steel, which can be done at once.

What is wrong with colonial policy is not its aims nor, except in detail, its methods, but the circumstances in which it is being carried out. The colonies are inflammable material, and whatever course is pursued, some stick will be found for beating Great Britain. But it takes a strong country to receive all the vile abuse that is hurled by the Ziks of the colonies and yet remain in control, and Great Britain at present is not strong enough. "What we have we hold," once declared Mr Churchill. But can we hold it? If we can, then the Third Colonial System is one of which we may be justly proud. If not, then the colonies will move, not forward to self-government, but to disaster.

Caleb Diplock Decd.

ON July 5th the Court of Appeal handed down a judgment of nearly 50,000 words in the case of Caleb Diplock's will, and thus one of the most remarkable law suits of the century approaches its last lap. The will has been before the courts since 1939. It has given rise to not less than 123 actions, of which 20 have been brought to trial. Twice it has had a full dress show in the Court of first instance, and twice in the Court of Appeal. Once it has been before the Lords, and its second appearance there cannot be far distant. Expensive researches without end have been conducted here and in the Dominions. At least two men have been killed by the worry of it. And as it nears its end it has come head on into collision with the National Health Service Act. And all this litigation, research, lavish expenditure, labour and sorrow sprang from one verbal mistake—the use in the will of "or" instead of "and."

The history of the Diplock family started with David Duplock, who was born in 1796 and spent his life in Sussex—at Jevington. Assisted by two wives he begat 31 children, of whom some emigrated and some remained in East Sussex. With a single exception none of them seems to have improved his worldly condition; and that one exception was not an emigrant but a stay at home, who acquired a substantial fortune in the rising town of Eastbourne. Beginning as a gentleman's gentleman, he somehow opened a wine shop and brewery in Terminus Road—the wine shop is still there, but the brewery is now the 'bus depôt—and he died in 1884, leaving £67,000 to his three children, of whom the eldest was Caleb, the testator of the unfortunate will. This Caleb—an unpleasant person—sold the family business and took to the profession of miser, with such success that he left, when he died in 1936, a sum of £520,000.

Seventeen years before he died Caleb had a heart attack, which so frightened him that he sent for a lawyer to prepare his will. He chose an Eastbourne solicitor, and explained to him that he did not care a fig for his relatives and wanted his money to go to charity; but he could not choose the charities himself and he would leave it to his executors to distribute the assets among whatever institutions appeared to be the most deserving. To a layman it might seem a fairly simple job to draft a watertight will on those instructions; but the Law has its own pits and quagmires, and the solicitor, himself named as an executor, fell headfirst into one of them. Following an unhappy precedent he made Caleb leave his residue to be divided among "such charitable institutions or other charitable *or* benevolent object or objects as his executors might in their absolute discretion select." It was those two words "or benevolent" that started the trouble and dissipated a very substantial part of Caleb's hard gathered wealth. By saying "or" when he should have said "and" the solicitor gave to the executors the option of endowing benevolence or of endowing charity; and because charity and benevolence in legal terminology are different things, the will (so far as the residue was concerned) was void for uncertainty and so much waste paper. The next of kin were entitled and the executors had no right to distribute the money to charities.

If the lawyer's mistake had been recognised immediately on Caleb's death, the executors would doubtless have had much trouble in tracing the next of kin; but they would have escaped the anxiety that actually killed two of them out of three. And discovered it very nearly was. One of the executors, Caleb's own doctor, was flabbergasted by the size of the estate and suggested to his colleague, Caleb's lawyer, that he would like to have counsel's opinion before distributing; but the lawyer resented the implicit criticism of his draftsmanship and they decided not to go to counsel. An admirable list of charities was made out and by 1939 all the money was gone. Then the will was challenged. The executors had to go to counsel.

Here we come to one of the queerest incidents in the whole story. The local miser's £520,000 naturally made some sensation in Eastbourne and, when it was published in 1936, a reporter sent the story up to a news agency, seasoning it with an amusing example of Caleb's meanness. That bit of meanness caught the eye of a news-editor in Newcastle, N.S.W., and the *Newcastle Sun* splashed it under the headline "Meanest man. Surprise will." This paragraph was noticed by an Australian cousin of Caleb's who was living in a neighbouring state. He was an injured miner existing on a pension of £1 a week, too old and infirm himself to be much interested, but blessed with a granddaughter, Thelma—a girl of character who decided that, if it were humanly possible for Grandpa to get something out of the will, that something should be got. Thelma first tried a direct appeal to the executors—unsuccessfully. She asked Australian lawyers to get the will upset on the ground of incompetence, and none of them would touch it. But after three years a lawyer in Melbourne, noticing the word "or," spotted the mistake and told her that the bequests to charity were void for uncertainty, and the next of kin—including Grandpa—were entitled to the money. After three years of ineffectual sparring Thelma had got the lawyers groggy.

The battle that Thelma and the relatives now had to fight was a two-round contest (1) to prove that the bequests were void and (2) to prove that the charities which had had the money were bound to pay it back. Unless they could win on both issues they would be no better off.

They won the first round after fighting the action up to the Lords. The details of this struggle have already been discussed in *The Economist* (September 8, 1945)—but when they came to round two they had to fight their way through a jungle of legal obscurity too dense for any layman to penetrate. All that can be said is that in the Court of Appeal they have won a victory that is very nearly complete and, unless the judgment is reversed by the Lords, most of the charities, if they still existed, would have to disgorge.

But most of the charities were the governing bodies of hospitals, and on July 5th they no longer existed. Dissolved by the National Health Service Act they have had their day and ceased to be. Against whom then would the anticipated judgment be enforced?

One would naturally expect the Act to provide for this contingency and arrange for all liabilities of the old bodies to be transferred to the new board. That seems to be obvious and sensible, but it is not the way in which we are governed. The Act did provide that the liabilities of non-teaching hospitals "incurred for the purpose of carrying on the hospitals" should be vested in the Minister of Health; and it may be, though it is far from clear, that that provision would enable the relations to go for the Government in respect of the non-teaching hospitals. But as regards teaching hospitals there appears not to be a word in the Act to make either the Government or the new boards liable to the next of kin for a penny of the Diplock money. The old board was dissolved into thin air and is unusable. The new board seemed to have no liability. That was how the Act left it.

At some undiscovered moment a whisper of the Diplock case must have penetrated into the cloistral recesses of the Ministry, for on June 16th, three weeks before the judgment was delivered, Mr Bevan made a regulation with Diplock stamped all over it:—

> If immediately before the appointed day any action is existing against a dissolved authority, the same may be continued against the successors of the dissolved authority.

As the action was still "existing" on July 4th the regulation seems to cover it.

This is a good example of contemporary legislation. Parliament half bakes a Bill and calls it an Act. A civil servant finds a bit of it that is underdone. It is pushed, unobtrusively, back into the oven, re-emerges for a moment and returns for another cooking when the next chunk of raw dough is discovered. The silly thing about a document like this National Health Act is that, for all its omission and ambiguity, it cannot be adjudged void for uncertainty.

NOTES OF THE WEEK

Nothing to Learn?

Sir Stafford Cripps's artless—or was it artful?—disclosure in Paris about the formation of an Anglo-American Council to encourage the increase of industrial productivity in Britain has caused an astonishing volume of protest. Unsupported by any of his colleagues, Sir Stafford experienced a most uncomfortable half-hour in Parliament on Wednesday under fire from Conservatives, Labour back benchers and, of course, the Communists, and the question was being further debated as *The Economist* went to press. The purists say that Parliament should have been told about the Council before Mr Hoffman. Conservative criticism springs from a mixture of wounded pride at any suggestion that the best sections of British industry should need any technical assistance from America and from a realisation, not so openly admitted, that management in other sectors is open to criticism. Those who complain that in return for Marshall Aid Britain has sold its birthright profess to see in the proposed Council the confirmation of all their fears—the arrival of the banker's supervisor, armed with full powers to give orders and to bend British industry to American ways.

It is possible to see in this political tenderness the psychological reaction to dependence on American assistance—a demonstration against any suggestion that there is a natural superiority in American methods or any defects in British industry which can only be put right with outside assistance. But the argument is not really concerned with such extremes. It is concerned quite simply with the value of an exchange of information about industrial methods between America and Britain. For the best industrial concerns in this country it will obviously have little value—their links with American industry and their knowledge of American practice are already close. For the more backward industries, again, the direct fruits of such a committee should not be exaggerated; the problems of industrial inefficiency are deep-rooted, and to point them out in international discussion between industrial bureaucrats is not to solve them.

When all this is said, the outburst of criticism and suspicion which the formation of the new Council has caused is remarkably childish. There are two main reasons for welcoming such a body. First, it is an earnest that Britain is taking the problem of industrial efficiency seriously—and not before it is time. That will count in Britain's favour when the time comes for Congress to discuss the second year's programme of aid. It will also rob the criticisms of independent American observers—not all of them remarkable for their objectivity—of some of *their* sting. That is a point which the Trades Union Congress, in a guarded acceptance of the new Council, has been at pains to emphasise. The second reason is the chance that American viewpoints on increased output and the co-operation of labour in achieving it may stir British labour—and British managements, too—to greater effort, and towards the lifting of restrictive practices. It needs no Anglo-American Council to demonstrate what is wrong with a large section of British industry—backward technique, inadequate capital equipment, and the frequent insistence of labour that technical improvement must on no account be matched by a reduction in the manpower employed in particular processes. But to suppose that the Council will have no uses for the improvement of British industrial efficiency is arrogant self-deception.

Mr Hoffman in Paris

Mr Hoffman, head of the Economic Co-operation Administration, is a man of vigorous and sanguine temperament, and he has from the first thought of Europe's Recovery Programme as a great combined operation through which, in a short time—perhaps in a shorter time than is strictly possible—the shape of a new Europe would begin to emerge from the morass of postwar dislocation. His is a courageous and creative vision. As he remarked to Sir Stafford Cripps, "If the people are once inspired, the results may surprise you."

It is this background of American optimism and achievement that helps to account for some of the reservations in Mr Hoffman's mind when he arrived in Paris for his first discussions with the participating nations, represented in Paris for the occasion by their Foreign Secretaries or Finance Ministers. He clearly had doubts about the speed and vision with which both recovery and joint action were being pursued. He was also perturbed by the fact that the European administration in Paris was in the hands of officials, not of men of Cabinet rank—as is Mr Averell Harriman. And on both counts he appears to have had a suspicion that the British Government were not exercising the leadership which could only be given by them.

It is difficult to say whether these suspicions have been dissipated by the week-end's discussions. The Sixteen were able to produce an agreed plan on increasing intra-European trade (its general working is discussed in a Note on page 194), and Mr Hoffman also persuaded them to accept the principle of a Four-Year Plan of action on which, year by year, a progress report in the shape of a One-Year Plan could be presented to Congress. To those who protested—not unreasonably—at the amount of paper work such schemes would involve, he replied:

> I want to make clear as crystal the fact that what I have in mind is a programme of action, not a rigid and ponderous five year plan which tries to compress the life processes of a nation into a set of formulæ and a sheaf of statistical tables.

It is clear that it is co-ordinated action, not scrupulous programming, that he had in mind.

★

A compromise was reached on the question of appointing more influential figures to the Paris organisation. A proposal to have regular meetings of the Foreign Secretaries and other Ministers who are on the Council of the OEEC was modified, at the request of the British, to the suggestion that such meetings should be called at the discretion of M. Spaak, the chairman of the Council.

It fell to Sir Stafford Cripps to propose modifications on more than one occasion—all in a more modest sense. Indeed, the paradox was reached of Mr Hoffman, the American business man, urging the virtue of plans upon a reluctant Socialist Chancellor of the Exchequer. But Sir Stafford appears to have used his readiness to accept American technical advice and co-operation as a lightning conductor to deflect American criticisms of "British timidity."

All in all, it seems that Mr Hoffman has left Paris partially reassured. But the suspicions remain, and were there to be six months of relatively small achievement in the next phase of ERP, all the old criticisms would revive.

M. Marie's Uneasy Team

The latest French political crisis was the direct creation of the Socialists. By refusing to vote against the proposal to make a relatively small reduction in the military budget, they overthrew the Schuman Government which, led by a member of the Catholic MRP and composed in the main of Catholics and Socialists, could claim to be a post-liberation, centre-of-the-road government. By this irresponsible action—which incidentally deprived France of a government at a time of crucial discussions on Western association and defence—the Socialists hoped apparently to strengthen their position *vis à vis* the electorate; for, they argued, a period out of office, free from complicity in unwelcome policies, might recoup some of the popularity steadily lost in the last three years.

The calculation could hardly have been more mistaken. Faced with a prolonged cabinet crisis, the Socialists could not push irresponsibility to the pitch of leaving M. Vincent Auriol with no alternative but to call on M. Thorez or General de Gaulle to form a government. Counselled and encouraged by M. Blum, they agreed to join the new Cabinet formed by M. Marie—a Cabinet which is in every way less favourable to them. It is led by a Radical-Socialist, who in spite of a heroic war record in Buchenwald, is nevertheless a man of the Third Republic. It is politically further to the Right than the Schuman administration since it includes representatives of all the parties of the Right, short of the Gaullists. Above all, it is likely to follow, under the direction of M. Paul Reynaud (another figure from the Third Republic) a conservative economic policy of "saving the franc" at whatever risk of unemployment. The Socialists will become the first targets of Communist attack for having sold out to the *bourgeoisie*. At the same time, their hapless manœuvre has given the Gaullists one more whip with which to beat the Constitution.

In these circumstances, M. Marie's new coalition must be an uncertain affair. It is held together by the negative desire to keep others out and not by any positive plan for co-operation. M. Reynaud's economic measures will be unpopular. There is no popular way of dealing with the tremendous budgetary deficit which threatens France with a new wave of inflation. On one point only is there some unanimity—the project of European federation. But here it is a question not of persuading colleagues but of overcoming the cold reception given the project by Britain and Benelux.

* * *

Long Vacation?

Despite the Berlin crisis, the closing weeks of the summer Parliamentary term have been marked by little of that tension which characterised the corresponding period last July, when the economic crisis was reaching its climax. Weariness may account in part for this. The Members have dealt in all with sixty-eight public Bills since last November, and the sixty-ninth—the Parliament Bill—will be ready for its second treatment when the Houses reassemble for the special session in six weeks' time. Some of these, such as the Criminal Justice Bill and the Representation of the People Bill, were not only complicated but also proved to be much more controversial than had been expected, and on the Gas Bill the Opposition waged a struggle even more bitter and protracted than on earlier nationalisation measures. It is not surprising that in these circumstances the Commons in the heat of Monday evening should have failed to find the subject of the sale of poisons sufficiently interesting to keep a quorum in the Chamber, causing the House to be counted out at a quarter to midnight. There had been one or two bursts of absenteeism a little earlier, particularly when the food situation was debated a fortnight ago to a very thin House. But to judge by columns of Hansard spoken, and the volume of legislation passed, the Members can adjourn without feeling too acutely concerned that in a recent Gallup Poll the job of a politician was classed as the "most consistently overpaid."

Although not destined for such an exciting summer holiday as their American counterparts, Members of Parliament will be anxiously testing opinion in their constituencies. The Conservatives will be concerned to discover whether the Industrial Charter is really more than their less sophisticated supporters can stomach, and upon what lines to construct their Party Conference in the autumn. The Socialists will be watching even more anxiously to discern whether Mr Morrison or Mr Bevan is proving the doughtier warrior in the battle for the middle classes, and to what extent the electorate can be interested in a battle over steel nationalisation. One thing is certain—that the approaching election has temporarily healed the growing rupture within the Labour Party itself. If the late session has ended in torpor, it is because the Labour Party has decided to close its ranks at whatever cost to the individual.

* * *

The Fate of a Free Vote

The Government's decision not to proceed with the compromise clause abolishing the death penalty was in the circumstances the only thing it could do. To have insisted on it would have meant losing the whole of the Criminal Justice Bill, and it was for this reason that the Government was able to obtain the support of some prominent abolitionists for its decision. Yet there were many who were unconvinced and resented Mr Morrison's refusal to pledge the Government to introduce a bill dealing with the death penalty in a future session. An analysis of the voting shows that though only 33 Labour members voted against the Government, there were well over a hundred abstentions, among them 7 Cabinet Ministers.

There are good reasons for this lack of support. The controversy over abolition has left the use of the death penalty in a very unsatisfactory position. The drafting of the compromise clause has given an indication of the way the Home Secretary's mind may be expected to work when he has to decide whether to reprieve. But it may well be unfortunate that this indication has been given; for a separate decision will still have to be made in each case, and the partial lifting of the veil will only create confusion and uncertainty.

Another reason for the lack of support from the Labour Party is that the future of the death penalty was, after all, left to a free vote of the House, and by a free vote the House abolished it. It would be a great pity if the fate of this free vote meant that nothing in future can be decided as a non-party issue. The trouble, however, in the case of the death penalty arose because, first, the vote was not altogether free—the Government collectively had one view and Ministers were not allowed to vote against it. Secondly, the Government made the great mistake of allowing a free vote on one clause of what was otherwise a Government bill and of arranging for the vote to take place only as that Bill reached its last stages in the Commons. If the proposal to abolish the death penalty had been incorporated in a private member's bill—here if ever was a case for restoring private members' time—and had been given publicity before the free vote was taken, the political tangles might well have been avoided.

* * *

Challenge to BOAC

The purchase of the Canadairs has put BOAC on its mettle, since the lack of economic machines will soon no longer be acceptable as an explanation of heavy losses. The Corporation is now promised the tools, and has begun to organise itself for the job. Some changes had been made even before last week's developments; and this implicitly acknowledges that not all shortcomings were due to unsatisfactory aircraft. Considerable reductions in staff have been made over the last few months. Last August BOAC employed 23,200 persons. By January the figure had fallen to 22,500 and by mid-June to 20,800.

But the new changes amount to much more than adjustments to the old system. Decentralisation is their keynote. The London head office is to have its size reduced and its functions limited to policy and advice. There will be a Western Division in Montreal, responsible for the area westwards from London to Australasia, and an Eastern Division in Cairo, responsible for the area eastwards from London to Australasia and Japan. The divisional managers will have full responsibility for the success of their divisions. Each division will be split up administratively into Lines, which will fly the routes through the divisional area, and into Areas, which will provide the traffic and facilities for the Lines. Each component part of the organisation will be expected to operate at competitive rates. The same principle will govern the operations of the Corporation's ancillaries. If the repair and maintenance division cannot do its job at least as cheaply as an organisation outside BOAC could, it will go out of business. Happily this division is so competitive that it attracts outside, and even foreign, custom.

It is this spirit and the fact that on the North Atlantic route, where BOAC already operate modern aircraft, it shows the highest profits of any airline—which enables one to share to some extent the Corporation's confidence. Since it has also centralised the ordering of new aircraft, it should in future avoid the lengthy and costly vacillations which earned it bad marks from the Courtney Committee.

It will obviously be some time before judgment can be passed on these new methods and new machines. The act that has just ended was a flop—and was received as such. There are good hopes that the act on which the curtain is now rising may provide much better value. The audience and critics—and management—should give the players a fair chance to show what they can do.

* * *

In Tito's Capital

The control of the Danube is an old bone of contention between East and West. The conference at Belgrade which begins today between Britain, the United States, Russia, France and the riparian countries is partly a continuation of the earlier attempts to solve the problem, and partly yet another attempt to find some common ground between East and West. Ever since the Congress of Vienna in 1815, efforts have been made to prevent individual nations from denying free rights of navigation to the other countries concerned. The European Commission of 1856 established the principle of unrestricted navigation on the lower reaches of the Danube, and, after the First World War, the International Commission extended the principle to cover the rest of the river's navigable course. But, after the Second World War, Russia closed the section of the Danube under its control—from near Linz to the Black Sea—to all non-Soviet shipping. Some 700 ships were affected, with the result that trade with Eastern Europe has been much reduced.

The interest of the Western Powers in the Danube is to increase the trade between East and West by restoring the right of unrestricted navigation over the whole length of the river. The Western Powers maintain that, by shutting off half the river, Russia is harming the interests of both the riparian countries and the West. The purpose of the conference at Belgrade is to end the present restrictions on river traffic and to establish an international authority to ensure that the Danube is kept open for all who need to use it.

Russia has, from the time of the Peace Conference in Paris of 1946, shown itself to be against the principle of the free use of the Danube. Mr Molotov, when the question was raised at Paris, made the uncomfortable suggestion that if the Danube was to be thrown open to an international authority then so should the Panama and Suez canals be subject to outside control. The same suggestion may well be made again. But with Russia agreeing to the Belgrade Conference and the riparian countries standing to gain much more than they lose from removing the restrictions on Danube traffic, there may be some slight hope of breaking the deadlock between East and West on this particular issue.

In any case it is a remarkable and welcome fact that East and West should be meeting at this moment in Belgrade, the centre of the Communists' bitter family quarrel. Opportunities for ministerial visits behind the iron curtain are so rare that it is a pity that Mr McNeil has preferred to visit Geneva. Part of the art of diplomacy consists in looking for unexpected opportunities to talk with one's opponents, and the Minister of State is wasting his time exchanging all the old battle-cries with the Soviet delegate in Switzerland.

* * *

Palestine and the Middle East

The Palestine news this week has been a patchwork of odds and ends, symptomatic of nothing but the lack of any conscience or clear purpose in the counsels of the Powers. In opposing any action by the Security Council in the affair of the kidnapped Britons, America has again demonstrated that it is only concerned to uphold the authority of the United Nations if that coincides with Zionist interests. A motion by Syria, which in present international circumstances could have had no more than a propaganda value, to ask the International Court for an opinion on the status of Palestine, was defeated. It had British support, but got one short of the necessary seven votes. In Jerusalem, the Zionists have declared the New City "Israeli-occupied territory," which is thought to be a preliminary to asserting some sort of authority over the Irgun Zvai Leumi there.

The worst feature of the affair is the complete lack of support for Count Bernadotte. He must rely to a great extent on the United States to give him the men and the materials necessary to enforce his authority. The other two Powers concerned—France and Belgium—cannot lead where America may not even be prepared to follow. Yet American policy is apparently completely spineless and dilatory, and as a result Count Bernadotte is making slow progress in his attempts to demilitarise Jerusalem. The Arab League has agreed, ignoring the protests from Damascus of the futile Palestine Arab Higher Committee. But the Zionists, relying on their American sponsors and armed strength, are treating him with increasing truculence. They take ill his evident belief that the Arabs have a claim to some consideration. The Tel Aviv Government has let it be known that it does not propose to allow the 300,000 Arab refugees to return to their homes. This is one of the principal problems that Count Bernadotte is trying to solve. It is said that Syria would be quite glad to have them to settle some of its sparsely populated agricultural areas. They are a serious burden on the Lebanon, where so many of them are now crowded. And any scheme of resettlement will require more funds than the Arabs can easily muster.

There are yet no real signs of heart-searching in the Arab countries. In Egypt, a country which gives its population as 19 million and failed even to dent a Zionist enclave of some 700,000, there has been an ugly series of attacks on individual foreigners and Jews. But these misdirected outbreaks are so far the only hint of an actional awareness that something is wrong. The criticism of the old order is there, but it has not yet found any really effective expression.

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Japan's Recovery Plan

The occupation of Japan is costing the American taxpayer close to $400 million a year. This drain accounts for the fact that the past six months have seen the publication of three major reports on the economic future of Japan. The first two reports were drawn up by visiting American experts—the "Strike" and "Johnston" committees—the third, and most recent, now being discussed in Tokyo, purports to represent the views of the Japanese Government.

All three surveys emphasise the need for increased industrial production, for greater exports, and for a stabilised currency in order to make Japan self-supporting. The American documents, while recognising that some US assistance will be required, tend to stress the need for Japanese self-help. This is not reflected in the Japanese proposals. Where the Johnston group recommends that America finance a reconstruction loan of only ½ billion dollars spread over four years, the Japanese scheme envisages a 1½ billion dollar US contribution to Japanese recovery, and in general its authors throw most of the responsibility for this task on the United States.

In some ways General MacArthur's pronouncements since August, 1945, have encouraged the Japanese in this attitude of complacent dependency. But it is not a view shared by the US Congress. Even the modest request of the Johnston group has failed to pass the Committee stage in the House of Representatives.

The approaching Congressional battle over rising prices will undoubtedly revive the popular argument that American overseas loans are forcing up the cost of living at home. In such an atmosphere the US War Department will find it extremely difficult to wheedle out of Congress a grant of a billion dollars or even half a billion for MacArthur's protegees.

The Marshall Plan has been the answer of the US Administration to the similar problem in Western Europe—the resuscitation of Germany; but it is impossible to fit Japan into such an imaginative project because of the gigantic chaos which now envelops the Far East.

Undoubtedly the War Department will resume its crusade at a more propitious moment. Meanwhile, the occupation authorities in Tokyo have embarked on a seemingly hopeless attempt to make the Japanese economy more attractive to US private investors. In fact, some American authorities anticipate that private lending will take the place entirely of US Government loans for Japan's reconstruction. They are trying to get acceptance from the Far Eastern Control Commission for a greatly reduced level of reparations. They are making renewed efforts to fight inflation and industrial paralysis by stabilising wages and prices, suppressing the black market and balancing the Japanese budget.

One of their biggest tasks, however, will be to obtain wholehearted efforts from the Japanese, who are suspected of holding back in the hope that America will do the job for them. At the moment US officials seem to be confronted by an army of beaming limpets.

* * *

Commission on Justices

Anyone who expected revolutionary proposals from the Report of the Royal Commission on Justices of the Peace will be disappointed. The majority of recommendations offer no more

than minor renovations to the existing structure. Blind or deaf persons should not be appointed; nor should Ministers of religion, persons engaged in the licensing trade nor pawnbrokers be regarded as barred from appointment as justices solely on the grounds of their occupations. The only *ex officio* appointments to the Bench which the Report suggests should be retained are those of mayors of boroughs during their term of office (thus removing chairmen of county and district councils from the list of *ex officio* magistrates). For juvenile courts the upper age-limit of appointment should be 50 and the retiring age 65. Magistrates should be paid travelling expenses and lodging, but should not be reimbursed for loss of remunerative time. The existing system of appointment of stipendiary magistrates should be retained (which means that the decision to appoint a stipendiary is left to borough councils themselves), and solicitors should be qualified for appointment as well as barristers.

The most controversial issue with regard to the appointment of magistrates is the working of the Advisory Committees which assist the Lord Chancellor through the Lord Lieutenant of counties in making appointments (except in the Duchy of Lancaster). The majority report makes no recommendation for any substantial change, and is apparently prepared to accept, in the absence of any other, the present system by which the political parties play a predominating part in the appointments to these advisory committees and so in the appointments of magistrates themselves. But the minority report, submitted by Lord Merthyr, and supported, on the question of advisory committees, by Mr A. F. Stapleton Cotton and Mr J. A. F. Watson, does not shrink from the main issues. They regard political appointments to the Bench as undesirable, they consider them to be largely the result of political appointments to the advisory committees and as a result they deprecate any continuance of the existing system. Lord Merthyr alone goes farther. He sees no justification for *ex officio* appointments, and continues: "I think it is merely a question of time before lay justices depart. It is a question not of whether but of when they should be replaced by professionals." He considers that the cost of paying some 17,000 justices their expenses would be no more than paying a very much smaller number of stipendiaries a proper salary, and he concludes: "I think there should be a gradual transition from lay to professional magistrates. . . . It may be found that the inclusion of two lay 'assessors' to decide upon questions of fact would prove the best tribunal of all."

Probably the cynical will conclude that the Report of this Royal Commission will follow the fate of so many other reports of Royal Commissions. A few of the more obvious recommendations of the majority report will be embodied in a Statute within the next two years. In about twenty years' time, action will be taken on the lines of the minority report.

* * *

Critics on the Air

On Monday the Court of Appeal gave judgment in the appeal by Metro-Goldwyn-Mayer Pictures, Ltd., from the decision under which Mrs. Turner (Miss E. Arnot Robertson) was awarded damages for libel and slander. The Court allowed the appeal.

Miss Arnot Robertson in 1946 was a regular film critic for the BBC, and in September of that year the film company wrote to the Director of Talks at the BBC stating that in its judgment Miss Robertson was completely out of touch with the tastes and entertainment requirements of the picture-going millions, that the company proposed not to invite her to review their pictures in future and requesting that the BBC should co-operate in restraining her from doing so in BBC broadcasts. The substance of that letter was repeated over the telephone to a third person; that constituted the alleged slander. The jury at the trial found that the wording of the letter, in its natural and ordinary meaning, was libellous, that the company was actuated by "malice" in writing it and assessed the damages at £1,500. Mr Justice Hilbery, the trial judge, accepted the jury's findings and awarded judgment for £1,500.

On appeal, the three judges of the Court of Appeal were not unanimous. Lord Justice Cohen held that the words were libellous and thought that there was evidence for the jury to find that "malice" was present, but on other grounds he thought there should be a new trial. Lords Justice Scott and Asquith agreed as to the libellous nature of the words, but thought that there was no evidence of "malice." As a result, since the occasion was protected legally by what is called "qualified privilege," and in the absence of malice, the film company was entitled to a verdict.

The result is disquieting. The view of the law taken by the majority of the Court of Appeal may be sound—it is worth noting that two of the four judges who have considered the case have thought otherwise—but the public will be dismayed at the result. Lord Justice Asquith in his judgment said that he did not think it evidence of "malice" that one powerful corporation should write to another powerful corporation and say, in effect, "Don't employ X any more. Her talks are damaging to my business." Any adverse criticism on the radio may be damaging to the business under review. It looks as though either a critic must always be pleasant to commercial interests or that he or she must depend entirely on the moral strength of their employer to resist the behind-the-back approach to get rid of the offending voice. The law seems to leave the critic himself no direct remedy.

It is over the air, of all places, that the public is entitled to expect honest and direct expression of opinion. It is the duty of the BBC to choose its critics carefully: if they are libellous they—and the BBC—can be sued. If they are not, then it is up to the BBC to protect its employees from the sniping of those whom they may offend, especially as the snipers by this decision appear to enjoy legal immunity.

* * *

Hyderabad under Pressure

Against a background of frenzied clamour for war against Hyderabad from Indian ultra-nationalists, the Indian Government has got as far in armed action as the seizure of a village within Hyderabad territory. The fact that a general invasion has not yet been launched suggests that the Government is not as anxious as are many of its supporters to undertake the forcible annexation of the only one of the former Indian states which has not yet acceded either to India or to Pakistan. It appears, nevertheless, that the authorities in Delhi, whatever their own inclinations, find it politically necessary to keep on rattling the sabre and even prod with it; for failure to break down the resistance of Hyderabad to Indian demands might greatly weaken the existing Indian Government and expose it to successful attack from rival factions.

Hyderabad can expect little or no help from outside, for Britain is no longer either able or willing to intervene in the conflict, and even Pakistan, though naturally sympathetic to the Nizam's cause, is anxious to avoid any entanglement in southern India. There has been discussion of an appeal to Uno and it is stated that Syria would be willing to sponsor such an appeal, Hyderabad not being a member. Publicity for the history of the India-Hyderabad negotiations through a debate in the Assembly would certainly be damaging for India, for there has been far too much bullying in the Indian policy towards Hyderabad to make a good record for international inspection. But as the Kashmir story has shown, Uno is unlikely to do anything to stop military operations, if they have once been seriously started, and India may reckon that an irreversible *fait accompli* could quickly be created.

What may be perhaps a greater deterrent than the possible judgment of Uno, at any rate for the more prudent and far-sighted among India's rulers, is the risk that it might prove easier to sweep away the Nizam than to restore order in a country of 17 million inhabitants after his authority had been forcibly destroyed. Hindu-Moslem fighting and massacres starting in Hyderabad might renew communal riots in India and start them in areas which have hitherto been free from them. Armed Communist bands from Madras are already active in Hyderabad and an Indian invasion would give them their chance to develop a formidable power and even occupy certain areas. Finally, the "Andhra movement" for unification of the speakers of Telugu (who inhabit northern Madras and most of Hyderabad) would present a difficult problem if Hyderabad State were dissolved; it would involve the partition of Madras as well as of Hyderabad. With all these troubles likely to ensue from a victorious march into the Nizam's capital, second thoughts may still prompt Indian Ministers to work for a genuinely agreed settlement.

* * *

Newfoundland Votes for Canada

With all but a few votes from Labrador as yet uncounted, the Newfoundland referendum shows a narrow victory for confederation with Canada of 77,814 votes as against 71,258 votes for a return to responsible government. This is the result of eliminating the third choice of a continuance of the present Commission Government.

With so small a majority for Canadian Confederation, Newfoundland's future is unlikely to be settled quickly. Canada has enough minority problems already without being anxious to incorporate a body of dissident Newfoundlanders. Moreover, the leaders of the opposition to confederation may feel that they have ample support for demanding special privileges for Newfoundland as Canada's tenth province. Much negotiation will obviously be necessary before a satisfactory solution can be found.

The opposition to confederation comes largely from St. Johns. It is headed by the powerful commercial oligarchy of the island, who see in confederation the danger of severe business competition, a loss of protective tariffs, higher taxation of the upper income groups and the end of their hold, through indebtedness, on the fishing industry. But now that there is a definite majority for confederation, it is probable that this opposition will begin to wither.

The Canadian Government would very much like to see Newfoundland within the Dominion. It would round off their strategic position, give them additional supplies of pulp and newsprint with which to earn US dollars, and enable Montreal to develop the iron ore deposits in Labrador before the American steel interests can outbid them. Canada has offered Newfoundland complete parity with the other provinces as well as generous terms for shouldering its still large debt. However, having failed through over-eagerness in the past, it is certain that Canada will make sure of its ground before taking any further steps.

It is also very much in Britain's interest that the oldest British colony should be merged with the oldest Dominion. Newfoundland as an island inside the dollar area and with North American problems could never form an integral part of the United Kingdom, and is quite unsuited to colonial administration.

* * *

Fifty Labours of ECOSOC

"The need of the Security Council is in inverse proportion to the success of the Economic and Social Council." Mr Malik of the Lebanon spoke these words when he opened the seventh session of the Economic and Social Council at Geneva on July 19th. The size and diversity of the agenda confronting the delegates should have made them wonder whether they were not jeopardizing the success of the Council by attempting to do too much too quickly.

Its function is to get adequate and just economic and social standards established throughout the world. It involves making studies, reports, and recommendations on international economic, social, cultural and educational matters, covering such a vast field that members can hardly stop the agenda of its meetings from piling up into vast mounds. The Council must supervise the work of the nine functional commissions, five sub-commissions and three regional commissions, through which it works. It must also consider the reports of more than half-a-dozen specialised agencies, whose work is closely involved with its own. In fact, as the commissions, committees and agencies multiply—the Council will consider the setting up of a fourth regional commission—the task of the Council as the coordinator of the work of all becomes even more essential, if much wasteful duplication is to be avoided. It is all the more important that matters of secondary importance should not be allowed to hamper it in the fulfilment of this task.

The provisional agenda contained a grand total of fifty items. The social and economic items consist chiefly of the reports of the various commissions, such as the Population, Social, and Human Rights Commissions dealing with social matters, and the Economic and Employment Commission and the Statistical Commission dealing with economic affairs. Reports from all the specialised agencies, such as the Food and Agriculture Organisation, statements on the progress of the resettlement of displaced persons, on the special Uno appeal for children, and on the recent scientific conference on the utilisation of resources, are a few of the other matters before the Council.

When it came to consider the programme before it, the Council seems to have been well aware of the immensity of its task. All the same, it managed to delete only five and a half items, and that after long and bitter discussion on two of them. These, being concerned with forced labour and the violation of trade union rights were patently political, one being aimed at Soviet Russia and the other at certain of the Western colonial Powers. It rightly decided not to run the risk of holding up the proceedings with political bickering. But it is difficult to follow the train of reasoning which led to the shelving of such a live issue as the principle of equal pay for men and women, but refused to defer consideration of a report on international facilities for the promotion of training in public administration: which allowed an item on the enforcement of trade union rights to be removed, but retained another on the translation of the classics.

* * *

Control of Advertisements

The Control of Advertisement Regulations, which Mr Silkin has issued under powers given him by the Town and Country Planning Act, are on the whole sensibly conceived. There will be no control over indoor advertisements (save in some cases when they are illuminated), or over advertisements on vehicles and railway stations and on enclosed land where they are not readily visible from outside. Otherwise, all advertisements, including after a short period of grace existing ones, will have to conform to a standard code, which is not in the least onerous but which requires them to be maintained in a clean, tidy and safe manner. In addition, new advertisements require permission from the local planning authority before being erected, which will normally be given for three years. There are, however, a number of important classes which do not require this permission—such as advertisements relating to the land on which they are displayed—and its main impact will be on commercial hoardings.

Apart from the enforcement of the standard code, the main control over these exempt classes, over existing advertisements and over advertisements whose three-year period of permission has expired, will be the right of the local planning authority to "challenge" at any time their right to exist. Existing advertisements cannot, however, be challenged for the next three years or, in some cases, one year. To make the local authority take the initiative in this matter is an excellent arrangement, which will free advertisers from too many automatic obligations and should keep local councils up to the mark—although some are likely to be zealous and others just the opposite. In addition, areas of special control will be designated—including, no doubt, parts of the countryside and historic cities—where control will be much stricter and wider. There is a right of appeal to the Minister against the local authority's decision; it is a pity though that no place is found for tribunals and advisory committees of ordinary citizens.

It has been made clear that the control relates only to sites and appearance and not to the subject matter of the advertisements. The matter of many advertisements is extremely ugly—but standards of taste can perhaps hardly be profitably laid down by a Ministry. On this subject, the advertisers themselves should make every effort to speed up the improvement which has started.

Shorter Notes

Sir Stafford Cripps, speaking in County Durham last Saturday, took the occasion of correcting—to the relief of everyone concerned with the success of Western Union—Mr Gaitskell's remark of six weeks ago that if coal production were below the target the level of exports would have to suffer. Sir Stafford not only insisted on the necessity of exporting coal, but of high-quality deep-mined coal, with—if necessary—the home consumer taking second best.

*

Last Friday's adjournment debate in the House of Commons took the form of a strenuous attempt to force Mr Aneurin Bevan to give evidence to the Royal Commission on the press in view of his earlier attack upon it as "the most prostituted press in the world." The chief interest of the debate lay in the fact that Mr Bevan himself was silent. Having attacked a body whose case is at present *sub judice*, he was so obviously and so hopelessly in the wrong that, for once, he had to rely upon others to conduct his defence. The Prime Minister's statement that he had prevented Mr Bevan from giving evidence out of constitutional scruples is a measure not of Mr Bevan's innocence but of Mr Attlee's kindliness and generosity—or should it be weakness—towards his colleagues.

*

It is only two months since Mr Harold Wilson, President of the Board of Trade, last announced some concessions in the clothes ration. He was then anxious, or appeared to be anxious, to give the impression that no more concessions were to be made; in particular, he said that the changes in pointing were to be considered permanent—frequent changes led to uncertainty and interfered with the natural course of demand. Yet here he is announcing more cuts in pointing and the removal from the ration altogether of more clothes and fabrics, including boots and shoes. These concessions are coupled with a warning that next summer the total ration may have to be cut because by then the diversion to the export trade may be making new demands on total production. For the moment, although these concessions will be welcomed, they are largely offset by the fact that clothes are being rationed more and more by price rather than by coupons.

Letters to the Editor

Film Quota Dispute

SIR,—I should like to comment on the article in *The Economist* of July 10, 1948, entitled "Film Quota Dispute."

The Film Agreement and the Schedules were negotiated and completed by March 12, 1948. Certain additional clarifying text was subsequently discussed, but neither the Agreement nor the Schedules were "still under consideration" on March 25th, as you state. Hence it was not open to us to challenge the new quota percentages in the course of the Agreement negotiations. Moreover, during the entire period the Agreement was under discussion the Quota Bill was before Parliament. It would have been quite improper for us to have attempted any stipulation with respect to quota at that time, and we did not do so. It was our understanding that the new quota would start just where the old quota left off. This was not based on any official undertaking, as none was asked or given, for the reason noted. It was, however, the impression we gained, and were permitted to gain, throughout the Agreement discussions.

Mr Wilson's statements in Parliament toward the end of March were the first official intimation we received that he intended to use the quota to increase materially the sacrifice that the American industry had already made in accepting the Film Agreement itself.

Our complaint does not therefore rest on "formal grounds"—to which we attach little importance—but on our contention that the quota percentages adopted by the Board of Trade, after the Film Agreement had been signed and the Quota Act passed, violate the spirit of an Agreement we negotiated with the Board of Trade in good faith. That is a far more serious indictment.

I do not know what Sir Henry French sought to prove in our recent exchange of correspondence except that British film producers *hope* to treble or quadruple their production of first-feature films during the coming year. That, however, is the aim of *every* film producer the world over. If sincere, it bespeaks the triumph of optimism over experience. But I doubt that anyone, including Sir Henry, really expects such a miracle.

The truth is that the present quota is designed in practice to force British cinemas to show *every* British feature film *as first feature*, regardless whether it is actually a first, second or third feature in quality. The consequences of such a policy are far-reaching and destructive in the extreme.

British film producers may, for a time, benefit at the expense of British cinemas—and the cinemas may, for a time, survive at the expense of the public. Eventually they will perish together if the present policy is adhered to. It can, in my view, lead only to a repetition of the 1936-37 disaster.

Now the British Film Producers' Association has not only placed the future of British film production in jeopardy, but has created a genuinely difficult situation in Anglo-American affairs just when it can do the most harm. None of these things need have happened. No one was more prepared to co-operate in solving the Anglo-American film problem than the American industry itself.—Yours faithfully,

F. W. ALLPORT, European manager,
Motion Picture Association of America, Inc.

15 New Burlington Street, London, W.1

From *The Economist* of 1848

July 29, 1848

THE vast subject of our Colonial Empire was brought before the House of Commons, in an able speech by Sir William Molesworth, on Tuesday evening. His resolution, "that the colonial expenditure demands inquiry, with a view to reduction," and that "the colonies ought to be entrusted with large powers for the administration of their local affairs," was assented to by the Government, and Mr. Hawes declared that it only carries out the course of policy already adopted by the Colonial Office. Between his views and those of the Government there seems to be rather a difference in degree than in principle. He is more anxious to carry out his reforms than the Colonial Office, which is incumbered with details and responsibility, finds convenient. By continued attention to the subject, the desire to improve it fills his mind, and he probably sees none of the practical difficulties that beset the Minister. . . . The murmurs, the complaints, the distant grumblings, coming from many quarters, indicate demands for reform, and it is only rational to adopt means at once to prepare both the colonies and the mother country for a change that seems in the order of nature. Mr. Hawes indicated that the policy of the Colonial Office really contemplates that, by introducing as speedily as convenient the principle of self-government into the colonies, gradually preparing them to administer their own affairs, and gradually relinquishing our political control over them. Sir W. Molesworth contemplates this as the ultimate end of his motion, but he proposes to accelerate it by the agency of the House of Commons, and by influencing public opinion.

Food and the Future

SIR,—Your article on Food and the Future is likely to leave many readers in a dangerously complacent frame of mind, or at least with a fatalistic attitude towards the world food problem. Your counsel is "to wait and see," although you modify this by advising an increase in home food production so long as it can be achieved "without entirely upsetting" the country's economy. But without a precise definition of the word "entire" this gets us nowhere. The decision as to how much we must upset our economy is one which must be taken now if it is to have an effect on the events of the next ten years. There can be no question of "wait and see."

You mention several of the factors that must be taken into account in arriving at this decision, but there are three that you omit. The first is the convertibility of grain—a factor in many ways even more important than the convertibility of sterling. So long as people are content to obtain their calories direct from wheat and maize, there is little fear of world starvation, but the higher standard of living which has come about mainly as a result of the more even distribution of wealth throughout the world has resulted in a large number of people, who formerly could afford only bread and potatoes, now eating meat and dairy products instead. To meet this demand farmers of the world are converting their staple crops to livestock products with a consequent loss of nine calories out of every ten.

The second reason results from the higher relative prices obtained for agricultural as compared with non-agricultural products. Before the war farmers were forced to sell much food that they would have preferred to eat themselves, simply in order to obtain money with which to meet their essential outgoings. Today's increased prices enable them to sell a smaller amount and still be able to meet these outgoings; the balance they use to improve their own standard of feeding. Since for every non-food producer there are at least two producers of food, it follows that a rise in consumption of 5 per cent among all food producers must result in a decrease of 10 per cent for the food available for non-producers.

These reasons, added to those given in your article, are not enough to warrant throwing the baby out of the top-floor window. But they are surely enough to make the prudent man place an order for a fire escape.—Yours faithfully, H. D. WALSTON

6, St. James's Street, S.W.1

[Each of Mr Walston's points may be reversed when the world-wide war-bred inflation comes to an end, as it surely will. Many people all over the world who now eat meat will be unable to afford to continue. Food producers will once again be interested in money. Nobody can say to what extent these things will happen. But that they will happen to some extent is certain.—EDITOR.]

Deflation in Italy

SIR,—In your issue of July 24th you paint a gloomy picture of conditions in Italy. But Italy has been applying in an almost ruthless manner (the adjective is the *Statist's*) precisely those measures of credit restriction which you are frequently recommending to our own government. Signor Einaudi appears to be an unashamed disciple of Lord Overstone. Italy's Bank Rate was raised from 4 to 5½ per cent; commercial banks were compelled to place with the Central Bank or in gilt-edged securities a considerable proportion of their deposits, and were ordered to be parsimonious in financing industry and commerce. The result is that from the 3,000 level of April, 1947, the share index fell by December to 1,000, and unemployment has increased proportionately.

Yet both Italy and we need to increase production. Industry and commerce should surely be encouraged rather than repressed by credit deflation. If the Government would but cut down its vast expenditure on trade control, food subsidies and social services, taxation could be substantially reduced, and this would provide such a stimulus to enterprise in production as would astonish Sir Stafford Cripps.—Yours faithfully,

HENRY MEULEN

31 Parkside Gardens, S.W.19

[So far from "frequently" recommending high interest rates and credit restriction to the present British Government, *The Economist* has never done so. It is true that we have often pointed to the dangers of artificially forcing interest rates down, at the cost of indefinite credit expansion. But that is a different story.—EDITOR.]

Nothing to Live For?

SIR,—Professor Gilbert Walker, in his letter in *The Economist* of July 17th, "Incentives for Housewives," suggests that the average Englishman's tastes are too simple. May I add to this the suggestion that it is the high level of indirect taxation in this country that has for generations fostered our artless tastes? Everything that in happier lands makes life worth living for the wage-earning classes is denied them in this country by the Treasury's rapacious quest for revenue. Cigars, in Switzerland, the Balkans and Germany a frequent pleasure of any tramdriver or factory hand, are here and always have been so taxed as to be the emblems of plutocracy. Wine, to every Frenchman, Spaniard or Italian the normal accompaniment of any meal, is practically unknown to the masses in this country, thanks to duties decreed by our "brewerocracy." Perfume, a gift with which a Frenchman may seek and win a lady's love, is virtually forbidden to the English suitor. Delicate foodstuffs, by which I mean any food that our rulers do not regard as essential to the continued coexistence of body and soul, have always been taxed out of the reach of our wage-earners.

If a few little luxuries like these were relieved of some of their present load of taxation and brought within the range of the average worker's ambition, we might hear less talk about lack of incentive.—Yours faithfully,

GERARD TALLACK

44 Pine Avenue, Gravesend, Kent

Musicians' Strike

SIR,—You do not quite understand the nature of the musical profession, and therefore its attitude to such matters as fees, mechanical reproduction and musical standards. Unlike other occupations, most musicians depend upon casual engagements to earn a living, and even when in regular employment have no lengthy tenure of employment. Hence, any increase in fees merely helps to maintain an appropriate standard of living.

On the question of "relay" fees, the musical services obtained by the BBC are equal to those obtained from casual studio broadcasts, but at a lower cost. In other words, less pay for equal services received by the BBC. The same applies to mechanical reproduction. No musician would argue that records of our leading orchestras and bands should not be broadcast, but it is another matter when (a) such records have a large slice of broadcasting time, or (b) when a casual studio broadcast is recorded and then broadcast on subsequent occasions. Here again the BBC receives equal services at a lower cost.

You argue that, as about £1,000,000 was paid to musicians last year, the BBC cannot be regarded "as a skinflint employer." But what proportion of total fees and wages paid for broadcasting does this £1,000,000 represent? And what proportion of total broadcasting time was filled by musical services? Surely, these two questions should be the criterion as to whether or not the BBC is a "skinflint employer."

The question of musical standards is fraught with controversy. A balance must be struck between broadcasting records of first-class musicians and "live" performances of second- and third-class musicians. But it is not true that there is not an adequate supply of competent musicians. The argument that: "One only needs to know how to hold a clarinet to be able to join the Musicians' Union" is silly. The MU does not engage musicians. This is the function of conductors and leaders of orchestras and bands. All the MU does is to insist that those who receive fees for playing should be members of the MU. Further, it would not be in the interest of the community if the MU insisted on an adequate standard of musical ability before a person could obtain membership. Some of our finest instrumentalists were poor players at the beginning of their careers.—Yours faithfully,

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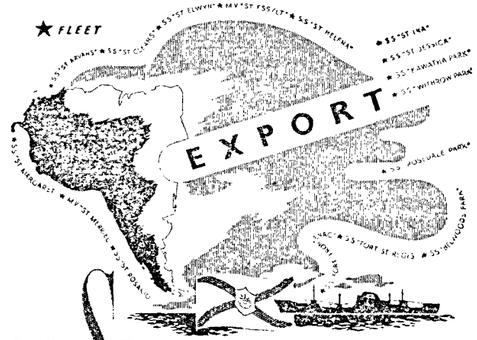
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AMERICAN SURVEY

Can Inflation be Checked?

(From Our US Editorial Staff)

NO responsible observer here challenges President Truman's diagnosis of the damage and the dangers arising from present inflationary trends. An inflationary movement such as the present leads inevitably to a crash, the depth and duration of which it is impossible to predict. And a world making painful progress on the path of trade and currency stabilisation might then be faced with the prospect of a return to the "protective" devices adopted by frightened and bewildered people, with political consequences which no one can assess.

So far the rise in American prices lags behind that of many other countries. But the rise has been accelerated in recent weeks, with significant changes in such basic industrial products as coal and steel, and the movement is by no means finished. The immediate damage is serious enough. The stock-piling programme for strategic materials has been much delayed, the real value of the funds appropriated for military needs, and for the European Recovery Programme, is dwindling almost daily, and the extent to which the pattern of ERP purchases is now being distorted to supply the materials which can be spared with the least discomfort, rather than those which are most needed, is an unpleasant foretaste of debates which are still to come. To some American politicians, the obvious solution is to stop sending so much abroad. To many more, at some later stage, the solution may seem to lie in the reduction of defence expenditures. In the meantime, important sections of the community are cruelly pinched by food costs; labour dissatisfaction is pronounced, and unorganised groups believe themselves to be the victims of the organised workers, who in turn have found that wage advances give only illusory benefits, with the real gains of the "third round" melting steadily away.

Proposals for exorcising this devil of inflation are numerous and vehement. President Truman has for some months been consistently demanding price controls and rationing powers. The Democratic Party's platform repeated those demands. Labour wants lower prices—at the expense of profits. Business wants lower wages—or lower wage costs. Financial pundits demand reduced consumption and less Government expenditure. The Republicans demand higher production, lower expenditures, and what they describe as "a sound currency." Each group tries to blame another group and to avoid its own share of responsibility.

The President's own demands to the Special Session of Congress follow faithfully along the lines of his appeals for action in November last. He is asking for higher company taxes, consumer credit controls, regulation of bank credit, regulation of speculation, the allocation of scarce materials, rationing powers and price, rent and limited wage controls. But none of these proposals, with the single exception of bank credit control—and the President is once again ominously silent about specific legislation on this point—can touch the basic cause of the inflationary movement which he now seeks to reverse.

The cause of this, and any other, inflation is simply that the flow of demand, expressed in money, is far above the present capacity of the nation to produce goods and services. For some time past, the total supply of money, enormously expanded by war finance, has remained fairly stable. But the community has been increasingly ready to spend its available resources, in cash or credit, and with the Treasury no longer in a position to curtail purchasing power, bank credit is once again expanding, and with it, the total money supply.

Mr Truman's remedies, for the most part, neglect these basic facts. There is an arguable case for the control of some key materials, though in peacetime the acknowledged price of all such measures is the establishment of a "disequilibrium economy," with all its waste of resources and misallocation of materials. But no controls of this type can have permanent value unless they are accompanied by a determination to reduce the pressure of effective demand to a level consistent with the point at which they are imposed.

It is at this stage that the Presidential programme becomes meaningless. For, side by side with the list of measures solemnly proposed as alternatives to the evils of inflationary drift are further measures which, however desirable they may be under more normal conditions, could only aggravate the problems facing the Government in 1948. This is especially true of the housing proposals, where Mr Truman fails to recognise that whatever "stand-by" powers may be justifiable for use in the event of a business collapse, there is no present urgency for the restoration of provisions for Federal finance which would heavily reinforce the building activity which is, even now, so prominent a feature of the boom. Some of his other proposals, for higher minimum wage rates and further funds for regional development, can be met with the same objection—that the President has failed utterly to discriminate between anti-inflationary policy and future needs.

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In fact, the duty of taking corrective action now rests squarely on the monetary authorities, and the Treasury must bear a heavy responsibility not only for its past failure to check inflation, but for its quite recent decision to obstruct the Federal Reserve Board in its modest efforts to apply the mildest curbs.

It is, of course, true to say that the Reserve Board itself has been at all times unwilling to make a vigorous use of its powers to enforce credit restriction by the traditional procedure of discount policy and open market operations. Inhibited by Daltonian dogmas concerning interest rates, and by what many regard as predilections for unnecessary and impracticable controls, it has held consistently to the view that parity is a sacrosanct and minimum value for US government securities, and that no government could afford to face the loss of "moral prestige" which would follow a fall below par, even though every bondholder sees his income falling steadily in terms of purchasing power.

But the Reserve Board generally, and Mr Marriner Eccles notably, has stood for the restriction of credit by the revision of bank reserve requirements, the only fundamental feature in the President's programme—and the only one on which he has so far refused to make specific recommendations to Congress, or to support the Reserve Board experts in their evidence before Congressional committees.

The irresistible conclusion must be that, while Mr Truman is no doubt genuinely worried by the progress of inflation, he is worried much more by the need for putting the spotlight on Congress, and distracting attention from the strength of the Republican team for the Presidential elections in November. Perhaps the most fitting (and thus the most damning) verdict upon the Message to Congress is the comment made by Mr John Taber: "It looks like he is in favour of increased inflation, higher prices and greater scarcity." On this occasion, right or wrong, Mr Taber presumably speaks for the Congressional majority in both Houses.

The Supreme Court's 1947 Term

[FROM A CORRESPONDENT IN WASHINGTON]

LORD BRYCE, in his commentary on the American system of government, begins his study of the Supreme Court with the observation that:

> No feature of the Government of the United States has awakened so much curiosity in the European mind, caused so much discussion, received so much admiration and been more frequently misunderstood, than the duties assigned to the Supreme Court. Yet there is really no mystery about the matter. . . . It is the simplest thing in the world if approached from the right side.

And the right side, according to Lord Bryce, is through an understanding that the Americans have embodied their fundamental law in a written Constitution which is superior to mere legislative enactments. The Supreme Court interprets this Constitution and may declare unconstitutional statutes which conflict with it. Hence the Court's function is one of commanding importance, both political and judicial; its decisions are published and discussed throughout the country to an extent quite unknown abroad.

Last month the Supreme Court concluded its 1947 term, in which it disposed of over 1,300 cases and handed down 108 written majority opinions, together with 38 concurring and 81 dissenting opinions. It was a notable term, especially for the number and importance of the decisions on civil rights and racial discrimination. No decision in recent years has excited more widespread interest than that on the Restrictive Covenants cases, in which the issue was whether private covenants, forbidding the ownership or occupancy of land by negroes or other minorities could, within the Constitution, be enforced by the courts. The spread of restrictive covenants in the last twenty-five years, in Northern cities particularly, was dramatised in this very case by the withdrawal of three Justices, presumably on the ground that they owned covenanted property. The other six Justices decided unanimously that the judicial enforcement of the covenants was state action denying "the equal protection of the laws"—*hence in violation* of the Fourteenth Amendment to the Constitution—and that, when done by Federal Courts, it was contrary to Federal public policy as well. The cases were argued to a packed courtroom with striking ability by a trio of negro lawyers, and the result has been acclaimed as a great constitutional victory for the negro leaders in their struggle for equality.

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Two other civil rights cases dealt with the rights of Japanese aliens residing in California. Under the Federal naturalisation laws, Japanese aliens are ineligible to become United States citizens. Nevertheless, in the Takahashi case the Court declared unconstitutional a California statute which in effect prohibited Japanese aliens resident in the State from fishing commercially in the waters of that State or in the open sea. The denial of the means of livelihood to such lawful residents was deemed a denial of "equal protection" and, furthermore, an infringement of the Federal control over immigration.

In the Oyama case the Court handed down an even more important decision in favour of Japanese aliens. The State of California, which has had more Japanese immigrants than any other, passed a statute as long ago as 1913 which made it unlawful for any person "ineligible to citizenship" to own agricultural land. Of course, this operated directly against the Japanese aliens. What the Supreme Court did in the Oyama case was not to declare the California law invalid—though four of the nine Justices favoured such action—but rather to invalidate certain procedural devices which put teeth in the statute and without which the state of California can scarcely hope to enforce it. In fact, efforts at enforcement have since been abandoned.

It is interesting to note that the problem dealt with in the Oyama case was argued in England by Coke and Bacon in 1609 in Calvin's case, which established the right of certain Scotsmen to own land in England. However, it was not until 1870 that Parliament removed all restrictions on alien ownership of land. The Americans appear to be only one Justice removed from attaining the same result.

The case of McCollum *v.* Board of Education throws new light—possibly new darkness—on a favourite constitutional controversy in America, the division between Church and State. The Constitution provides that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof," and the same prohibition has been held to apply against the states. The plaintiff, an avowed atheist with the half-Biblical name of Vashti McCollum, asked the Courts to ban the teaching of religious education in the state schools, and specifically to proscribe the teaching of the scriptures. She objected to a programme under which the school authorities released pupils during school hours to attend religious instruction classes for half or three-quarters of an hour a week. The classes were conducted in the school buildings by instructors furnished by an interdenominational council on religious education, and attendance was optional. Thus, the only support which the taxpayers gave the programme consisted in the furnishing of classrooms, the release of school time and incidental co-operation from school officials in organising the classes by groups.

This co-operative programme the Supreme Court declared unconstitutional. Similar programmes have been in existence throughout the country for years, and it is estimated that as many as two million children have been participating in them. The decision has been widely criticised and has drawn forth bitter comment from the Journal of the American Bar Association. If the rule is applied to Federal institutions with the same severity as to Illinois schools, there must be an end to the long-standing practice of providing chaplains at the Military and Naval Academies where Chapel services are not only tax-supported but also compulsory.

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The effect of the anti-trust decisions handed down by the Supreme Court, in the term just ended, on the industries and economy of the country can hardly be overstated. From a legal standpoint, the most important case of the recent term was probably Federal Trade Commission *v.* Cement Institute. This case, which declared unlawful, as a violation of the anti-trust laws, the multiple basing point system, has already been discussed in *The Economist* (on May 15th and July 17th), as has the most impressive anti-trust case from the standpoint of legal talent, wealth of litigants, and complexity of issues—United States *v.* Paramount Pictures (on July 3rd).

Of special interest in England and abroad is the holding of the Supreme Court that Scophony, Ltd., a British corporation organised to exploit television patents, was subject to the jurisdiction of Federal Courts by virtue of the fact that it carried on continuous negotiations in New York, even though it did not have any tangible assets in the United States.

Amongst the other interesting cases decided by the Court were two involving wartime legislation, enacted by Congress under its constitutional power to wage war. The Renegotiation Act, which permitted the government to recapture "excessive profits" from war contractors, was finally held constitutional. So was the Rent Control Act, which had been extended from time to time since the end of the war. It has been challenged on the ground that the power of Congress to regulate rents ended when the President proclaimed the end of hostilities on December 31, 1946. But the Court concluded that the war power might be exercised to correct war-engendered evils still persisting after the end of hostilities.

On the last day of the term the Court ruled on one of the most controversial aspects of the Taft-Hartley Labour Act, holding that the ban on political expenditures by labour unions does not forbid a labour union from publishing a newspaper in which it urges the election of a favourite candidate to Congress. By placing this interpretation on the Act, the Court avoided a decision on the even more controversial constitutional issue whether the Act deprived labour unions of the right to free speech. The political repercussions of such a decision on the eve of the national election would have been incalculable.

American Notes

Wallace or War

Last weekend "the people of America came to convention" in Philadelphia to choose Mr Henry Wallace as their Presidential candidate and to found their new party. They at once destroyed much of its novelty by christening it with the traditional name of American new parties—the Progressive Party—and by following the traditional ceremonial of American political conventions. But their disregard of the formalities of debate and roll-call voting removed much of the tedium from that ceremonial, and their fervour, swinging violently between extremes of approval and aversion, gave it the inspiration of a revivalist meeting. The inevitable singing interludes were longer, more frequent and more original than usual, as might have been expected from a party whose Vice-Presidential candidate, Senator Glen Taylor, is known as "the singing cowboy." However, the high musical standard of the convention was set not by him, but by Mr Wallace's negro supporters, led by Mr Paul Robeson.

The negroes were accompanied by the left-wing intellectuals, by the pacifists, by the Jews, by trade unionists (but not by the official leaders of the labour movement), and, above all, by young people. They came from the cities far more than from the farms, but there were few who could be called business men. This sample of the American people was less representative than that provided by the Republicans and Democrats when they came to Philadelphia, but it was united as they are unlikely ever to be, and as it will probably never be again. These Progressives had come not to choose a leader and to build a platform, but to declare their faith in a leader already chosen and in the ideals he had already put before them.

"The choice," they were told, "is Wallace or war," and the choice was illuminated as they met by the growing intensity of the Berlin crisis. Mr Wallace and his producers made good use of this providential spotlight on his thesis that the present foreign policy of the United States is a war policy, and that he, as President, could settle all difficulties with Russia and the other wartime Allies, without sacrificing either American principles or interests. "Peace, freedom and abundance" are his goals, and at home his main pledge is to end racial discrimination. He also promises effective price control, cheap new houses, health insurance, old-age pensions, higher minimum wages, repeal of the Taft-Hartley Labour Act and the planned economy of "progressive capitalism," which does not preclude nationalisation, or at least Government control, of certain important industries.

This programme follows the custom of spreading wide the net of its appeal, and it therefore bears many resemblances to the platforms of the other parties, even though Mr Wallace attacks them both indiscriminately. He alleges that they are both dominated by big business, and that the falseness of their promises is proved by their failure to use the opportunities, which both have had, to practise what they preach. President Truman, by recalling Congress, is giving them a chance to repair this omission, and he has also this week put his own house in order by decreeing the end of racial discrimination in the armed forces and in the Federal service. His failure to do this had been attacked with particular bitterness by the Progressives, but he has probably chosen this moment to act rather because the split in the Democratic Party has at last left him free to ignore the susceptibilities of his Southern supporters.

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A Passage for the Communists

Mr Wallace himself has given little indication of how he would keep his promises, apart from meeting Marshal Stalin, but even the most visionary of his supporters can hardly expect that he will have to do so. The most that any Progressive Party has accomplished in the past has been to ensure the defeat of one of its opponents by the other, before collapsing itself. But Mr Wallace and his friends are looking towards 1952: this year they ask only for sufficient success in the Congressional elections to give them a base on which to build. They claim to have secured a place on the ballot—not everywhere easy for a new party—in at least 40 states. It is thought they will get about 3,500,000 votes: about six per cent of the voters support them, in Dr Gallup's opinion. These estimates have hardly changed since Mr Wallace's party was formed six months ago, an unsatisfactory situation for a new party which should be constantly adding to its strength. But much of that strength is concentrated at strategic points in the big cities, where its influence on the results may be decisive. The Progressives are relying on the "protest" vote, and, from their point of view, the more there is

to protest about, at home and abroad, during the next three months, the better.

Mr Wallace has announced that he will oppose Congressional candidates who voted for the revival of selective service, the Taft-Hartley Act and the European Recovery Programme, with particular emphasis on the latter. The Progressives might have been expected to attack reactionary candidates from both parties, but they appear to be directing their main effort, for the present at least, against those liberal Democrats who have refused to join them and who, if elected, could form a rallying point for a resuscitated Democratic Party. Lack of a strong liberal opposition would strengthen the conservative influences in the Republican Party and would ensure that the tide of popular opinion flows strongly to the left with the depression which, Mr Wallace insists, is inevitable under a Republican Administration. His purpose is apparently to make it certain that his is the only progressive ship ready to take advantage of that tide.

It is obviously good tactics for the Communists not only to reserve a passage on the ship but to supply the pilots, and it is this, as much as his pro-Russian foreign policy, that has attracted them to Mr Wallace. He may not appreciate the full deadliness of the Communist kiss, but it is a liability with which he would gladly dispense. It (and his opposition to the European Recovery Programme) has cost him the support of the labour leaders and of the New Dealers, whose Crown Prince he claims to be. It may alienate many independent voters, particularly those whose pacifism has its roots in isolationism. It is on this issue, too, that his party may at any time lose its remarkable unity, but Mr Wallace has declared that he will not repudiate any support which comes to him on the basis of interest in peace. Nor are the Communists prepared to oblige him by running their own candidate for the Presidency or by allowing themselves to be prevented from taking their share in "this great new coalition."

Mr Wallace and his organisers repudiate any suggestion that they are dominated by the Communists, but the number of those organisers who have been splashed by the red paint of Communism is so high that it is difficult to believe that none of them deserve the stigma, even though the Un-American Activities Committee has certainly waved the paint brush with uncontrolled abandon. The Communists are very ready to remain in the background for the present, but the speeches and the platform, the cheers and boos at the Progressive convention followed the Communist line with a regularity leaving little doubt that the absence of the professional politicians had given the Communists a welcome opportunity to use their long experience of steering the prejudices and idealism of youth into their own channels.

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Cotton in Transition

At a recent meeting in Texas of the Cotton Research Congress, Mr Charles F. Brannan, the Secretary of Agriculture, said that the immediate cotton outlook was better than it had been for twenty years. The Secretary, however, may have been talking with election-year optimism; the professional cotton men believe that their trade is in a transition period and that the future may not be so bright.

Before the days of scientific irrigation cotton ruled only the South, but now the pretty pink and white fields of blooming cotton are spreading over the Southwest as far as Southern California. The boundaries of cotton's kingdom are expanding, although within those boundaries cotton no longer reigns supreme. In the South, farmers are escaping from their dependence on cotton; even the casual observer can see the signs of their experiments with livestock and alternative cash crops. The decline of the one-crop system means that, if and when the cotton depression comes, the situation may not be so serious as it was in the past.

Cotton is selling at 33.5 cents a pound, while the support price will be around 31 cents, over three times the prewar figure. When the new farm programme is introduced next January, the support price will be reduced from the present 92.5 to 90 per cent of "parity." Although cotton is thus losing its privileged

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position in comparison with other crops, it is not surprising that the Administration is concerned about the commitment which even the lower support price may involve, since in the decade before the war the Government was left holding the bag to the average tune of 10 million bales annually. Such a surplus is not yet in sight but the carry-over is increasing; in 1947 it was about 2,000,000 bales, in 1948 about 3,000,000, and next year 4,000,000 bales are predicted. Bad weather can always change the picture before the crop is picked, but to date the cotton men anticipate a bumper crop of as much as 14 million bales (since 1937 the average crop has been 11 million bales). The acreage has been increased by 10 per cent over 1947 and, at over 23 million acres, is the largest planting since 1940; and favourable weather so far suggests a greater yield per acre than last year.

Consumption at home is falling, exports too are down and high costs will add to the difficulties a dollar-poor world will have in buying American cotton. It is already being sold to Germany and Japan, by means of Export-Import Bank loans, and exporters are encouraged to expect that, through the European Co-operation Administration, other markets will be assured them. They anticipate exporting about 2,000,000 bales yearly under ECA, but 2,000,000 bales is considerably less than they sold abroad in 1947 and is only approximately one-third of prewar exports. There are indications too that world cotton production, reduced enormously by the war, is on its way back to normal and perhaps will be expanded if cheaper fibre does not become available from the United States.

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Communist Round-up

Two days before the Progressive Party's convention, and one week before Mr Truman reinforced his demand for legislation to check inflation, with the assertion that "Communists both here and abroad are counting on our present prosperity turning into a depression," a Federal Grand Jury, after investigations lasting for thirteen months, issued indictments which led to the arrest of the twelve leading Communists in the United States, and which were, in effect, an indictment of the whole party. The timing was perhaps fortuitous, but the coincidence was a helpful and forceful reminder that there is in the United States a Communist organisation ready and able to take advantage of every opportunity offered it, whether by Mr Wallace or by an economic collapse.

The indictments will also remind the public that there are grounds for believing that the Communists advocate the overthrow of the United States Government by force, since the charges were brought under the section of the Alien Registration Act of 1940 (the Smith Act) which forbids such advocacy. It is not suggested that violence has in fact been employed, and the American Communists themselves have always denied that they even advocate its use. This is the first time that any attempt has been made to test the truth of their denial in the Courts, and the case may show whether there is any need for the further legislation to restrict Communist activities which recently caused so much controversy. The charges are based on the record of the party since the end of the war, when it resumed its unrelenting hostility to capitalism, but details will not be available until hearings open on August 23rd.

The Communists themselves are, of course, eagerly claiming the crown of martyrdom, and Mr Wallace hastened to share it with them, insisting that the arrests were an attack on his party, and were intended to divert attention from the more serious aspects of the political scene. Others, who are far less favourably inclined than he towards the Communists, nevertheless see in the indictments a dangerous threat to the political liberties of the American people. It has also been pointed out that, if the experience of other countries is any guide, the arrested men are probably only screens for the real and under-cover leaders of the party, and that its power will not therefore be seriously undermined even if they are found guilty. However, little harm can be done by discovering whether the Smith Act can be applied to the Communists, and, in the process, the public should gain a valuable insight into their activities, even though the hearings will provide the Communists with a propaganda platform which they may find very profitable.

There will at least have been a fair and open trial, which is infinitely preferable to witchhunts of the type that have recently become increasingly prevalent, especially in Congressional Committees. The latest example is the allegation, by an official of the Visa Commission of the State Department, that many United Nations employees are secret Communist agents. This allegation naturally received more publicity than did the subsequent denial by Mr Marshall, who does not believe that the security of the

United States is endangered by any of these Communists, whose presence is in any case unavoidable as long as the United States contains the headquarters of the United Nations. The loan for the construction of these headquarters may come up for consideration during the Special Session of Congress and might be unfavourably affected if any suspicion remains that these allegations are correct. This is probably why Mr Marshall has now appointed a committee to investigate the matter.

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Getting Results from ECA

One of the reasons for the Economic Co-operation Administrator's visit to Paris (also discussed on p. 175 of this issue) was to give the people of the participating countries a "real understanding" of the American purpose in setting up the programme. That purpose is to help Europe to help itself and, during the first three months of the programme, the first kind of help has been more noticeable to Americans than the second. In less than six months' time the new Congress will be asking for proof that America's money is getting results. That Congress will be elected by voters who have been told, by Government economists, that one of the main causes of the recent rise in the prices of 900 basic commodities, to a new postwar high, is the foreign aid programme. The rise is expected to continue and the economists also point out that the programme is costing each American taxpayer an average of $163.

Most of this sum will be a free gift, but about 20 per cent is to be in the form of repayable loans and it is hardly surprising that ECA is anxious that the use of these loans on a substantial scale should begin at once. The first, $2,300,000 to Iceland, is expected to set the pattern for others to follow shortly; interest is at the usual Export-Import Bank rate of 3 per cent and the loan is repayable in ten years. Its purpose is to expand the country's ability to produce and export fish oil and meal, for the benefit of the other participants in the European Recovery Programme. The same idea is behind the recent allotments of ECA dollars for use in intra-European trade, which will help to establish the new trade patterns which Mr Hoffman insists are indispensable to a sound economic reorganisation.

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ECA has taken a step which will be of direct assistance to American businessmen: it will guarantee the convertibility into dollars, at the current rate of exchange, of any foreign currency which may be earned by private investments in the participating countries, provided those investments are approved both by ECA and the country concerned as fostering the programme of economic recovery. It is emphasised that this is an insurance, not of profit or against business risks, but of convertibility, and that it will last only until 1962. Sound business practices are still needed, and the sooner they are put to work the better.

This desire to encourage a favourable climate for private enterprise is also one of the main considerations which will guide ECA's strategic materials division in its work, work which can make a useful, and topical, contribution to the safety of the United States. This division is to see that an "open door" is maintained for American capital in the expansion of the output of materials in which the United States is deficient. This expansion is to be encouraged in order that a surplus over the needs of the producing countries may be available for the United States.

ECA has found a way to alleviate the condition that 50 per cent of the goods purchased in the United States should be transported in American vessels "to the extent such vessels are available at market rates." This condition had caused widespread alarm among American shipping companies, whose costs and rates are higher than those of foreign vessels and who feared that this "joker" would squeeze them out of the running. ECA has now decided to substitute for "market" rate a "reasonable" rate. The rule of reason means higher rates for American than for foreign ships, but this is defended on the ground that to deprive American shipping companies of their share of ECA shipments would lead them to return the vessels they have chartered from the Maritime Commission, and would result in an acute shipping shortage.

Shorter Note

Civilian employment in June reached the record level of 61,296,000; unemployment also increased by 400,000 over May, to a total of 2,184,000. Both of these trends are normal seasonal developments, resulting largely from the entry of young people into the labour force as the schools close for the summer. Farm employment at 9,400,000, one of the lowest June figures on record, reflected the continuing trend away from agriculture.

THE WORLD OVERSEAS

Latest Lessons of Benelux

OVER six months have passed since the tariff barriers came clattering down on the Dutch-Belgian frontier. That was the first stage in the economic union between the two countries, the plans for which had been signed in September, 1944, when their respective governments were still in exile in London. The second stage, set very provisionally for the end of this year but now almost certain to be postponed, was the unification of excise duties and sales tax in the two countries. The third, lying in the distant and unspecified future, was to be their complete economic union, involving unfettered freedom in the movement of goods, people and money between the two countries.

The six months that have passed have provided a valuable experience of the kind of difficulties which any customs union, however modest in its scope, is bound to encounter. For that reason there are important lessons to be drawn for Europe as a whole from this experiment. Benelux has a great deal to teach on the negative as well as the positive side. It is an example of the kind of objective for which Europe should be aiming. It also provides abundant illustrations of what should be done and not done if the wider integration of the economies of politically independent countries is to be secured.

The first main lesson of the experience of Benelux to date is the need to proceed logically. The first essential of a customs union is that there should be some broad sympathy or similarity between economic conditions in the various parts that are to be welded together.

Like with like must be joined together. Belgium, or rather the Belgo-Luxemburg union, is not like the Netherlands. It is a country with a free economy, where the law of the market is allowed relatively unfettered scope, where the incentives of well-filled shops (at high prices) take the place of the ordered distribution of rationing and the egalitarian principle of a subsidised cost of living. The Netherlands, on the other hand, is a country of which the economy has been deliberately planned since the end of hostilities, with a strictly enforced system of rationing, a considerable intrusion of subsidies in the prevailing level of prices, and a centrally conceived investment plan, with all the physical controls and the preventions of non-authorised investment this entails.

The Dutch Move Half-way

This basic contrast between the two economies has already led to the emergence of many difficult, specific problems. It has created disparities in price levels which have militated against opening completely the common frontier to goods moving between the two countries. But, apart from specific difficulties of this kind, the contrast has obstructed all efforts to launch the common economic policy which must be an essential condition of achieving the wider objective of the Benelux union. This basic problem received a great deal of attention at the recent meeting of representatives of the three Benelux countries at the Chateau d'Ardennes. The result of this meeting seems to have been an undertaking by the Dutch to go a good deal more than half-way towards meeting the Belgian system, gradually to abandon its *dirigiste* policy and to adopt the more liberal economic policy maintained with such glittering and alluring success by its southern neighbours.

Another basically important dissimilarity between the two economies lies in their relative price structures. Broadly speaking, prices and wages in the Netherlands are at 170 per cent of what they were before the war. In Belgium they are well over 300 per cent. In the Netherlands there has been a conscious endeavour to keep prices low on the domestic market so as to give producers an incentive to sell abroad. Rationing has held in check the consequent stimulant to consumption in the domestic market. The disparity in price levels has important monetary causes. The reinflation in Belgium following the Plan Gutt of 1944 has been far more marked than in Holland, following their comparable monetary purge of 1945. The "good time policy" followed in Belgium has provided a freedom for prices to move and for inflation to reflect itself in prices and costs of production. This problem was also considered at the Chateau d'Ardennes conference. The main contribution to its solution appears to have been an undertaking by the Netherlands Government to reduce its subsidies both to consumers and producers, and thus remove this artificial element in the Dutch cost and prices structure. This alone will be quite inadequate to remove the disparity between prices in the two countries.

Concessions on Excise Duties

A third difference between conditions in the two countries is the widely varying range of excise duties on similar products. The purchase tax in Belgium, levied on each transaction, amounts to 4.5 per cent. and yields 19 milliard Belgian francs, or more than a third of the total revenue of the Government. In the Netherlands the comparable tax is levied at the source and yields only the equivalent of 8 milliard francs. Many goods, such as matches and vinegar, have to bear duty in the Belgo-Luxemburg union and are free in the Netherlands. Conversely, salt is free in Belgium and dutiable in the Netherlands. Alcohol bears a duty of 200 francs per litre in Belgium and the equivalent of 91 francs in the Netherlands. On the other hand, Belgium only taxes sugar at 60 francs per hundred kilos, while in the Netherlands the excise duty amounts to the equivalent of 480 francs. The tax on petrol in Belgium amounts to 3.12 francs per litre, in the Netherlands it is only 1.25 francs. These examples of disparity could be multiplied over almost the whole range of articles subject to excise duties. Though it had been hoped that these differences might disappear at the end of this year it has been decided that such rapidity of progress will not be feasible, because the prevailing duties are too deeply imbedded in the budgetary and social policies of the two countries.

The result of these basic differences has been that the climax of the first chapter in the Union of Benelux, namely the abolition of the tariff frontier, has proved more apparent than real. The customs duties may have disappeared, but the quantitative restrictions remain. There are still rigid import quotas on most of the goods that cross this frontier in either direction. The main reason for the maintenance of these quotas is wide disparity in price levels and in excise duties in the two countries. Apart from quotas, which are a far more limiting factor to Dutch-Belgian trade than were the former customs duties, special measures have also been taken to ensure that agricultural producers in either country are not penalised by lower priced goods produced in the other. It has, therefore, been agreed that Dutch agricultural produce may not be sold in Belgium below the price fixed for comparable domestic products by the Belgian Government. The same condition applies in the other direction, though only for the sake of appearances since it is not required for the protection of low cost Dutch agriculture.

Disparity in Price Levels

The main obstacle to the real opening of the frontier between the two countries is, therefore, the disparity of their price levels. Some progress towards equalisation of these prices will be made as a result of the withdrawal of subsidies in the Netherlands and the gradual unification of excise duties. But these will do no more than touch the fringes of the problem, which is essentially of a monetary character and is due to the fact that Belgian currency is inflated in relation to the Dutch and the Belgian franc overvalued in terms of the guilder. The remedy would be some form of exchange adjustment, a devaluation of the Belgian franc. At this point, however, logic clashes with reality; for though the Belgian franc may appear overvalued, it is in fact

a much harder currency than the guilder and is quoted at a substantial premium on the guilder in the black market. The guilder is now unofficially quoted at about 9 Belgian francs as compared with the official quotation of 16.52 Belgian francs. The relation of the two currencies then bears some resemblance to that of sterling and the dollar. It should be added that the commercial and monetary frontier between the two main partners of Benelux is today one of the strictest in Europe. This is no doubt due to the close proximity of big shopping centres in each country and to the ease with which unauthorised currency operations and the traffic in goods with differential excise taxes can, therefore, be conducted. Nonetheless, this relative severity of control which has struck many foreign visitors as the height of paradox emphasises the underlying difficulties that hamper progress towards full achievement of the economic union between the two countries.

A Time for Boldness

The lessons hitherto noted are of essentially technical character and concern divergencies of economic policy and conditions. There is also a lesson of psychological character which is in no way inferior in importance to those already mentioned. It is that in a project of this kind the primary need is for boldness. Most of the complaints that are now being encountered among the partners of Benelux Union come from vested interests which are only gradually becoming aware of the thorns that are to be found on the stem of this lovely bloom. The earlier decision to allow separate and divergent excise and purchases taxes to persist has allowed vested interests to revive, and these interests provide most of the vocal criticism of Benelux which is to be heard today. It must be frankly admitted that for some time past the idea of the Benelux customs union has become less popular among its members, and particularly in Belgium.

A little more boldness by the two exiled governments when they signed their agreements in 1944 might have silenced that opposition from the start. If, in 1944, the two governments had agreed to equalise their excise duties they would have made this decision in the vacuum created by the German occupation. The agreement would have been accepted without demur after liberation, when the whole fiscal system of the two countries had to be reintroduced to economic realities. Had such initiative been taken in 1944 there is no doubt that Benelux would today be a good deal nearer its objective.

The lessons of the first half-year's experience of Benelux can thus be summarised under two broad heads. First there is the need to establish relative stability in the domestic finances of any would-be participant in a customs union. Having secured relative stability, prices and costs in the various countries must be put into some semblance of equilibrium. This will have to be done by adjustments of exchange rates and adopting the "valid rates of exchange" demanded by the Economic Co-operation agreements. Having achieved this balance and homogeneity of economic conditions in the various countries the next need is to act boldly. If countries are sufficiently convinced that their economic union is desirable (and in the case of Europe desirable is surely an understatement for what is a matter of survival), then they must be prepared to make subsidiary sacrifices in order to obtain the greater good. If these lessons can be learnt the Benelux experiment will have earned its laurels not only for the example it has given to the rest of Europe but for its revelation of some of the basic mistakes that must be avoided.

Exploiting the Nile

[BY A CORRESPONDENT]

"EGYPT," said Herodotus, "is the gift of the Nile." The quotation is trite but it remains true. Egypt is wholly dependent upon the waters of the Nile for its existence. The annual floods, beginning in July and ending in December, are watched for as anxiously now as they were three thousand years ago, and the possibility of lean years or fat years depends still as it did in the days of Joseph on the extent of the floods, which vary between half and twice the average flow of water. Egyptians, therefore, regard their claim on the Nile to be paramount, and they have continued through the centuries to devise plans for minimising the effect of the bad years and for benefiting from the good.

But in the past fifty years other claimants for the gifts of the Nile have sprung up. The Sudan, which depends almost as much as Egypt upon the Nile for cash crops, has insisted on its share. In 1929, by the Nile Waters Agreement, its claims were legally recognised in return for its admission that Egypt should have the major say in the control of the Nile throughout its long course through the Sudan. Now Uganda, which embraces the sources of the White Nile—Lake Victoria and Lake Albert, has put in a claim to harness the headwaters of the Victoria Nile to provide electric power for the secondary industries which it intends to develop. There is also a possibility that some time in the future Ethiopia may put in a similar claim to harness the headwaters of the Blue Nile where it emerges from Lake Tana.

Can these various claims be reconciled? Can the Nile indeed, meet them all? The answer depends first on the extent of the different claims and second on technical difficulties. Over a period of twenty years the Egyptian Ministry of Works aided by the British scientists, Hurst and Black and the Egyptian, Simaika, carried out detailed researches on the hydrology of the Nile and on the question of what was the maximum area of Egypt which could be cultivated. They investigated the flow of water, the silting of the river beds and the evaporation over the entire course of the Nile and its sources. In particular, they made detailed calculations about the extreme limits of the good and bad flood years. When all their investigations were completed, they were able to produce a formula to estimate how much water must be stored in reservoirs to ensure that in every year, whether the flood is high or low, a specified volume of water will be available for irrigating the crops. Further, they were able to calculate how much water would be required to irrigate any given crop over any given area.

Egypt's Claim for Water

Meanwhile, other investigations had shown what was the maximum "crop" area in Egypt. This is greater than the actual area of cultivable land, for, in Egypt, some lands are cropped three times in every two years. The limit of the ultimate cultivable area is fairly sharply defined by the borders of the desert, and works out at 7,100,000 feddans (1 feddan = 1.038 acres). Assuming that the whole area is harvested three times in every two years, the maximum crop area would thus be 10,650,000 feddans. The present crop area of Egypt is 8,474,000 feddans.

Egypt's claim, therefore, can be exactly calculated. It has been estimated that it will require its maximum crop area within about 35 years in order to meet the demands of its expanding population.

The claims of the Sudan on the Nile affect one of the primary sources of its livelihood and its most promising source of revenue.

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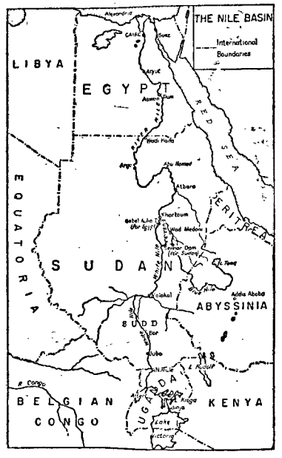


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Unlike Egypt, the cultivable area cannot be so exactly calculated. By far the major portion of its land under irrigation is in the Gezira plain, the triangle of land between the White and Blue Niles with its apex at Khartoum. The Gezira scheme, which has some points in common with the Tennessee Valley Administration, now comprises some 900,000 feddans. The limits of its expansion are difficult to estimate exactly, but approximate calculations show that altogether about 2,000,000 feddans, depending on water from the Nile, may eventually be cultivated here. Other lands irrigated from the river may eventually total 500,000 feddans. But the greatest part of the Sudan in which the food crops are grown is not accessible to irrigation, and its people will always be dependent upon capricious rainfall.

The claims of Uganda and the possible future claims of Ethiopia are not so vital as those of Egypt and the Sudan. Uganda's chief interest in the Nile is for the secondary purpose of obtaining electric power rather than for the primary needs of life. Nevertheless, Uganda's need is real, for its population is developing fast and without the labour and products which the secondary industries represent its people would be condemned to poverty. Solid fuels are scarce and expensive; it was inevitable that the Government of Uganda should have turned to the Nile for the comparatively cheaper possibilities of hydro-electric power. The Nile begins its 3,500-mile course by tumbling out of Lake Victoria over the Owen Falls just west of Jinja, and on July 1st two firms of consulting engineers presented a scheme to the Uganda Government for harnessing the water at this point at a cost of £7,000,000. The importance of the scheme to other users of the Nile is that it would involve some control over the flow of water, though this could easily be co-ordinated with the requirements for irrigation.



The foreseeable demands on the Nile can thus be calculated fairly accurately, and various solutions have been put forward to the problem of how to make the Nile satisfy these demands. There are two deciding factors: the incidence of high floods and silt. The investigations of the Egyptian Ministry of Works showed that in order to be certain of having enough water in the driest years to meet the requirements of Egypt and the Sudan a much greater volume of water would have to be stored than at present. The three existing dams at Aswan, Gebel Aulia and Senner store water only year by year, and in an exceptionally lean year or if more land is to be cultivated they will be insufficient. Moreover, their control over the flow of the Nile is inadequate for preventing the disaster of exceptional floods.

The second factor—silt—has shown itself in the past thirty years to be almost as serious a problem as the uncertainty of regular water supplies. During the flood season each year, the waters of the Blue Nile and the Atbara are heavily laden with silt. If these silty waters are stored, the silt would drop and in time would seriously reduce the capacity of the reservoirs. Every year much valuable water has to pass to the sea for this reason. On the other hand, the waters of the White Nile are practically free from silt, and this is one of the reasons why schemes for conserving water tend to be concentrated on the White rather than the Blue Nile.

Hurst, Black and Simaika, after they had completed their monumental survey, put forward a number of schemes for exploiting the Nile. The first, amended by suggestions from the Uganda Government, was to dam the Victoria Nile at its exit from Lake Victoria and to raise the level of the lake, which is roughly the size of Eire, by three feet. The storage thus obtained in Lake Victoria was also to be supplemented by a smaller dam on Lake Albert. By their calculations this scheme would go far to meeting the present and future requirements of Egypt and the Sudan. It also fits in with Uganda's scheme for a hydro-electric power station. Second, they suggested enlarging the earlier Jonglei canal scheme to enable the White Nile to bypass the vast swamp in the southern part of the Sudan, the Sudd, where much water is dissipated by evaporation. And third, they suggested that the earlier proposition for a dam on Lake Tana, the source of the Blue Nile, should be greater than originally planned. These schemes, together with an extra reservoir in the Northern Sudan designed to protect Egypt against high floods such as those of 1946, would be sufficient to meet all demands on the Nile. They calculated that they would take about 35 years to complete.

Technically, then, the demands on the Nile can be met and practical schemes have been put forward for doing so. Politically, the problem is very different. The dams at the various points along the Nile give the country in which they are situated great powers over the countries lower down the river. Egypt, for example, already depends to an uncomfortable extent on the goodwill of the Sudan. It could not be deprived of water altogether, but, should the Sudanese so choose, the flow of water could be so regulated in the Gebel Aulia or Senner dams as to seriously affect the Egyptian harvests, either by flooding at the wrong time or by failing to store water during the lean years. The Nile Waters Agreement of 1929, of course, makes this extremely unlikely, and in point of fact any hostile action by the Sudanese would harm the Sudan as much as Egypt. But the fact that these political fears are very much alive, even over the limited schemes which already exist, point out the chief obstacles to the greater schemes which have been proposed. A dam on Lake Victoria or Lake Tana would give power to countries which, unlike the Sudan, do not depend on the Nile for their existence. There would thus be no self-interest to restrain them from hostile action. No one imagines that Uganda or Ethiopia would attempt anything so disastrous, but Egyptian—and Sudanese—statesmen look into the distant future when the threat, remote as it is now, may eventually become real. The problem can only be solved by an International Authority or by separate agreements in which Egypt and the Sudan in particular can put their lasting trust. The schemes are urgent, but until the political problem is solved, the further exploitation of the Nile must wait, and the age-old perennial anxiety over too much or too little water must continue.

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Europe's Food in Five Years

A CALL to produce a "master plan for action" for full European recovery by June, 1952, was made in Paris last Sunday by Mr Hoffman, the head of the Economic Co-operation Administration, to the representatives of the countries receiving Marshall aid. One of the most vital programmes contained in the master plan must be concerned with food production. Some indications of how far it will be possible for Europe to achieve adequate standards of nutrition by 1952 is contained in a report just issued by the Food and Agriculture Organisation of the United Nations.

This report, which examines the programmes of agricultural reconstruction and development of all European countries except the Soviet Union, gives a general picture of what Europe is expected to be eating in 1951 if all goes according to plan. The average food consumption that year in the countries of north-west Europe should not only be far above present levels, but will also show considerable improvement in the nutritional value of the food eaten. But elsewhere in Europe, while there will be a considerable increase over the present low levels in the quantity of food eaten, there will be little improvement—if any—in its nutritional value.

In some countries disorganisation of farming caused by the war precludes any return to prewar standards, either in quantity or quality. The total amount of bread grains available is expected to exceed the prewar quantity. In some countries, such as

Germany and Austria, consumption will be increased, and in others such as Jugoslavia and Poland it will be reduced. Both the imports and the production of oils and fats will be less than prewar standards, but the resulting decrease in consumption will be confined to Germany, which in 1951 will be consuming 1,000,000 tons less than before the war. In eastern Europe and Turkey consumption is expected to show a considerable increase, largely owing to increased local production of oilseeds. Meat supplies will probably be less than before the war, even if the large import programme is fulfilled. Consumption will be heavily reduced in Germany and Finland, and slightly reduced in some countries of north-west Europe, but in eastern Europe it is expected to be above prewar standards.

More Mouths to Feed

On the basis of the individual import and production programmes, the report considers how far the need for specific types of food will be met. For instance it estimates that although the area devoted to the cultivation of bread grains will by 1950 be as large as the prewar area, the actual production will probably not be so great. This is because a partial shift in the zones of production from the industrial countries of north-west Europe to south-east Europe and Turkey will result in a decreased average yield. This shift emphasises the difference already existing before the war between the industrial countries, which were large importers of bread grains, and the predominantly agricultural regions of south-east Europe. A possible counter balance to this shift not mentioned in the report, is the change now being worked out in the original Monnet Plan, whereby France will revive primary cereal cultivation, not only in order to free itself from the necessity of importing from America, but also in order to enable it to export regularly to Britain and western Germany.

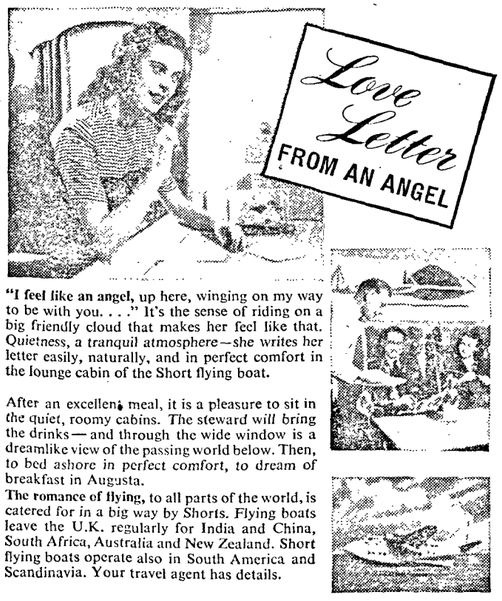
Since European production of bread grains in 1951 is expected to be 2,300,000 tons less than before the war, and the population will be 5 per cent larger, Europe will need to import about 15.5 million tons of grain, which is 6,100,000 tons more than before the war. The total exports of bread grain available from the United States, Canada, Australia, Argentina, and Russia, may vary from 16 to 24 million metric tons, of which non-European importers will probably need at least 6,000,000 tons. Thus, in favourable circumstances, Europe's needs will be met: but since two-thirds of the possible world exports will come from North America a failure of the harvest there in any year might gravely reduce the supplies available. In unfavourable circumstances Europe might have to readjust its grain production goals, its livestock policy and even its standards of food consumption.

In spite of attempts to develop the cultivation of oilseed crops, the production of fats in Europe remains low. It is estimated that in 1951 production in Europe, excluding Turkey, will be 97 per cent of prewar production. Before the war European imports of 4,700,000 metric tons of oils and fats represented 40 per cent of its supply, and half a dozen western European and Scandinavian countries exported, or re-exported 1,300,000 tons. By 1951 it is hoped that both imports and exports will be restored to a level not far below that of before the war.

The report emphasises that in all the programmes submitted, covering not only production of cereals and oils and fats, but also coarse grains, meat, dairy produce, and fruit and vegetables, it is assumed that a very rapid recovery will be accomplished in a very short time. After the First World War Europe needed seven years to recover its crop production and ten years to recover its livestock. This time, although the losses have been greater, it is proposed to recover both in five or six years. Moreover, the successful fulfilment of the programmes presupposes a very great deal. It assumes that the means of production—fertilisers, machines, foodstuffs and labour—will be adequate. But will there be enough coal and electric power for the manufacture of fertilisers, enough steel to make machinery, enough manpower to work on the land? Will the weather be propitious or will there be more seasons like 1947? Above all, will it be possible to make satisfactory international financial arrangements to enable countries to obtain the necessary imports of fertilisers, machinery and foodstuffs?

Threat to Standard of Living

The report states quite frankly that it would be outside its terms of reference to consider how far the countries of Europe will be able to pay for their import requirements. The calculations it makes assume that they will be able to do so regardless of the currencies in which payment must be made. But it points out that the production goals assume the revival of food and fuel



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imports on a scale which many of the countries concerned might not be able to finance. In brief, Europe's agricultural programme might easily fall far short of fulfilment. In that case "either Europe's food supply would have to be maintained by steadily increasing imports and indebtedness; or the diet, the productivity of labour, and the whole standard of life would enter on a downward spiral of deterioration leading to widespread social disorder."

The report stresses the need for consultation and action on an international scale, in order to secure the best possible distribution of whatever food and agricultural materials are available. It mentions the organs for co-operation which already exist in the Economic Commission for Europe as well, of course, as in the FAO. But although it acknowledges its debt to the reports of the Committee of Economic Co-operation, it makes no mention of the necessity of co-operating with the sixteen Marshall Governments working in Paris on ERP. Here is the nucleus of that European co-operation in agricultural reconstruction which the report calls for. It is surely a strange omission to make no mention of it.

Sweden Marks Time

[FROM OUR SPECIAL CORRESPONDENT IN STOCKHOLM]

"AWAY in the country" is where one's Swedish friends invariably are in summer. Then indeed are routine tasks rejected for the sun, the mountains and the sea. Public life is almost at a standstill. So it is this summer in spite of tension in Berlin, a family quarrel with Norway and an intractably adverse balance of trade. But when the holidays are over, fresh elections for the Second Chamber will be held. Pre-election caution is thus allied to the carefree spirit of summer to postpone the day when outstanding problems are faced and perhaps painful decisions taken until after September 19th when the electors have voted for the new *Riksdag*.

Negotiations with Norway on a joint defence policy for Scandinavia must in any case go slowly while a new formula for agreement is sought and Norwegian susceptibilities soothed: the original formula, although accepted by the Norwegian negotiators, was rejected with some asperity by their colleagues at home. Present events, while increasing the urgency of agreement, tend to intensify the differences between the two countries. For Sweden this implies confirmation in the policy of neutrality, with or without Norway as a fellow-neutral. This attitude is consistently criticised by an influential and vocal section of opinion, yet it is difficult to deny that it is supported by most Swedes. To them it is instinctive. Therefore arguments purporting to expose its impossibility or undesirability appear irrelevant. They appeal to, and may even be accepted by, reason. But they will not be acted upon, for they run counter to the deep emotions which are the mainspring of action.

Nor does reason, it must be admitted, entirely commend such arguments at the present stage of development of Western Union. If Sweden were forced to chose, it would certainly join the West. But successful neutrality depends on avoiding definite decisions, on maintaining the maximum freedom of action, so that policy can be adjusted as rapidly as possible to varying circumstances. By the definite step of entering into commitments with the West that freedom would be circumscribed. Sweden would therefore expect stronger guarantees than the Brussels Powers—of which Britain alone now has a greater military strength than Sweden—could at present offer.

To the Swedes, therefore, the issue is simple. Either they keep their neutrality—a well-armed neutrality—and thereby help to protect Finland and Norway, or they ally themselves with the West, expose Finland to the risks of a Russian occupation and Sweden to the certainty of a Russian invasion should another war start. In any case, by binding themselves beforehand by an alliance, they not only declare themselves potential enemies of Russia, thereby increasing Russian suspicions and the chances of war, but also increase the definite commitments of the West.

In choosing the first alternative, they have no illusions about their chances of withstanding a Russian attack. Informed estimates of the endurance of their resistance vary from about three months to one month. But, as long as they were not definitely committed, they consider that there is a reasonable chance that they would not be attacked. It is on the probability of first, any war at all and, second, a Russian attack regardless of neutrality that the main cleavage exists. It is fruitless for holders of opposing views on these vital points to do more than agree to differ. But it may be noted that the General Staff is on the whole less sanguine than the politicians.

Yet among the politicians there are signs of what the Communist paper *Ny Dag* calls "slipping westwards." At any rate, the references the Foreign Minister, Hr Unden, made about ERP and Western Union during the debate at the end of June when Sweden adhered to ERP were less aloof than usual. His remarks on Scandinavian co-operation for defence, though cautious, did reflect the important change in foreign policy that occurred at the end of April when it was decided to open discussions on this matter. Some observers accordingly consider that the main parties are prepared eventually to go much further west than they dare advocate before the elections. This is very doubtful unless events enforce such a course of action.

How much Socialism?

Foreign policy, however, will be of slight importance in the election campaign. The main struggle will centre on what the Social Democrats call democracy and their opponents, except the Communists, the lack of it. In other words, how much Socialism is to be retained? Are controls to go or be intensified? This second issue is the more important because more specific. The dilemma of the bourgeois parties here is that, with the exception of a few extremists, they frankly admit that some controls are at present essential. The question is which controls? And it is difficult to go to the country opposed to the present controls which a Social Democrat Government thinks necessary but advocating different ones to be imposed by a new Government. To be exact, different controls are not now advocated. Only the Government controls are attacked.

Yet in truth their chief weakness is not that they are unnecessary, but that they are sometimes misdirected, inadequate in important essentials, and often inefficiently administered. The Government will be chary of taking the strong measures the situation demands nor do its opponents advocate them. But both sides know that after the elections they are likely to form a coalition with the express purpose of adopting the more drastic remedies which the country's intractably adverse balance of trade demands. The surprisingly large volume of imports from Britain contributes to this situation. Nor has there been the general reduction in imports which was expected to result from various restrictive programmes, although the enormous influx of cosmetics, fountain pens and so forth has ended. The gravity of the situation is reflected in Sweden's finances. Holdings of foreign currency and gold at the end of June were only 476 million kronor—about the same as for the two previous months, but well below the March figure of 568 million. Various special supplies of foreign currency have been drawn on, and, in addition, Sweden is running into debt with Britain at a rate of about £12 million a year. This could easily be paid off by the release of part of Sweden's £25 million blocked sterling and by the normal autumn increase in earnings of sterling. The cutting down last weekend of US imports for the current half year to Kr. 180 million compared with over Kr. 400 million in the first six months of this year should help to remedy the dollar deficit. But the root problem of increasing Sweden's exports would remain.

Austerity Ahead

The greatest contribution to its solution would be a drastic restriction of home consumption. To do this now would cost too many votes. There is a faint possibility that the normal summer increase in exports may improve the position sufficiently to avoid really serious measures. The Government also appears to place some hope in the cumulative effect of restrictions already imposed. But these are not big enough: even after the building programme, for example, has been cut, Sweden still produces 84 houses per 10,000 persons compared with 47 in the United States or 35 in the United Kingdom. The level of consumption generally remains very high and firmly supported on full employment, cheap money and an ambitious scheme of family allowances and pensions.

Incomes are rising faster than production, although the abolition of electricity rationing, better supplies of coal and improved organisation should increase production slightly above last year's level. But it will not be high enough to compensate for reduced imports of consumer goods. More effective measures to neutralise excess purchasing power will therefore be necessary if the pressure to close the gap between supply and demand is not to upset the price-stabilisation measures which are a cardinal feature of Social Democrat policy. Additional measures will be needed to cut home consumption still further in the interests of increased exports. It will be distasteful medicine which the new Government must administer to the body politic.

THE BUSINESS WORLD

Film Finance

WHEN the President of the Board of Trade disclosed on April 15th that he had been studying the question of "affording improved access to finance to qualified independent film producers," he expected to be able to announce the arrangements in "the very near future." It has proved a more difficult task than Mr Wilson supposed. On Thursday last week, *fourteen weeks to the day, the promised announcement* was made. A Film Finance Corporation is, after all, to be set up by the Government; it will have power to lend a sum, "fixed provisionally at £5,000,000" to film distributors, who in turn will use it to finance the production of films; the setting up of the new Corporation will require legislation, so, as an interim measure, a company is to be formed with power to raise £2,500,000 by Treasury guarantee under Section 2 of the Borrowing Act of 1946.

Apparently, the Government consider that the lending of public money to finance film production should cease after five years, since the money is "required to meet the difficulties of postwar transition." This theme of temporary difficulty appears at several points in Mr Wilson's statement. The present position is "abnormal," particularly for the independent producers "who are building up their production and have not yet had a chance to establish the necessary working capital after the dislocation of war." The City of London "so mindful of their unfortunate prewar experience of the film industry as to be regardless of the national interest at the present time" is unwilling, or unable, to finance an industry "now producing for a safe and assured home market with a high quota."

The protection already given by a quota of 45 per cent for first feature films—a quota which must be regarded as excessively high—is now to be buttressed by added finance sufficient in itself to produce, say, 25 films of adequate but not extravagant standard, with the presumption of further films as the Corporation's funds are turned over and its first advances for production costs are recouped. To make any closer estimate of the increase in production which the funds of the Film Finance Corporation may encourage is scarcely possible. But to free the channels of finance by *Government action is one thing*; to provide adequate studio space for independent film production is another. Existing studios are largely controlled by the Rank Organisation and by American film companies—a point which has been seized by advocates of an additional film studio under state ownership or management, to cater for the independent producer. A committee has now been set up to examine this question, with terms of reference based on the assumption that an additional studio is to be erected. Even with Government support, it is difficult to frame convincing arguments that such a project should enjoy any form of priority over other no less urgent schemes of industrial investment which have been cut or postponed.

It would be a mistake to regard the new Finance Corporation as being designed solely to meet the financial needs of the independent producer. That indeed is its primary function and the one which Mr Wilson emphasised most strongly in his statement—it is to cover "the whole group of independent producers outside the Rank Organisation, which so far has been able to finance its full programme of production." The decision to lend, however, will rest with the Corporation; its powers have not yet been strictly defined, save that it must observe "reasonable commercial terms." And evidently the definition of "independent film production" is flexible, for it will apparently be open to the Corporation to extend finance to the Rank Organisation "if they so thought fit, and they applied for such assistance." The possibility that public funds might be employed to assist the production programme of the Rank Organisation is thus not ruled out; and once that possibility is admitted, the way is open to the application of public funds in film production in a much wider field than a hasty reading of Mr Wilson's statement might suggest. Opinions about this potential development may differ, according to the estimate of the hazard which is involved. For his part, Mr Wilson evidently feels that the degree of hazard can easily be exaggerated: "This is an industry which, as a result of measures recently taken, is one which can look forward to a long period of prosperity in this country." But it is one thing to fix a quota for British first feature films as high as 45 per cent, and quite another to fulfil that quota by a greatly increased supply of films which the public will support at the box-office. The recent successes in British film production have consisted largely of those films which have cost appreciably more than can possibly be recouped from the gross takings at British cinemas—the "frustrated exports" of the British film industry. If the policy of fixing a high quota is to succeed, not merely next year, but also in later years, British film producers have somehow to learn to make films which are economical but not cheap; in which story and presentation, rather than "star values" and spectacle receive greater emphasis; and which consume far less time in the studios and the cutting room than has often been squandered in the past.

It may be that considerations of this kind will be present in the mind of the new Corporation when it comes to discuss the "reasonable commercial terms" on which it is prepared to lend to distributors. In the heyday of the prewar film boom, money could be borrowed for film production merely by putting a distributor's contract on the banker's table, without reference to choice of subject, or the ability of the producing concern to make a good film economically. But even if the new Corporation is prepared to look behind its contracts with the distributors to the technical capacity and commercial judgment of the individual film producers who will in fact use the money, it is bound to make some mistakes and bound to have some losses. The risk of a steady deterioration in the quality of British film productions will almost certainly be increased as a result of the pressure to make enough British films to fill the quota—the emphasis is likely to be on numbers first and on quality second.

There is room for argument about the increase in output of first feature British films which is required. The exhibitors—admittedly they are partisans—have attempted to break down the future requirements of such films, and to compare them with the present annual figure of 49 films, which though counted as first features often fall (as they claim) within the category of medium to poor. The new quota is based, it is generally understood in the trade, on the expectation that British producers will be able to make 90 first feature films. Whether there is sufficient studio space to produce this number of films is uncertain, and past performance suggests that its achievement is improbable. But let it be assumed that 90 films is a possi-

bility. There would be no difficulty, as an exercise in arithmetic, in filling the quota requirements of cinemas with a weekly change of programme. For cinemas in a "competitive area," however, and particularly where programmes are changed twice or even three times a week, a 45 per cent quota is quite impossible to fulfil. The Cinematograph Films Act makes certain provisions for relief (not so extensive as the exhibitors would like) and of approximately 4,000 cinemas in the country, as many as 2,500 have applied for relief from the full quota obligations.

It is hardly surprising, therefore, that the independent exhibitors are concerned at the prospect of the supply and quality of British films. Their experience, they declare, does not accord with Mr Rank's claim that British films on his circuits take more money than American films. They detect a deterioration in the average quality of British films—which, inevitably, is largely a reflection of their view, as commercial exhibitors, of the average quality of the films produced, and/or distributed by the Rank Organisation. They complain of the attempt by General Film Distributors (the big renting concern in the Rank Organisation) to force up the rentals for British films—a controversy on which Mr Rank met the exhibitors ten days ago and appeared to give them some satisfaction. They have been affronted by the tactless suggestion from the British Film Producers' Association that it should set up a department to ensure that exhibitors are fulfilling their quota, which would report, apparently before the end of a quota period, any case of default to the Board of Trade. Thus it is not surprising that the independent exhibitors now look to their old antagonists, the American film renters, for new films and for a new counterpoise to the integrated structure of the Rank Organisation.

It remains to consider the reaction of these decisions on the international standing of the British film industry. The American market, if it could ever be counted upon, has gone. The temper of the American film industry can be gauged from a letter on another page from Mr Fay Allport, the European representative of the Motion Picture Association of America. Mr Allport is apparently unwilling to concede that the British Government had any right to fix the quota to please itself; sovereignty, for him, lies in Hollywood, and he is so angry with *The Economist* for conceding this right, that he entirely overlooks the criticisms that have been made in these columns of the wisdom of fixing a quota of as high as 45 per cent. Clearly the American film industry feels cheated about the quota, and its diagnosis about the effects of a high quota on British production may well turn out to be uncomfortably close to the truth. Much of this is fair comment. An indigenous film industry could only be established with some element of protection, for British films had only limited chances of earning their profit in overseas markets as American films have always done. The integration of an important sector of British film production, renting and exhibiting under the control of Mr Rank was founded essentially on profits from cinemas, earned largely by showing American films. Then came the dollar shortage, the ludicrously unsuccessful tax of 75 per cent on new American films, the reissue of old American and British films and the concentration of Rank-controlled cinemas on Rank-produced and Rank-distributed films. The Rank Organisation is heavily committed in film production, and is anxious to sell its product at good prices to the independent exhibitor. It now has a completely assured market, so long as the public will pay to see what it has to show. For this reason alone, financial assistance to genuinely independent film production is justified on the broad ground that the important distributing and exhibiting outlets are largely under single control. But if some element of competition is to be introduced to check the element of monopolistic power already wielded by the Rank interests, it can only be provided by genuine independent production—production, that is, which is given free rein for its technical talents, which enjoys a reasonable assurance of an adequate British market, and can obtain access to either the independent cinemas or the big circuits. It is possible to state the conditions without expressing any confidence that they will be easy to fulfil. To that extent, the reluctance of the City to come to the aid of an industry which is desperately short of funds, but is being forced to expand in a kind of economic hothouse, is at least understandable. And if private finance is not forthcoming, public financing becomes the only alternative to the disappearance of independent production. Mr Wilson's decision may well have been inevitable. Nevertheless, the experiment of adventuring public funds in this endeavour will be watched with care and concern.

Chemicals From Petroleum

THE expansion of oil refining in the United Kingdom was discussed in *The Economist* on July 10th. That article was the first instalment in the story of the expanding part played by petroleum in British industrial life; for in addition to the refineries programme, work is proceeding on a number of projects for the manufacture of chemicals from petroleum. These projects will eventually derive their starting materials from the new refineries. They are the frontier country between the petroleum industry and the chemical industry—a frontier which the rapid development of each industry tends to blur. Twenty-five years ago it would have been a sharp and unmistakable line, for at that time (in the early nineteen-twenties, when a small petroleum chemical industry began to appear in the United States) oil refining was still almost wholly a physical operation—the separation of crude oil into its fractions by physical means. An oil refinery today is substantially a chemical plant; the development of catalytic cracking processes alone warrants the term. The processes are different in kind from the processes of 25 years ago; there is a sharper separation of the oil fractions, followed by further processes which break down and rebuild their molecular structure. Both fuels and lubricants are tailored to fit their specific uses. Indeed, one reason for the interest which the oil companies have shown in developing petroleum chemical plants has been the need to assure the supply of "additives" for petroleum products. The extensive use of additives (apart from tetra-ethyl-lead) did not begin until the early nineteen-thirties. It has developed far, and the engineering industries are learning to expect that lubricants (for instance) will be designed exactly, and not merely roughly, for their purposes. This has had, in turn, far-reaching effects on engineering technique. The petroleum chemical industry in the United States supplies many industries with many products, but among the most important are treatment chemicals for the use of the refining industry itself. It also has the advantage to the oil companies of helping them to dispose profitably of oil fractions (particularly the oil gases and heavy residues of the refineries) which might otherwise be unsaleable. The combination of these two reasons gave the American oil industry a strong interest in the development of petroleum chemicals. In Britain, where until the present expansion scheme refining took only limited forms, the same problem did not arise, or not on the same scale. Nor, indeed, could its solution be handled on the same scale; for American industry as a whole can absorb petroleum-derived chemicals in vastly greater quantity than can British industry. As an illustration, American production of isopropyl alcohol (now the principal source of acetone) began in small quantities about fifteen years ago, and the product could not at first be sold at a lower price than $6.50 a gallon. By 1939 it was being sold at about 20 cents a gallon; the reduction in cost was due mainly to the economies of large scale. Similar enterprises in the United Kingdom have to reckon with smaller markets. Factors of this kind delayed the industrial application of petroleum chemistry in Great Britain until technique developed and until changes in the pattern of the chemical industry began to expand the market.

Various industrial planners, working from their different viewpoints, have by now come to the conclusion that the conditions necessary to successful enterprise in petroleum chemicals have been created in this country also. The great oil companies themselves are by no means the only—indeed, they are not even the boldest—advocates. This is not so unnatural as it would appear; by habit, the oil trader is mainly interested in procuring, handling and selling oil, and these functions offer sufficient employment for his energies and his capital. Naturally he likes to sell the whole product of his refineries, and to sell it profitably. But neither in bulk nor in value is the proportion of the oil which he might hope to use in the manufacture of chemicals of decisive importance: a few days' production of crude oil would supply the world's petroleum chemical industry for a year. While, therefore, the great oil companies have been ready to welcome fresh outlets into the chemical industry, and while much of their research has been directed to demonstrating the existence of those outlets, they have not been precipitate in committing themselves heavily to actual enterprise. They are not unhappy that the chemical industry itself should take the plunge. This is not a wholly unreasonable view, and the farther the petroleum product gets from its original form the more reasonable it appears. The actual projects now under construction involve the orthodox petroleum industry, the chemical industry, and an enterprising group that stands in between the two. It is, however, from the chemical side that the largest of the new projects has come; for the group of plants now being built by Imperial Chemical Industries at Wilton, near Billingham (at an estimated initial cost of £17 million) will be largely based on petroleum. The Wilton works will begin with plants to produce Perspex sheets and phenolic mouldings for the plastics industry, which are to be in production by the end of the year. Work will then be concentrated on a petroleum cracking plant, on which will be based the production of a wide range of organic chemicals. The other main section of the works will be an electrolytic caustic soda and chlorine plant, which may remove one of the main shortages which face the petroleum chemicals industry. The statement issued by Imperial Chemical Industries in April about the Wilton project is worth quoting:—

> In the past twenty-five years the use of synthetic organic chemicals in everyday life has grown enormously. Examples are such substances as solvents for paints, cellulose lacquers for cars, saccharin, drugs such as aspirin and the sulphonamides, the anti-malarial "Paludrine," the raw materials for plastics, fibres such as nylon, and dyestuffs. There are three possible sources from which these organic chemicals can be made—vegetable products, coal and petroleum. The state of world economy, agricultural development and technical knowledge is such that petroleum, for the present at least, is the most versatile and attractive of these raw materials.

The Wilton cracking plant (it was announced) would produce simple hydrocarbon gases for conversion into more complicated liquid or solid products. From ethylene gas (for example) would come the important new plastic polythene. From another hydrocarbon gas, propylene, would come acetone for use both as a solvent for paint and as a material for the manufacture of Perspex. Both ethylene and propylene were important in the manufacture of new detergents which, if their production could be speeded up, would help to relieve the fat shortage. The plant will be complementary in many ways to its neighbour Billingham, where organic chemicals are already made from coal, coke and creosote; tail gases from the Wilton plant, carried to Billingham by pipe-line under the Tees, will replace some of the coke at present used in vast quantities for the production of ammonia, methanol and petrol. The Billingham plant will, in fact, also become to a certain extent petroleum-based.

The developments planned at Wilton and Billingham suggest, at first sight, an important shift in the organic chemical industry away from coal and towards petroleum as a basic raw material; a survey of some of the other projects which are in the field confirms that impression. Synthetic soaps (detergents and wetting agents) formerly supplied largely by the coal-based organic chemical industry of Germany have for some years now been made by the Shell group at its Teepol plant at Stanlow. This is claimed to have been the first industrial venture in the United Kingdom into petroleum-based synthetic chemical production. The Teepol products are manufactured from the higher olefines produced by the cracking of vapourised petroleum wax. Synthetic washing agents are not merely substitutes for soap; they have properties of their own. But the world fat shortage must of necessity give them a special interest at present. With the expansion already in progress, their production at Stanlow will reach 50,000 tons a year. By the end of this year production will also have begun at the Shell chemical plant at Thornton, near Stanlow. This will supply the wax, at present imported, which is the raw material of the synthetic soap production. It will also produce a wide range of industrial solvents at present imported for the most part from the United States. The lacquer, paint, plastics, photographic film, rayon, cosmetics, pharmaceutical and oilseed industries are large users of these solvents.

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Petroleum Chemicals, Ltd., the joint undertaking formed by Anglo-Iranian Oil Company and the Distillers Company, has acquired a site near the Anglo-Iranian refinery (itself to be largely expanded) at Grangemouth. This also will produce solvents and alcohols for industrial use. The chairman of Anglo-Iranian Oil stated in June that construction would begin at an early date, and drew attention to the saving in imports of petroleum-based chemicals which would result.

The formation of a new and specialised undertaking in petroleum chemistry, Styrene Co-Polymers, Ltd., was announced last month. This also is a joint undertaking. The petroleum partner is the Petrochemicals Group, which will shortly be producing monomeric styrene at the Catarole plant at Partington, near Manchester; the other partner is the Lewis Berger paint group, which has for some years been seeking improved synthetic materials for paint manufacture. The Lewis Berger group holds patents for the co-polymerisation of styrene and oil which, industrially exploited, should partially replace the scarce natural materials (principally linseed oil and resin) which have limited paint and varnish supplies in recent years. It is also claimed for these processes that they will produce paints and enamels which are in many respects superior to those made by the present processes. The Petrochemicals concern, on its side, will be able to supply pure monomeric styrene in quantity.

The Catarole plant of Petrochemicals, Ltd., at Partington, which it is hoped to bring partially into production this year and more fully in 1949, is the work of a group of technicians who have been pursuing this aim for more than ten years—since a time, in fact, when the subject was still unfashionable. For their basic process, the Catarole process, much is claimed. Its main feature is that it produces aromatic and olefinic hydrocarbons simultaneously from a single charging stock. It should

therefore, not only offer alternatives to certain of the coal tar aromatics at present in industrial use, but should also provide other chemicals of high industrial value which have not previously been produced in this country on a commercial scale. Not only the paint and varnish industry but the dyestuffs, pharmaceutical, rayon, plastics, and rubber industries may be expected to benefit. The Petrochemicals undertaking has had difficulties from the rising cost of construction and from the material shortages (particularly of steel) which have held up new enterprises in the past two years; and these difficulties have necessitated a recasting of its financial plans this year. Advantage has been taken of the delays to expand and improve the original design; the estimated capacity of the plant now under construction is 75,000 tons a year.

Less impressive in sheer bulk than the petroleum industry itself, the petroleum chemical industry has abundant technical novelty to catch the imagination, and the attraction of barely explored possibilities to which no end can yet be seen. For in organic chemistry there is, it seems, little that the chemist cannot do with petroleum derivatives as his starting material. Pure research can be relied upon to keep steadily ahead of commercial application; it is on the shrewdness and ingenuity of commercial application, together with the given conditions of supply and marketing, that immediate progress must turn. Among the objects to be kept steadily in view is the highest possible flexibility in the new plants. Flexibility is possible, but it is expensive; it may still be necessary if the needs of the chemical industry are to be fully—but not mere than fully—served at all points. The present industrial ventures in petroleum chemistry, entering as they do on a new field for British industry, are watched the more closely because of the further fields which their success may open up.

Business Notes

Marshall Dollars for Intra-European Trade

It is now fairly certain that one of the results of Mr Hoffman's talks in Paris last weekend with the Council of the Organisation for European Economic Co-operation will be the earmarking of ERP dollars to underpin a European payments scheme. Such a scheme has been under consideration for some time. Its need has, however, grown more urgent ever since the inadequacy of the multilateral monetary compensation agreement (for which the Bank of International Settlements acted as agent and which was confined to Benelux, Italy, France and the Bi-zone of Germany) became manifest. Under the present system of European bilateral agreements, intra-European trade has steadily declined. The limit to which the countries of Western Europe can extend credits to each other has been reached for all practical purposes. They are now at the point where no country is willing to export against payment in a currency that can be turned neither into the right kind of goods nor into the currency of a country that has the right kind of goods available.

The prime object of the new payments plan, whatever the machinery used to put it into operation, must be to stimulate intra-European trade; that is, to remove the reluctance of countries with essential goods available (for example, Belgium with its steel or Norway with its ships) to sell to countries which can offer only their own inconvertible currencies in exchange. This reluctance will be overcome by what is virtually a US promise to buy such inconvertible currencies against payment in US dollars, and thus give the selling countries the wherewithal to obtain the goods that they require.

The success of the scheme will depend upon the fulfilment of a number of basic conditions. First, the supply of dollars to be made available must be adequate for the purpose: that is to say, it must be big enough to allow European productive capacity to expand so as to lead to a reduction in the demand for goods from the Western Hemisphere. Secondly, the recipient countries must pursue financial and economic policies at home calculated to bring about the necessary redeployment of their resources. Fortunately, a number of countries have already initiated policies designed to combat inflation and to stimulate production. The receipt of Marshall aid in this new form must not be used as a pretext for backsliding.

The American administrators of ECA have been puzzled, as was Mr Garner of the International Bank in his recent visit to Europe, by the fact that certain European countries have been asking the United States for goods that are already available in Europe itself. Hence the American emphasis on greater co-operation between the countries of Western Europe. But this attitude tends to be a little too *simpliste*. Britain may well refuse to sell agricultural machinery to France against payment in inconvertible francs for the good and sufficient reason that it can put the steel involved to better use at home, either to earn or to save dollars. France may well prefer to husband its scarce hard currencies because the agricultural machinery may, under Marshall aid, be had for the mere asking. This state of affairs is not due to a dose of original sin in the Western European countries; it is a symptom of their dollar anæmia. The new payments plan can play its part in restoring economic health by a judicious injection of dollars into Europe's body economic. Whether it will suffice to cure the disease is dependent upon the rigorous treatment to which those countries must continue to subject themselves.

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Britain, America and Wheat

President Truman has again asked Congress, now in special session, to ratify the International Wheat Agreement, which it had failed to do by the stipulated date, July 1st. Owing to this failure, Britain withdrew its acceptance, on the ground that the Agreement would be unworkable if the United States, which was to be responsible for 37 per cent of the total wheat exports covered by the scheme, were not, in fact, to participate in it. The United States is now fairly well assured of a bumper grain harvest—1,250 million bushels of wheat and over 3,300 million bushels of maize—and under normal conditions farmers would be fearing some fall in grain prices in the Autumn. The US Government, however, has already guaranteed a minimum price of $2.00 a bushel for wheat to producers, while ECA grants will no doubt help Western Europe to absorb a large part of the United States export surplus. A cynic might, therefore, associate the President's move to revive the wheat agreement with a desire to maintain external prices for wheat at the level already guaranteed to the American farmer.

It is not yet clear what action, if any, Congress will be prepared to take in response to the President's request. But even if America ratifies the Agreement, it cannot become operative until Britain rescinds its withdrawal. And if there were good arguments for regarding the Agreement with reserve when it was first published four months ago, there are even better reasons for doing so now. The prices to be paid by importers for 1948-49 ranged from a minimum of $1.50 a bushel to a maximum of $2.00 a bushel; and this range was agreed to when wheat prices had lately been above $3.00. If negotiations were to be reopened next spring, the revised schedule of prices might well be 50 cents lower. The importance of such a reduction in wheat prices to importing countries—already short of dollars—needs no emphasis. This is perhaps the strongest argument against the revival of the present Agreement, quite apart from the technical fact that it did not provide for late ratification by exporting countries.

There is, however, a further consideration. Clause 9 of Article VI states that:

> . . . the contracting Governments, while reserving to themselves complete liberty of action in the determination and administration of their internal agricultural and price policies, undertake not to operate those policies in such a way as to impede the free movement of prices between the maximum price and the minimum price in respect of transactions in wheat into which the contracting Governments are prepared to enter.

In the light of the American guaranteed minimum price of $2.00 a bushel to domestic producers, this clause might have one of two meanings. It might mean that bargaining must be between Governments and that where the agreed price is less than $2.00 a bushel, the US Government would pay the difference to its farmers in the form of a subsidy. Or, it might imply that the American system of guaranteed prices to farmers must be amended to conform to the Agreement. An unequivocal interpretation of this clause seems to be necessary if the scheme is to work satisfactorily. Otherwise the US Government would be able to keep the world export price of wheat at its maximum point of $2.00 a bushel and enjoy the best of both worlds—a high internal price and a high export price. Britain's case on this score might be regarded as weakened by the fact that it is buying Canadian wheat under long-term contract at $2.00 a bushel. But this was already known when the Agreement was signed. Britain honoured its signature on July 1st. Now that this acceptance has been withdrawn, has it any obligation to countermand that decision?

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Dearer Electricity in Winter

In recommending higher charges for electricity in winter than in summer the Clow Committee has taken a courageous and logical line, but one that cannot be politically popular. Nor can it be popular with the electricity industry itself, which traditionally uses the tariff as an encouragement to the use of electricity, not as a deterrent. But (as the Clow Committee has conclusively found) no other way of inducing domestic and commercial consumers to relax peak demand at the worst time of the year could offer immediate results on a substantial scale without disproportionate cost. This is not to say that high winter charges will solve the peak load problem; clearly they will not do more than alleviate it. As the Committee recognises, they will increase charges at all times of the day and on every day during the period in which they operate, and not merely at times of peak load. The domestic or commercial user will therefore be able to seek economy at the times and on the days most inconvenient to himself, and those times are not likely to coincide with the peak load on the electricity system. In the coldest weather, when saving is most necessary, the deterrent effect of higher charges will be at its weakest.

There are expedients to which this objection would not apply, and the Clow Committee considered them. The difficulty is that the promising ones require new equipment: maximum demand meters, time switches, central control switches. These are too costly, and the scale of production which they would require would be too large, to justify them merely as short-term measures:

> Only if they contribute to the long-term economy of the industry can the various devices, with which we propose experiments, justify their extensive application. We believe that these experiments have considerable promise.

The Committee does propose that trials should be carried out in districts where central control systems are already in existence. The trials should be concerned with the central control of water-heaters; differential tariffs for "firm" and "non-firm" supplies; time-of-day tariffs for the larger domestic consumers; and the application of load limiters at peak times, on the lines of an experiment now proceeding in Paris. Research on apparatus with thermal storage characteristics is also suggested. These are all ways by which loads may be spread in the future, and in that they are important; but they can hardly affect the critical next two years. For the present purpose, something may be done by applying maximum demand tariffs (already used in industry) to large commercial consumers. But the main immediate measure is the higher winter rate. This, the Committee thinks—"if associated with vigorous publicity as to the reason for it"—may make a significant contribution in spite of its drawbacks. It should be added that the contribution will only be significant if the new price differential is a substantial one. A half-measure will merely irritate the public without achieving its purpose.

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Putting on the Brake in South Africa

Dr de Kock, the Governor of the South African Reserve Bank, in his annual address last Wednesday was brutally frank in his assessment of South Africa's present economic plight. He attributed the growing deterioration in the Union's terms of trade primarily to the fact that the price of its principal export, gold, had remained practically unaltered since September, 1939, in terms of the currencies of the Union's principal suppliers. On the other hand, the prices of goods supplied to the Union had risen very considerably. The other causes he recited were the abnormal import requirements arising out of the opening of the new gold-fields, the establishment of new industries and the expansion of old ones. All these factors, as is now widely recognised, would long ago have placed an intolerable strain on South Africa's currency reserves, but for the record capital influx (which Dr de Kock put at £180 million) from the rest of the sterling area. Now that the influx has stopped—indeed, capital is beginning to flow out—the dangers of the situation are more readily appreciated.

According to Dr de Kock, there might be a substantial decline in imports from the dollar area and the reimposition of import controls may be unavoidable if adequate relief is not obtained soon. He did not, however, appear to rate very high the chances of obtaining such relief. He mentioned that the USA and Switzerland had shown signs of growing interest in industrial and mining investment in the Union, and capital from these sources might be attracted. But he thought it doubtful whether, owing to the growing scarcity of investible funds in America, capital in adequate amounts could be raised there to cover the Union's expenditure in the dollar area during the next few years, unless that expenditure was much reduced. The Union's deficit on current account with countries outside the sterling area (excluding the export of gold) exceeded the gold output by £40 million in 1947. In the first half of 1948 the deficit continued at an even higher rate—at an average of over £5,000,000 monthly in excess of the gold output. The Union's reserves, which stood at £110 million last February, had declined to £88 million by July 16, 1948.

The South African dilemma is that a solution of the present difficulties can come only from an increase in gold production. Little or nothing in this respect can, however, be expected from the old Rand Mines, and everything hinges upon the opening up of the OFS properties; but that in turn requires enormous foreign investment, and, as Dr de Kock pointed out, there was a growing shortage of capital all over the world, and the Union could not expect to receive from overseas all the risk capital it could employ. Then came words which must fall unpleasantly on the ears of investors whether in South Africa or in Britain: "The obvious remedies for the maladjustment of the Union's balance of payments are to slow down the tempo of expansion and to accept a lower standard of living until capital expenditure on new mines and industries is bearing fruit. . . . We shall have to rely more on our own capital resources and consume a smaller part of our national income. . . . Restrictive credit and fiscal policies may have to be followed deliberately in order to reduce the volume of purchasing power in the Union."

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Wages Merry-go-round

Although Sir Stafford Cripps can claim with justification that the White Paper on Personal Incomes has had some stabilising effect, there are mounting signs of trade union restlessness and increasing pressure for new wage increases. The unions are particularly concerned about the rise in the index of retail prices, which is now 10 per cent above the level of June last year, though the increase since last February, which is more relevant to the issue, is much smaller. The TUC's original acceptance of the White Paper policy was conditional upon the stabilisation of prices, and it will certainly be argued that this premise has not been fulfilled. Thus the TUC finds itself in a somewhat embarrassing position, and it is uncertain whether it will be able to resist the pressure of its members for release from its undertaking. No decision was reached at this week's meeting of the General Council, but the issue is bound to be prominent at the Margate conference in September.

Wage claims are now pending in engineering, railway transport, building and agriculture. The Minister of Labour has set up a court of enquiry into the engineers' claim (a second court will have to deal with the shipbuilders). The terms of reference have been limited to the application itself, and the enquiry will not cover the wider issue of "anomalies" and profits as desired by the unions, although these considerations are bound to arise. In Sir John Forster, Mr Isaacs has picked a chairman with knowledge of industrial negotiations and ability to master the complexities of engineering wages.

Railwaymen have declared their intention of pressing for a further wage increase, to supplement what they regard as a "first instalment" of 7s. 6d. granted last year. The claim has not yet been presented, but the figure of 12s. 6d., which has been mentioned, would add another £20 million to the railway wages bill, and saddle the Transport Commission in its first year with very much the same kind of problems as have beset the Coal Board. Building trade operatives at their annual conference resolved to

ask for an increase of 3d. an hour. Last year they received 3d. increase on condition that they accepted a scheme for payment by results. Agricultural workers have also a claim in preparation, and the miners are embarking on a new wages structure and adjustments to meet the cost of living, which threaten to add further to the industry's wages bill.

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Malayan Unrest and Rubber Supplies

There is so far little concrete evidence that the disturbances in Malaya are reducing rubber production. The latest figures relate to June; they show that output from estates (excluding Singapore) amounted to 33,246 tons compared with 33,294 tons in May and production by smallholders indeed showed a notable expansion from 16,313 tons in May to 27,348 tons in June. The high price for rubber—last week the London spot quotation achieved a postwar record at 1s. 3½d. a lb., and this week it has been at around 1s. 2¾d.—and the improved supplies of rice, which are helping to lower the cost of living, seem to have offset the effect of terrorist outrages, and on some estates native workers are seeking the security of plantation buildings instead of returning home each day. There has been no significant exodus of labour or planters from those areas affected by terrorist activities, though that may be a risk for the future unless prompt measures are taken to restore the security of both estates and smallholders. The greatest danger at present is interference in the transport of rubber from the producing areas.

More stable conditions in Indonesia have encouraged some expansion of rubber production, though the total is still very small compared with prewar years. Estate production increased from 3,685 tons in January to 7,335 tons in May; the total for the first five months of the year is 27,663 tons. Exports during the same period amounted to 88,503 tons, of which 27,636 tons went to Malaya, 27,290 tons to the United States, 15,998 tons to the Netherlands and 3,296 tons to the United Kingdom. If this rate of improvement can be maintained—and there are chances that it might even be increased—Indonesia may again become an important supplier of rubber in 1949.

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The United States and Russia are both busy building strategic stocks. Secrecy naturally surrounds such purchases, but the firmness of rubber prices in recent months has been due in no small measure to official American buying supported by sporadic Russian purchases. If international tension continues, these purchases can be expected to increase. Russian requirements of natural rubber are not known—even estimates are no better than guesses—but the USSR has a large synthetic rubber industry and has recently dismantled German plants for transhipment to Russia. Russian purchases are unlikely to approach the American in size. But even if, as reports suggest, they amount to 100,000 tons during the current year, they would entail the withdrawal of a significant quantity of natural rubber from normal industrial consumption.

* * *

Cable and Wireless Under Nationalisation

The first annual report of Cable and Wireless since it was taken over by the state at the beginning of last year discloses a decline in consolidated profits from £3,530,854 to £1,724,090 for 1947. This has naturally been seized upon as another poor advertisement for nationalisation. Yet in this case the report presents a reasonable explanation for the inability of the company to match its performance in 1946, the last year under private management. In the first place, direct comparison of the figures with 1946 is vitiated because a sum of £530,000 was credited in 1946 for message receipts attributable to previous years—a difference which goes a long way to explain the reduction of £857,152 in message and other receipts in the past year. Revenue has also been lost through nationalisation of the Indian and South African interests by their respective governments. Total receipts have increased in the Near and Far East and in South America, but have fallen in North America, Europe and the West Indies, with the result that total traffic shows a decrease of 3.3 per cent. The main decline in receipts is attributed to Government, press and social traffic since there has been an increase of 5 per cent in commercial traffic. Reductions in operating rates have benefited users to the extent of £176,000.

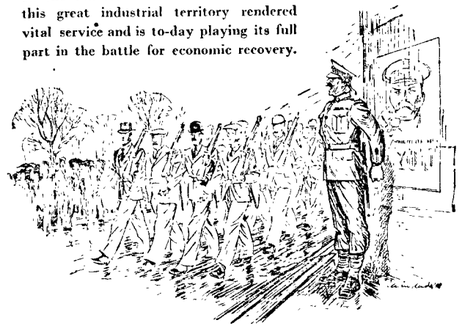
It is too early to measure the effect of these reductions in rates on the prospective volume of traffic. On the long view, the policy of reducing rates is wise, and it is to the credit of Cable and Wireless that the temptation to increase charges has been resisted. On the other hand certain countries, particularly the United States, have increased their cable charges in the past year; from the narrow point of view of maximising overseas revenue it may be that the policy of rate reduction adopted by Cable and Wireless has simply resulted in loss of revenue without the certainty of long-term advantages. Since receipts from commercial traffic have increased there might have been some argument for charging what the traffic would bear now, and keeping the competitive weapon of rate reductions for a later day.

That, however, is a commercial calculation which only Cable and Wireless can make. Meanwhile, the group has suffered, like industry generally, from increasing prices, shortages of materials and demands for higher wages It has also exhibited the usual propensity of state-run concerns to increase their staffs above those required under private enterprise. Increased staff remuneration was responsible for £290,000 out of the £430,292 increase in the working expenses at stations. Only part of this was required for wage adjustments, for staffs were increased by 500 in 1947, following an increase of 600 in 1946. While some part of the increased labour costs might have been avoided—though extensive regrading of staff has been accepted by the new management as being inescapable—there has been no escape from rising costs of replacements and capital extensions nor from the obligation to make up the leeway in repairs and renewals arising from the war. An increased allocation amounting to £98,967 has been made from revenue for cable maintenance while £450,000 has been provided for depreciation of cables and ships. Here again the company has suffered, like industry at large, from the consequences of rising costs. There are, then, cogent reasons for the fall in profits shown in the first report of Cable and Wireless under national ownership. The report only lifts a corner of the curtain on an undertaking which has 12,600 employees—the majority of which are overseas—operating 155,000 nautical miles of submarine cables and 150 wireless circuits. Much of it is taken up with a review of the financial results, which are clearly set out in the consolidated accounts. It ends with a protestation that "the public interest demands the most rapid possible restora-

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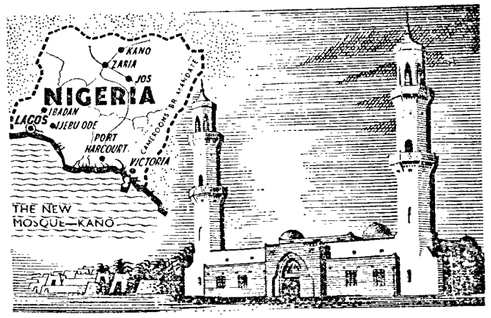
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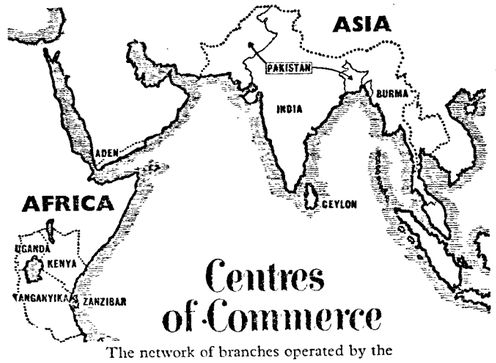


An attractive legend still circulates in Nigeria concerning the foundation of Kano. The story goes that a mighty hunter of the early days named Berhushay put the seal on his fame by killing an elephant with his spear and then carrying the carcase many miles upon his head. On the spot where he finally laid down his notable burden the city of Kano was founded to commemorate the achievement.

So runs the legend. Whatever the truth may be about the foundation of Kano it is beyond dispute that it has existed for centuries as a trading centre and port of call on the great caravan routes. Ancient industries, including the preparation of "Morocco" leather, still survive in the locality although today the prosperity of Kano depends far more upon its position as the recognised centre of the Nigerian ground nut industry. Full and up-to-date information from our branches in Nigeria on the industries of the Colony and the present trend of local markets is readily obtainable on request.

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tion, modernisation and extension of the service, consistent with its maintenance on a sound commercial basis." This rotund declaration might usefully be accompanied in future years with a more detailed account of the company's technical work and plans.

* * *

Wool Prices and Bulk Purchase

The last wool sale of the season closed in London last week and prices generally declined. Merino prices fell between 2½ per cent and 17½ per cent—those of inferior style and containing more impurities being affected most. Medium crossbreds, on the other hand, were only 5 per cent down. The most interesting feature of the sale was the disparity between combing and clothing wools. While combing wools used by the worsted section of the industry became cheaper, clothing wools used for woollen manufactures (particularly blankets) remained firm, and were sometimes dearer. Yet both the home and overseas markets have a distinct preference for worsteds. Perhaps the chief reason for this disparity is that prices for clothing wools were already at relatively lower levels, since the break in prices last March. The present movement is tending to restore the prewar price margins between clothing and combing wools, but there is still a wide gap between them.

The weakness of prices in the last London sales was basically due to technical factors. In June, Czechoslovakia, Poland and Russia seemed determined to buy finer wools at any cost, and at times were bidding actively against one another. Bulk buying is certainly a boon to the seller, as the Joint Organisation now knows. These countries, however, were virtually absent from the London sales and Bradford buyers were not willing to bid so high. Secondly, all the wool offered came from the Joint Organisation's stock and a large proportion of it was "burry"—that is, containing impurities—which home buyers would take only at lower prices, since it entails extra care in converting to high-grade cloth.

If European buying, particularly from countries other than the "Marshall Sixteen," follows the same pattern next season, wool prices are likely to fluctuate according to whether the Russians and their protegés are in or out of the market. Bulk purchase, whether operated by Poles, Russians or Britons, apparently suffers from the same defects for a buyer in seller's market. In the case of wool, the Joint Organisation has been able to dispose of more of its accumulated stocks at a satisfactory price. But the more astute Bradford buyers have been able to cover their requirements at lower prices by timing their buying to coincide with the absence of foreign competition.

* * *

Dearer Nickel

Because the world supply of nickel is largely controlled by a single concern, it is not surprising that any rise in nickel prices should be regarded with close attention. The International Nickel Company recently raised the British price of nickel from £190 a ton to £224 and the US price from 33⅓ cents a lb. to 44 cents. Nickel production costs are not published—they are, indeed, impossible to separate from the costs of mining copper, which is a joint product with nickel—and it is therefore impossible to measure the increase in nickel prices against costs. But it must be emphasised that this is the first increase in nickel prices since 1939, and, judging from mining costs for other metals, average production costs have conceivably doubled since then. If, then, it was true that nickel prices were "too high" before the war—as some critics used to claim—they are certainly less so now.

The new price increase amounts to 20 per cent. The policy of the International Nickel Company has been to keep its prices stable over long periods in order to help nickel users and to encourage increased consumption. The present price increase, which is stated to be "the lowest possible limit," suggests that the company is pursuing the same policy, so far as it is able to do so within a framework of rising costs. During the war, world consumption of nickel expanded and reached a peak of 160,000 tons compared with under 120,000 tons in 1937. And despite the subsequent decline, it recovered sufficiently last year to achieve a new peace-time record of about 135,000 tons. It is highly probable that during the current year, world production will have to expand to meet this increased demand from industry, as already a large part of the stocks, which accumulated when hostilities ceased, have been absorbed.

The International Nickel Company of Canada started some years ago to mine a higher proportion of low-grade ore, and this policy is to be intensified by developing the new low-grade ore deposit found at considerable depth in the Sudbury basin in Canada. This policy will, of course, tend to increase production costs, but it appears that these costs have been taken into consideration in fixing the new prices. It follows, therefore, that these prices are likely to remain effective for some time to come. Known nickel resources in the world are limited, and a policy of ore conservation is impossible to criticise on broad economic grounds, so long as the company adheres to its policy of relatively stable prices by following and not anticipating the rising trend of costs.

* * *

Commons and Gas Compensation

The Commons on Monday rejected the recent Lords amendment which sought to change the basis of compensation for gas stocks from Stock Exchange valuation to reasonably maintainable annual income multiplied by an appropriate number of years' purchase. The amendment was itself something of a gesture of despair, which the Government was committed to resist. But the Lords certainly had the best of the argument. Last Monday, Government spokesmen did little more than to repeat earlier arguments in support of using Stock Exchange prices for compensation. This was the method for transport and electricity; why change it for gas? The Opposition—in company with numerous independent critics—has consistently argued that, apart from questions of principle whether Stock Exchange prices should be used for compensation purposes at all, there are particular reasons which make them open to objection in the case of gas. The bulk of the gas undertakings in the country are not quoted on the stock exchanges; the market in quoted gas shares is narrow; prices undervalue the considerable hidden reserves of some undertakings; and to value unquoted stock is unlikely to be any speedier than to calculate net maintainable revenue. But in the discussion on the same point in the House of Lords on Wednesday, the Government accepted the principle of compensation by reference to net maintainable revenue for those stocks which, though quoted, had not been dealt in for a period of six months before the dates specified in the Bill.

The Government accepted a number of Lords' amendments of a technical nature. But the Lords' proposal that one worker should be elected to each Area Board was turned down in favour of appointing the workers' representatives. This proposal perhaps contained as much provocation as principle—it is an odd echo of the demands of some trades union members for a direct voice in the management of nationalised industries—and it is better disposed of without examining the arguments of either side too closely.

* * *

Mexico Devalues

The course of industrialisation, to which so many Latin American countries are committed, is not running smooth. Excessive imports of capital equipment of all kinds are leading to the rapid exhaustion of the substantial wartime accumulations of gold and US dollars. The latest country to hoist distress signals is Mexico, which is abandoning the exchange rate of 4.85-4.86 pesos per US dollar. That rate has been held since 1941, but the loss of currency reserves, aggravated in part by a flight of capital, has assumed such serious proportions that drastic action was inevitable. The Government was also, no doubt, moved to this step by the requirement of Mexican law that the currency must be backed by a reserve of 25 per cent of gold, or its dollar equivalent. The margin would now seem perilously narrow. A new rate for the peso has not yet been announced, and consultations to this end are being held with the International Monetary Fund. Unofficially, dealings have been taking place in New York on a rather restricted scale between 6 and 6 50 pesos per dollar. This rate, if officially adopted, would be equivalent to a devaluation of around 25 per cent, and would therefore require the consent of the Fund in accordance with Article IV (5) of the Bretton Woods' Agreement. Reports have not been lacking that the delay in announcing the new parity arises from the difficulty of persuading the Fund that a devaluation of this magnitude is inevitable.

The deterioration in Mexican foreign trade since the war is shown in the following table:

	(Mn Pesos)		
	Imports	Exports	Visible Deficit
1945.....	1,603	1,236	367
1946.....	2,637	1,544	1,093
1947.....	3,208	1.970	1.238

In an attempt to halt the loss of exchange, Mexican tariffs were raised sharply last year, and import licensing was introduced. The results are reflected in the present year's foreign trade figures: for the first 5 months, the adverse balance was only 100 million pesos, against 760 million pesos for the corresponding period of the previous year. The restrictions were aimed chiefly at excluding a large variety of consumer goods, but the main cause of the trade deficit has undoubtedly been the import of a vast volume of capital equipment needed for the programme of modernising industry and agriculture. The resultant running down of gold and dollar reserves (from $380 million in August, 1945, to $120 million in February this year), has been aggravated by the facilities provided by the Mexican Central Bank for the purchase of gold coin. Mexicans, no doubt with a weather-eye on the threat which the growing trade deficit represented to the stability of the currency, have been taking refuge in gold benevolently provided by the Central Bank. That institution's gold holdings in December, 1946, were US $180 million; in February, 1948, they were down to US $86 million. Although there has been some official talk of this gold forming a hidden reserve, the emphasis would appear to be more on "hidden" than on "reserve."

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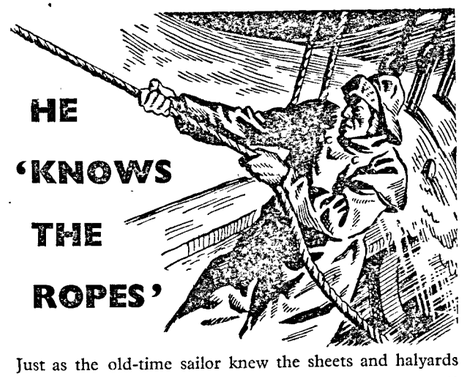
Imperial Tobacco Interim

The maintenance of the interim dividend of Imperial Tobacco at the previous rate of 13½ per cent has been interpreted in some quarters as evidence that the company's earnings will be sufficient to pay the same final dividend as last year. This assumption is, of course, hopeful anticipation. The best that can be said of the latest interim dividend is that it is in line with tradition. For many years up to 1946 an interim of 7½ per cent free of tax was paid and in 1947 the interim of 13½ per cent gross was the nearest equivalent, to half a point, of 7½ per cent free of tax. Until 1947, the interim had been regularly followed by a final dividend of 7½ per cent free of tax plus a bonus which varied from 10 per cent free of tax paid in 1938 to 2½ per cent free of tax in 1941-45 and 4.25 per cent free of tax in 1946. In 1947 the interim of 13.5 per cent gross was followed by a final of 19.5 per cent gross, which is equivalent to 10.7 per cent free of tax. Clearly, there has been little uniformity in the total rate of the final dividend plus bonus paid in recent years. Thus any relief occasioned by this week's announcement must be tempered by consideration of the trend of consumption and the level of leaf stocks. The recent reduction of one-sixth in the permitted rate of withdrawal of tobacco from bond provides further evidence of official policy to reduce consumption; the laying off of staffs in certain factories shows that this measure has had its effect. While the level of leaf stocks is sufficient to maintain consumption at the present rate until the beginning of 1950, the reduction in overseas purchases has now had time to make its imprint on the import figures. In the first six months of this year imports of tobacco from the United States were less than one-third of the level for the corresponding period of 1947 and imports from Canada have been halved. Only a small part of the fall in supplies of dollar tobacco is being made up from Empire sources. Although the quantity of tobacco imported from Southern Rhodesia for the first six months of this year was five times the quantity for the first half of 1947, it still represented only 16 per cent of total imports which were themselves reduced by 54 per cent in the first half of 1948. It is not yet clear how far this reduction in total imports will be tempered by ECA supplies. Until that is known it would be premature to anticipate the decision of the directors of Imperial Tobacco about the final dividend.

* * *

Representing the Coal User

In the conduct of a nationalised industry, besides the State and the productive worker, a third group is concerned: the user of the product, whose direct interest is not always identical with the first two. The consumer's right to take an interest in the coal industry was recognised by the Coal Industry Nationalisation Act, which set up an Industrial Coal Consumers' Council and a Domestic Coal Consumers' Council. Little has so far been heard of either body; they have, indeed, appeared to avoid publicity, and have taken the view that their deliberations should be conducted in private. Their first annual reports, published last week, show the constitutional difficulty of making the consumer's voice heard. Both councils show an enlightened and entirely praise-



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worthy understanding for the Government position and the trade union position: the Government must maintain restrictions, the trade unions legitimately desire to improve the workers' lot. But these points of view are adequately represented already. As to the consumer, neither report goes much beyond expressing disappointment that he has not had better luck.

Sir Ernest Smith's report for the Industrial Coal Consumers' Council puts the matter neatly:

> From the outset we took the view that the effectiveness of the Council would depend on the establishment of frank relations with the Board. . . . We conceive it to be our duty to serve the consumer interest, not merely by dealing impartially with such complaints as may from time to time be made to us, but by supporting the Board in their efforts to give improved service in every direction.

Nobody can object to these sentiments, but a consumers' council might well have taken the view that its relations with the Board were only the second condition of its effectiveness; the first should be the authority and strength with which it represents the user's point of view. A consumers' council might be forgiven for feeling that improved service "in every direction" simultaneously was too much to hope, and might limit itself to getting improved service for the consumer. It is not reassuring that the Industrial Coal Consumers' Council "have not yet been called upon to deal with any specific complaints," although (as the Council recognises) "this does not imply general satisfaction with either the quality or the price of coal now supplied."

For the Domestic Coal Consumers' Council the problem of keeping in touch with the consumer whose problems it is designed to represent must be even more difficult. But its report clearly discourages consumers from addressing complaints to the Council; they are to go on addressing their complaints to the retailer and follow them up with the Local Fuel Overseer. The Council will deal with individual complaints "only if there is evidence of unfair discrimination or if any question of principle is involved." The consumer's most important complaint relates not to discrimination or to questions of principle, but (as the Council recognises) to the quality and price of coal and coke. No one would suggest that these Councils themselves can meet it. But the question of giving adequate expression to the consumer's interest still remains to be solved.

* * *

Japanese Trade in Sterling

Britain has won its point in the payments negotiations with the Supreme Commander for Allied Powers in Tokyo regarding the sterling payment for Japanese textiles. Under the general payments arrangements, Japanese cotton textiles were offered to the sterling area against payment of 50 per cent in dollars and 50 per cent in sterling, apart from 100 million yards of port stocks which were recently offered for sale against sterling. Japanese cotton manufactures are made from American cotton which was purchased for dollars, and to recoup this expenditure SCAP originally decided to sell the finished textiles for dollars. After discussion, the compromise of half-dollar and half-sterling payment was reached, but during subsequent trade talks SCAP admitted the British request, and cotton textiles were offered for full payment in sterling, like other Japanese exports. Representatives of the United Kingdom, Australia, New Zealand, and South Africa and the British colonies emphasised that if Japanese textiles could be bought for sterling, large purchases would be made. Thus Japan would expand its export trade and would also be able to buy larger quantities of goods from the sterling area.

Japanese trade with the sterling area is now operating under payments arrangements similar to those which govern German trade. Goods can be purchased with sterling up to the limit of SCAP's sterling requirements, and any surplus either way is convertible in dollars. The size of Japan's sterling requirements is not yet known, but there should be ample scope for expanding its imports from the sterling area, particularly of raw materials. Discussions are also taking place on the possibility of a sterling loan to Japan, for which the United Kingdom would be responsible. This loan would be additional to any credits granted by the Dominions, such as the recent Australian credit for wool. How such a loan would fit in with the new bilateral arrangements has not been disclosed, but it would obviously enable Japan to import more from the sterling area than the sterling area could import from Japan without resorting to dollar expenditure.

Negotiations are also proceeding on a general Japan-Sterling Area trade plan in which, presumably, both the payments agreement and the loan would be dovetailed. The list of goods which each side is prepared to buy suggests no lack of opportunity for an expansion in the volume of trade. Japan wants salt, iron ore, crude rubber, wool, tin, sago flour, coconut oil and industrial chemicals. The sterling area, on the other hand, is willing to purchase cotton textiles, raw silk, dried fruits, machinery, bicycles, paper, pottery, glassware and drugs. Like Germany, Japan has much to live down politically, but again, like Germany, it occupies a pivotal position in the recovery of world trade.

* * *

West African Gold Export Duty

The Gold Coast Government has now published its proposals for the substitution of a sliding scale tax for the existing export duty which was a flat rate of 17s. 5½d. on all gold exported from the colony. The proposals are now to be considered by the representatives of the West African gold industry in London preparatory to being introduced as a Bill in the September session of the Gold Coast Legislative Council. The new tax is framed to assist the low-grade producing mines, and is graded in accordance with the ratio of profits to revenue. The following table illustrates the benefits which may accrue to low-grade producers:—

I Rates of Profit computed in accordance with Section 8 to Gross Proceeds	II Net Effective Rate of Present Gold Export Duty per Fine Ounce	III Rate of Proposed Gold Duty per Fine Ounce
Per cent.	s. d.	s. d.
0	4 4·4	Nil
5	5 7·9	Nil
10	6 11·5	Nil
15	8 2·9	1 3
20	9 6	3 9
25	10 9·6	8 9
30	12 1·2	13 9
35	13 3·6	16 3
40	14 7·2	17 6
45	16 0	18 9
50	17 2·4	20 0

The rate of profit in column I is to be determined by section 8 (1) of the Bill, which provides that, subject to certain provisos, "the rate of duty shall be that set forth in the schedule where x is equal to the ratio expressed as a percentage which the profit for the basis year ended next before the period during which the gold was won, bears to the gross value of all gold won during that basis year." It is also proposed to enable mines to allow for past losses in calculating their liability for taxation. The proposals are broadly in line with the formulæ used for assessing taxation on South African gold output.

* * *

Cotton Futures Market in Alexandria

The reopening of the Alexandrian cotton futures market has been fixed for September 1st. The new basis for contracts will be Karnak for long staple cotton and Ashmouni for medium staple—the prewar varieties, Sakel and Giza 7, have been suppressed. Fundamentally, there is little difference between the new market and its prewar counterpart. Stricter rules have been drawn up to prevent outside speculation and the Egyptian Government is appointing three additional members to the Committee of 12 to see that the regulations are enforced. The main difference, however, is the nationality bar. Although prewar members retain their place in the market irrespective of nationality, all new entrants must be Egyptians. Moreover, one half of the staff of any agency operating in the market must be Egyptian and this proportion is to be raised to three-quarters within two years. Price changes will be limited to 3 per cent of the last closing quotation and each contract will require a 10 per cent margin.

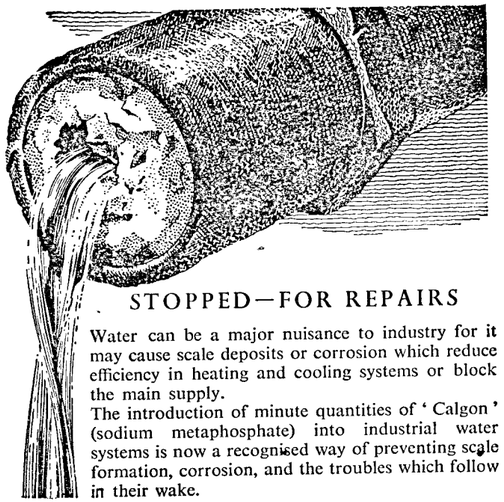
After the closing of the Liverpool futures' market, Alexandria may well assume world importance, particularly if its operations are not hampered by currency restrictions. Before the war, it was of a more local character, and if it is to fill part of the gap left by the closing of the Liverpool exchange, it will first have to prove itself in the eyes of the world cotton trade. And it remains to be seen what effect the enforcement of regulations to restrict speculation will have on its operations. Again, the Egyptian Government owns half of the available supply of long staple



Stephen Hales, vicar of Teddington in Middlesex, made the important discovery that plants absorb part of their food from the air. Hales invented artificial ventilators and numerous other mechanical contrivances as well as studying animal and plant physiology. From this, he turned his attention to chemistry, and in his principal book, "Vegetable Staticks", published in 1727, he stressed the importance of accurate weighing and measuring in chemical operations. Unfortunately, his quickness to see the need for accurate measurement restricted his vision in other directions. Having observed that plants breathe in large quantities of air, he concluded that this air could be recovered, and proceeded to distil, in a gun barrel, a great number of miscellaneous substances including tallow, hog's blood, peas, oyster shells, tobacco, a fallow deer's horn, camphor, beeswax and honey.

He collected the gases he obtained and made accurate calculations to show the proportion they bore by weight to the original substances. There is no doubt that Hales unwittingly prepared crude samples of many important chemicals, but he was so engrossed in weighing and measuring, at the expense of accurately observing the substances under experiment, that he failed entirely to appreciate the significance of much of his own work. He dismissed the various gases he had prepared as "air". He died in 1761, and was honoured by being buried in Westminster Abbey.

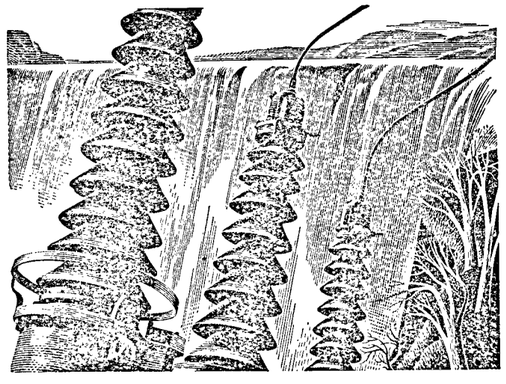
ICI



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The introduction of minute quantities of 'Calgon' (sodium metaphosphate) into industrial water systems is now a recognised way of preventing scale formation, corrosion, and the troubles which follow in their wake.

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EXPORT POWER. To pay for her food and raw materials from abroad Britain must export manufactured goods. Electrical machinery and equipment stand high on the list of exports and grow steadily in volume and importance. The English Electric Company is one of the largest British makers of electrical and associated equipment for power generation, transmission, and utilisation, and has a world-wide organisation for carrying out projects of any magnitude.

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cotton, including the new crop, and its dealings may have some repercussions on the market.

The present area under cotton in Egypt is officially estimated at 1,494,000 acres compared with 1,302,000 acres a year ago. Despite the scarcity of fertilisers and rather serious damage by the cotton worm, this season's output is expected to yield between 650 and 700 million lb. against 604 million lb. a year ago. This is a sizeable increase. But stocks at the end of the current season are estimated to be some 225 million lb. smaller than a year ago. Thus total available supplies for the coming season may be reduced by 150 million lb. No official details have been published about the area planted to the different varieties, but reports from Cairo suggest that long-staple cotton may account for 25 per cent of the crop compared with 23 per cent last year. The future trend of Egyptian cotton prices will depend, however, as much on the Egyptian Government barter deals as on total supplies. Another important factor will be the Government's loan policy to cotton-growers. If, as happened last season, inadequate credit facilities are provided, a larger proportion of the crop will be marketed in the opening months of the season.

* * *

New Union

The efforts of the judicial managers of New Union Goldfields to obtain relief from their responsibilities reached a further stage this week. At the meeting of the company in Johannesburg on July 29th they were to submit a report suggesting that the management had served its purpose and should be replaced by a properly constituted new Board of Directors representing both creditors and shareholders. No copy of this report has yet reached London, but it is stated to include recommendations for a scheme of reconstruction.

At this distance and at this early stage in the work of the judicial managers it seems premature to interrupt the extensive inquiries they are undertaking. From the outset, these tasks were fully expected to be protracted and painful. It is perhaps natural that there may be less inclination in Johannesburg than in London to pursue the investigation of the inter-group transactions of those formerly responsible for the company to their starting point, but nothing short of this inquiry will erase the memory of the affair, at least in London. Meanwhile 4,000 out of 7,000 British shareholders in the company have rallied to the support of the committee formed in London to look after their interests. Their shareholdings represent more than 26 per cent of the total share capital. It is satisfactory that this committee is now to be represented in Johannesburg. The preliminary examination of allegations of theft and fraud against the former managers which began some months ago is proceeding slowly and has now been adjourned until August 4th. The proceedings have so far introduced little new evidence about the specific charges, and at this rate of progress many months may elapse before the postwar activities of the accused are fully examined by the Court.

* * *

Cost of Higher Management

A Business Note under this title in last week's issue of *The Economist* discussed the problem of measuring directors' emoluments for use as a yardstick to the cost and efficiency of management. The Note suggested no final answer to this problem. But it did show conclusively that the absolute total of directors' remuneration and the average remuneration per head were not reliable measures of the cost of higher management, and that a better answer might lie in expressing the cost of directors' emoluments as a proportion of the assets of the group for which they were responsible or its gross profits. Unfortunately, in demonstrating the unreliability of measuring the costs of higher management per head of the board, an error appeared in the figures relating to the Dunlop Rubber Company. The total of directors' emoluments given for this company was set down at £309,463. It should be made quite clear that this total relates to the directors' emoluments of the whole group, including subsidiary companies: The figures for the directors of the Dunlop Rubber Company alone in 1947 were £119,251, and the average per head—for what that calculation is worth in the context of last week's Note—was accordingly rather under £12,000, and not £31,000. It should be pointed out that the last two columns of the table, on which attention was focused in the discussion, are not affected by this correction, since they relate the cost of directorial services for the whole group to its assets and profits. Figures for the other companies in the table appear, broadly speaking, to be free from such distortion, though the average costs per head of the Lever group of directors may be smaller than the table suggested. It may also be somewhat austere to load the cost of pensions to past directors on the individual shoulders of the present boards, as was done in last week's calculations; but clearly these charges do represent part of the total cost of the function of management, and should be taken into account in measuring its results.

Shorter Note

The Ministry of Food concluded a second seven year contract with New Zealand this week. The new one covers lamb, mutton, veal, beef and pigmeat. Like the dairy produce contract, it will run until 1955 except for pigmeat which will run only up to 1952. The contract also provides for annual price reviews with a maximum variation each year of 7½ per cent. Britain is guaranteed New Zealand's exportable surplus and the New Zealand Government has agreed to take definite measures to increase its agricultural production. No details of the new meat prices have been published, but they are believed to be higher than last season's. Contract negotiations are also proceeding with Australian representatives for dairy produce and meat..

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Unilever Group; Distillers; British Sugar Corporation; Metal Industries.

Prices, Year 1948 (Jan. 1 to July 28) High	Low	Name of Security	Price, July 21, 1948	Price, July 28, 1948	Net Yield, July 28, 1948 (n) £ s. d.	Gross Yield, July 28, 1948 £ s. d.
		British Funds				
101⅝	101	War Bonds 2½% August 1, 1949-51	101⅜	101⅜	1 6 2	
101⅛	100⅛	Exchequer Bonds 1¾% Feb. 15, 1950	100⅛	100⅛	0 9 1	1 4 3
102⅛	100⅜	War Bonds 2½% March 1, 1950	102⅛	102⅛	0 10 10	1 12 3
102⅛	100	War Bonds 2½% March 1, 1952-54	101⅛xd	101⅛xd	0 15 10	1 17 6
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	102⅜	102⅜	1 6 3	2 18 7
102⅛	99⅛	War Bonds 2½% Aug. 15, 1954-56	101⅛xd	101⅛xd	1 7 2	2 13 8
103⅛	100⅛	Funding 2½% June 15, 1952-57	102⅛	102⅛	1 4 0	2 8 9
105⅛	100⅛	National Def. 3% July 15, 1954-58	104⅛	104⅜	1 3 10	2 10 3
105	101⅛	War Loan 3½% Oct. 15, 1955-59	104⅛	105	1 4 4	2 11 6
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	101⅛xd	101⅛xd	1 10 5	2 17 0
101	98⅛	Funding 2½% April 15, 1956-61	99⅛	100⅛	1 7 6	2 10 8
102⅛	98⅛	Funding 3% April 15, 1959-69	101⅛	102⅛	1 11 2	2 18 4
114⅛	110⅛	Funding 4% May 1, 1960-90	112⅛	113⅛	1 0 11	2 15 4
102⅛	97⅞	Savings Bonds 3% Sept. 1, 1960-70	101⅞	100⅛xd	1 11 11	2 18 7
98⅛	92⅛	Savings Bonds 2½% May 1, 1964-67	96⅛	96⅛	1 12 9	2 16 2
115⅛	112⅛	Victory Bonds 4½% Sept. 1, 1920-76	115	113⅛xd	1 4 8	2 17 3
101⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	99⅛xd	99⅛xd	1 13 1	3 0 0
111	107⅛	Consols 4% (after Feb. 1, 1957)	108⅛xd	108⅛xd	1 2 0	2 16 4
106⅛	102⅛	Conversion 3½% (after Apr. 1, 1961)	104⅞	105⅛	1 10 9	3 2 5
83⅞	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	76⅛	76⅛	1 16 2	3 6 1
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	94⅛	94⅛	1 15 0	3 3 11
100	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	96⅛	96⅛	1 15 1	3 3 2
83⅛	74⅛	Consols 2½%	76⅛	76⅛	1 16 1	3 5 7
101⅛	96	British Electricity 3% Gtd. 1968-73	100⅛	100⅛	1 12 11	3 0 5
98⅞	93⅛	British Transport 3% Gtd. 1978-88	96⅛	97⅛	1 14 11	3 2 5
100⅛	95⅛	British Transport 3% Gtd. 1968-73	100	100⅛	1 13 1	3 0 7

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the latest date (these are marked 'z'), and those paying 3 per cent or less will be repaid at the latest date (marked 'r'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield * Assumed average life 15 years 6 months.

Prices, Year 1948 (Jan. 1 to July 28) High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, July 21, 1948	Price, July 28, 1948	Yield, July 28, 1948 £ s. d.
					Other Securities			
104⅛	101⅛	% (d)	% (d)	% (d)	Australia 3½% 1965-69	102½	102½	3 1 2
94⅛	91⅛	(d)	(d)	(d)	Birmingham 2½% 1966-71	93	93	2 18 5
101⅛	99	(d)	(d)	(d)	Argentine 3½%	101	101	3 9 4
8⅛	6⅛	50	c	50	c Anglo-American Corp. 10s.	6⅛	6⅛	4 0 11
10⅜	7⅜	5	a	25	b Anglo-Iranian Oil £1	8	8	3 15 0
76/6	62/4½	g15	c	g15	c Assoc. Port. Cem. Ord. Stk. £1	72/6	73/1½	4 2 0g
38/6	29/6	40	c	40	c Austin Motor 'A' Ord. Stk. 5/-	31/3	31/3	6 8 0
84/-	72/9	7	a	7	b Barclays Bank Ord. 'B' £1	75/-xd.	75/6xd	3 14 2
10⅜	8⅜	†20	b	15	a Bass Ratcliff Ord. £1	8⅜	9	2 15 7†
104/9	85/	8	a	12	b British Oxygen Ord. £1	4⅜	4⅜	4 4 3
46/1½	26/-	2½	a	5	b Courtaulds Ord. £1	36/9	37/6	4 0 0
32/6	25/1	20	a	7½	Distillers Co. Ord. 4s.	26/-	26/7½	4 1 9
32/10½	27/9	8	c	8	c Dorman Long Ord. £1	29/-	29/3	5 9 5
79/9	£8/-	15	c	15	c Dunlop Rubber Ord. £1	68/6	70/-	4 5 9
53/-	44/-	3	a	7	b Imp. Chem. Ind. Ord. Stk. £1	44/6	45/7½	4 7 8
6⅞	4⅜	19⅛	b	13⅛	a Imperial Tobacco £1	5⅞	5⅛	6 8 6
48/9	40/-	10	c	10	c Lancs. Cotton Ord. Stk. £1	40/7½	41/10½	4 15 6
56/6	44/10½	10	c	10	c Lever & Unilever Ord. £1	46/3	47/6	4 4 3
61/3	47/6	†2½	c	10	c London Brick Ord. Stk. £1	51/3	53/9	3 14 5
66/1½	47/-	25	c	31⅛	m P'chin J'nson Ord. Stk. 10s.	51/-	52/-	4 16 3†
35⅛	30⅛	†74½	c	†77½	c Prudential 'A' £1	32	32	2 8 1†
59/3	49/9	12½	c	12½	c Stewarts & Lloyds Def. £1	51/-	52/3	4 15 9
85/7½	73/1½	12½	a	15	b "Shell" Transpt. Ord. Stk. £1	73/9	75/-	2 0 0†
7⅛	5⅛	12½	b	12½	a Tube Invst. Ord. Stk. £1	5⅞	5⅞	4 5 1
90/9	73/3	11⅛	b	3⅛	a Turner & Newall Ord. Stk. £1	74/-	74/-	4 1 1
93/3	77/-	55	b	15	a Woolworth (F. W.) Ord. 5s.	78/-	79/-	4 8 8

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (g) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (l) To latest redemption date. (m) 15 months. Yield Basis 25%. † Free of tax.

COMPANY MEETINGS

ROLLS-ROYCE LIMITED

A SUCCESSFUL YEAR

NEED FOR FURTHER WORKING CAPITAL

MR E. C. ERIC SMITH ON EXPANSION IN OVERSEAS BUSINESS

The forty-first annual general meeting of Rolls-Royce, Ltd., was held on the 21st instant at the Midland Hotel, Derby, Mr E. C. Eric Smith, M.C. (chairman of the company) presiding.

The Secretary (Mr R. B. Wilson) read the notice convening the meeting and the report of the auditors.

The following is the Chairman's statement which had been circulated with the report and accounts for the year ended December 31, 1947, and was taken as read:—

The accounts for the year ended December 31, 1947, are presented in the form demanded by the new Companies Act, and include consolidated accounts which incorporate the figures of subsidiary companies. The method of presentation of the company's balance-sheet shows no substantial changes although the figures reveal the need for further working capital. It will be remembered that last year the Board foresaw this situation when it recommended an increasee in the nominal capital.

BALANCE SHEET ITEMS

An overdraft of £692,395 and the absorption of last year's cash balance and tax reserve certificates have provided £1,280,000, which has been used to provide further working capital for the subsidiary and associated companies, to reduce obligations to creditors, and to finance increased debtors. The Board does not, however, consider that conditions are yet sufficiently stable for arrangements to be made to give this additional finance a more permanent form. The increase in debtors reflects the widening field of the company's sales activities, which brings in its train increased responsibilities in the matter of credit facilities.

Stocks and work in progress have increased but are offset by increased progress payments. Our obligations to creditors are now shown separately from taxation liabilities and are substantially reduced. The excess of current assets over current liabilities remains substantially the same as last year at approximately £2,000,000. Under the heading of deferred liabilities we now group provision for all liabilities which are known to exist, but which are difficult of exact ascertainment. The increase during the year is attributable to further amounts provided for work under guarantee on the increased number of our products now in service.

AVAILABLE PROFIT

The profit and loss account appears in a new form and reveals a net available profit for 1947 of £590,578, which compares with the corresponding figure of £671,191 for 1946. It should be borne in mind that non-productive expenditure amounting to £171,505, incurred during the fuel crisis, has been charged against a reserve specifically provided last year. In the absence of this provision, the profits for this year would have been correspondingly less.

The peculiar incidence of the various forms of taxation results in a heavier liability for 1947 than for 1946 when the company was helped by a refund of E.P.T. Your directors recommend the payment of a dividend of 20 per cent. and a transfer of £150,000 to general reserve, £8,891 from the profits of the year and £141,109 from reserves no longer required.

CONSOLIDATED ACCOUNTS

The consolidated accounts include the figures of our various subsidiary companies, of which only Bentley Motors (1931), Ltd., Park Ward and Co., Ltd., and Rolls-Royce, Montreal, Ltd., have actively traded during the year. These accounts indicate that our investments in these companies are conservatively valued.

Bentley Motors (1931), Ltd., derives its revenue from the marketing and servicing of its cars which are manufactured by your company. Its fortunes are, therefore, closely linked to that of the company's motor car division. The company has operated at a small profit and the order book is very satisfactory. The rate at which these orders can be fulfilled, governed, as it is, by the supply position and other circumstances over which we have no control, will decide their profitability.

COACH BUILDING

The coach building subsidiary, Park Ward and Co., Ltd., has made further progress during the year in the design and production of bodies for both Rolls-Royce and Bentley cars. The difficult conditions referred to last year, the shortage of craftsmen and material, still persist, and the consequent difficulty of maintaining an economic output of bodies of the quality the company demands must have its influence on future results.

Rolls-Royce Montreal, Ltd., a new subsidiary, has been formed to provide service in its widest aspect to users in Canada, of our aircraft engines. It is operating profitably and the engineering and spare parts service is much appreciated by our customers. The provision of working capital for this company accounts for the major part of the increase in the company's balance-sheet under the heading "Investments and loans to subsidiary companies."

The figures relating to associated companies are not, of course, included in the consolidated accounts, as the company does not hold the major share of the equity.

Rotol, Ltd., is now settling down to its postwar programme, and the future prospects for both propellers and other products are satisfactory. This company, as you know, plays an important part in the development of projects of common interest to your company and our partners in this enterprise, the Bristol Aeroplane Company, Ltd.

It has been possible during the year to make a more accurate assessment of the working capital required by Rotol, Ltd., for the fulfilment of their future programme. The additional capital shown to be required has been provided by way of loan, on which interest is being paid, by the parent companies. The company has traded at a profit in 1947, but no dividend has been distributed.

Renfrew Foundries, Ltd., has taken longer than we originally hoped and anticipated to settle down to the changed conditions which have entirely altered the demand for its product. The plant has been adapted as quickly as possible to meet these changes, but inevitably has been operating uneconomically in the interim. The company has traded at a loss during 1947 and it has been necessary to make a further provision against the value of your company's investment.

DIFFICULT CONDITIONS

The year has been a difficult one. The fuel crisis provided an inauspicious start which, as far as was humanly possible, was minimised by the ingenuity and enterprise shown by the management of your company.

Increases in purchase tax and abolition of the basic petrol ration contributed to the disadvantage under which the company's motor-car division laboured, and an uncertain and temperamental supply position was a continual source of anxiety.

In spite of this, the company has had a successful year. The excellent design and quality of the company's motor-cars have enhanced our reputation, both at home and abroad, and the demand for the product has been most satisfactory. Every effort has been made to increase our overseas business and, in the face of import restrictions imposed by many foreign Governments, considerable success has been attained.

Development, particularly in respect of those features peculiar to export business, is being constantly pursued and there is no reason to doubt that it will create an increased inquiry for our cars.

In addition to their activities with the present range of motor-cars, the motor-car division are developing engines of wider application, which are attracting great interest, and from which there should be sound business.

The Glasgow factory, which is engaged in the overhaul and reconditioning of aero engines, was acquired during the year, and has made a satisfactory contribution to the company's business.

REPRESENTATION OVERSEAS

The year has seen a very large expansion in overseas business. A network of commercial representation throughout the world has been built up and Rolls-Royce technicians, well qualified to deal with the special problems of particular countries, pay regular visits to the users and prospective users of our engines.

Although the gas turbine engine has established itself, limitations, entirely outside the scope of the engine builder, such as navigational and traffic handling problems at airports, will keep piston engines in the picture for a long time to come.

In this connection, it is interesting that the Merlin engine is the only British power plant operating in regular service on the trans-Atlantic run. It is even more interesting that during 1947 Merlin engines, on the civil air routes of the world, flew a hundred million miles.

DEVELOPMENT OF GAS TURBINE

Recognition of the company's position in the development of the gas turbine is shown by the negotiation of manufacturing licences in the U.S.A., South America and Australia.

The company cannot stand still, it cannot afford to, it must be forever pioneering, improving, searching for the unattainable ideal. By this means alone can it maintain its position. Nor can it afford mistakes. Its reputation is such that a statement by Rolls-Royce is fact, not conjecture, and this is the position it is our duty to maintain.

It is pleasant to be able to record that continuance of Rolls-Royce esprit de corps which has produced the results of 1947, and to thank each individual for the part he has played in their achievement.

The Royal Aeronautical Society has presented the Gold Medal to your managing director in recognition of his contribution to the development of aircraft engines, a well-merited recognition of which we are justly proud.

Lastly, Battles of Britain may vary—Hurricanes and Spitfires have gone down in history. The battle now is being fought in the field of export, and your company engines, a well-merited recognition of which we are justly proud.

Lastly, Battles of Britain may vary—Hurricanes and Spitfires have gone down in history. The battle now is being fought in the field of export, and your company engines, a well-merited recognition of which we are justly proud.

Lastly, Battles of Britain may vary—Hurricanes and Spitfires have gone down in history. The battle now is being fought in the field of export, and your company has no reason to feel ashamed of its contribution which, during the last year, amounted to five million pounds.

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

The retiring directors, Mr Harold Peake and Dr F. Llewellyn Smith, were re-elected; and the auditors, Messrs George A. Touche and Company, having been reappointed, the proceedings terminated.

STANDARD BANK OF SOUTH AFRICA, LIMITED

FURTHER INCREASE IN ACTIVITY

LORD HARLECH'S SURVEY

The one hundred and thirty-fifth ordinary general meeting of the Standard Bank of South Africa, Limited (being the annual general meeting for the year 1948), was held, on the 28th instant, in London, the Rt Hon. Lord Harlech, K.G., P.C., G.C.M.G., the chairman, presiding

The following is an extract from his statement circulated with the report and accounts as at March 31, 1948:—

The position disclosed in the balance sheet is most satisfactory Most of the items again reflect a further pronounced increase in activity in all the territories in which we operate.

For several years prior to 1947 there had been a steep rise in the accumulation of cash balances by commercial and industrial concerns in Africa who had been unable to employ their resources in renewing stocks. In last year's report, however, it was noted that the pace of this movement had slackened. Traders' cash balances were used to buy stocks and our deposits increased by only £12 million, as against £35 million in the previous year. It then appeared likely that, as the readjustment to more normal conditions developed in the manufacturing countries of the world, the curve of our deposits would tend to flatten out, but, contrary to expectation, I have to report that this item has again moved up steeply, the figure being approximately £50 million more than last year. This movement is some reflection of the very large monetary transfers to South Africa during the year.

DEMAND FOR LOANS

During the year, increasing quantities of goods from overseas have become available, and in the payment for these imports traders' resources have been absorbed and a demand has arisen for loans.

That a considerable demand has arisen for financial assistance is evidenced by the rise that has taken place in the total amounts lent by the bank. "Advances to customers and other accounts" amounted to £53 million on March 31, 1947, and have now further increased by £14 million to £67 million. You will be gratified to know that this achievement indicates that the bank has played its full part in the maintenance and development of trade and industry in the countries in which it is interested.

Our position continues to be very liquid. While deposits have increased by £50 million, cash in hand and at call and short notice has improved by £34 million and reflects a ratio of almost 38 per cent. to deposit and current and other accounts, compared with a ratio of slightly more than 31 per cent. a year ago. Little change is recorded in the amount of our investments.

ANOTHER MILESTONE

This year I have to record the passing of a further milestone in the history of the bank, for the sum of the items of the balance sheet has increased by no less than £70 million, reaching a total sum of £327 million. This last figure is indicative of the very substantial increase in the business of our institution which has been taking place.

Having regard to the much larger amount of customers' deposits, the directors have decided to augment the reserve fund by a transfer of £1,000,000 from contingencies account. The reserve fund now amounts to £5,000,000, exactly twice the amount of the paid-up capital.

It would seem at first sight that the balance of profit, amounting to £672,691 compared unfavourably with that shown last year—that is, £819,014. If, however, this latter figure were shown after deduction of income tax on the dividends and bonus paid to shareholders, it would have amounted to £594,014, from which it will be seen that the balance of profit has in fact risen by £78,677.

After adding the amount of £179,307 brought forward from last year there is £851,998 for disposal. The interim dividend of 7s. per share paid on January 31st last absorbed £175,000, which, after deduction of income tax, amounted to £96,250. After appropriating £125,000 to bank premises a balance of £630,748 remains, and it is recommended that an allocation of £250,000 to officers' pension fund be made and that a final dividend of 9s. per share be paid, together with a bonus of 4s. per share, making a total of 20 per cent. for the year, leaving a sum of £201,998 to be carried forward.

In the Union of South Africa the year under review has been one of great activity and increasing development in most branches of its economic life. Conditions in Europe where the political situation and future course of events have presented a prospect of so much uncertainty have helped to bring the Union and its potentialities into further prominence.

In the commercial and distributive trades turnovers have continued to rise steadily. A noticeable feature in the developments of the past year has been the extent of the interest that has again been displayed by British commercial and industrial concerns in securing a foothold in the country. A good maize crop was harvested in the 1946-47 season.

THE RHODESIAS

In Southern Rhodesia business activity has improved steadily and turnovers in practically all trades have increased sharply. Costs have continued their upward trend, but trading results have been generally satisfactory and activity was stimulated by the steady flow of immigrants. Very substantial imports of foodstuffs were necessary as a result of the serious drought experienced throughout the country.

The most important export is tobacco. The acreage planted and the crop gathered was considerably larger, and demand being strong, prices were carried to record high levels. Gold production continued to decline.

At least one-quarter of the European population of Northern Rhodesia is employed in the mining industry. The territory's prospects continue to depend upon the maintenance of the prosperity of the copper companies, copper accounting for almost the whole mineral production. The outlook for the copper mines continues to be very favourable.

OTHER COUNTRIES

Exports of the three main crops grown in Nyasaland, namely, tobacco, tea and cotton, again improved during 1947, but nevertheless the territory's external trade yielded an adverse balance of about £750,000 for the year. Heavy and prolonged rains affected the quality of much of the tobacco grown, and caused a reduction in the maize crop.

Business activity in South-West Africa has continued to increase steadily, being stimulated by the returns received by the Karakul farming industry.

Climatic conditions during the year in the East African territories were not generally favourable, with the exception of those in Tanganyika, where good and well-distributed rains occurred and resulted in one of the best years for agriculture for some time. The labour position continues to cause concern, and the lack of agricultural machinery is a handicap to farming operations.

The report was adopted.

BRITISH SUGAR CORPORATION, LIMITED

FAVOURABLE PROSPECTS

The annual general meeting of the British Sugar Corporation, Limited, was held, on the 27th instant, in London, Lt.-Colonel Sir Francis H. Humphrys, G.C.M.G., G.C.V.O., K.B.E., C.I.E., the chairman, presiding.

The following is an extract from his circulated statement:—

Last year I informed you that the prospects for the 1947-48 season had been seriously affected by a late spring, followed by a severe drought, especially in East Anglia, and that a crop of about 3,000,000 tons of beet with a higher average sugar content than in 1946 could reasonably be looked for. The corporation's agricultural experts are usually not far wrong with their estimates, which this year have been almost exactly fulfilled. The beet crop of 2,959 564 tons is, with the exception of the years 1937-38 and 1938-39, the lowest in the corporation's history. On the other hand, the average sugar content, which is approximately 18 per cent. (against 16 per cent. last year), has only once been exceeded—in 1940-41.

HIGHER EXTRACTION

The early completion of the cereal harvest facilitated the opening of the sugar beet campaign, and the almost ideal weather conditions which prevailed from the beginning of October to the end of December enabled the growers to finish delivering their beet, with a very low dirt tare, to the factories before the middle of January. Thus for the first time since 1941-42 the corporation's factories were not strained beyond their normal capacity, and, aided by up-to-date machinery which had been installed wherever possible, our technical staff succeeded in achieving a higher degree of extraction than had been practicable during recent years.

These favourable circumstances—good weather, absence of the need for rushing through a crop much too large for the present capacity of the factories conveniently to handle, and increased efficiency—have combined to bring about a remarkable drop in the deficiency payment (in other words, the grant made to the corporation by the Exchequer) from £2,749,780 last year to £569,000 in 1947-48, against a Budget estimate of £3,000,000. This is by far the lowest figure ever recorded, and if the corporation had been allowed to receive a fair market price for the molasses which it sold under control to the Board of Trade, no assistance whatever would have been required from the Exchequer.

DIVIDEND AGAIN 4½ PER CENT.

The net addition to our taxation liability brought about by the profits tax, which presses with particular severity on a semi-public utility like the corporation, is about £33,000, all of which has to be found out of the net proceeds of the incentive earnings. Out of the remaining £214,118 your directors have repeated last year's allocation of £50,000 to special depreciation reserve and have made provision of £28,223 for debenture redemption, leaving a balance of £135,895. They recommend a dividend of 4½ per cent., less tax (£123,750) for the ninth successive year, which will admit of an addition of about £12,000 to the carry-forward, raising it to £66,063.

Prospects for the coming season are more favourable than last year, though it is too early to make a reliable forecast. At one time it appeared likely that the partial failure of the sugar beet seed crop in this country and throughout Western Europe in 1947 would prevent the attainment of the 1948 target. Fortunately, however, with the help of the corporation's reserve stocks, there has been sufficient seed to cover re-sowings that are rather heavier than usual.

The report was adopted.

BRITISH TIMKEN, LIMITED

SATISFACTORY RESULTS

Mr Michael Dewar, chairman of the British Timken, Limited, stated at the annual general meeting on the 28th instant:—

For the past ten years we have paid the same dividend of 15 per cent. on our ordinary shares. On all counts of fairness, the ordinary shareholders should this year have received a larger dividend. The wage bill in 1947 was nearly £1,000,000, compared with £250,000 in 1938, yet the gross dividend has remained the same, but for the small increase in capital in 1940. In line with most of the larger industrial companies, we decided to follow the Chancellor's request not to increase our dividend.

It is 21 years since the control of your company passed into the hands of the present board and to-day, with our subsidiary company, we are consuming 15 times the tonnage of steel consumed in 1927 and the number of employees has increased eight times. We have reserves totalling over £400,000, which indicates the amount ploughed back into the business during past years, and is a clear indication that we have acted in the best interests, not only of the shareholders, but of the country. With these large reserves, the shareholders are entitled to some certificate of ownership. This we should have certainly have issued in the form of bonus shares but for the unreasonable attitude of the authorities.

GREATLY INCREASED PROFITS

The greatly increased profits for 1947 have been achieved by your company's factories, including those of Fischer Bearings Company, Limited, working day and night over the year, and not only at full pressure, but with the most modern and up-to-date equipment. These results are also due to your board having preserved with assiduity, and no little success, the development of improved manufacturing technique. The parent company's physical output, with the same number of employees, was in 1947 20 per cent. higher than in 1946, and your board has no hesitation in ascribing this very largely to efficient management.

In April, 1948, we announced a 5 per cent. reduction of prices of bearings delivered in this country. Your directors are confident that, but for the inevitable coming rise in cost of power, fuel and raw material, the work now proceeding in our development departments would permit us to reduce prices still further.

We have already taken steps to ensure we shall not only fully supply the demands in this country, but shall be ready to fight again for the very considerable export trade which we think can be obtained by determined competition. At present, more than half your company's output is exported indirectly as component parts.

THE FUTURE

It is difficult to speak of the future except to say that, although we have sufficient confidence to proceed with our expansion programme, there are signs of a slackening of trade activity. One thing we can say with certainty is as fast as industries are nationalised, so their efficiency will fall and their costs increase with a lessening of competitive power.

In extending your company's activities, not only have we to take a business risk, but we have the almost heartbreaking task of persuading Government departments to permit our extensions to go forward without unreasonable delay.

We have endeavoured to carry on as best we can under a Government which, in spite of soothing remarks from its right wing, continues unabated in its hostility to private enterprise and in its belief, contrary to the teachings of all history, that man in general has any interest in work when that work is divorced from the incentive of personal gain.

AMALGAMATED ROADSTONE CORPORATION, LIMITED

ANTICIPATED PROFITS EXCEEDED

MR J. S. KILLICK'S STATEM

The twelfth annual general meeting of the Amalgamated Roadstone Corporation, Limited, was held, on the 28th instant, at Winchester House, Old Broad Street, London, E.C., Mr G. F. Nalder (chairman of the company) presiding.

The secretary (Mr D. Mallett) read the notice convening the meeting and Mr S. R. Hogg, FCA, of Messrs Hogg, Bullimore & Company, read the report of the auditors.

The following is the statement of the vice-chairman, Mr J. S. Killick, C.B.E., M.Inst.C.E., circulated with the report and accounts for the year to October 31, 1947:—

Your chairman, last year, pointed out that the benefits of the amalgamation with British Quarrying Company would be only partially effective in the year ended October 31, 1947, now under review. In the prospectus issued on November 1, 1947, one of the primary objects of which was the provision of funds for the repayment of prior charges of the British Quarrying Company and thereby the completion of that amalgamation, your directors made the statement that they were satisfied that the net trading profits for the then completed financial year would exceed £200,000.

From the annual report now before you, you will note that the sum of £223,000 was actually earned, in spite of the abnormally adverse conditions prevailing during the early months of 1947.

APPROPRIATIONS

Of the various appropriations therefrom set out in the report, there are three to which I should like to draw your attention:—

No. (1) initial allowances in respect of all capital expenditure incurred during the two and a-half years from April, 1944, to October, 1946, amounts to £57,331; it is gratifying now to be able to write off the whole of this amount out of the year's profits.

No. (7) transfer to capital reserve of £4,965 relates to that proportion of the profits of the Pyx group, accrued before the date of purchase.

No. (8) proportion of net profit for the year attributable to outside shareholders, £12,032. Of this, approximately £2,000 relates to Preference dividends of a subsidiary company still outstanding; approximately £10,000 relates to shareholdings in the British Quarrying Company held externally at October 31, 1947, but acquired by this company early in November.

DIVIDENDS

As regards dividends on our Ordinary share capital, the interim dividend at the rate of 4 per cent., paid in December, compared with 3 per cent. the previous year; the final dividend at the rate of 5 per cent. now recommended is the same as last year's final in conformity with the present national policy of dividend limitation.

During the current year the results of our amalgamation are becoming more effective; our capital programme of re-equipment proceeds satisfactorily; and, given continuance of normal conditions during the last four months of the year, your directors are satisfied that the profits for 1948 will show a considerable increase over the year to October 31, 1947.

The report and accounts were adopted; the proposed dividends were approved; and Mr K. G. Foster, J.P., who retired by rotation, was re-elected a director.

At a subsequent extra general meeting resolutions were passed converting the Ordinary shares into Ordinary stock and approving an alteration in the Articles of Association.

The proceedings terminated with a vote of thanks to the chairman.

RICHARD THOMAS AND BALDWINS

ANNUAL GENERAL MEETING

The annual general meeting of Richard Thomas and Baldwins, Limited, was held on the 28th instant, at Grosvenor House, Park Lane, London, W., Mr E. H. Lever (chairman and joint managing director) presiding.

The chairman moved the adoption of the report and accounts for the year ended April 3, 1948 and the payment of a final dividend of 10 per cent., less income tax, making 15 per cent. for the year, and in doing so said: We have in course of preparation a booklet which contains facts and figures and by diagram and illustration gives a somewhat more comprehensive view of the company's affairs than can be gained by a perusal of the accounts and my statement, comprehensive though these are. The booklet will be in publication, I hope, in a few weeks' time, and will be available for shareholders. Those shareholders who would like to have a copy, therefore, are asked to notify the secretary.

Lt.-Col. J. B. Neilson, C.M.G., D.S.O., C.A. (joint managing director), seconded the resolution and it was carried unanimously.

The retiring directors, Mr Leslie J. Davies, the Rt. Hon. the Earl of Dudley, M.C., and Sir Andrew Agnew, C.B.E., were re-elected and the auditors, Messrs. Peat, Marwick, Mitchell and Company, were reappointed.

Mr Fred W. Sibley, in thanking the chairman and the board for their services during the past year, expressed strong opposition to the Government's proposed nationalisation of the steel industry.

This view was unanimously supported by the assembled shareholders.

At a subsequent extraordinary general meeting a resolution was passed adopting new articles of association to bring them into line with the requirements of the Companies Act, 1948.

BEECHAM GROUP, LIMITED

LARGER NET SURPLUS

The twentieth annual general meeting of the Beecham Group, Limited, was held, on the 28th instant, in London, Sir J. Stanley Holmes, M.P., chairman and managing director, presiding.

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

The net result of the Group's trading for the year ended March 31, 1948, is a net surplus of £751,511 available for dividend on the deferred shares and for reserves, as compared with £502,659 in the previous year. It is proposed to declare a final dividend of 4 per cent., making 40 per cent. for the year, the same as last year The trading profits and sundry revenue earned by the 118 companies and branches of the group amount to £2,370,181, compared with £2,688,522 in the previous year.

Although home sales showed an increase of nearly 18 per cent., the home trading profits have shown a decrease of £208,088, due to the steeply rising costs of raw materials, containers, consumable stores and wages, without any compensating increases in selling prices. Our export trade has again shown satisfactory results in spite of increasing costs. The total charge for United Kingdom taxation amounted to £1,157,366, compared with £1,656,114.

Our food sales have increased in total by over 25 per cent., while the sales of foodstuffs manufactured and canned in our own factories have increased by 65 per cent. compared with last year.

It is difficult to make prophecies with regard to the future, but we have so continually broadened the basis of our business and our interests all over the world are so far-flung that we can face the future with confidence.

The report was adopted.

Statistical Summary

GOVERNMENT RETURNS

For the week ended July 24, 1948, total ordinary revenue was £46,534,000, against ordinary expenditure of £38,536,000 and issues to sinking funds £130,000. Thus, including sinking fund allocations of £3,603,493 the surplus accrued since April 1st is £192,515,831, against £280,538,906 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand) April 1 to July 26, 1947	April 1 to July 24, 1948	Week ended July 26, 1947	Week ended July 24, 1948
ORDINARY REVENUE					
Income Tax	1309150	252,584	274,960	17,594	17,073
Sur-tax	90,000	14,880	19,950	500	250
Estate, etc., Duties	160,000	55,863	61,000	3,180	3,300
Stamps	55,000	13,270	18,735	1,100	900
Profits Tax	250,000	7,760	27,910	1,750	1,800
E.P.T.		63,748	43,600	2,300	750
Other Inland Rev.	1,000	95	86	...	...
Special Contributn.	50,000	...	7,400	...	700
Total Inland Rev.	1915150	408,200	453,640	25,424	24,773
Customs	820,600	243,125	257,133	10,048	8,375
Excise	726,550	163,863	208,200	16,763	12,400
Total Customs & Excise	1547150	406,988	465,333	26,811	20,775
Motor Duties	50,000	7,215	6,959	...	...
Surplus War Stores	102,000	63,829	20,766	3,822	1
Surplus Receipts from Trading	57,000	25,000	826	...	...
Wireless Licences	11,000	2,140	2,220	...	...
Crown Lands	1,000	410	180	200	...
Receipts from Sundry Loans	14,000	12,382	4,711	...	104
Miscell. Receipts	68,000	155,620	22,088	842	882
Total Ord. Rev.	3765300	1081783	976,724	57,100	46,534
SELF-BALANCING					
Post Office	150,200	42,380	44,960	3,100	3,900
Income Tax on E.P.T. Refunds	16,000	6,736	2,604	300	210
Total	3931500	1130899	1024288	60,500	50,644

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to July 26, 1947	April 1 to July 24, 1948	Week ended July 26, 1947	Week ended July 24, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	132,484	126,941	2,648	1,383
Payments to N. Ireland	26,000	6,675	5,869	896	873
Other Cons. Fund Services	8,000	3,140	3,117	...	...
Total	534,000	142,299	135,927	3,544	2,756
Supply Services	2441679	655,414	644,677	48,780	35,780
Total Ord. Expd.	2975679	797,713	780,604	52,324	38,536
Sinking Funds	...	...	3,603	...	130
SELF-BALANCING					
Post Office	150,200	42,380	44,960	3,100	3,900
Income Tax on E.P.T. Refunds	16,000	6,736	2,604	300	210
Total	3141879	846,829	831,772	55,724	42,776

After increasing Exchequer balances by £605,469 to £3,310,608, the other operations for the week decreased the gross National Debt by £6,136,349 to £25,712 million.

NET RECEIPTS (£ thousand)

Cotton (Centralised Buying) Act, 1947, sec. 21 (3)	5,500

NET ISSUES (£ thousand)

P.O. and Telegraph Acts, 1946 and 1948	400
E.P.T. Refunds	257
Overseas Trade Guarantees Act, 1939, sec. 4(1)	53
Local Authorities Loans Act, 1945, sec. 3(1)	3,500
War Damage: War Damage Commission	2,009
Finance Acts, 1946 and 1947, Post-war Credits	417
	6,527

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	363	Nat. Savings	1,900
2½% Def. Bonds	375	3% Def. Bonds	*2,265
Tax Reserve Certs.	1,068	3% Conv. Loan, 1948/53	50
		3% Ter. Annuities	1,642
		Other Debt :— Internal	690
		Ways & Means Advances	1,395
	1,806		7,942

* Including £1,724,000 paid off on maturity.

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
July 26	2180·0	2493·4	270·9	...	1408·5	6352·8
1948						
Apr 10	2160·0	2752·0	328·9	...	1326·5	6567·4
,, 17	2160·0	2750·0	324·4	...	1340·5	6574·9
,, 24	2170·0	2716·9	322·5	...	1349·5	6558·9
May 1	2180·0	2689·3	322·9	...	1346·5	6538·7
,, 8	2200·0	2643·2	310·2	...	1346·5	6499·9
,, 15	2210·0	2643·5	301·0	20·3	1326·5	6501·3
,, 22	2210·0	2626·6	297·8	14·8	1362·0	6511·1
,, 29	2210·0	2620·2	303·3	...	1377·0	6510·5
June 5	2210·0	2616·7	283·2	3·5	1410·0	6523·5
,, 12	2210·0	2608·9	281·7	1·0	1423·5	6525·2
,, 19	2210·0	2635·1	274·0	11·3	1443·5	6573·8
,, 30	4817·3		270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
,, 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
,, 24	2210·0	2632·8	294·6	13·3	1429·5	6580·1

TREASURY BILLS
(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
July 25	160·0	252·4	160·0	10 1·24	40
1948					
April 23	170·0	295·1	170·0	10 2·51	42
,, 30	170·0	287·9	170·0	10 1·34	45
May 7	170·0	290·5	170·0	10 1·24	43
,, 14	170·0	290·7	170·0	10 1·36	45
,, 21	170·0	294·5	170·0	10 1·26	43
,, 28	170·0	278·6	170·0	10 1·68	50
June 4	170·0	295·8	170·0	10 1·20	40
,, 11	170·0	277·5	170·0	10 1·70	49
,, 18	170·0	259·6	170·0	10 1·89	57
,, 25	170·0	279·7	170·0	10 1·65	48
July 2	170·0	286·8	170·0	10 1·45	45
,, 9	170·0	276·5	170·0	10 1·48	48
,, 16	170·0	279·7	170·0	10 1·55	48
,, 23	170·0	294·3	170·0	10 1·31	43

On July 23rd applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 43 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for July 30th. For the week ended July 31st the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Week Ended July 19, 1947	Week Ended July 17, 1948	Totals Apr. 1 to July 17, 1948
Savings Certificates :—			
Receipts	2,800	2,500	36,300
Repayments	2,800	3,000	40,800
Net Savings	Nil	*Dr 500*	*Dr1,500*
Defence Bonds :—			
Receipts	1,795	655	12,710
Repayments	927	1,024	13,098
Net Savings	868	*Dr 369*	*Dr 388*
P.O. and Trustee Savings Banks :—			
Receipts	13,675	12,263	189,198
Repayments	15,425	14,282	190,681
Net Savings	*Dr1,750*	*Dr2,019*	*Dr1,483*
Total Net Savings	*Dr 882*	*Dr2,888*	*Dr6,371*
Interest on certificates repaid	504	510	7,250
Interest accrued on savings remaining invested	2,250	2,313	35,537

BANK OF ENGLAND RETURNS

JULY 28, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:— In Circulation	1285,041,305	Govt. Debt.	11,015,100
In Banking Department	15,206,528	Other Govt. Securities	1288,163,495
		Other Secs.	807,155
		Coin (other than gold)	9,270
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	217,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	366,344,291
Rest	3,764,193	Other Secs. :—	
Public Deps.*	11,247,137	*Discounts and Advances*	*13,398,392*
Other Deps. :—		*Securities*	*34,148,439*
Bankers	*311,025,819*		47,546,831
Other Accts.	*89,351,434*		
	400,377,253	Notes	15,206,528
		Coin	845,933
	429,941,583		429,941,583

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

COMPARATIVE ANALYSIS
(£ thousand)

	1947 July 30	1948 July 15	1948 July 22	1948 July 29
Issue Dept. :—				
Notes in circulation	1419·3	1271·9	1275·5	1285·0
Notes in banking department	30·9	28·3	23·8	15·2
Government debt and securities*	1449·3	1299·2	1299·3	1299·2
Other securities	0·7	0·8	0·7	0·8
Gold	0·2	0·2	0·2	0·2
Fiduciary at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept. :—				
Deposits :—				
Public	11·3	14·1	14·7	11·2
Bankers'	301·8	303·3	307·0	311·0
Others	95·1	88·9	89·1	89·4
Total	408·2	406·3	410·8	411·6
Securities :—				
Government	336·0	364·1	366·9	366·3
Discounts, etc.	28·6	10·2	15·6	13·4
Other	28·5	21·1	22·1	34·1
Total	393·1	395·4	404·6	413·8
Banking dept. res.	33·4	29·0	24·5	16·0
"Proportion"	8·1	7·1	5·9	3·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows :—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 22	45	74⅛	176 8	111 5
,, 23	45	74⅛	177 12	112 12
,, 24	Markets Closed		177 8	112 8
,, 26	45	74⅛	177 0	112 —
,, 27	45	74⅛	176 4	113 —
,, 28	45	74⅛	177 10	113 —

NOTICES

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE, CARDIFF AND UNIVERSITY COLLEGE OF SWANSEA, SWANSEA

The Councils of the Colleges propose jointly to appoint a Director of Extra-Mural Studies. Salary £1,200 per annum. Applications should be received as soon as possible by the Registrar of either College, from whom further particulars may be obtained.

LOUIS S. THOMAS, Registrar, Cardiff College.
EDWIN DREW, Registrar, Swansea College.

July, 1948.

STATISTICIAN—EAST AFRICA HIGH COMMISSION

A vacancy exists for a Statistician to open and control a statistical office probably at either Entebbe or Dar-es-Salaam on behalf of the East Africa High Commission. Candidates should be men possessing a first or second class Honours degree in Mathematics or Economics and Statistics, together with practical experience of statistical work and organising ability.

Salary: At a point on the scale £400, £450 x £25—£600 : £660 x £30—£840, according to qualifications and experience.

A review of East African salaries has recently been undertaken, and it is expected that the report of the Salaries Commission will be published in the near future.

Age limit 45 for permanent and pensionable terms.

Apply in writing to Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1.

LANCASHIRE COUNTY COUNCIL

COUNTY PLANNING DEPARTMENT

Applications are invited from University graduates with degrees in Geology, Geography, Economics and the Social Sciences, for two appointments on the Research Staff of the County Planning Department at the County Offices, Preston.

The appointments will be subject to the National Joint Council's Scheme of Conditions of Service for Local Authorities' Administrative, Professional, Technical and Clerical Services, and to the Local Government Superannuation Act, 1937.

(a) Senior Planning Assistant (Research), A.P.T. Grade VII (consolidated salary £635 x £25 to £710 per annum). Duties will include enquiries into various aspects of land use, mineral development and estimates of Urban congestion. Candidates should possess experience in a Government Department, or with a Local Authority, or with an estimated research organisation.

(b) Planning Assistant (Research), A.P.T. Grade V (consolidated salary £520 to £570 per annum). Duties will include maintenance of comprehensive statistical records and investigations into problems connected with industry and housing.

Testimonials are not required, but applicants should give the names of two persons to whom reference may be made.

Applications, stating age, qualifications and experience, should be received by the undersigned not later than Saturday, August 14, 1948.

R. H. ADCOCK,
Clerk of the County Council.

County Offices, Preston. July 14, 1948.

UNIVERSITY COLLEGE OF HULL

The College proposes to award a Post-graduate Studentship in the Faculty of Arts for full-time research in Arts, Commerce, Economics or Law. The value of the award is £200 for one academic year, renewable for a second year.—Further particulars from the Registrar, to whom applications (three copies) should be sent by August 30th.

MERCHANT VENTURERS' TECHNICAL COLLEGE, BRISTOL

DEPARTMENT OF COMMERCE

Required, to commence in September, a full-time LECTURER in ACCOUNTANCY. Preference will be given to Chartered or Incorporated Accountants with practical and teaching experience.

The post carries the status of Senior Assistant and the salary is in accordance with the Burnham Technical Report (Senior Assistants' Scale) for men: £700 by £25 to £800; women £560 by £20 to £640, plus allowances for qualifications and training.

Application forms (to be returned within two weeks of appearance of this advertisement), obtainable with further particulars from Registrar, Merchant Venturers' Technical College, Unity Street, Bristol, 1.

ANDREW ROBERTSON, D.Sc., F.R.S., Principal.

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Further particulars and information as to the method of application are obtainable from The Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1. The closing date for the receipt of applications is August 31, 1948.

AMERICAN PUBLIC ACCOUNTANT with many years' legal experience in Germany desires responsible position in this country.—Box 767.

HONS. B.A. (Cantab), Economics, fluent French and German, some Italian, 28, seeks administrative or liaison appointment in a leading company or trade association at home or overseas.—Box 776.

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THE WHITEHALL LETTER.—A personal weekly intelligence service and guide to world affairs.—Inquiries to Mitre House, 44, Fleet Street, E.C.4.

THE Council of Industrial Design has vacancies for Industrial Liaison Officers to assist the promotion by industry of good designs for exhibition in the Festival of Britain, 1951. Essential qualifications for all posts are experience in a responsible position and an understanding of industrial design acquired through designing or management or sales or technical journalism or teaching, with further qualifications as follows:—

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Starting salaries £750-£870, rising to £950. Exceptionally, one or two posts may carry salaries as under (a).

The posts are temporary, with the possibility of permanency for some. Women's salaries are rather lower than those given.

Write full particulars of age, education, posts held with dates, and qualifications in the light of the above requirements to the Establishment Officer, Council of Industrial Design, —Tilbury House, Petty France, London, S.W.1.

ADVERTISER forming Syndicate to acquire one of the most important properties in the West Indies showing excellent returns and exceptional possibilities for further development and capital appreciation. Opening for a few congenial associates capable of a substantial investment. Applications from Principals or their Solicitors only to Leaver Cole & Co., 30, Budge Row, E.C.4.

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TUITION IN ECONOMICS. Honours Graduate commencing University lecturing October offers individual coaching at his S.W. London home August/September. Phone: Put. 4609.

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WELL-KNOWN packer of English Canned Fruits and Vegetables, also Preserves, invites applications for post of Sales Manager, age 30-40. Must be able to control outside Sales Staff and possess experience of Office Administration, etc.—Apply, giving full particulars of experience, salary required, to Sales Director, Smedley's Ltd., Wisbech.

B.Sc. (Econ.) Honours, Barrister-at-Law, 12 years' business and professional experience, gentleman (32), desires administrative position with commercial firm, preferably as Personal Assistant to Managing Director.—Box 782.

APPLICATIONS are invited from women University graduates or those graduating this year in statistics or mathematics for a position in the Market Research Department of a large nationally known manufacturing company. The position is one in which wide scope for individual work will be offered after preliminary training, and candidates must possess the capacity for independent work. The person appointed will be required to reside in the North of England. This branch of the company is recently established and is expanding. A sound commencing salary and good prospects are offered.—Send complete particulars of education and qualifications to Box 783.

FOR SALE.—*Economist*, July 14, 1945, to July 19, 1947, incl. *Records and Statistics*, Vol. I, Nos. 1-15 and 17-27, incl.—Box 784.

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UNIVERSITY OF EDINBURGH

ASSISTANTSHIP IN POLITICAL ECONOMY

The University Court invites applications for appointment to an Assistantship in Political Economy. The salary will be £400 per annum, and the Assistant will be expected to take up duty on October 1st. The University Court will be prepared to consider making a grant towards the expenses of removal.

Applications, with the names of two referees, should be sent to the Secretary to the University by August 31st.

UNIVERSITY OF ABERDEEN

LECTURESHIP IN INTERNATIONAL RELATIONS

The University Court will shortly proceed to appoint a Lecturer in International Relations. Salary £600-£750 according to qualifications and experience F.S.S.U. and Family Allowance. The Lecturer will be required to give instruction in the history of International Relations from 1871 to the present, with special reference to the development of International institutions during the period and to the relations of the Great Powers from 1919 onwards. Further particulars can be obtained from H. J. Butchart, Secretary, The University, Aberdeen.

NATAL UNIVERSITY COLLEGE, DURBAN

LECTURESHIP IN POLITICS

Applications are invited for the above post at a salary on the scale:
Men: £550 x £25-£725 per annum.
Women: £425 x £25-£600 per annum.
To this will be added a cost of living allowance.
A suitable applicant may be appointed at any point of the scale, in accordance with his qualifications.
The successful applicant will be required to lecture in Politics to B.A., B.Econ., and B.Com. students, at all stages.
Membership of the University Teachers' Pension and Provident Fund is compulsory.
The appointment will be in the first instance for a probationary period of two years. The successful candidate will be expected to take up duties not later than March 1, 1949.
Further particulars and information as to the method of application may be obtained from The Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1. The closing date for the receipt of applications is September 30, 1948.

ASSOCIATION, representing an important national industry, requires SECRETARY, London. Previous experience association work, and central wage negotiating machinery, preferred. Salary £900-£1200, according to experience and qualifications.
Reply stating age and other personal details, professional qualifications, if any, training and experience, positions held, etc., to—Box 785.

PRODUCTION control. Deputy (aged 30-40) to manager of large department is required by North London Company engaged in the manufacture of furniture and woodware. Applicants should have had either theoretical or practical training in statistical methods and some experience in the production control department of a large organisation, or have been employed on work of similar nature. The outstanding characteristics required are a clear appreciation of production statistics and an ability to control staff. The position is a pensionable one and the commencing salary will be £600 upwards according to qualifications and experience.—Box 788.

OTHER NOTICES APPEAR ON PAGE 207.

GOVERNMENT OF NORTHERN IRELAND

CIVIL SERVICE COMMISSION

Applications are invited from British Subjects for the post of STATISTICAL OFFICER in the Ministry of Labour and National Insurance. Candidates must be normally resident in the United Kingdom and in the case of women must be unmarried or widowed.

QUALIFICATIONS: Candidates must possess an Honours University degree in statistics, or in mathematics, economics or other appropriate main subject combined with statistics, or having obtained an Honours degree without statistics, must have been employed wholetime for at least a year on statistical work.

Preference will be given to suitably qualified candidates who served with H.M. Forces during the 1914-18 or the 1939-45 War, providing the Commissioners are satisfied that such candidates can, or within a reasonable time will be able to, discharge the duties efficiently.

REMUNERATION: The Consolidated scale of salary is £700 x £25—£900 per annum. Superannuation provision will be made under the Federated Superannuation System for Universities.

APPLICATION must be made on the prescribed form which may be obtained from the Secretary, Civil Service Commission, Stormont, Belfast, and must be returned, with copies of two recent testimonials, so as to reach him not later than August 20, 1948.

CAMBRIDGESHIRE EDUCATION COMMITTEE

CAMBRIDGESHIRE TECHNICAL COLLEGE AND SCHOOL OF ART

Applications are invited for the post of Lecturer in Commerce and Industrial Administration required in January, 1949. Candidates should possess a degree in Commerce or Economics or hold an equivalent professional qualification. Business experience would be a recommendation and teaching experience is desirable but not essential. The post involves day and evening work, mainly of a senior character.

Salary will be in accordance with the Burnham Scale for Assistants in Establishments for Further Education, 1948. Allowance will be made for professional or industrial experience where applicable. Further particulars and application forms will be forwarded on receipt of a stamped addressed foolscap envelope by the Chief Education Officer, (T), Shire Hall, Cambridge. First inquiry should be endorsed "Commerce."

HIS MAJESTY'S COLONIAL SERVICE

A vacancy exists in Jamaica for a Secretary of Economic Affairs. Candidates should possess governmental or commercial administrative experience in responsible positions, and some academic qualifications are also desirable, such as a First or Second Class Honours Degree in Economics or a Bachelor of Commerce Degree. Salary £1500 per annum, free passages (on appointment), but not quarters, for officers and families are provided. The age limit for the appointment is 55 but pensionable terms would only be offered to applicants under the age of 45, who have completed three years of probation. Intending applicants should submit brief particulars of age, qualifications and experience to the Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, S.W.1.

NUNDYDROOG MINES, LIMITED

At a Meeting of the Board of the Company held to-day, the undermentioned dividend was declared, subject to audit:—

First and Final for the year ended December 31, 1947, of 9d. (Ninepence) per share (7½%), free of Income Tax at 9s. in the £, payable on September 3, 1948, to the shareholders on the books of the Company at the close of business on July 22, 1948.

The profit on Revenue Account (Provisional) including £238,565 refund of Gold Duty, was £82,863 (comparative figure for 1946, £32,397).

By Order of the Board,
J. A. WHITE,
Secretary.

BENDIX Home Appliances, Ltd., requires a London Sales Manager with the following qualifications. First class selling ability; capacity to control a sales and service organisation and thorough knowledge of, and experience in, distributor and dealer practice. A good salary and excellent prospects are offered to the right man. Applicants of the right calibre and with the highest credentials are invited to reply to The Chairman, 99a, Park Lane.

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The Economist

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August 7, 1948 One Shilling

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Twilight Sleep

SO far as the House of Commons is concerned, the debates that arose last week over Sir Stafford Cripps's proposal of a British-American Council of Productivity can doubtless be regarded as a storm in a tea-cup. By the second day, calmer reflections had already allayed some of the passions shown on the Wednesday and only two speeches were downright hostile to the project. There was a general disposition to regard it as at least harmless, and nobody reflected Mr Platts-Mills's fears of the previous day that it was "an affront to the dignity of our people and a threat to our economic security." Objection can, indeed, be raised to some of the particular circumstances of Sir Stafford Cripps's proposal. He would have been wiser not to have announced it at a press conference, and there is ground for scepticism about what can be accomplished by another high-level committee staffed by the bureaucrats of industry, when the lessons have to be learned on the workshop floor. The project will now presumably pursue its course and in due season results will appear. It has already received more public attention than it inherently deserves, and the best course for the Council to take when it meets will be to resolve to work in silence.

What does, however, deserve further comment is the general attitude of mind of the British public, as reflected by its elected representatives, towards its economic position and prospects. That attitude was one of horrifying complacency. It was shown by Tories—Mr Eden refused to accept "that our industry is in a position where we require advice from any country, however eminent, in the conduct of our industrial enterprises"—and by Socialists, by those who attacked the proposal and by those who, like Sir Peter Bennett, accepted it as a means whereby the Americans could be shown how good British industry is. Apart from Sir Stafford Cripps himself, there was hardly a member who was ready to admit that there was anything wrong with British industry—or, if there was, that could not be put right by native methods. If this were merely an exhibition of national pride, it would be a matter for a tolerant smile. But it is more than that. It provides a sudden flash of illumination upon the basic assumptions of the British mind. This nation has never really accepted that anything truly drastic or permanent has happened to it. "We have, it is true (runs the subconscious national credo), been blown off our course by the gales of war, and if we are slower than others in getting back to it, that is because we fought first, because we fought longest and because we fought hardest. That being so, it is our right to expect temporary assistance from the more fortunate as part of the unexpressed wartime bargain to pool resources. Give us time and we shall pull through. The present very difficult conditions must pass sometime and then we shall be able to get back to prewar—or if it is not exactly prewar, certainly no very drastic changes in our national way of life are called for. There is no reason why we should not be able to live a little better and a little easier. And if in the meantime those who are so generously helping us desire to see some progress towards the objects of their idealism, such as greater economic efficiency or the integration of Western Europe, there is no harm in making

the necessary gestures. But our real recipe is the time-honoured one of muddling through." Can anyone say, in his heart, that this is a caricature?

But the prewar world—in economic matters, if in no others—has gone with the wind. It is not so much that it would be difficult for Britain to get back to 1938—though that would be a difficult enough task—as that the world of 1938 no longer exists to get back to. The inter-war years were in many respects a time of frustration for the British people. But though they did not realise it at the time, they were enjoying peculiar and uncovenanted economic advantages. Indeed, their good fortune at that time is a large part of their misfortune now, since it bred in them a belief that life is far easier than it really is. The nineteenth century had firmly believed in the doctrine that production was everything, and that the standard of living of a people—as of a person—depended on what it—or he—could produce. But, by the peculiar paradox that always happens in wartime, the destruction and dislocation of the years 1914-18 gave birth, not to a desire to work harder to make up for lost time, but to the doctrines of the welfare state, to the belief that there was some magic of economics by which everybody could make a smaller productive effort and still consume more. This illusion should have been shattered at once by events. But the peculiar misfortune of Britain was that, for two decades, the miracle worked—largely owing to the quite fortuitous circumstance that the primary producers of the world were passing through a severe crisis which led to them offering their products cheaply in exchange for manufactures. As a result the British people were confirmed in habits of economic improvidence. They failed to notice the signs of the times, or to take alarm from the fact that they were steadily exporting less and importing more. Now the effects of these long-continued trends are painfully apparent. It is true that—as has often been argued in these columns—some relief from the present excessively unfavourable terms of trade can be expected. But it would be too much to expect a second miracle. We cannot hope this time to be relieved of the necessity for facing the consequences of our changed position in the world. Indeed, it is not merely the adjustments of the second world war that will have to be made in the next few years but in all probability the delayed adjustments of the first as well. These cruel pressures have not yet been fully felt, thanks almost entirely to the continuance of American assistance. But they are on their way, and the time is short. Yet British industry—both sides of it—is apparently sunk so deep in its twilight sleep of complacency that not even this peril can arouse it.

*

The only means of escape is a rapid increase in productivity. This has become a cliché. And yet it is still radically understood. For what is so urgently needed is not that the British economy should produce *more*—it is already doing well in sheer volume—but that it should produce more efficiently—which means at lower real cost in man-hours and material. The effort that is needed is not so much one of physical endurance, on Dunkirk lines, but one of the mind and the imagination, to accept new and different ways of doing things. And what was so discouraging about last week's debate was the small evidence it provided of any willingness to make this effort.

It is really absurd to say that Britain has nothing to learn from America about productive efficiency. All the hoary old fallacies were trotted out—that British industry has always been based on quality (as if American industry were incapable of fine production), that America has an advantage only where its large market permits mass production (although the British market is large enough to reap virtually all the technical advantages of mass production in virtually all lines of manufacture). No doubt British industry can show some examples of productive efficiency as good as any that are to be found in America. But that the average standard of productivity in the United States is considerably higher than in this country is really beyond dispute. How else do the Americans maintain their undeniably higher material standard of living?

Not all of the methods that have given American industry its astonishing productivity could be exported to Britain. But enough of them to make quite a difference could be adopted here—if both sides of British industry were willing to accept them. There is the difficulty, for, as Mr Mikardo said in a speech that was an astonishing mixture of common-sense and prejudice, that

> the real secret of extra productivity in the United States is not that they know more than we do, but that they more freely apply what they do know.

But even so, direct American counsel could be of the greatest benefit. Shortly before the war an American manufacturing company which had developed with great success a well-known line of consumer goods, entered into an arrangement for the manufacture of its products by a British firm. Let the American manufacturer describe the results.

> As the business has developed, it has resulted in an intimate, grass-roots, bench-level exchange of experience between the British factory and our factories in the United States, and between the British selling organisation and our selling organisation in the United States. As a result of it, the British economy now possesses considerably more [of the particular article concerned] for an equivalent amount of labour as it would have possessed if the arrangement had not been in existence. In other words, where 100 workers in a British factory were producing say, 400 units per day, these same workers are now producing considerably more per day. This additional production is an actual addition to the economic wealth existing within the British economy. . . .
>
> [In a planned economy] elaborate plans for increased production are made at the top level. The trouble is that very little happens at the bench level. Everybody recognises the need for increased production; everybody realises that the standard of living can be raised only by increasing the productivity of labour. The whole thing can be spelled out beautifully in words, but the fatal weakness is that the men and women sitting at the machines do not find out how to produce a greater volume of goods or learn to appreciate the reasons why they should, which is possibly even more important. Under our company's system, "increased production" actually begins *not* as a directive, but at the machine itself. When we get finished with the British worker he is producing more than he formerly produced, and what is more, he understands the *reasons* for time and motion studies, hourly production standards, wage differentials, group incentive bonuses, and the entire complex of what is known as industrial relations. *And* he is working shorter hours and making more money.
>
> The people at the bench level in the United States do not come into actual contact with the people at the bench level in the British factory, but the actual factory superintendents *do* come into actual contact. They meet each other, work together in the factories, and get to know each other; eventually they actually arrive at an understanding of each other's problems.
>
> The important thing is that this result is accomplished by bringing the two sets of factory superintendents into actual physical contact at the bench level. It is not something that they read about in words on a printed page.

It is a fair criticism of Sir Stafford Cripps's proposal that his Council will be separated by several layers of officialdom from the "bench level." But it is a far stronger criticism of his opponents that they blindly will not see how much could be learned from America if only British industry and labour would make up their minds to learn. The truest words in last week's debate fell from Mr Stanley Evans.

> The fact of the matter is that we shall either make intelligence our headmaster or return to the school of experience for a refresher course. Either we shall learn through intelligence or we shall learn once more through our stomachs.

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Kashmir and Hyderabad

NOT quite a year has passed since the final renunciation of the British Raj in India. On August 15th the first anniversary of Independence Day is due to be celebrated by both the inheriting Dominions, but it is to be feared that not much will be left of the mutual goodwill which was then manifest after Congress and the Moslem League had reached agreement on partition. It has now been openly admitted that regular troops of Pakistan have been operating in Kashmir against the Indian forces sent there after the Maharaja's formal accession to India, and this means that war is actually being waged between the armies of India and Pakistan, though it is so far undeclared and confined to the territory of Kashmir. The situation is a serious one and, if a settlement of the conflict is not soon reached, it can produce a conflagration far more extensive than the struggle in Palestine. Britain's concern with it is not merely the alarm which is naturally felt at a breach of the peace anywhere or even regret at the unhappy turn of events in a region of the world for which Britain so recently bore responsibility; it arises also from the fact that both India and Pakistan are within the Commonwealth and that this is the first case of warfare between two Dominions.

While the gravity of the situation ought to be fully recognised—and with attention inevitably focused on Europe during the last few weeks it has not been sufficiently appreciated—it must not be allowed to obscure the solid achievement of the months since last August in making an orderly transformation of the former structure of British rule. There is still no good reason for doubting the fundamental wisdom of last year's British decision both to transfer power immediately and also to permit partition. Any attempt to hand over India *en bloc* to Hindu Raj would most certainly have involved more bloodshed and confusion than has actually taken place, and a policy of trying to prolong British rule—or merely drifting from fear of grasping the nettle—would have committed this country to burdens and liabilities which it could no longer have borne, but from which it would have soon been too late to withdraw without great humiliation and loss. History may well regard the manner and timing of the British departure from India as the outstanding achievement of Mr Attlee's administration. If the sequel has included much violence and conflict, this has been the result of underlying tensions bound to break out in some acute form with the passing of the power which had for so long imposed unity over the vast area between the Himalayas and the Indian Ocean.

The purpose of partition was to enable the Hindu and Moslem communities—or nations, as the Moslem League leaders insist that they are—to separate by agreement and have their own sovereign states in the territories in which each respectively was in a majority of the population. Partition was the alternative to a "united" India with the virtual certainty of Moslem rebellion and unlimited civil war. It enormously reduced the risk of a general breakdown of all constituted authority and administration such as threatened otherwise to occur. But it left two serious potential causes of trouble. One was the existence of minorities of each community in the territory of the other's state, the Moslem minority in India, widely scattered over the whole country, being much more numerous than the Hindu-Sikh minority in Pakistan. The second was the question of the Indian States, in the two largest of which the ruling prince belonged to the opposite community to the majority of his subjects.

The minority problem became acute in the Punjab immediately after the announcement of partition and led to massacres and expulsions which emptied each half of the divided province of members of the weaker community. This violent and lawless exchange of populations did not close the account even in the Punjab, for it has left a legacy of intense bitterness among the refugees on both sides in addition to

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creating extremely difficult problems of resettlement. But India and Pakistan refrained from any direct military action on behalf of their co-religionists; they prevented a general spread of the rioting outside the Punjab, apart from sporadic outbreaks; and they completed an agreed demarcation of frontiers in spite of the strain on their mutual relations. Had it been only a question of the minorities, it seems that India and Pakistan would have settled down to an effective, if uneasy, partnership in pursuit of their substantial common interests, and that they would have shown almost as much solidarity in relation to the outside world as if the political unity of the sub-continent had been preserved. It is the crises over Kashmir and Hyderabad which have proved so far too intractable for any such reconciliation. Both cases are similar in that they are basically Hindu-Moslem communal conflicts, though it is only in Kashmir that India and Pakistan officially confront each other.

It must be emphasised that neither in Kashmir nor in Hyderabad is the issue primarily one between princely autocracy and democratic rights. By last year's settlement it was legally possible for any of the princes to claim full independence and refuse accession to either India or Pakistan; this right was implicit in the principle that the former paramountcy of the British Raj over the princely states could not be transferred to the new Dominions and that accession of the States could only be voluntary. But in fact, wherever the prince and his people have been of the same religious faith, there has been little, if any, resistance to accession or to sweeping reforms which have divested the princes of their governing powers in favour partly of the central government and partly of elective parliaments within the States. Most of the States, moreover, have now been either merged together to form wider units for administrative purposes or incorporated in neighbouring provinces. The urge of the peoples of the States for constitutional government and their growing sense of Indian (or Pakistan) nationalism have been decisive factors in these rapid changes; from the side of the Indian and Pakistan Governments the way has been made easy for the princes by offers of terms which assure them retention of their titles, ceremonial dignities and substantial incomes. Most of them have long been accustomed to leave the actual tasks of government to Ministers and to look to the paramount power both for protection and for guidance, so that they have had little inclination to fight against a settlement which relieves them of the anxieties aroused by the prospect of revolutionary change.

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But in Kashmir and Hyderabad—which happen to be the two largest States—the relative status of the Hindu and Moslem communities is at stake, and the question of accession has been necessarily considered by the rulers from this point of view. Kashmir has a Moslem majority and a Hindu prince, Hyderabad a Hindu majority and a Moslem prince. In both realms the important offices of state have traditionally been held by adherents of the ruler's own religion, and the growth of political democracy in either case would have the effect of ending this system of privilege. If such a change were introduced gradually, adjustment could take place without violence or proscription, but if it comes abruptly, it can hardly fail to produce—given the circumstances of Indian life and sentiment—a sanguinary upheaval threatening the dominant community with the loss of much more than its privileges. Hence the rulers of Kashmir and Hyderabad were at the outset unwilling to give up the independence of their States in any way which would admit intervention of a federal authority in their internal affairs. The Nizam of Hyderabad has maintained this position up to now, but the Maharaja of Kashmir, confronted with a Moslem revolt which was being supported from Pakistan, declared his accession to India and was given the protection of Indian regular troops.

India, by appealing to Uno against Pakistan for its alleged aggression against Kashmir, brought the Kashmir question into the forum of world politics, and a Uno Commission is now trying to deal with the matter, though there has so far been no cessation of the fighting. The case of Hyderabad has not yet been brought before Uno, but the blockade applied by India has received considerable publicity and has inevitably provoked comparison with the Russian use of blockade as an instrument of policy in Berlin. In spite of the strong position which India originally had in protesting against Pakistan's collusion in the Pathan invasion of Kashmir, the two cases together have now placed India in a very unfavourable light before world opinion. Perfect consistency is seldom to be found in politics, but it is seldom that a nation which claims to base its actions on moral grounds tries to justify its aggrandisement with such diametrically opposite arguments. India wants both Kashmir and Hyderabad, but the principle of princely right which gave legal sanction for Indian action in Kashmir condemns Indian policy towards Hyderabad, while the arguments from geography and communal majority which India invokes in Hyderabad go against the Indian case in Kashmir.

The reasonable settlement has been from the beginning that Kashmir should accede to Pakistan and that Hyderabad should accede to India, but that in each case, in view of the explosiveness of the communal situation, the internal transition should by consent be made gradually. Unfortunately neither Pakistan nor India has had the patience for the diplomacy which could have brought about such a result without force or threat of force. Pakistan, by backing the Azad revolt in Kashmir, hoped to snatch the State quickly and utterly sweep away the Hindu ascendancy; India, by demanding immediate Hindu predominance in the government of Hyderabad, has tried to enforce there a similar abrupt reversal of the established order.

Even now it is not too late for a settlement to be made between Delhi and Karachi which would clear up once and for all the problems left by the lapse of paramountcy. What is now chiefly needed is a more reasonable frame of mind in Delhi, for though Pakistan was chiefly to blame in the first stage of the Kashmir crisis, the intransigence is now more on the Indian side. After all that has happened in Kashmir, the best solution is probably to be found in a partition of the State with a directed population exchange; since India as well as Pakistan has a common frontier with Kashmir, this is geographically feasible. If India, for reasons of prestige, refuses any settlement along these lines, the danger of general hostilities between India and Pakistan will continue to grow, and with the Hyderabad issue unresolved, southern India would also be involved in the fighting and attendant communal disorders. Such a war would mean the dissolution of the massive structure which was handed over to the successors of the British Raj, a volume of human suffering beyond all computation, an unparalleled opportunity for the malignant infiltrations of international Communism and a major threat to world peace. The British Government is anxious to avoid any appearance of intervention in these affairs which might expose it to the charge of trying to restore the imperial power which it has renounced, and Mr Attlee rebuked Mr Churchill for talking in the House of Commons as though this country were still pledged to maintain or defend the independence of any Indian State. But whatever influence Britain, or British public opinion or the Commonwealth as a whole, still retains in India and Pakistan should be used strenuously for the restoration of peace between the two Dominions and for a settlement based on moderation and common sense. In this cause the friends of India would be indeed carrying on the work of Gandhi, who sacrificed his life for the reconciliation which is now threatened by open war. Failure to avert the armed struggle would mean that Gandhi's assassin had triumphed. But the devotion of India's leaders to his memory and to the ideals for which he stood gives grounds for hope that reason and goodwill may yet prevail.

Tito's Defiance

SIX weeks have passed since the Cominform denounced the Jugoslav Communist leaders. Yet these heretics of Marxism are still firmly entrenched and quite unrepentant. The recent Congress of the Jugoslav Communist Party, held last month after an interval of twenty years, expressed complete confidence in Tito, and elected as secretaries of the party and members of its Politburo the very men whom the Cominform had singled out for attack. All the delegates must have understood that the Russian Communist Party, led by Zhdanov and Malenkov, and master alike of the Cominform and of the Soviet Union, was at the head of their East European critics. But this knowledge did not deter speakers from hurling back bitter taunts at the accusers—sparing only the names of the Soviet leaders—nor the delegates from "prolonged, stormy applause," amounting at one point to a "long, unanimous chant of 'Hero Tito.'" Tito's defiance seems likely to continue.

The majority of the delegates in Belgrade were party members before 1941, that is to say they were those with the firmest grasp of "Marxist-Leninist ideology," and therefore most susceptible to an appeal from the Communist Pope and Cardinals in Moscow. If they remain loyal to Tito, it is unlikely that the wartime and postwar recruits to the party, who were mainly attracted by Tito's personality and by the Communists' war record, will desert the "People's hero." Moreover, the army and police are thoroughly reliable. The generals are Tito's men, and "OZNA" (the secret political police) is controlled by Rankovic, one of the three colleagues of Tito whom the Cominform denounced by name. As for the mass of the Jugoslav people outside the Communist Party, they may hate Tito and the OZNA, but they will not prefer Stalin and his secret police—the MVD.

There are, of course, precedents for such party quarrels. In the years between the World Wars, the Comintern from time to time denounced the leadership of foreign Communist parties. One of the most recent instances was the excommunication of the entire leadership of the Polish Communist Party in 1937—a step made easier by the fact that all the chief figures were in exile in Russia at the time. Invariably, sometimes, after a brief interval, the parties have prostrated themselves and discarded their leaders. But all those parties were in opposition in their own countries, with little hope of gaining power, and depended on material support from Moscow for the "sinews of the class war." Tito's party is in absolute control of the machinery of a comparatively strong, modern State—its army, police, factories, food supplies and labour force. The Marshal cannot be so easily brought to heel as a Brandler, a Thälmann or a Pollitt.

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Tito's career presents an interesting contrast. For twenty years he was a reliable Comintern agent in various parts of Europe. In 1937, he returned to Jugoslavia as the Comintern's emissary to reorganise the Jugoslav party, and especially to clear it of Trotskyites and other "sectarians." Four years later Hitler's invasion cast him for a quite different role—leader of a people's resistance movement against foreign conquerors and their local quislings. In the first role, he had shown himself quite competent, in the second, he showed courage and the gift of leadership, including a personal magnetism that attracted to him thousands indifferent or hostile to Communism. When the war of liberation was over, Moscow required him to revert to the functions of a patient Comintern stooge. But people's leader is a more attractive part to play, and one in which he was kept by pressure both from the military pride of a large part of the Jugoslav people and from the party organisers who wished to exploit this pride to popularise their policy.

The speeches made at last month's Congress paid little attention to the Cominform's charges on economic and social policy, which were simply dismissed as ridiculous. Their emphasis was on the organisation of the party in the State and on the charge of "nationalism." Rankovic, the police chief, gave a mass of information, proving that four-fifths of Parliament were party members, and that the People's Front and the People's Committees—regional government authorities—were dominated by Communists. (This detailed statement has special point for Western fellow-travellers, who have long sought to show that the People's Front is a broad coalition, and for Western correspondents who have been called Fascist beasts for pointing out the fact of Communist control.) Great pride was shown in Jugoslavia's war effort, from which the Soviets derived more help than they gave in return. Moreover, since the war, Jugoslavia has given generous economic help to Albania, has renounced £25 million of reparations due from Bulgaria, has supplied grain to Rumania and Czechoslovakia in their years of crop failure, and has sent supplies to General Markos (here again the fellow-travellers are disproved from an unimpeachable source). "Is all this narrow nationalism?" the indignant Jugoslav Communists demanded.

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Now that the Jugoslav Communists have dispersed, how do the results of the quarrel look to Moscow? Albania has been isolated. This small country, dominating the eastern side of the Adriatic at its narrowest point, which the Jugoslavs were busy linking with the Balkan Peninsula—and so with Russia—by the construction of its first railway, now has not a single friendly neighbour, and will be hard put to it to carry on any trade at all, let alone supply Markos now that he has quarrelled with Belgrade. Bulgaria is now openly hostile to Jugoslavia, and has formally repudiated a secret clause in last year's alliance which had provided for an exchange of "Pirin Macedonia" for some frontier districts in eastern Serbia. The revival of the quarrel between Slavs for Macedonia will be an obstacle not only to plans for a future Balkan Federation, but also to common action against Greece. The Jugoslav Congress recognised this by a resolution which, in effect, repudiated any intention of closer relations with Bulgaria and Albania.

So much for the Balkans. The central European Communist parties are variously affected by Tito's defiance. The Rumanian Communists have so little following in their country that they may have cynically resigned themselves to acting as foreign puppets. The Hungarian Communists, who have always been stronger as peacetime theorists than as wartime resisters of popular tribunes, may welcome the chance of gaining prestige in the eyes of Moscow at the expense of a neighbouring country which was on the right side during the war. The Czech Communists fear any success by Hungary and regret any rebuff to Jugoslavia, their country's traditional friend. Moreover, the belief that Tito is standing up to Moscow has encouraged Czech anti-Communists to raise their heads. Finally, the Polish Communists, who have had the hardest task of all owing to the age-long Polish hatred of Russia, must be dismayed at the proof given to the whole world that subservience to Moscow is the first of the duties of every Communist.

It is still difficult to see what imperative reason can have driven the Soviet leaders into an action which must cause them such great embarrassment. The best answer still seems to be that it was a combination of overweening personal arrogance and

papal abhorrence of heresy. What action will Moscow now take? Retreat is impossible without a costly purge of nine "mistaken" parties, including the Soviet. For Tito, retreat is equally difficult. He will not provoke Moscow, for he is well aware of the danger of relying on the non-Communist and even the anti-Communist sections of his own people. But equally, he cannot afford to lose face by admitting himself wrong after such a resounding public exhibition of confidence has been given him by his people. Since political action presents such difficulties, will Moscow impose economic sanctions? Dependence on foreign oil supplies is a weak spot in Tito's plans. But economic pressure from the east will only drive him into closer relations with the west—first with harmless "bourgeois" like the Swedes and Swiss, but in the end with the "imperialist powers" themselves.

While Moscow's policy remains uncertain, what use can the western powers make of the conflict? First, the isolation of Albania should be exploited. Now is surely the time to exert the strongest pressure to put an end to Albania's continuing military support for Markos, and to demand the compensation due for the destruction of British ships by Albanian mines. Secondly, if Tito requires western economic help to survive against an eastern boycott, the western governments should consider what they can do. Tito's frequent statements that no "strings" will be accepted can be taken for the bluff that they are. No help should be given without concrete returns. Tito's career shows clearly that it is a mistake to count on future goodwill for services rendered. Finally, if there were to be signs of Soviet military preparations, the western governments should consider what they can and should do, and in particular whether they can afford to let Russian troops occupy Greece's northern frontier from the Adriatic to the Maritsa. The strategy that brought American aid to Greece and kept British troops there cannot ignore the Jugoslav situation.

But the western governments have a more general task of the highest priority—propaganda; better called, in view of Moscow's implacable hostility to the west, political warfare. Its aim should be to widen every crack in the eastern monolith. The Moscow-trained satraps may be impervious, but thousands of influential bureaucrats, army officers and even Communist Party officials can be affected. To these men, propaganda from London should expose the nature of Soviet exploitation of their countries and of all eastern Europe. It was refreshing to see that at the Danube Conference this week Sir Charles Peake fired back at Mr Vyshinsky the epithet "imperialist" now used with such monotonous regularity by Soviet spokesmen in relation to the western powers. Sir Charles rightly pointed out that the Soviets have obtained for themselves an effective monopoly of Danube transport in three riparian states. But western propaganda should go further than this. It should point out that Soviet policy in eastern Europe and Germany is a systematic combination of economic, political and national imperialism, based on Soviet-controlled "joint companies," unequal commercial treaties, recruitment of spies by Soviet "technical advisers" in each country, and the flooding of bookshops and cinemas with Soviet books and films, to the profit of the Soviet publishing and cinema trusts. It should lay special stress on the inculcation of school-children with ready-made Soviet ideas, whose ultimate aim is nothing less than the complete absorption of every national culture by an amorphous, colourless Eurasian Moloch.

It should lose no opportunity to point out that the western powers do not object to the principle of social revolution in eastern Europe, still less to the aim of social justice for the peasants and workers; that they object only to the conversion of eastern Europe into a Soviet fortified base for attack on the west. Finally, since the point on which more than any other eastern Europeans are vulnerable is the fear of a German revival, propaganda should constantly remind them how in Prussia, with the eager help of Feldmarschall von Paulus and Comrades Pieck, Ulbricht and Co. a new *Grossdeutschland* is being prepared, how the supreme aim of Soviet policy in Europe is to reunite one *Volk* in one *Reich* under one *Führer*—the "genial teacher of all progressive humanity," Generalissimo Stalin.

These are only some of the themes that could, with great effect, be pressed home to the peoples of eastern Europe every day in their own languages. It is time that appeasement on the air, and Mr Bevin's rulings on the subject, came to an end. The radio station of Moscow and its satellites have not spared this country since 1945. Their audiences are far more vulnerable to such attack than ours. This is a matter of the highest importance, which should be thoroughly considered by the Foreign Office, the Defence departments and all other bodies concerned. For Tito's defiance has offered the first real opening for counter-attack in eastern Europe.

The Deplorable Generation

(By a Correspondent)

"Be ashamed of yourself," said the frog. "When I was a tadpole, I had no tail."

"Just what I thought," said the tadpole. "You never were a tadpole."

TIMES have changed since Robert Louis Stevenson summed up, in his admirable fable, the pattern of recrimination between the mature and the young; but it still remains apposite. Nowadays, indeed, the frog is apt to be humbler; he is quite as likely to condole with the tadpole as to blame him—diagnosing, perhaps, like Field-Marshal Lord Montgomery, a "disease of uncertainty"—and he may even occasionally be found lamenting the loss of his own tail, preaching the ideal of an enduring and transcendant tadpolehood, or beseeching the tadpoles of his day to develop, since develop they can and must, into something quite different from himself. All these themes, with an accompanying lament for the decline of religious teaching and of family responsibility, are stated and orchestrated with especial vigour at this time of year, the season of speech days and of scholastic stocktaking. There has never, except perhaps for a brief period during the 'twenties, been so much tacit support for the proposition that every man over forty is a scoundrel; on the other hand there has probably never been a time when such fervent echoes were sounded (by probation officers, magistrates, authority in general and an outraged public) to the opening complaint of the Shepherd in the *Winter's Tale*:

> I would that there were no age between ten and three-and-twenty, or that youth would sleep out the rest; for there is nothing in the between but getting wenches with child, wronging the ancientry, stealing, fighting. .

This is not really very surprising. The mature naturally have a bad conscience about the state of the world, for which the rising generation cannot possibly be held responsible. That inward uneasiness only needs the admixture of a little natural sentimentality to give rise to the repulsive phenomenon of youth-worship. At the same time the ethical deterioration of postwar society naturally affects the young more than their elders, since the abnormal, the uncertain, the temporary and makeshift life of wartime and postwar reshuffle has filled the greater part of their brief experience.

The specific problem of youth is today what it has always been: that of adaptation to a complex social order by a creature which is itself changing so fast that it can barely keep track of its own disconcerting interior developments; only today the social order is even more complicated than it used to be, and the interior developments have taken place in an atmosphere of uncertainty and upheaval. Apart from that central problem—which one may fairly claim to be far better handled nowadays than in Robert Louis Stevenson's time—young people are simply people who are young. If they suffer, in addition to the normal disorientation of tadpolehood, from a "disease of uncertainty," so do their elders; if they are disinclined to do a fair day's work and are short on discipline, so, regrettably, are most people; if they are capable, nevertheless, of responding magnificently to leadership, so is the nation at large. But the frog is always tempted mentally to segregate the tadpoles and, justly enough imputing to them the characteristics of the society in which they live, to call the result the Problem of Contemporary Youth.

This is not, perhaps, a particularly serious form of human folly. It is certainly a good deal less serious than the opposite folly of ignoring all that distinguishes the tadpole from the frog and framing a society—or allowing a society to develop—entirely without provision for the needs which these distinctive characteristics imply. The nineteenth century, even when it was not using up three generations of pauper apprentices in one with the lavishness appropriate to an astronomical birth-rate, built its cities to be barely endurable purgatories for the mature, and unmitigated hell for the young. It completed the swing-over from the family to the factory as the economic unit, thus destroying the natural gradations between the complete dependence of the small child and the complete economic responsibility of the adult, and leaving next to nothing in its place. It did indeed stop transporting ten-year-olds to Botany Bay for firing hayricks or stealing tablenapkins, but it imposed on the young a code of behaviour which condemned almost every specifically youthful activity and characteristic. It is hardly too much to say that the revolution in the relation between parents and children has done more for the increase of ordinary human happiness than any other social change of the last hundred years.

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But a mere change of attitude, whether private or public, does not solve the problem of fitting young people into society and fitting society for young people to live in. Nor does the twentieth-century consciousness of youth and its proliferation of remedial bodies, of boys' clubs and girls' clubs and the like, constitute much more than a palliative for a deep-seated ailment—the dislocation between childhood and adolescence, adolescence and maturity, in any modern industrial state. Indeed, in some ways the greater respect for youth, the fine determination that it shall not be economically exploited and stunted, has aggravated this dislocation. It is shocking that a youngster of fourteen or fifteen, with his mind and capacity just opening out, should be thrown out of school and set to full-time wage-earning possibly at a repetition job fit only for an imbecile. But it is nearly as shocking that that growing proportion of each generation which goes on to secondary or university education should emerge on the world hardly better fitted to cope with life outside the classroom than they were at ten. Life outside the classroom and the youth club is still unsuited to youth as it is; life inside them is unsuited to youth as a transition to maturity.

The principle that one learns by doing (however unsatisfactorily it may have been interpreted by Mr Squeers) is pretty universally accepted by teachers; but there is considerable repugnance to the corollary that one learns to live by living. One learns to earn by earning—a fact much more clearly recognised on the other side of the Atlantic, where legal school-leaving ages, which for years have stood far above the British level, are accompanied by an eagerness of youngsters of all classes to take spare-time jobs, and a readiness by employers to make room for them in conditions suitable to their age. By the same token citizens learn their rights and duties by taking part in civic activities—which does not mean passing somewhat flatulent resolutions about international politics at youth conferences, but genuine participation in the real thing, from organising salvage collections to distributing election literature or helping in surveys. One learns to be a civilised person by associating with civilised people—which is certainly not possible in organisations which encourage the survival of the gang instinct, in however sublimated a form, for years beyond its natural period. The club is better than the street-corner gang, the long economic irresponsibility is better than the sweated blind-alley job, the earnest hearty communal culture is better than a passive mopping-up of bookstall or cinema slush or yawning idleness beside an everlasting radio. The selfless and untiring devotion which has gone into the Scout and Guide movements, the boys' and girls' clubs, the campaigns for protective legislation, have been rewarded with great and genuine achievement. But at best these things do little to satisfy that hunger of the young which is one of the first things forgotten by their elders—the hunger for reality, the real job, the real victory over circumstances, the real friendship.

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It follows that neither exhortation, generalised reproof, nor even the ever-more-lavish pyramiding of "youth services" designed to rescue the young from the destructive effect of their environment, really go to the root of the matter. They all have their value—even the occasional reproof, if it can be administered without irritating the victims into a further frenzy of wrongdoing. But the long-run solution of the problem of youth (in so far as it is soluble at all, and not an inevitable ingredient of the general imperfection of man) is one, in the last resort, with the solution of the general social problem; the problem of framing a legal and economic and social setting in which normal human impulses will lead to decent behaviour and harmony with a minimum of restriction. It is a matter of solidarity between government and governed. The perennial spectacle of Us reviling, circumventing and often without compunction breaking outright the innumerable regulations imposed by Them is unedifying enough to account for quite a fair proportion of juvenile delinquency. More immediately, it is a matter of housing, of community planning, of the revival of the neighbourhood—that is to say of a social unit not segregated by age-groups, but forming, with old and young together, an organic whole in which the child, the adolescent, the young adult, finds at each stage of his life an appropriate and recognised place. Apart from anything that the state can do, it is a matter for individual parents, family by family, a problem of the grass-roots, as far beyond the competence of the best-intentioned and most enlightened authority as the restoration of eroded topsoil is beyond the competence of a bulldozer.

Meanwhile, in a demoralised, ill-housed, automatic and culturally muck-fed society, the "service of youth" has its indispensable role. Some role it will always have, since so many valuable and enjoyable activities can only be carried on in organised groups, and few very young people are skilled enough organisers to be wholly independent of trained, or at least experienced, adult help. A less useful future can be predicted for the croakings, whether sentimental or recriminatory, of the frogs. In Utopia, as in present-day Britain, one can be fairly sure that the tadpoles will continue to answer, with a flick of their deplorable tails, that they couldn't care less.

NOTES OF THE WEEK

Secrets of Moscow

What passed last Monday night in the Kremlin between Mr Stalin and the three Western envoys was to have been kept a close secret. So far the Foreign Offices have done their best to keep the security dam intact, but French and American journalists have also done their best to pierce it. As a result the usual leaks have occurred in the usual places, and one or two news editors can again congratulate themselves on telling half or less of the story regardless of the diplomatic consequences. The chief regular offenders are well known, and it is time that the professional associations to which they belong in Paris and London considered whether persistent efforts to make secret diplomacy impossible are in the public interest.

It would be worth someone's while to study how these leaks spread and stain the public mind with vague but ineffaceable patterns. For instance, this week it has been said, first, that the envoys left the Kremlin looking cheerful and took the stairs at the American Embassy two at a time; secondly, that Mr Stalin had been conciliatory; thirdly, that there was prudent optimism; fourthly, that Mr Stalin's terms for lifting the Berlin blockade were that the Western Powers should postpone execution of the London agreement on the policy to be followed in Western Germany. The first three points may well be true, but if the fourth is true, or even partly true, then they must be treated with great reserve. Yet already the general impression is that the international situation is easier.

Two vital points are liable to be forgotten at a time when relaxation of tension is what the average newspaper reader is looking for. First, the Western Governments' line so far has been to insist that the lifting of the Berlin blockade must precede wider negotiations. To allow the Russians to make that concession conditional on a modification of policy in Western Germany would mean that the Western Governments had already begun a diplomatic retreat. That may or may not be necessary, but the fact should be faced. Secondly, it should be realised that, on a long view, there is a vital British, as well as European and American, interest in building up as quickly as possible the productive power and political stability of Western Germany—a stake far more valuable than the Western position in Berlin. The Germans in Frankfurt now understand this and are pressing the view as strongly as they can.

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Shape of the Master Plan

The chief legacy of Mr Hoffman's visit to Paris is the obligation laid on the Sixteen Nations to produce a Four Year Plan. It is to be, according to the Americans, "not a mass of statistics, but a plan of action." Any repetition of the Paris Report, which was, in the last analysis, an account of the nations' needs, rather than of their intentions, is thus ruled out. Mr Hoffman is in fact asking to be given the outline of the Sixteen Nations' general strategy to reach solvency and stability by 1952.

The first question, therefore, is how the OEEC should go about this task. The method most frequently discussed is that each nation should produce its own plans for the next four years and that the OEEC should then attempt to subtract from them certain common lines of action and to smooth over any very obvious clashes of interest. This method has obvious disadvantages. There is no natural law whereby the separate plans of sixteen nations will end in any sort of harmony. Even if rough edges could be sawn off here and there from the separate jig-saw pieces, no picture would necessarily emerge in the jig-saw puzzle as a whole. And the juxtaposition of sixteen different projects might well give the points of conflict instant prominence while the solid work of national reconstruction would remain in the background.

For these reasons it is at least worth considering whether a quite different type of planning might not be adopted—planning not by the national unit but by various commodities and services. If the OEEC were to confine its planning to five key sectors—coal, steel, transport, power and grain—and leave every other activity to find its own level, it might have a more manageable proposition in its hands. All successful international planning hitherto has tended to be on a commodity basis. The postwar allocation of coal is a recent and notable example. In the sphere of transport and public utilities, there are certain common international interests which naturally transcend frontiers. The two key commodities, coal and steel, are very scarce and desperately needed, both conditions which underline the desirability of allocation and planning. The "commodity approach" is for some reason out of favour and none will pretend that it presents no difficulties, but on all past experience, it offers more chance of forming the basis of a flexible master plan than the patching together of sixteen separate national projects.

* * *

French Electoral Fever

The first issue upon which M. Marie will have to face the French Assembly is the date of the next round of local elections. At present, they are fixed for October, but one partner in the Government coalition—the Socialist Party—is exceedingly anxious to secure a postponement. The reason is simple. The Socialists are strong in the present *Conseils Généraux*, and they fear that if a vote is taken before the effects of a good harvest and of Marshall aid have made themselves felt, the voting may give a sweeping advantage to the extreme parties—Gaullist and Communist. And since the *Conseils Généraux* are among the electors for France's Second Chamber, an increase in the extremist vote there would involve the already compromised constitution of the Fourth Republic in a disastrous conflict between the two Assemblies.

It was this Socialist desire to secure a postponement of the elections that played a decisive part in the crisis which brought down the Schuman Government. It was suggested in last week's issue of *The Economist* that the Socialists precipitated the fall of the coalition so as to avoid further participation in the Government and to face the October elections in a less compromised state. In fact, the issue was more complex. The Socialists did not, in fact, intend to leave the Coalition. They sought to make their return conditional upon two points—the appointment of a non-Catholic figure as Prime Minister and an agreement to postpone the October elections. In the event, they secured in M. Marie a politician unconnected with Catholic politics (although they would have preferred one of their own ranks to a Radical). But M. Marie has refused to sanction a postponement of the elections on the Government's authority, and the issue will be put to the vote in the Assembly in the next few days. If the two parties which hope to gain from the elections—the Communists and the Gaullists—can carry enough of the Chamber with them in a vote to hold to the October date, the Centre parties will be faced with an electoral trial of strength (or demonstration of weakness) within four months. The Socialists' reaction in that event is unpredictable. It is still possible that they might withdraw their Ministers and, while not opposing M. Marie in the Chamber, dissociate themselves from his policies.

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It is precisely this type of instability, this manœuvring and calculating and wavering that daily adds new force to the electoral campaign which General de Gaulle has already opened, stumping the countryside in the cause of personal rule and strong Government. Of concrete programmes, there appears to be less trace than ever. The General's style is reported to have changed. Oratory is giving way to melodrama, and a new feature in his mass rallies at Nancy and Metz was the emergence of a species of dramatic dialogue between the leader and his supporters. When he explained his withdrawal in January, 1946, by the fact that, faced with the choice between staging a *coup d'état* and becoming involved in party politics, he preferred to withdraw, he asked the crowd whether he had not by that means "preserved his integrity," the crowd yelled back its belief in his political purity and chanted "*De Gaulle au pouvoir*" in the tones of a litany.

No one will deny the need in France for coherent government. It is equally impossible to feel anything but distress at the record of the shuffling, dozing, nagging, raging Assembly. But the new techniques of the General are bound to revive old memories of what *mystique* and emotion combined with nationalism and anti-Communism can produce in the way of government. General de Gaulle may not be a Mussolini, but he is going out of his way to suggest to everyone that he is.

The Gold Coast Riots

The Commission of Inquiry into the disturbances in the Gold Coast, which took place on February 28th and on subsequent days, had a twofold task. It had first to disentangle the truth about the shooting and looting that occurred at Accra from the mass of rumours and prejudiced statements that were put about after the incidents; and, secondly, to inquire into the underlying political, social and economic causes for the disturbances. At the time of the disturbances *The Economist* received criticisms of an article it printed from a correspondent in Accra, which implied among other things that the Governor had agreed to allow a body of ex-servicemen to present a petition to him in person and that the procession was proceeding in an orderly manner until it was stopped by the police, who shot an ex-serviceman without provocation. The report of the Commission [Colonial No. 231] makes it quite clear that the procession had never been given permission to see the Governor, that it deviated from the prescribed route and attempted to reach the Governor's residence after all, and that in firing upon it the police superintendent should be commended for averting a very ugly situation. We gladly accept this authoritative correction.

So much for the shooting. As for the looting in the shops, the Commission finds that it had already begun before the ex-servicemen's incident took place and was independent of it, though doubtless that incident increased the fury of the looters. But on the causes for the looting the Commission finds—as did our correspondent—the Gold Coast Government to blame for allowing the temper of the Africans to rise as it did. For some time, the rising prices and short supplies had been a source of constant complaint, and at the end of January a boycott had been imposed on the purchase by Africans of European imported goods, with the object of forcing the hated Association of West African Merchants to lower their prices. The effect of such a boycott seems to have been discounted by the Government—even with the story of the 1937 cocoa hold-up behind it. In fact, its whole attitude towards the dangerous inflationary situation that was developing as the ever higher price realised for Gold Coast cocoa failed to be offset by increased imports of consumer goods seems to have been far too happy-go-lucky. (It is only fair to add that the Colonial Office considers that the Gold Coast Government had done what it could.) In addition, the Government failed to keep the only too easily misled and suspicious Africans informed of what the price agreement eventually reached between AWAM and the chiefs really amounted to. This failure was responsible for the disappointment that greeted the reopening of the shops on February 28th, when it was found that prices had hardly dropped at all. Hence the looting.

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On some of the wider issues the Commission seems on less sure ground. It is unfortunate that it has interpreted its terms of reference so widely that it has indulged in the luxury of constitution-making for a colony to which it paid only a brief visit. Such presumption has drawn a rebuke from the Colonial Office in its accompanying statement [Colonial No. 232] and can only detract from the merits of the report in laying bare the facts behind the disturbances. Similarly, its views on the decline of the chiefs seem far too sweeping. After all, it was a sub-chief who, with the support of other chiefs, organised the boycott, and its success hardly argues that they are not respected. But on its pleas for a thorough overhaul of the system of trading, with its innumerable middlemen, or rather middlewomen, each taking a rake-off, there will—if it is practicable—be universal agreement. The difficulties, however, are formidable, for not the least significant feature of the report is its disclosure of the intense suspicion which greets any proposed economic reform. Can anything fundamental be done to a colony whose inhabitants allow their biggest asset, the cocoa trees, to be ruined by swollen shoot disease and then refuse to co-operate with their government in stamping it out?

* * *

Action in Malaya

Mr Malcolm MacDonald's spirited broadcast from Singapore on Tuesday evening should do much to restore confidence in Britain's power to protect the citizens of Malaya. The police force has been increased by 30 per cent to its present total of 10,000; the Army has been reinforced; large additional supplies of arms and ammunition have arrived from Britain and Australia; and the RAF have sufficient crews and aircraft to be able to continue taking an effective toll of the Communist insurgents. Former members of the Palestine police are also to be used and 300 officers and men are to be flown out within the next few weeks. Mr MacDonald further emphasised that the expansion of the police force was to be permanent.

It is a relief to learn that the Government are at last acting with decision against the very serious Communist threat to seize Malaya. For too long Britain's laudable desire to allow its colonial subjects to follow their own bent has been taken as a sign of weakness. The evacuation from Burma, from Palestine and from India has encouraged trouble-makers to believe that they only have to use a little violence to unseat British authority and to seize power for themselves. More dangerous still, this belief has spread from the trouble-maker inspired by a personal thirst for local power to world-wide organisations inspired by the wish to overthrow the Anglo-Saxon "capitalist imperialism."

The progress of the offensive against the insurgents in Malaya will be watched throughout the world—no less in Washington than in Moscow—as a measure of Britain's ability to hold what it has. The evidence available in Kuala Lumpur and Singapore, as revealed by Mr MacDonald, is clear proof of the Communist determination to set up a Communist Republic of Malaya. The present campaign is, in fact, the first full-scale Communist effort to seize a British colony. Mr MacDonald has held out hopes that it will be defeated "not next year, but this year—within the next few months." He must continue to receive all help possible to make good that promise.

* * *

Breaking the News

The last-minute row in the Commons before the summer recess concerning the announcement in Paris of a joint Anglo-American Production Council brings to the fore one problem which is likely to crop up again and again under the European Recovery Programme—that of the simultaneous publication of information in this country and in other countries, especially in the United States. What made the Commons so suspicious of the new Council was not only its nature but also its announcement in a foreign country before any details had been communicated to them.

The question of the publication of news affecting a number of different countries led to constant friction during the war, and is still a potent cause of trouble. In many cases it is the result of Whitehall's unnecessary attachment to an ostrich-like policy of security, which, for instance, inhibits the Ministry of Food from publishing the details of food contracts with the Dominions, although these are promptly given to the press in the Dominion capital concerned. But in the case of ERP the problem is fundamental to the organisation. Not only is the State Department by no means as "secure" about non-military information as British Ministries (as Mr Drew Pearson has demonstrated from time to time), but the structure of the European Recovery Programme means that some information about European countries may be available to the United States before it is available here. For instance, the British import-export programme for the next twelve months has now been submitted to the OEEC in Paris. It is under discussion there, as part of the programme for the Sixteen but has not been disclosed to Parliament here. In due course the programme of the Sixteen will go on to the United States Administrator. It is within the power of Congress, in checking the work of Mr Hoffman, to ask him to produce any relevant documents, and it is quite possible that this practice will mean that the British import programme may be called for by and presented to a Congressional Committee before it has come before Parliament.

This may be unfortunate, but it is in fact one of those elements of sovereignty which must be surrendered in the interests of European co-operation. MPs can make too much of their right to be informed at the very minute anyone else is informed. At the same time the oldest of Parliaments has a certain pride which it is pointless to insult. Ministers would do well to remember, in cases where they appear to neglect their responsibility to Parliament, that the corporate dignity of that body will—reasonably or unreasonably—assert itself and make things highly uncomfortable for them.

* * *

British Nationality Bill

The House of Lords stood firm on the death penalty clause of the Criminal Justice Bill, but yielded on the British Nationality Bill. Thus, while one ancient British tradition—the gallows—remains intact, another and finer tradition—that any of the King's subjects are full citizens of the particular realm of Britain—disappears. The Nationality Bill resolves the Commonwealth into a group of distinct nationalities having in common only an alle-

giance to the same King, and a mysterious citizenship which accords no particular rights and imposes no particular duties. It has carried a step further the process begun long ago, and originally formalised by the Statute of Westminster, of transmuting the Commonwealth into a congerie of sympathetically inclined independent nations, whose unity is symbolised by the Crown. Its effect is to make the Crown more important than ever, and it underlines the fact that all the nations of the Commonwealth have an equal claim upon the attention of the Crown, not as of grace but of right.

It is sometimes difficult to believe that the Court of St. James is fully alive to this situation. For instance, representatives of the press of the United Kingdom are accredited to Buckingham Palace, a privilege accorded to no other nation of which His Majesty is sovereign. Again, the staff of His Majesty, apart from honorary officers, is drawn almost entirely from the United Kingdom. This is a problem to which both Buckingham Palace and the Commonwealth Relations Office should devote some thought. Rightly or wrongly, it is difficult for any outside observer not to believe that His Majesty is King of Great Britain in a wholly different sense to that in which he is King of Canada or Australia. And the fostering of that belief would be of great disservice to the Commonwealth.

The House of Windsor has played a very important part in the development of the Empire and its transformation into Commonwealth. With the end of the common status of British subject it has a much more difficult role to play, since the Crown loses its all-embracing allegiance, and must express not only the unity of the Commonwealth, but also the national unity of Australia to Australians, of Ceylon to the Ceylonese, and so on. In the process, the traditional pattern of the Crown's activities in Britain may be profoundly modified, but then the United Kingdom is only one of the Dominions with a claim upon the services of the Crown.

* * *

"Miracle" Currency Reform

The "miracle" currency reform in Western Germany is now six weeks old, and the new spirit of optimism which swept over the country after June 20th is still strong, particularly among business men. Ordinary citizens are still enjoying the sight of goods in shop windows. The first rush for food has been largely satisfied. A glut of vegetables, as well as fruit and some decontrolled eggs, fills the markets to supplement a ration which has now reached the record height of 2,000 calories a day for the lowest category of consumer. Now the extreme shortage of money has slackened the buying craze, and even food is taking second place to clothes and shoes. The restaurants, selling eggnogs and omelettes, and the finest Rhine wine at 5s. a bottle (a price which the Germans complain is monstrously high) are no longer crowded; and the railways, once crammed to the buffers, are reducing passenger rates to attract traffic.

Workers, previously occupied in black marketing, started applying to the labour exchanges immediately the three zones went back to a money economy. With better food and the incentive of real money wages, the individual worker's output has also risen. In the tool industry, to name one case, the existing capacity can now be utilised to the extent of 50 per cent, compared with only 20 per cent before June 20th.

At the same time, state control, which had reached impotent absurdity, has been drastically reduced except on a few key products. The fictional price stop was abolished with currency reform, and fresh controls are not being imposed. Paper, building materials and eggs are among the products which Germans can now buy free from any restrictions. With hoards unloaded, and $18 million worth of American tobacco on its way, rationing of "smokes" will be ended next month. Already, black market cigarettes, and smuggled coffee, are undercutting the legal market.

* * *

Green Light for Industrialists

It is still too soon, however, to say that the D-mark is safe, or that the demolition of state controls will not lead to social unrest. Credit problems must be solved. Before the situation is healthy, a vast number of speculators and manufacturers of shoddy luxury goods who have been saved by lavish initial advances, must go bankrupt, and a means must be found of providing medium and long-term credits for the manufacturers of producer goods. So far, the Germans have evolved no real credit policy.

Prices on the black market—practically the only market upon which goods could previously be bought—have come down, and legal prices have risen from their previous level. Some have soared up to one hundred per cent above the June level, particularly—since Western Germany is mainly back on a price mechanism—prices of those goods which the people most demand. Wages were to be raised by a maximum of 15 per cent, according to a decree of the Anglo-American authorities; but employers are stalling and hardly any new agreements have been concluded.

Moreover, with an eye to continuing price rises, some manufacturers and spivs are hoarding once more. Stocks were ample to meet the first rush, but heads are now being shaken about the capacity of the clothes and shoe industry to go on meeting demand. Speculators are pointing out that, after all, the D-mark has no backing; respectable industrial and business circles naturally say America must do more to help.

The mark has certainly become a sound internal currency for the time being, but the Germans point out this is not enough; it must become an international "*Kultur* currency" backed by the dollar, and German manufacturers who find themselves short of goods must be able to go trading with it in world markets without the interference of the Anglo-American Joint Export-Import Agency. All the signs are that the German industrial world sees the green light ahead and will continue to extract the maximum benefit from its key position in the European Recovery Programme and the struggle between East and West.

* * *

After Krupp?

There are urgent reasons why the future of the great complex of heavy industry in the Ruhr should be given serious study by the Western Powers. It is clear that the industrial strength represented by the Ruhr will play a decisive part in any European Recovery Programme. The question of the kind of part it can be made to play is, however, inseparable from the type of organisation which will be set up to run it. But on this issue, all is doubt.

One point seems reasonably clear. There can be no return to the old pattern of ownership. The trial of Krupp and his fellow directors has given evidence of a mentality in prewar German industrial leadership which forfeits once and for all any right to future power. It may be that other firms cannot be convicted of Krupp's grosser crimes—of starving and ill-treating thousands of slave workers and prisoners of war, of condemning them to unspeakable living conditions and providing them with no protection against the Allies' shattering air attack. But practically all the great industrial combines of Germany stand convicted on Krupp's second count—that of profiting eagerly and unhesitatingly from the economic conquest of Europe which Hitler's armies had made possible. Willingness to exploit the Continent for the further expansion of German big business is a charge which virtually none can escape.

A change, then, is inevitable. But in which direction? At present the argument appears to be chiefly engaged between those who favour private enterprise and those who are committed to public ownership. Roughly speaking, the Americans tend to the former in the name of efficiency and are supported by the German Right (entrenched in the key economic positions at Frankfurt), while the British and the German trade unions are so far committed to the latter. There is, however, one escape from this apparent impasse which is insufficiently discussed—the possibility of linking the Ruhr to a wider integration of the Western European steel industry. That such an integration would be technically possible is proved by the prewar experience of the *Entente Internationale de l'Acier* and the European Steel Cartel. The aims of these organisations were admittedly restrictive, but they proved the technical possibility of closer co-ordination. A solution on international lines would have the political advantage of stilling France's fears and of ensuring that at no time in the future could German industrial leaders, private or official, exploit the Ruhr for purely German purposes. The drawing up of an international plan would offer stubborn difficulties. On closer examination, it might even prove impracticable. But that a study of the possibilities should enjoy a high priority with the OEEC none can doubt.

* * *

Women in Industry

The inevitable failure of the Government's present drive to get more women into industry and the social services, particularly full-time workers, is clearly shown in a recent PEP Broadsheet (No. 285) on the "Employment of Women." This illustrates that the untapped reserve of unemployed but employable women is now very low indeed and that this meagre reserve is bound to diminish as the population ages. Full-time teachers, nurses and textile workers cannot be sucked in from some as yet untouched female reservoir; their appearance here can only mean their disappearance elsewhere.

The table below, taken from the broadsheet, shows that there are only some 420,000 single women and girls between 16 and 60 who are fit for work but not gainfully employed. Of these between 100,000 and 250,000 are likely to have full-time domestic responsibilities. The proportion of widows free for employment is probably very much smaller than this, and the vast majority of the married women not gainfully occupied are fully occupied in their homes. The broadsheet estimates that even with the strongest governmental pressure—a degree of pressure which would probably not be politically possible—it would only be feasible to attract an additional 200,000 full-time and from 250,000 to 500,000 part-time workers into employment.

NUMBERS OF EMPLOYABLE WOMEN IN GREAT BRITAIN
(December, 1947)

Aged 15-60	Married		Widowed and Divorced		Single		Total	
	No.	%	No.	%	No.	%	No.	%
Gainfully occupied women	1,750,000	18	320,000	42	4,550,000	92	6,620,000	44
Other women	7,720,000	82	440,000	58	420,000	8	8,580,000	56
TOTAL	9,470,000	100	760,000	100	4,970,000	100	15,200,000	100

The prospects for the future are worse. It is estimated that between 1944 and 1949 the number of women will have fallen by 500,000, and more striking still, that the number between 15 and 45, who supply 75 to 85 per cent of the female labour force, will have fallen by 1,150,000. Under "natural" conditions a declining population should, with the exception of the care of the aged, have equally declining demands upon itself. What is now so paradoxical is that the country should have chosen the same turning-point to extend its health services, raise the school-leaving age, diminish the size of classes and generally to increase the demand for women's services. These demands can only be met by drawing women from elsewhere, where their special aptitudes are less essential and by inducing the over-sixties to return to or continue at work.

* * *

The ILO Conference

The recent conference of the International Labour Organisation at San Francisco might have passed unnoticed in the British press had it not been for the agitation about Mr Isaacs's whereabouts. It was, however, a workmanlike conference, getting through an inordinately long agenda and reaching agreement on a number of important issues. The fact that the conference included delegates with such varying views as those of American industrialists and Bulgarian workers is an indication of the value of confining such discussions to practical matters.

The conference discussed wage regulation, protection of women and children, night work, vocational guidance and a host of other labour topics: it adopted a convention on public employment service, regularising the systems of placing; it went farther in clarifying its relations with such international organisations as the ITO and with non-governmental agencies. But the most important issue discussed was the convention on freedom of association. This convention, which had been the subject of sharp controversy at Geneva in 1947, is surprisingly elementary. Indeed, M. Jouhaux, for the French workers, declared that it did not go nearly far enough and should have taken account of the position won by the unions in the more advanced industrial countries. All the convention does is to safeguard the rights of employers and workers to form voluntary associations, without interference from the state. This seems elementary. Nevertheless, in countries where there have been attempts to form state-sponsored organisations or where elementary trade union rights are denied, the existence of such a convention may provide some basis for resisting infringements of liberty.

The proposals put forward by the committee on "the right to organise and bargain collectively" will prove to be more controversial when they come up for discussion at the 1949 session. While most civilised countries regard collective bargaining as the best form of determining industrial conditions the clause relating to anti-union discrimination (which protects workers against dismissal because of union activities) will inevitably be held by some countries to limit the employer's rights.

The weakness of the ILO is that while the representatives of Governments, employers and workers may meet, discuss and agree, there is no real guarantee that the conventions adopted in the balmy atmosphere of San Francisco or Geneva will in fact be ratified and implemented. There has been some tightening up of the procedure for notifying the Office of governmental action, but if a Government is unwilling to translate principles into practice, there is nothing the ILO can do about it.

* * *

Bloodstock and the Stud Book

Messrs Weatherby, who own the General Stud Book, have persuaded the Jockey Club to review the possibility of admitting to it certain lines of bloodstock which are at present excluded. This is the result of developments over the past forty years. After the passage of the American anti-gambling laws in 1908, the depressed American racing industry exported a number of impure thoroughbreds to this country which were accepted for registration, while similarly doubtful English and Irish horses remained excluded. Consequently, in 1913 the Jockey Club passed the Jersey Act, which refused admission to the Stud Book for any animal which could not trace its pedigree without flaw on both sides "to a strain already accepted in the earlier volumes of the book." Since England was the recognised leader of the world in thoroughbred breeding, the effect of this was to render all bloodstock which by English standards was not thoroughbred virtually valueless. In particular, it knocked the bottom out of the export of American horses—a fact for which Kentucky has never forgiven Newmarket. The new policy proved, however, extremely successful and the standards of the British Stud Book became accepted all over the world.

In the last ten years, however, the French have produced the Tourbillon "half-bred" line (thoroughbred by their standards but not by ours), which is not only of outstanding racing merit and stamina, but has endured so far through three generations. One British classic after another has fallen to French horses. The immediate effect of this has been, first, to divert many American buyers to the French market, and, second, for British breeders to send their mares to Tourbillon stallions, although the offspring are regarded as *déclassé* by the Stud Book. Even if foaled in this country, they have no export value, however many races they may have won from less successful thoroughbred English horses.

For the Jockey Club to let matters drift would be to take a gamble on the revival of British thoroughbred lines, which if it failed would permanently lower the world status of the British Stud Book and hence the value of British bloodstock exports. To open the Stud Book to all horses considered thoroughbred in their own countries would also devalue British bloodstock, since it would give recognition to American strains which can be more cheaply imported by South America and other countries. The third possibility, and the one which the Jockey Club will most probably pursue, is to admit the Tourbillon line only, in view of its outstanding racing success. This would strengthen British bloodstock and safeguard not only the status of the British Stud Book, but also an export industry which in 1947 earned over £3,000,000. Such equine common citizenship might be regarded as the first fruits of closer political union in Western Europe.

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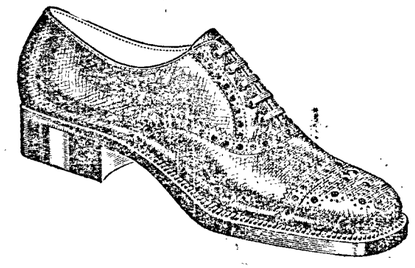
Liquidating the Kulaks

Recent developments in Eastern Europe, taken in conjunction with well-known facts about Soviet agricultural policy in the twenties, make it easier to understand what the Cominform really wishes agricultural policy in Eastern Europe to be. The Jugoslav Communists have been blamed not so much because they had not yet collectivised agriculture, but because they had treated the peasants, instead of the urban proletariat, as the foundation of the state, and paid too little attention to the class struggle in the villages. The nature of these sins can best be understood by reference to Soviet experience.

Communist authorities usually admit that three mistakes were made in Stalin's collectivisation policy of 1929 (though, of course, Stalin himself is not held responsible for them). The first was that, during the ten years following the redistribution of the big estates, the Soviet regime allowed a class of *kulaks* to entrench themselves firmly in the villages. These were a section of the peasantry which succeeded in buying up land from their less fortunate neighbours and so obtained political as well as economic supremacy in the countryside. The second mistake was that

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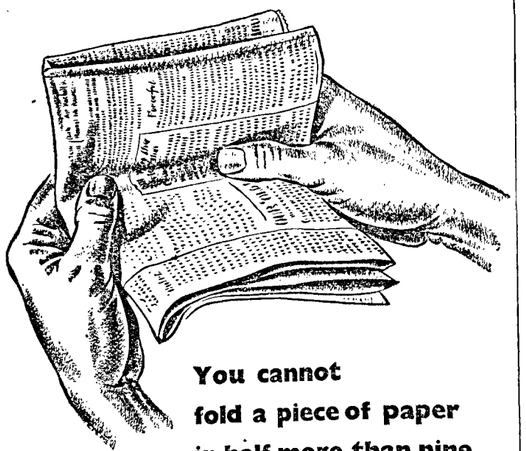


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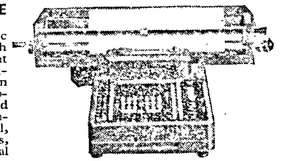


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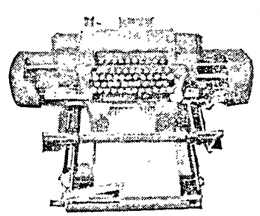
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the Communists, when they went out into the villages to carry out collectivisation, failed to obey their instructions, which were to base themselves on the support of the poor peasants, to win over as many as possible of the medium peasants, and to isolate as objects of attack the rich peasants. Instead, they too often antagonised the peasantry as a whole, uniting against themselves whole populations in many villages, with the result that cattle were slaughtered and even armed resistance was offered. The third mistake was the failure to have ready a sufficient stock of agricultural machinery. When cattle and horses were slaughtered the land could not be ploughed. These mistakes are considered by Communists to be due to a basic failure to study beforehand the facts of the class struggle in the countryside.

There can be little doubt that the ultimate intention of the Soviet Government and of the local Communist parties is that agriculture shall be collectivised throughout Eastern Europe. But the ground has first to be prepared. The Jugoslavs have, in fact gone further towards collectivisation than any others, by giving strong encouragement to the formation of voluntary co-operative farms. Bulgaria has done the same, but the other "popular democracies" have gone no further than paper projects. The Jugoslav experiment deserves little praise, in Cominform eyes, because it has not been accompanied by a systematic preliminary study of the class struggle.

* * *

Cominform Cracks the Whip

Since the Cominform's denunciation of Tito the various Communist parties have announced their intention of redeeming their failure in the villages. But, contrary to some Western commentators' statements, nothing has yet been done to speed up actual collectivisation. The main effort has been to tighten up regulations for deliveries by peasants to the state, and especially to increase the obligations of the richer peasants and lighten those of the poorer. In fact, the "battle against the *kulak*" has started, but only in the field of grain delivery, not in that of ownership. This development is most marked in Hungary and Rumania.

In Rumania a new State Commission for the collection of cereals has been set up. In Hungary detailed measures have been passed, and there has been a much publicised purge at the Ministry of Agriculture. It is alleged that officials have spent public funds on Catholic propaganda instead of on machinery. At the same time the arrest of the son-in-law of M. Tildy, the President of the Republic, for espionage has been made the excuse to get rid of the President who is one of the few remaining figures in the much-purged Small Farmers' Party. The only notable reference to collectivisation in Hungary has been a speech by the prominent Communist Gerö (Minister of Communications), in which he favoured Government support to co-operative farms in the future. Finally, the temporary eclipse of Gomulka, Secretary of the Polish Communist Party, attributed by some observers to his opposition to collectivisation, may well be due to other causes—for instance, a more general dismay at the effects on Polish opinion of the Tito case.

In general, it seems that Eastern Europe's period of NEP is not yet over, though the Cominform is undoubtedly quickening the pace.

* * *

Half-a-Million Arab Refugees

The problem of the Arab refugees has three aspects. It is first an international humanitarian problem; secondly, an internal Arab test; and thirdly, a key issue in any possible *de facto* settlement.

The international aspect was put before the Security Council by Sir Alexander Cadogan on Monday, when he pointed out that the United Nations, in seeking to push off on to the Arab world the solution of the European problem of Jewish DPs, has created a new and larger class of Arab DPs. The Jewish DPs are generally estimated at 200,000, but the displaced Arabs may number anything up to half a million. The Jewish DPs may be blamed on Hitler, but the Arab DPs are directly the victims of the Assembly's partition resolution. Britain has made a good start on the humanitarian side by its offer of £100,000 for immediate relief and thereafter to contribute its share of any sum voted internationally. It is to be hoped that this initiative at least will gain some support from America.

But equally, the Arab DPs are a test of the capacity of Arab society to make any kind of showing in the modern world. To see how far they have failed at this test they have only to ask themselves what the Zionists would have done in their place. The young men of military age would have been conscripted and trained, with or without arms. The women and children and old men would have been housed and fed, and absorbed into a community waiting and preparing for the moment when it could go to war again. If Arab society were anything but rotten, the Arab States would not be waiting for international charity to do something about their refugees They might even have refused such help when offered.

The Arab ruling minority have gone about this business in the same way as they fought in Palestine, without public spirit, or personal sacrifice or common effort. And now they dare not tell their peoples what has happened. This is the problem for the Arabs today, a more real one than their immediate relations with the Zionist State.

*

Whatever *de facto* settlement Count Bernadotte may achieve, it cannot be expected to end the Palestine conflict. It will merely pass over into a new phase, of which the outcome will depend on the ability of the Arabs to transform their society into something more effective. In such a settlement, the Arab refugees are a political and military pawn. It might have been better for the Arabs, if they meant business, that their refugees should not return to the Zionist-held areas. Properly used, they might have more potential value outside. Count Bernadotte, however, is reported to have asked the Security Council to order the Zionists to let them go back. But the women and children, most of them country folk, could hardly exist there without their men, and the Zionists claim that these would endanger their internal security. Moreover, they want the Arab lands and villages for new Jewish immigrants.

The other main questions involved in a settlement are Jerusalem and the port of Haifa. Count Bernadotte still seems optimistic, despite some belligerent pronouncements from Tel Aviv on the inclusion of Jerusalem in Israel, that he can get agreement to a demilitarisation scheme there. A measure of internationalisation for Haifa, too, would be preferred by the Powers. The Zionists have seized and are operating the oil refineries with some remnants of pipeline crude. No doubt, they are hoping to play off American against British oil interests. But, whoever owns the oil, it must come—if the refineries are to serve their purpose—from and through Arab countries. Thus Arab consent has to be obtained, and with an all-Zionist Haifa this would be difficult. As the Zionist State, too, will need oil, there are compelling reasons for a special regime in Haifa.

Shorter Notes

A correspondent in Berlin points out how ineffective have been so far the retaliatory measures used by the Western governments in the duel within the city. The attempt to hold up Russian trade with the West by stopping freight trains through Bizonia to and from Switzerland, Belgium, Holland and Denmark has had little effect. Road services are not affected, and goods are moving freely by sea. The Russian Export Department is also enjoying to the full the spectacle of the British Board of Trade transferring its purchases of potash from the Russian zone to the sea route via Rostock and Wismar. Likewise fully laden trains run daily to and from the western part of the Russian zone within 300 yards of the British Military Governor's residence. No one seems to have thought of closing these lines through the Western sectors.

*

The British and Canadian Governments have taken specdier action on the Newfoundland plebiscite than Mr Mackenzie King's habitual caution made it seem likely. With a total voting strength of approximately 177,000, there is a majority of just under 7,000 for confederation with Canada. Both governments have now agreed to go forward with negotiations, which, as far as the British Government is concerned, means the nomination and dispatch of Newfoundland representatives to negotiate in Ottawa. That the negotiators will be nominated rather than elected may be a cause of some resentment, but the machinery of election in Newfoundland is too expensive and cumbrous to be set in motion for such a purpose. Until such time as the negotiations are completed the Commission of Government will continue to administer Newfoundland under the Act of 1933.

*

For sheer audacity Mr Vishinsky takes the prize. In Tito's own capital, among the Balkan people who have recently complained most loudly and doggedly of Russian interference, he has declared that in the prewar days the Danubian states were treated as a cook treats potatoes. They of course still are, the only difference being that Mr Vishinsky and Mr Molotov prefer them mashed.

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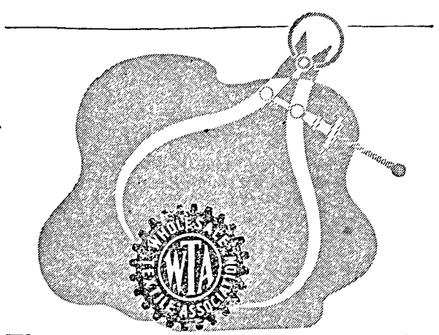
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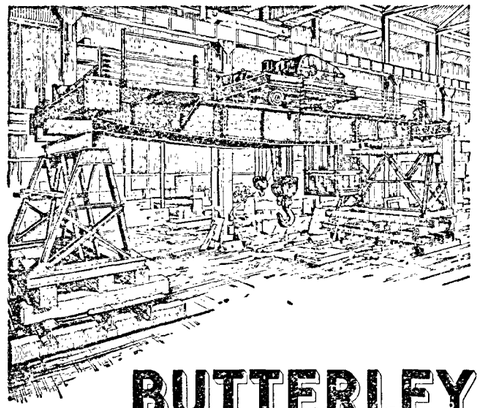


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Letters to the Editor

Development Councils

SIR,—I have read, with interest, your "Business Note" on Development Councils. I fully share your view that the Government would have been wiser to make a start in industries where both sides support the establishment of a Development Council than to endeavour to force through such a body for the Hosiery and Knitwear Industry, in which the employers are almost unanimously opposed to this course. I must, however, question your suggestion that a Joint Advisory Council is necessarily weaker than a Development Council though it has no statutory powers.

The compulsory powers given statutorily to a Development Council are very limited. Insofar as finance for research and for export promotion and similar work is concerned, it is quite possible for the Board of Trade to invoke Section 9 of the Industrial Organisation and Development Act, and by those means raise a levy from the industry to finance the work which would be carried out on the advice of a Joint Advisory Council.

The opposition to Development Councils mainly springs from one fact. They are to be constituted of individuals appointed by the Minister who have no responsibility to the industry for which they are to act. This unrepresentative and undemocratic Council is given an official status which is bound to establish it as spokesman of the industry to the Government. Where there are well organised Trade Associations competent to carry out the measures recommended by the Working Parties, and willing to join with the appropriate Trade Union to form a Joint Council, working, if thought desirable, under an independent chairman, the employers believe that this machinery should first be given a trial before a statutory body is set up.—Yours faithfully,

FREDERICK BAIN,
President, Federation of British Industries

21 *Tothill Street, London, S.W.1*

Film Quota Dispute

SIR,—Will you kindly point to a line or word of my published letter of July 31, 1948, that warrants your assertion that

> "Mr Allport is apparently unwilling to concede that the British Government has any right to fix the quota to please itself; sovereignty, for him, lies in Hollywood, and he is . . . angry with *The Economist* for conceding this right. . . ."

The facts are that in *The Economist* of July 10th you implied we could have used the Film Agreement to block the quota. In my letter to you I pointed out that it would have been quite improper for us to have attempted any stipulation at that time with respect to quota, and explained the reasons. In point of fact, therefore, it was we who conceded and *The Economist* who questioned the Government's right to fix the quota as it saw fit.

My letter to you questioned the wisdom of the quota arrangements; your articles have done the same. Wherein, then, is *The Economist* right and the American industry wrong?—Yours faithfully,

F. W. ALLPORT
Motion Picture Association of America, Inc.,
15 *New Burlington Street, London, W.1*

[*The Economist* has never questioned the right of the Government to fix the film quota as it sees fit. It has questioned the wisdom of fixing the quota as high as 45 per cent. Equally it has questioned the right of the American film industry to dispute the power of the British Government to fix the quota without tacit agreement, prior consultation or understanding with Hollywood. Mr Allport's letter suggested a breach of faith and a "violation of the spirit of the agreement." In other words, what he was saying was that the British Government had no right to fix the film quota as high as 45 per cent without consulting Hollywood.—EDITOR.]

A Bitter Choice

SIR,—In your leading article "A Bitter Choice" of July 24, 1948, you give an illuminating analysis of the Berlin crisis. As you pointed out, the dilemma facing the three Western Powers is of an intricate and risky nature. Whether a compromise can be reached with the Russians nobody can foretell.

To seek, however, a solution by force, the second alternative mentioned by the article, involves, in all probability, the gravest risks we may take in our efforts to meet the requirements of the situation. It is obvious from your article that you do not underrate the implication of such a course. In this context I cannot help but recall Grotius' wise counsel in his famous book "De Jure Pacis et Belli" (book 2, chap. XXIV):

> . . . we must obviate a certain mistake, lest any one should be persuaded, that whenever he has just cause given him, he is thereupon immediately obliged to declare war, or that it is warrantable at any time for him to do so. On the contrary, it happens that it is commonly a greater piece of goodness and much more commendable to abate somewhat of our Right, than rigorously to pursue it.

Applied to the impact in Berlin the "ultimate firmness" may not be the *ultima ratio*.—Yours faithfully,

W. KLEIN

51 *Lancaster Gate, London, W.2*

Caleb Diplock

SIR,—The article in your issue of July 31st and the judgment of the Court of Appeal must have caused some renewed searching of heart among lawyers as to whether justice, which is after all the end of the law, has been achieved. Many of them will share the distaste of Lord Goddard, who expressed in his judgment the hope that a private Act of Parliament would restore to the charities what Diplock had meant them to have and to keep.

The plain man can understand that wills must be construed in accordance with the words actually used by the testator, so that the fatal words "charitable or benevolent" must be given their true legal effect. He can understand that the word benevolent is too vague for enforcement, and that the House of Lords, looking at the will as a whole, was right to reject the view that there was an over-riding charitable intention.

But the plain man finds it hard to see why the whole gift should be void for uncertainty merely because the trustees, who did not in fact endow benevolences, had been given the option to do so.

From *The Economist* of 1848

August 5, 1848

MOST householders, we believe, feel the advantages of the present general, and, for some time, almost uniform, cheapness of most of the necessaries and conveniences of life. Good bread is not more than sixpence the four-pound loaf. . . . To mention another almost equally important item of household expenditure—the best coals are now bought in London at 24s. per ton, and have not through the whole year been above 26s. . . .

We may refer, too, amongst many other things, to sugar and coffee. The latter, that used to cost 3s. per lb., is now purchased for 2s., and that which cost 1s. 8d. or 1s. 10d. is now purchased for 1s. The refined sugar, that used to be 10d., 12d. or 14d. per lb., is now 6d. or 8d. . . .

In many articles on which there has been no other reduction of duties except in their raw materials, nearly as great a reduction of prices has taken place as in coffee and sugar. Most articles of clothing, for example, are now much cheaper than they were. Hats, shoes and boots may all be bought at reduced prices, and they are made more convenient than formerly. Both hats and shoes are lighter, and better adapted to the head and the feet. More skill and ingenuity are employed in constructing them. We have a greater variety of leather in use, and a great choice of materials for hats, while formerly there was little or nothing but heavy calf-skin for the feet, and felt, with a little beaver, for the head. Fustian, broad cloth and kerseymere were the chief materials of men's clothing a few years ago; but now the choice is distracted by the variety of woollen substances appropriate for dress. . . . We are not knowing in the drapers' nomenclature, but we can see that the woven tissues with which ladies are now clothed are even more varied in their quality than reduced in price. The process does not stop with clothing. It extends to the furniture of our houses and to everything we require. The general reduction in price is accompanied by an improvement in quality and form. There is a perpetual exertion on the part of the industrious classes not only to supply society cheaply, but tastefully, elegantly and substantially.

He will think the sensible line would be to allow the money to go to charities but prevent it from going to benevolences.

It is too late to alter the law except by legislation, but for such a change there is a precedent in the very state of Victoria from which the Diplock plaintiffs come. The effect of the Victorian law is that in such cases as this the trustees must ignore the trusts other than those which are strictly charitable.—Yours faithfully,

TEMPLE BAR

The World and the Dollar

SIR,—In the editorial note on page 102 of *The Economist* of July 17th you say that it never occurred to you to consider an increase in the dollar value of sterling and other currencies. You go on to ask how, if the United States will always tend to sell abroad more than it buys abroad, can "a fall in the dollar—which would make the world want to buy still more from America and enable it to sell still less—conceivably do anything but make the problem worse?"

But if A is trying to sell a lot for the little he wants, while B, C and D are anxious to buy a lot for the little they have, how can a fall in the prices at which A sells to B, C and D do anything but gratify *pro tanto* the desires of all parties?

It occurs to me that the discussion might be conducted in terms of elasticities of supply and demand—with more precision, if in less "plain English." The merits of following logic in this sphere are another matter.—Yours faithfully,

25 Hillcroft Crescent, Ealing, W.5 HUGH TOWNSHEND

[Mr Townshend is right—*on the assumption that quantities are controlled*. But we were arguing, as we pointed out several times, about what would happen in a relatively free market.—EDITOR.]

Books and Publications

Marxism *versus* Socialism

"Communist Manifesto—Socialist Landmark." A new Appreciation written for the Labour Party by Harold J. Laski. Allen and Unwin. 7s. 6d.

"Makers of the Labour Movement." Margaret Cole. Longmans. 15s.

PROFESSOR LASKI writes his appreciation of the *Communist Manifesto* as a convinced Marxist. He accepts without question the thesis of the *Manifesto* and his "new appreciation" does not include any examination of the correctness or otherwise of the Marxist analysis. But at the same time, he is a Western democrat. The dogmatism, the tyranny, the lies and the distortion of Communist practice today revolt him. His problem, therefore, is to reconcile the Marxism of Marx and the Marxism of the latter-day followers of Marx and the whole appreciation has really only one aim—to prove that Marx's approach was far removed from the dogmatic claim of modern Communism to be the only truth and also from the driving urge for power and domination shown by every Communist party.

Marx, says Professor Laski, never sought to found separate Communist movements, nor to dominate progressive groups working towards the same goal. He quotes Marx's speeches in favour of workers' brotherhood and their "fraternal concurrence," and makes a point of the fact that when Lasalle organised the first workers' party in Germany Marx made no attempt to found a rival one. Where, then, did the drive for power, the heresy hunting, the whole modern effort of Communist domination come from? Not from Marx, says Professor Laski. It comes apparently from a series of strategic manœuvres made by Lenin in his attempt to keep control of the Communist central committee between 1904 and 1907—manœuvres which were repeated in the years before the 1917 Revolution and all of which tended to impose the dominant ruthless minority on the major part of the movement—a danger foreseen with perfect clarity by Rosa Luxemburg. By the time the successful revolution had put the seal on these tactics, they had become accepted as the Marxist method *par excellence*. But, Professor Laski argues, they have nothing to do with the real Marx.

It is a difficult thesis to maintain. In the first place, few writings in history are as sweepingly dogmatic as the *Communist Manifesto*. For another, in the *Manifesto* itself, Marx devotes a long and vindictive section to attacking breeds of Socialism which differ from his own—a section to which Professor Laski devotes some careful but on the whole inconclusive attention. But, above all, the thesis belies much of what is known of Marx's habits of thought and action. Professor Laski conveys by a few hints the picture of a venerable leader growing old in wisdom and counselling working-class unity to the end. But Marx was a virulent, intransigent character whose whole career was one long fight with men who sought to work beside him in the labour movement—with Weitling, with Lasalle, with Bakunin—and whom he tried by every trick, intrigue and calumny at his disposal to displace. Unity he sought only under his own strict control. When control threatened to pass to others—as it did in the Communist League and later in the First International—he broke the movement rather than lose the leadership. When Professor Laski writes that neither Marx nor Engels

> pretended to the kind of infallibility so absolute that it is entitled to establish an inquisition to enforce their dogmas,

he is simply setting on one side an important section of the *Manifesto* and a large part of Marx's life.

This is no side issue. If there is continuity of outlook and method from Marx to Zhdanov, it is reasonable to ask whether part at least of the trouble does not lie not in later aberrations but in Marxism itself. If the Communist parties today do so many things Professor Laski deplores with consequences so fraught with disaster for the world, is it not a hypothesis at least worth entertaining that Marxism is in many ways a false guide both to history and to progress? Professor Laski sweeps away this possibility in one remarkable statement:

> a century after its [the Manifesto's] publication, no one has been able seriously to controvert any of its major positions.

Yet the major premise—that the passage of all power, economic and political, to a state governing in the name of the working class will solve every political, economic and moral problem—is one of the most hotly debated issues of the day. It is one thing to accept Marx's prophecy that capitalism will create great upheavals. It is quite another to believe that Marxist Communism is the cure. And so much has happened since the 1917 Revolution to suggest the contrary that the fact can gravely trouble as convinced a Marxist as Professor Laski himself.

That dogmatic Marxism, with its clearcut ideas, its vast hypotheses built on Hegelian abstractions, its prophecies of inevitable class war and of the inevitable collapse of the *bourgeoisie* is not the recipe for overcoming the defects and contradictions in industrial society is suggested by Mrs Cole's useful summary of the lives of fifteen precursors and pioneers of the British Labour Party. One of its most striking points is that there is hardly an ideologue among them, another that they retained their obstinate affection for the ideals of truth, justice and fair dealing which Marx contemptuously dismisses in the *Manifesto* as bourgeois claptrap. These men created a movement which by peaceful means, without violence or torture or secret police, has helped to transform the "bourgeois society" of Marx's day to an unrecognisable extent. The gap between them and the stormy visionary of the *Communist Manifesto* is as wide as belief and outlook and tradition can make it, and today the Communist inheritors of Marx's bitter, narrow and dogmatic faith would be the first to sweep away the work and achievements of these more moderate men. In the event, "idealistic" and "bourgeois" Socialism, to which many of Mrs Cole's fifteen leaders belonged, has done more to create a decent and just society than scientific Marxism. Professor Laski is aware of this dilemma, but, a Marxist himself, he cannot admit that it is rooted in the *Communist Manifesto* itself.

Recent Books on the United States

The Americans, a Study in National Character: **G. Gorer** **10/6**

Documents on American Foreign Relations, July 1944-June 1945: **L. M. Goodrich and M. J. Carroll** (*ed.*) ... **32/6**

Major Problems of United States Foreign Policy, 1947: a study guide **18/-**

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Advice to the Restless

"Shall I Emigrate?" By Roy Lewis and Arthur Frazer. Phoenix House. 284 pages. 15s.

THIS is a highly practical, comprehensive, well-written and sensible compendium of information for the would-be emigrant of any class, economic status and qualification. It deals successively with Australia, New Zealand, Canada, South Africa and Southern Rhodesia; for each, it provides an overall sketch of economic and social conditions, an assessment of general prospects, and a discussion of particular industries and of agriculture, together with scales of wages, social security provisions, houserents and taxation, advice on the purchase of property, full data concerning immigration regulations, assistance schemes, and transport costs, a bibliography for further reading, and—an admirable thought—the names and London addresses of the chief newspapers. Only those who have themselves not only travelled but actually lived in each of the Dominions could accurately check all the authors' facts, judge their opinions, and pronounce on the fidelity with which they convey to the hitherto untravelled the intangibles which make so much for the happiness or unhappiness of the new settler. Such a check as is possible to the present reviewer results in the award of high but not quite maximum marks; no one would guess from the authors' account that oppressive Low-Church-and-high-tea provincialism which so oddly deadens the freedom and energy of the Canadian atmosphere, or the tension and mutual intolerance between the seventeenth-century French Canadian mind and the twentieth-century Anglo-Saxon. On the other hand, nothing could be better than their account of the life of the Canadian farmer, the perspective in which they set Canadian industry, or their advice to the would-be purchaser of a small-town business.

Anyone opening this book with the notion that the Dominions are lands of limitless and easily-grasped opportunity, freedom and spaciousness will certainly be disillusioned. Opportunities and space are there, but only for those who are willing to work for them a good deal harder than is customary in the homeland—unless, of course, one can find oneself a niche in one of the antipodean trade-unionists' paradises, and enjoy the benefits of a slow-motion five-day week, together with the certainty that if a kitchen pipe bursts at one minute past five on Friday it will have to go on spouting till Monday morning. On the whole, those likely to succeed in the Dominions are those likely to succeed at home; those in especial demand in the Dominions are those in especial demand at home; the advantages of emigration lie mostly in escape from the stratification of English society, from the climate, from ration books—and perhaps from the uncomfortable neighbourhood of Europe. These are advantages indeed; and if they are offset for some people by the deoxygenated mental life of New-Balham-in-the-Great-Open-Spaces, well, the professional classes are notoriously discontented nowadays wherever they may find themselves, and need only stay and do their grumbling at home.

History on the Spot

"Berlin Reparations Assignment." By B. U. Ratchford and William D. Ross. Chapel Hill. University of North Carolina Press (London: Geoffrey Cumberlege). 260 pages.

EVERYONE concerned at the present crisis in Berlin should read this extraordinarily honest book. The authors were members of the American Reparations team in Berlin. They set out simply to give a personal account of the negotiations leading up to the Agreement on the Level of Industry to be retained in Germany. But in doing so they have produced an entirely authentic account of the workings of quadripartite government. Their book catches history on the spot before it has hardened into generalisations.

The opening chapters give an unsensational but vivid picture of Berlin in 1945, and a classic account of the confusion which is a Control Commission (be it British, French or American—or even perhaps Russian). The State Department was unwilling to take responsibility for OMGUS, instructions from Washington came too seldom and too late, liaison was nebulous. Practically every unit was "overstaffed, understaffed or poorly staffed" and changes in organisation were never ending. VIPs came and went, distracting officials in Germany, and disseminating half-truths on their return home.

The authors take up the story of American work on reparations before Potsdam, more especially the effect of the much-publicised Morgenthau Plan and the influence of the ambiguous Mr Pauley, which foreshadowed the still greater ambiguity of the Potsdam Declaration. "The major issues on reparations had gone to the Potsdam Conference for settlement—but Potsdam had not settled them." Instead the whole question was passed on to the newly established Control Council with the rider that a plan should be drawn up in six months. The politicians having found the problem too thorny, it was left to technicians quite unused to handling such issues.

The main body of the book deals with the negotiations which followed. On the whole the British and Americans put forward figures for each industry based on technical judgments; the Russians produced figures for bargaining purposes aimed at obtaining the largest possible amount of reparations; and the French came down on either side as their interests dictated. Finally, the still widely different figures of Western and Russian proposals were "married" with much horse trading. Agreement had been reached, but to what purpose? If the final figures were to be taken seriously, they were intolerably low and unbalanced. If not, the agreement was meaningless, and the issue had merely been evaded again.

Inevitably, the Western Powers found themselves unwilling to see reparations taken from Germany on this scale. General Clay discovered that the prewar production of steel in Germany was about twice as large as he had thought when leading the negotiations on steel. (Not the least interesting feature of the book is the clear picture of the General which emerges). Some reason had to be found for abrogating the agreement. Fortunately the plan had stated as one of its assumptions "that Germany will be treated as a single economic unit." This provided General Clay with a justification for discontinuing reparations deliveries from the American zone on his own responsibility only two months after the agreement was signed.

The authors are not concerned to point the moral, which surely is that major political decisions should be taken in the right place and at the right time. The ordinary reader would perhaps prefer fewer figures and more generalisations, but there is no need to cavil at a book which gives such an excellent account of how things really happened.

Shorter Notices

"The Structure of Industry." By J. H. Jones. (Britain in the Future Series). Sampson Low. 158 pages. 7s. 6d.

FOLLOWING as it does on Professor Victor Morgan's excellent "Conquest of Unemployment," this is a disappointing book. It provides a competent factual summary of modern economic organisation and of its development since the early Industrial Revolution, it makes some good points about the control of industry under the joint-stock system, about the position of Trade Unions under free capitalism and under collectivism, about the basic changes in Britain's economic position since the prewar era, and about the differences between peacetime and wartime economic objectives and standards. But a great part of Mr Jones's space is taken up by a jejune and superficial statement of the standard case against collectivism (this has been done so often that it needs to be very well done to be worth doing at all); he dismisses the whole of Keynesian economics in six lines, along with technocracy and the Social Credit movement, as a temporary fad born of depression-psychology, and accepts the trade cycle as at once inexplicable and inevitable; he shrugs aside as totally unimportant the notion that monopolistic organisation or agreements have had anything to do with Britain's technical backwardness; and he displays throughout an unaccountable hankering for a return to the policies of prewar Conservatism. This was a book that needed writing—it is a long time since the subject was last tackled at the general reader's level—and for want of anything better it will certainly be found useful; but it represents an opportunity missed.

"Economic Analysis." By Kenneth E. Boulding. Hamish Hamilton. 873 pages.

THIS new edition of a standard textbook which has won universal appreciation among both students and teachers has been substantially revised to meet criticisms which greeted it on its first publication. The major criticism—that, regarded as an introductory study, it was really a good deal too stiff—remains valid; but arrangement has been improved, several sticky points cleared up, and a useful bibliographical chapter added.

AMERICAN SURVEY

Labour's Political Plans

(From Our US Editorial Staff)

"IN this election," said a member of the Congress of Industrial Organisations' political staff, "our members are not going to be for or against people as much as they are for or against things. They're not as interested in presidential candidates as they are in questions like: What can be done about prices? When do we get housing? Is there going to be war?"

The offices of the CIO's Political Action Committee are full of activity. So is the brownstone mansion in Lafayette Square opposite the White House, the headquarters of the American Federation of Labour's political agency, Labour's League for Political Education. At the moment, in each case, the activity is centred on the Congressional districts rather than on the Presidential contest.

The difference between the labour sections of the Republican and Democratic platforms is very considerable. The Republicans, in their review of their Congressional accomplishment, point with pride to the achievement of "a sensible reform of the labour law"; in labour matters, their pledges for the future are confined to a promise of "continuing study to improve labour-management legislation in the light of experience and changing conditions," presumably by the Congressional Committee, set up at the time of the passage of the Taft-Hartley Labour Act, which has Senator Joseph Ball as its present chairman. The Democrats, by contrast, advocate repeal of the Taft-Hartley Act, proposing in its stead legislation "to establish a just body of rules to assure free and effective collective bargaining, to determine, in the public interest, the rights of employees and employers, to reduce to a minimum their conflict of interests, and to enable unions to keep their membership free from Communistic influences." In addition, they urge restoration of the recent cuts in the Labour Department's budget and functions, extension of the coverage of the Fair Labour Standards Act, minimum wages raised to at least 75 cents an hour, equal pay for equal work regardless of sex, and the extension of the social security programme.

In view of these contrasts, it seems hardly rash to conjecture that most of labour will be in the Democratic camp by November, supporting the national candidates for the Presidency as well as the local tickets for State officers and representatives in the Congress. But this support will probably be given without too much preliminary fanfare. Even now, on the Executive Committee of the AFL League, it would be hard to name members who are not for Mr Truman. Mr Jack Kroll, head of CIO-PAC, told an audience in his first speech after the Democratic convention: "It may be that they (the people) have found another champion. It may be that President Truman has found himself. At any rate he is wearing a new look, and I must say that the new look becomes him." But the rumour of Republican victory is in the air, and both union officers and the rank and file share the rueful opinion that too public a backing of what may be the wrong horse could look foolish and might prove costly on the morrow of the election.

No such inhibitions take the edge off participation in the Congressional contests. Moreover, under today's conditions, labour's concentration on the legislative arm of the Government illustrates what every schoolboy is told by every political scientist. When an American President has imagination, and the capacity to capture the imagination of others, he can impose his will on Congress. Otherwise, a decentralisation of initiative takes place; what happens in Congress in the next session will depend far more on the predilections of the individuals who are sent there than on any party discipline. Mr Truman's troubles with Congress are a matter of record, and even men far surer than are most labour leaders that Mr Dewey's programme would be one they could support, are doubtful whether he will get co-operation from a House whose dominant personalities include Mr Martin, the unrewarded Mr Halleck, Mr Allen, Mr Wolcott and Mr Taber. That is why labour thinks it better to try to get what it wants directly, and to concentrate on the races for the Senate and the House.

*

The whole of the House (435 seats) and a third of the Senate (32 seats) are being contested. At present 245 seats in the House are held by Republicans, 185 by Democrats, 4 are vacant, and there is the independent Mr Marcantonio. In spite of rock-ribbed Maine and the solid South, at least a fourth of the seats are tenuously held. In the Congressional elections two years ago, the Republican candidate received 50 to 54 per cent of the major party vote in 56 districts in 23 states, and 40 to 49.9 per cent in 52 districts in 22 states—a total of 108 districts in 32 states where contests were close.

This year, the CIO estimates that there are 99 districts where the normal vote is close enough to make the district transferable and where there is at least some CIO strength. The AFL is more concentrated in its claims; it plans to take action in approximately 45 areas. Both offices (and the AFL structure includes an overlapping arrangement with a number of the railway brotherhoods) will supply their affiliates with get-out-the-vote publicity, manuals for precinct workers, cartoons and a news service for union papers, and details of candidates' records, as well as financial help and aid of a confidential nature. The AFL League recommends that a candidate's fitness for labour support should be tested by his record on 14 key votes in the Senate, and 16 in the House; among these the vote on the Taft-Hartley Act ranks far ahead in importance, followed by those on other labour questions, on price and rent control, on reductions in income and excess profits taxes, on Federal aid to schools, on housing and social security and on the European Recovery Programme.

Only the staunchest of Democratic partisans predict enough change in the composition of the House to put the Republicans in the minority next January. But the special session of Congress has concentrated people's attention on the "things" that most workers and their families think need attention; Congressional failure to give them adequate attention will be persistently pointed out by Mr Truman and will undoubtedly sharpen the Congressional races. It may save Mr Dewey from having to deal with a majority so large as to be unwieldy.

But in the Senate the contest for control is real. The present membership is 51 Republicans and 45 Democrats. Of the 32 seats up for consideration at this time, 18 are held by Republicans and 14 by Democrats. A shift of 4 would change the organisation of the upper House; a shift of 3 would produce an historic tie. Ten of the 14 Democratic seats are beyond Republican reach in the still solid South. The remaining 4 are in Colorado, Montana, New Mexico and Rhode Island. Of the 18 Republican seats, the party admits that it is concerned over its hold on Oklahoma, Kentucky, West Virginia, Wyoming, Idaho and Delaware, and its opponents claim that Illinois, Minnesota and, possibly, Iowa should be added to the list.

In some of these states, the Western ones particularly, labour has little strength; the force it can muster will be vigorously applied, but its effect will only be marginal. In some states, as in Kentucky, labour's interest is in the primary contest for the Democratic candidate, and the degree of its effort in November will depend on the outcome of that race. (Primaries are held as late as September in a number of states.) In other states, notably in West Virginia, the extent of the labour turnout will be a major factor.

*

Mr Henry Wallace's Progressive Party is now on the ballot in 44 states, so the Wallace-for-President poll will be nearly as complete as that for the major party candidates. The number of districts in which the new party will run Congressional candidates, however, is likely to be much more limited. Final dates for nominations are still to come in a good many states, but contests are now assured in twelve districts of California, in the Pittsburgh and Philadelphia areas of Pennsylvania, in all except two districts in New Jersey, in the Baltimore area of Maryland, and in New York. Senatorial candidacies are certain in New Jersey and Illinois and possible in Minnesota. While there will be scattered support for Mr Wallace from individual trade unionists and some top officials of unions dominated by the left wing, labour as a whole is not likely to be friendly to the Progressive nominees for Congress. A number of them have been placed in constituencies where their success would contribute to the return of a reactionary: the Senate races between Professor Paul Douglas and the present Senator, Mr "Curly" Brooks, in Illinois and between Mayor Hubert Humphrey and Senator Joseph Ball in Minnesota are cases in point, as well as the fight in California for Mrs. Helen Gahagan Douglas' seat in the House. In the New York district where Mr Lee Pressman, former CIO counsel, is planning to run as a Progressive candidate, Republicans and Democrats have agreed on a coalition to block him.

The main reason why feeling against the new party is not more intense around labour's political headquarters is the conviction that it has not enough strength to count. The Republicans think they can win in Illinois and Minnesota against the Democrats and Progressives combined, and the Democrats fear they may be right. Nationally, the Wallace vote is assumed to be marginal. Of course, estimates of the total vote in November, at this stage, are more than dubious. There are some 94 million people of voting age in the population. The popular vote for the Presidency in 1944, when much of the population was, owing to wartime circumstances, far from its home base, was 48,025,684. If the campaign gets really hot this year, it might not be unreasonable to expect a total of some 60 million votes.

Just what percentage will go to Mr Wallace will depend on the state of the "things" that people are interested in, outstandingly on the prospects for war or peace. The Wallace demonstration in Philadelphia was an event of great political potentialities, staged at the wrong time and with the wrong man. The Neo-Nuremberg design of the spectacular rally at Shibe Park was ominously familiar: emotion roused through oversimplification, music, lights, a great majority that was idealistic and naive, a skilfully deployed minority that was neither. But in July, 1948, two essential elements were lacking. The sounding board which gives resonance to such a summons is an unhappy people. The week when average factory wages reach an all-time high of $52.81, and when 61.5 million people are employed, is a poor week for such a summons, even if the speaker says that purchasing power is being destroyed by inflation. Secondly, Mr Wallace's performance was that of a speaker, not a leader. The ovation he got when he drove around the field was climactic, but at the microphone the Vice-Presidential candidate, the crooning Mr Taylor, did better. What Huey Long could have done in that setting, even in these times, is another matter altogether.

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

American Notes

Political Answer for the President

Once President Truman had presented his Message to the special session of Congress, the initiative passed to the Republican majority. He had been greeted with sullen bitterness by all but his own supporters, and it is not surprising that his frankly political summons has received an equally political answer. One of the eleven points on which he asked for action was civil rights legislation and, most opportunely, the only Bill ready for consideration by the Senate was the anti-poll tax Bill, forbidding the state taxes which have restricted negro voting in the South. The Southern Democrats have been filibustering—refusing to allow a vote to be taken—not on the Bill itself, but on the motion that it should be debated while Committees are considering the President's other requests. It has been ruled that the closure is not applicable in these circumstances and the Southerners have also filibustered against the attempt to appeal against this ruling. The Republican leaders, who rejected a compromise suggested by the Democrats, could hardly have hoped for a more convenient development, since it gives them an adequate alibi for their failure not only to fulfil the civil rights promises in their platform but to act on the President's other requests. They have the additional satisfaction of knowing that the breach in the Democratic Party has been widened.

An immediate return home was suggested in some quarters, but the Republicans decided to stay for a short session and to put up an appearance of considering the President's programme constructively. Mr Dewey favoured this approach, but he does not wish attention to be diverted for long to the Congressional aspect of Republicanism, so much less attractive than that which he presents. Nor does want to take a stand on the issues raised by the President, since on some of them at least his position is embarrassingly nearer to Mr Truman's than to that of the Republicans in Congress; the unity of the party might thus be imperilled. Mr Dewey is therefore holding himself firmly aloof from the special session, but his campaign manager, Mr Brownell, has hastened to establish a link by opening his headquarters in Washington.

President Truman did not suggest that the foreign situation was sufficiently critical to justify his emergency call to Congress, but this situation nevertheless forms a background to much of the comment on the special session. It is feared that the apparent indecision and political ineptness of both parties may give a false impression abroad of American strength and determination. Mr Dewey has done his best to banish this by his statement, which carries the weight of official Republican policy, that the United States must not surrender its rights in Berlin under duress. The situation is, in his view, critical largely because of the Administration's incompetence, but "the present duty of Americans is not to be divided by past lapses, but to unite to surmount present dangers."

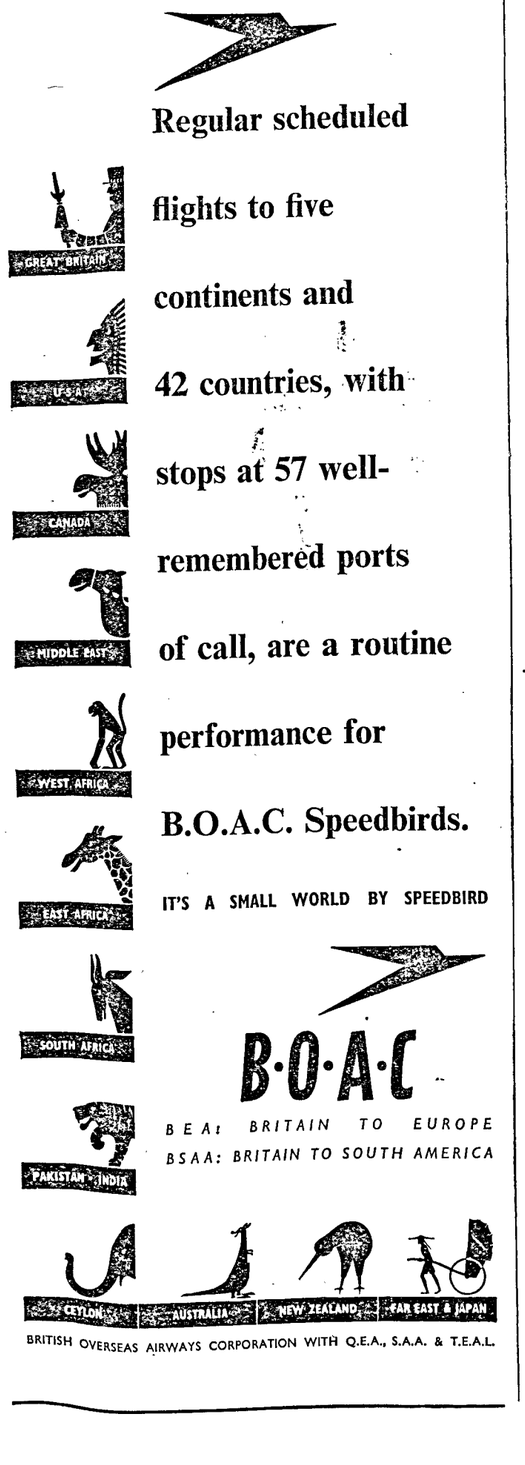
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Pandora's Box Stays Shut

The Republican leaders have now abandoned the attempt to pass the anti-poll tax Bill at this session, in order that the Senate may deal with other legislation before adjourning at, or shortly after, the end of this week. Congress does not apparently intend to do much, apart from perhaps approving the credit controls discussed in a later note, although some Republicans regret that it is not making better use of its opportunity to fill some of the gaps in its record. There is, however, a good chance that the loan for the United Nations headquarters may be approved and the displaced persons legislation may be reconsidered. The ratification of the international wheat agreement, for which the President also asked, may be held to be too complicated and too controversial for anything to be done at present. This is the feeling of the Republican leaders about most of the President's programme. They say, with justification, that it is a programme for a full session of a new Congress with a fresh electoral mandate. Only urgent legislation is suitable for an emergency session and Mr Truman can hardly have thought that he would be taken seriously. Certainly the Republicans have no intention of "opening the Pandora's box of the legislative calendar."

The President is not expected to recall Congress again, as he has power to do, but he will appeal to the voters to condemn the Republicans for its failures. The refusal to alter the Taft-Hartley Labour Act and to increase minimum wages will pay him as good dividends in labour votes as will the half-heartedness of his request for wage controls. Congress itself is aware of the criticisms which will be aroused by lack of housing legislation and may do something in this direction, but it has evidently been

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deterred from going on with the Taft-Ellender-Wagner Housing Bill by the belated realisation that this would add to inflationary pressures. This weakness of the Bill is at last a matter of fairly general discussion, but it is doubtful if it will carry much weight with the voters who are looking for somewhere to live.

The Republican readiness to assume these political liabilities is proof that the party is still certain of victory in November. It has not, however, found it wise to take so lightly the rise in the cost of living, the emergency by which Mr Truman justified his recall of Congress, asserting that it could not be allowed to go unchecked for another eight months. The full impact of recent increases in wages and in the price of metals has not yet been felt, but the consumer price index has reached a new high, 170 per cent of the 1935-39 average, nearly ten per cent above a year ago. The chief rises are in meat and eggs, but automobiles and "Lucky Strike" cigarettes are also up. According to Dr Gallup city families are spending an average of $25 a week on food, compared with $11 in August, 1942.

These statistics reinforced the President's case, as did the mid-year report of his Council of Economic Advisers, although it is suggested that the latter may have been adjusted to suit current political requirements. There are many in Congress who believe that the price peak has been reached and who insist that the present situation is largely the result of the Administration's own policies and that sufficient powers to deal with it already exist. These arguments justify, to some extent, the view that Mr Truman has turned the spotlight on high prices for purely political reasons. For these same reasons, the Republicans can hardly afford to adjourn without some attempt to deal with the situation, although they are determined to ignore the President's requests for excess profits taxes, for price and wage controls and for rationing powers.

* * *

Inflation and Bank Credit

The most striking feature of the Congressional hearings so far, however, is the reluctant admission by Mr John Snyder, Secretary to the Treasury, that the situation now demands a closer control of consumer (instalment) credits, and, more important, higher reserve requirements for member banks in the Federal Reserve system. A measure now before Congress calls for a flat percentage addition to the minimum reserves required to be held against net demand deposits, from 14 to 24 per cent for country banks, from 20 to 30 per cent for reserve city banks, and from 26 to 36 per cent for banks in New York and Chicago. Coupled with these increases, there would be an increase in requirements for time deposits from 6 to 10 per cent. (The British banks work to a ratio of 8 per cent against the total of demand and time deposits.)

At the time of writing, there seems to be at least an even chance that this measure will be pushed through Congress. If it goes through, it will be important, not only because of the additional powers which will then be held by the Reserve Board (this weapon, held in reserve, might alone be sufficient to impose sufficient restraint), but because it will mark the close of the Treasury's brief-lived bout of expansionist policy in the face of continuing boom. Mr Marriner Eccles would like higher reserve requirements for all commercial banks on a scale which would add $12 billion to present reserve requirements. But if applied only to the member banks in the Reserve system, the addition would be at least $8 billion: this is not an altogether insurmountable barrier to the process of credit expansion through "debt monetisation"—the commercial banks held $66 billion of government securities in April—but it is a formidable, and unprecedented, addition to monetary controls, and would surely impose sufficient restraint over the measurable future. At the end of June the member banks had total reserves of $17.4 billion, and they held "excess" reserves (i.e., in excess of requirements) amounting to $700 million only.

If such a measure passes, President Truman's decision to hold an emergency session will be justified. But, assuming that he and his advisers are determined to use these powers, it must be admitted that he is luckier than he deserves, for initial testimony in Congress showed all the sorry pattern of muddle and confusion in the Administration so clearly in evidence eight months ago. Mr Snyder praised the voluntary efforts made by commercial banks to restrain inflation, and only grudgingly admitted the need for official restraint. Mr Paul Porter, former Price Administrator, reappeared with something like his old crusading fervour, to plead for price controls and for powers to allocate and ration, and even found the courage to advocate the dreaded "roll-back" of price levels to a point at some undetermined date in the past. He was met naturally (and quite erroneously) with howls from the Republican ranks suggesting that the police state and the Office of Price Administration were just around the corner. Mr Porter, however, carries no conviction in 1948: he may take his duties seriously, but Congress certainly does not.

It was left, as usual, to Mr Marriner Eccles to provide something like a cogent argument, which incidentally dismissed Mr Porter as a "futile" advocate, and which denounced the Treasury's policy with the blunt assertion that Mr Truman's battle is not so much with the legislative as within the executive branch. A new and far more courageous Administration will be needed to resolve the conflict between the Treasury and the Reserve Board. But that conflict and Mr Porter's palliatives can be disregarded if Congress gives new powers to the Reserve Board on the scale now suggested by Mr Eccles.

* * *

DP Delays

Mr Truman has finally chosen the men who will be responsible for moving displaced persons from European camps to the United States. The Commission includes Mr Ugo Carusi, former Commissioner of Immigration, who has been working with the State Department on DP affairs. Although the nominations are unlikely to be approved by the Senate before the new Congress assembles in January, the Commission will presumably proceed meanwhile with the arrangements for transferring the refugees. There is still a possibility that Congress may do something at the special session to improve the discriminatory Displaced Persons Act which it passed before adjourning in June. Not only did it emasculate the Bill but it reduced by half the Administration's request for $4,000,000 to operate the plan. President Truman has now asked for the restoration of this cut but, as the Republican leaders have declared that no appropriations will be voted at the special session, it looks as if Mr Truman was speaking more for his political record than for the refugees.

If sufficient money had been voted to operate the original plan, 205,000 DPs could have expected to start a new life in the United States by 1950. It is now thought that only about 50,000 refugees can emigrate to the New World in the next 12 months. Shortage of shipping space is one of the chief problems and this is largely due to inadequate funds.

Meanwhile the State Department and other agencies are being inundated by letters offering all sorts of jobs to DPs, ranging from baby sitters to bakers. Many states have set up local organisations and the New York State Committee estimates that up to 50,000 could be employed in that state alone; because New York is the centre of the clothing industry, openings for skilled garment workers are plentiful, while in other parts of the country agricultural workers are needed. It would be well if the refugees could be moved quickly into these jobs while they are still available, but at present it does not look as if even a first contingent would arrive for some months; should the programme drag or be mishandled, enthusiasm might shrink in proportion to housing and other difficulties, and should there be even the hint of a depression, the goodwill and good opportunities might evaporate rapidly.

* * *

Midsummer Spy-Scare

A Republican Congress, recalled to Washington in the heat of summer and of an election year, was sure to seek some quick means of subjecting the Democratic Administration to even more extreme heat. Almost unbelievably suitable fuel was available: Washington was full of rumours of a blonde bombshell, who had been assisting the Federal Grand Jury in the inquiry which led to the recent indictments against the twelve leading American Communists. She turned out to be a brunette bluestocking, but in every other way Miss Elisabeth Bentley was better than anything that even the Un-American Activities Committee could have hoped for. Her evidence was made up of casual references to aircraft plans, the date of D-Day, cover names, secret trysts, microfilms, Communist networks and financial links with Hollywood (which must now be longing to establish a contractual link with Miss Bentley personally).

The privilege and publicity of appearing before two Congressional Committees simultaneously in the silly season—the Senate Committee on Expenditures was the other—seems to have gone to Miss Bentley's head and she splashed the mud of her Communist associations on leading Washington figures with a liberality that shocked even some of the members of the Un-American Activities Committee. Her connections with Mr Lauchlin Currie and Mr Harry White were extremely vague and Mr Lippmann's ex-secretary had only given her access to his files when he was out of town. Miss Bentley became involved in the Communist spy system through her love life rather than her convictions, but her evidence had ramifications spreading all

through the Government service and leading to at least thirty officials, many of them in important positions. Her efforts to implicate them were presumably an attempt to atone for her past misdeeds and to repair the damage she had done. There is said to be independent evidence in support of many of her charges and some of them were also repeated by Mr Louis Budenz, the reformed editor of the *Daily Worker,* and by Mr Whittaker Chambers, a senior editor of *Time* magazine, who saw the error of his Communist ways in 1939. Both of them followed Miss Bentley on the witness stand and their reasons for giving evidence were probably the same as hers.

Mr Chambers' particular target was Mr Alger Hiss, late of the United States delegation to the United Nations and now of the Carnegie Endowment for International Peace. Mr Currie was Mr Roosevelt's personal representative in China, Mr Harry White was American representative on the International Monetary Fund, Mr Lippmann is of course inseparable from his internationalist views. It looks as if this latest Communist scare may bring into disrepute not merely, as usual, the efficiency of the Government's methods of checking the loyalty of its employees, but American participation in international organisations. "The biggest witch hunt of all time" is promised and it should comfort Colonel McCormick and Mr William Randolph Hearst in their declining years.

Shorter Notes

The President signed the Bill extending the terms of all the Atomic Energy Commissioners for two years, since, if he had vetoed it, their appointments would have lapsed on August 1st and he felt that even the limited continuity in the present Bill was better than nothing. Under the original Atomic Energy Act, the Commissioners were to serve for staggered terms of from one to five years and Mr Truman felt that the new measure, which in effect gives the next President the right to make full term appointments, was not in the public interest "since it invests the atomic energy programme with an aura of uncertainty and of partisan politics."

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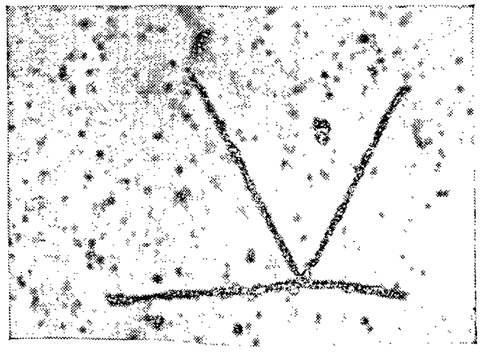
In its preliminary recommendations for 1949 to state agricultural councils the Department of Agriculture set a goal for wheat of 71,500,000 acres, 8 per cent below this year. The wheat goal —though still the second largest on record—has been reduced because it is hoped that farmers will return their marginal acreage to grazing lands in order to reduce the dangers of soil erosion. In an attempt to balance current meat demands with the preservation of adequate stocks for the future, the Department has recommended the slaughter of 32 million head of beef cattle by mid-1949 and a reduction this year of 500,000 in the number of beef cows.

★

Judge Hincks, of a Federal District Court in Connecticut, has upheld the clause in the Taft-Hartley Act which forbids expenditures by labour unions for political ends. A local American Federation of Labour union had challenged the law by using union funds for newspaper advertisements and the purchase of radio time for a political broadcast. The Judge emphasised that the case differed from the one recently before the Supreme Court because in that case the moneys involved had been used to publish a union periodical instead of advertising in a newspaper of general circulation. The union hopes to take the case to the Supreme Court, but it is doubtful if a final test case can be made before the election.

★

The State Department is to take full responsibility for the "Voice of America" broadcasts from next October, but will lease the necessary facilities from the broadcasting companies, which have been preparing 74 per cent of the scripts. This change of policy is the result of the trouble with Congress in May over a programme beamed to Latin-America, in which sections of the United States were critically described. It is expected that there will be a reduction in the number of broadcasts, at least to areas outside the Russian propaganda orbit, although Congress voted substantially the funds requested by the State Department for the fiscal year. The Department will itself prepare and broadcast all news programmes, but it will arrange with private agencies for the production of feature programmes. Until October the department will supervise all programmes "farmed out."



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THE WORLD OVERSEAS

Two-Year Plan for the Russian Zone

(From Our Special Correspondent)

A LONG-TERM production plan for the British economy, announced at a Labour party conference, would be considered merely as that party's view of how the country's economic problems should be tackled. If such a plan were represented as the official programme for the future, by virtue of its announcement at the congress of the leading political party, there would be a constitutional uproar. Things are different in the Russian zone of Germany. There the Two-Year Plan for economic development was announced at the meeting of the Central Committee of the Communist-controlled Socialist Unity Party (SED). The Committee's Chairman, Otto Grotewohl, launched it with a statement that it was no imaginary popular power which supported this plan, but solely the power of the SED which was in a position to mobilise the energy of the people, to direct it and to bring it to its maximum usefulness. The people would stand helpless in face of the economic problem. Not only must this plan be considered as official, but its execution by all German administrative and political bodies is intended forthwith.

The experts of the German Economic Commission, the highest German administrative authority in the zone (described in *The Economist* of June 12, p. 973) were called in to submit details of plans for the various spheres of the economy. They worked under repeated directives from the SED emphasising that members of the party occupying administrative positions must consider themselves primarily as its political executives. So the German Economic Commission is committed to this plan through its many SED members who assisted in its preparation. It must be assumed that the plan also has the full support and backing of the Russians who ordered its preparation.

Figures *versus* Facts

This is, of course, by no means the first plan. Both the occupation authority (SMA) and its subordinate German organisation have long been indulging in an orgy of planning. Thus the annual balance sheet of each department in the Economic Commission contains three plan figures for each figure of actual production; the figures of the SMA plan, of the central administration plan and of the plans of the provinces. In 1947 the plan of the SMA called for a total industrial production to the value of 4,165,542,000 RM (1944 prices), the central administration plan for a total of 4,651,457,000 RM, and the sum of the provincial plans for a total of 5,128,918,000 RM. Actual production during the year 1947, according to the statistics of the German Economic Commission, was to the value of 4,085,499,000 RM. This figure represents the many duplications of a gross valuation. Moreover, deterioration of quality, transport difficulties and the many shortages of secondary products in consumer industries would reduce the market value in 1944 prices considerably. Thus, in the tool industry the shortage of certain steels made impossible the production of finished machine tools, yet the resultant excess of component parts was still counted at its full value. The makers of the Two-Year Plan have not only three years' experience of copious planning, but have already acquired a technique of using figures to hide facts.

As a document of economic planning, this is a sorry effort. Production figures are rarely given and future plans are stated almost exclusively as percentages of present or past production. Such percentages entirely ignore important qualitative differences, particularly in agriculture. Even without actual figures discrepancies are evident. Thus the total level of production is to be raised to 135 per cent of 1947, while coal production is to be raised only to 121 per cent. Coal shortage has been one of the main problems confronting the Russian zone. So since the Two-Year Plan calls for large-scale expansion of mines, factories and heavy industrial equipment, the relative increase in coal production would have to be much larger than the estimated rise in total industrial output. In order to achieve a 35 per cent increase of production, the output of coal would have to be raised by between 50 and 60 per cent, particularly as 95 per cent of coal produced in the Soviet zone is brown coal, which is wasteful when used in transport and industry.

Two questions have to be asked about the plan. First, is the planned increase in production really possible; second, if so, is it sufficient to meet the minimum needs of the zone? It must be remembered that, generally speaking, production in 1947 was rather lower than production in 1946, owing to the disastrous winter weather and the intensified dismantling during the latter part of 1946. Thus an increase in brown coal production to 123 million tons in 1950 represents an increase of 23 per cent over 1947, but an increase of only 11 per cent over 1946, and would still only be 83 per cent of 1943. The intended production of briquettes (32 million tons in 1950) does, indeed, represent an increase of 23 per cent over 1947, but it requires a large building programme for briquette-making plants, heavily reduced by dismantling. The quality of briquettes—not mentioned in the plan at all—has also deteriorated since the war by an increase of water content from 15 to 22 per cent.

Similar difficulties arise over steel production, which is at present stated to be 400,000 tons. This figure is exaggerated, actual output being nearer 300,000 tons. New building and enlargement of the zone's three steel foundries is to produce another 400,000 tons of steel by 1950. Again this figure is on the large side. Yet the total production by 1950 is to be 875,000 tons, leaving a mysterious gap of 75,000 tons unexplained. The remaining few small foundries have a maximum yearly production of only 25,000 to 30,000 tons.

The planned increase in production of cellulose seems particularly striking at 250 per cent over 1947. In 1946 production totalled 38,000 tons, compared to the 1947 production of 35,000 tons, of which 17,000 tons were produced by the Russian-owned firm of Agfa-Wolfen. Yet it must be remembered that in 1942 the zone produced 125,000 tons, or half the production of all Germany. Thus this wonderful increase of 250 per cent would still only be 67 per cent of 1943. It may further be doubted whether the figure of 84,000 tons for 1950 can, indeed, be reached. For dismantlings have been heavy and half the present plant is owned by the Russians, who may deny its product to the German market.

In consumer industries the position is equally acute. Here the plan gives repeated warnings of continuing and irremediable shortages. Not only has their capacity been much reduced by dismantling, but the whole programme is dependent on imports of raw materials. Where the raw materials are to come from and how they are to be paid for is not mentioned. Presumably commission manufacturing cannot be included in the total production programme. In the leather industry, for example, production has fallen from 18,000 tons in 1946 to 16,500 in 1947, and is estimated at between 15,000 to 16,000 tons in 1948, since the zone is now entirely dependent on home produced skins. Significantly not even percentage increases are given for these industries. The plan confines itself to ifs, buts and pious hopes.

Drain of Reparations

Of the total output planned for 1950, 50 to 60 per cent of the total value would go for reparations if the present programme were continued. Apart from a promise that the quantities of wool, cotton and rags to be imported from the Soviet Union will not be used for reparations goods, this large chunk out of the German economic cake is not mentioned at all. As the SED would be the first to emphasise the reduction of reparations as a sign of Russian generosity, it is safe to assume that the flow of raw materials and manufactured goods to the East will continue unabated. This would mean that over half the value of the total output of 1950 would be lost to the German economy. In addition, all imported raw materials which go into reparations goods would continue to be paid for—as at present—out of German exports. As materials such as leather, which are in shortest supply in Germany, are scarce elsewhere, the demands of the reparations programme will be particularly heavy on such scarce consumer goods.

According to the plan each person in the zone is to receive one pair of shoes of substitute material in 1950. This means using 25 per cent of the total artificial rubber production only for soles. Even if this can be achieved, the needs of footwear would still

greatly exceed the supply. The only import figures actually mentioned in the plan are the 18,000 tons of cotton, 2,000 tons of wool and 7,500 tons of rags expected from the Soviet Union in 1950. As these quantities are required not only for home consumption, but also for re-export of finished goods, the amounts seem woefully insufficient when it is born in mind that over 20,000 tons of wool alone were imported into Bizonia in 1947.

The whole question of imports has perforce to be left vague in striking contrast to western Germany, where German planners can count upon imports of about $1,700,000 during the first ERP year. The fulfilment of the plan itself requires large quantities of imports, but even this would be unable to provide the necessary raw materials for industry and a reasonable standard of living for the population. The three staple exports of the Russian zone are to be wood, potash and sugar. Apart from a certain quantity of pit-props sent to Poland, the prewar German export of wood was negligible—in fact, timber was imported. Since the war, reparation demands in this field have been particularly heavy. The afforestation programme announced in the Two-Year Plan is estimated to replace only some 35 per cent of the losses since the war. Potash production has been pushed as far as possible during the last three years, and although representing one of the steadiest export commodities of the zone since the war, any further important increase may be difficult to achieve. The Russian zone was before the war the sugar-producing area of Germany (Magdeburg). But, since at present sugar is issued to the population in lieu of most scarce edible commodities such as meat and fats, its availability for export depends entirely on maintaining the supply of these scarce foods or on a further drastic reduction in the sugar ration. In any case, these three export staples can in no way replace the bulk of Germany's prewar exports, industrial products and machinery.

The food target for 1950 is so low that it must have been based on the assumption that, apart from commercial exports. Russian requisitioning will continue. Indigenous production, it is estimated, will provide only 2,000 calories a day in 1950. Berlin is assumed to be part of the Soviet zone for planning purposes, by order of the SMA.

One is finally forced to two conclusions: that except in agriculture, the achievement of the planned figures for the years 1948-50 is impossible, and even achievement of the production figures would by no means satisfy the needs of the Russian zone's economy. As usual, it is the consumer who suffers most. A perusal of the Two-Year Plan makes this so obvious that one is at times inclined to doubt the seriousness of its authors. Apart from the actual industrial figures, the productive capacity of the workers is a dubious quantity, and can be expected to decrease rather than increase. At present it is estimated at only about 35 per cent of prewar, and industries accustomed to a single shift are working two or three shifts a day. Even members of the German Economic Commission have already stated that it may be impossible to fulfil this plan as it stands.

New Horizons for Eire

[FROM OUR DUBLIN CORRESPONDENT]

THE Inter-Party Government, a coalition of all the political groups in Eire with the exception of Mr de Valera's party, has completed six months of office. Contrary to the predictions of its critics, it has shown no signs of disintegration. Indeed, it presents the appearance of a very happy family which promises to remain united for quite a long while. Undoubtedly the country is satisfied with the new experiment. Even members of the Opposition admit that a change of administration was due, if not overdue. The Government's political prestige is very high, largely because of the excellent result of the Anglo-Irish trade talks whereby Irish farmers have secured great advantages. The upward revision of agricultural prices in the British market has been the most important contribution of the new coalition to the prosperity of the country. The Minister for Agriculture, Mr Dillon, one of the ablest members of the Government, has very sound and enlightened views on agricultural policy, and there is every reason to hope that the principal industry of the country will enjoy a period of reconstruction and progress under his wise direction.

Another important achievement was the conclusion of the Marshall Aid agreement with the United States. Eire was one of the first countries to receive assistance from ERP. There should be no undue shortage of the imports from the dollar area required for the programme of agricultural development. Eire has the right to participate to an agreed amount in the sterling area dollar reserves and has a certain dollar income arising from tourist receipts and other sources. In the internal economic field a drastic curtailment of unnecessary capital expenditure has enabled the budget to be balanced and has aided the process of disinflation. Extensive additions to social services have insured the welfare of many categories of the poor. A commission has been established to study every aspect of emigration, the central problem of Irish economic life. A critical examination of the transport system with a view to its rationalisation, has been undertaken by an eminent English expert. The Government's economic policy generally has been a cautious mixture of conservatism and measured progress. The only continuing cause for anxiety is the grave disequilibrium in the balance of payments. The cure for this, in the long run, depends upon the development of agricultural production, but, in the short run, a drastic reduction of imports may become necessary.

The pressure of events in the postwar world has forced Irish politicians to take a growing part in international affairs. The precise relation between Eire and its nearest and most intimate neighbours has therefore taken on a new significance. Its position in relation to the British Commonwealth raises some interesting questions of constitutional law. The Irish attitude on neutrality during the war demonstrated that it does not necessarily become involved in a British declaration of war. As a result of neutrality Eire has failed to secure admission to Uno. It is, however, one of the sixteen nations participating in the Organisation for European Economic Co-operation. Mr MacBride, the Minister for External Affairs, has taken a prominent part in the meetings in Paris. He has declared that, while favourable to the project in principle, he cannot co-operate in the formation of a Western Union as long as the partition of Ireland is retained. The Prime Minister, Mr Costello, has stated that the interests of Great Britain, the United States and western Europe and the interests of maintaining Christian principles demand that there should be a united Ireland to face the menacing situation in the world. The importance of Ireland in any scheme of defence of the Atlantic renders its participation in Western European Union of peculiar value. It will be interesting to observe what use, in connection with the vexed problem of partition, the Irish Government will make of the strong hand which it appears to hold.

Relations with the Commonwealth

Relations between Great Britain and Eire have never been more cordial than they are today. The statesmen of both countries are on excellent personal terms and Irish ministers have, on many occasions, expressed their goodwill towards the people of Great Britain and the principles for which they stand. It is curious that the constitutional relations of the two countries should be so obscure. It may be that the empirical working out of new relationships, without undue regard for legal consistency, may be the best method for arriving at a basis for realistic friendly co-operation. Under the Treaty of 1921, the Irish Free State became a Dominion. This status was changed by the Constitution of 1937 which proclaimed that "Ireland is a sovereign, independent, democratic State." Mr de Valera has expressed the opinion that, under this section of the Constitution, Ireland is a Republic, in which case the head of the British Commonwealth has ceased to be King of Ireland. Whatever tie binds Eire to the Commonwealth, it is certainly not the "golden link" of the Crown. Under the External Relations Act of 1936, it is provided that as long as Ireland is "associated with" the countries of the British Commonwealth, the King may, on the advice of the Irish Executive Council, act as the agent for the appointment of diplomatic representatives. Mr Costello has recently stated that Eire is not a member of the Commonwealth of Nations but still remains associated with it. He explained that "the process by which Ireland ceased formally to be a member of the Commonwealth has been one of gradual development." Possibly, the next step in this development will be the repeal of the External Relations Act which would finally banish the transient and embarrassed royal phantom from the Irish statute book.

These issues have been revived by the British Nationality Bill. The central feature of this Bill appears to be that it recognises the local legislation of the Dominions as decisive on questions of Commonwealth citizenship. The definition of Irish citizenship is contained in an Act of 1935 which makes provision for the special treatment of British subjects in Eire. The British Nationality Bill contains similar provisions in regard to Irish citizens in Great Britain. Up to the present, the British Courts would have probably regarded Irish citizens as British subjects, although the Irish judges would have probably decided otherwise. After the British Nationality Bill becomes law, Irish citizens will not be British subjects but will be treated as if they were as long as they remain in the United Kingdom. They will apparently be regarded as aliens in other parts of the Commonwealth.

It is hard to see precisely how the new provisions regarding citizenship will affect the relations between Eire and Northern Ireland. The loss of British citizenship in the event of any union between North and South would provide an additional argument for those who are opposed to any change in the existing situation. It is probable, however, that some compromise could be reached if the numerous other obstacles in the way of reunion could be removed. The Irish Government has expressed its willingness to grant special treatment to Ulster in respect of the Irish language revival and religious discrimination and it would, doubtless, be willing also to go a long way to satisfy it on other issues. Ever since the Treaty, Irish politicians have been fertile in the provision of formulas which enabled awkward constitutional corners to be turned without anybody apparently sacrificing any essential principle.

War Against Markos

[FROM A SPECIAL CORRESPONDENT]

ALL events in Greece are dominated by the guerrilla war. The total strength of the guerrilla forces in Greece is estimated at roughly 25,000. These guerrillas have been the means by which the Kremlin has carried out a thinly-camouflaged aggression against the independence of Greece. The long-term objective is so to disrupt and disorganise normal life in Greece that, in the process of time, the Greek economy would collapse automatically. In this respect, Markos has come very close to success. In areas threatened by the guerrilla bands, ordinary day to day movement is paralysed. Mines are laid by the guerrillas with persistent regularity on roads during the hours of darkness, telephone wires are cut and outlying villages raided. No journey can be undertaken from one town to another except by convoy with a mine-detector attached to the leading vehicle, and railway locomotives are preceded by two trucks filled with sand or rubble.

A month ago, the Greek Army began what is intended to be a final drive against Markos' HQ in the Grammos Mountains, where the main centre of resistance is located. Probably between 8,000 and 10,000 guerrillas are concentrated in this area. Six Greek divisions are attempting to execute a horse-shoe encircling movement, with one tip of the horse-shoe resting on Kastoria and the other on Konitsa. The close proximity of the Albanian frontier greatly hinders the task of the Greek troops and, conversely, facilitates "General" Markos' tactics.

Although no guerrilla prisoner has yet been taken who could be proved to be of non-Greek nationality, there is an overwhelming volume of evidence indicating that Markos has been receiving much material assistance from Greece's northern neighbours. There are signs, however, that this assistance has in recent months been falling off. Markos appears to be fighting in his mountain stronghold upon a last-man-last-round basis. His positions are strongly fortified, well-camouflaged and sited, and false optimism as to the speed with which these operations can be conducted by the Greek Army should be discounted. The guerrillas are well-provided with light automatics, chiefly of German origin, and there is no dearth of small arms ammunition. Mines, both Teller and anti-personnel, are plentiful. They have a few 75 mm. batteries, though their shelling, which is very intermittent, suggests a shortage of ammunition. They also have a quantity of heavy mortars, and Spitfires of the Royal Hellenic Air Force have been fired at by light AA guns.

It is clear that Markos could not have amassed the amount of ammunition of all types which he is now using without considerable outside assistance in the past. Convoys, including ambulances, have been observed on a number of occasions on roads just over the Albanian and Jugoslav frontiers, and there were confirmed reports in the earlier stages of the present operation that two batteries of 105 mm. guns were shelling Greek positions from Albanian territory.

The Greek Army of today is a very different army from that of 1940-41. In those days, it bore the imprint of French General Staff influence. Its infantry divisional artillery was of mountain type (i.e., carried on packs). Most of it was very old and had been through the Balkan Wars in 1912 and 1913. Nearly all the transport was on a horse-cum-pack basis. During the Italian campaign of 1940-41 it certainly showed a very high standard of mobility in difficult mountainous country, though lack of adequate mechanised transport increased the defects of administration. At the end of war, the Army was reorganised on British lines with artillery and transport on an all-mechanised basis, similar to that of any ordinary British infantry division, although some account was taken of the need for mountain warfare equipment. Last year's operations against the guerrillas were very disappointing and comparatively little progress was made. It may be that too much reliance was placed upon the effect of artillery and too little emphasis upon the need for Greek infantry to get to close grips. Pack artillery and other equipment more suited to mountain warfare has now been introduced. Mules are once more to be seen wending their way along mountain paths. Morale is very high and the Greek Army is fighting with great determination.

In spite of an overwhelming preponderance of artillery, together with effective support from the Hellenic Air Force, it is not easy to dislodge determined guerrillas from well dug-in positions in very mountainous country, the lower slopes of which are often thickly wooded. Unless these positions can be accurately pinpointed, the effect of shellfire upon them is similar to attempts to swot a fly with a sledgehammer in a dark cellar. Many shells can be fired into the side of a mountain without causing any casualties. The main burden of the assault falls, therefore, naturally upon the Greek infantry. Casualties have not been light on either side. During the hours of darkness, the guerrillas appear to hold the initiative and harass the Greek lines of communication by small raids and by mine-laying operations.

The British and American Military Missions are rendering valuable assistance to the Greek Army. About 90 per cent of the equipment is still of British origin, though this proportion will alter as the full effect of American aid begins to make itself felt. Broadly speaking, the British Military Mission concerns itself with organisation and training and the American Military Mission with supplies and operations. Although this clearly constitutes dual control, the liaison and the personal relations between the two Missions are extremely good. Overriding both missions is Mr Griswold, head of the American Economic Mission. Holding the purse-strings, he is the final arbiter of the apportionment of dollar expenditure between military and economic needs. Consequently, he is the most powerful man in Greece today.

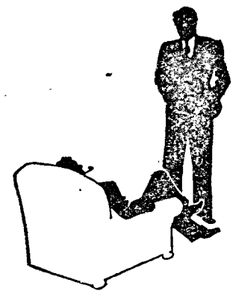
So far, the operations have progressed slowly but surely. If the operational plan of the Greek General Staff is successful, and if Markos' main forces are defeated before winter, the task of clearing up the remaining guerrilla bands in Greece should not present insuperable difficulties, since these are split up into small units and do not operate upon any co-ordinated plan. If, on the other hand, Markos succeeds in holding out for yet another winter, the effect upon morale in Greece will be serious and the disorganisation of normal life will be prolonged dangerously.

700 000 Refugees to Resettle

The economic structure of Greece is extremely precarious. As in most Balkan countries, that structure is built largely upon the village unit, and it is this unit which the guerrillas have come so close to destroying. There are 700,000 refugees, evacuated by the Greek authorities from villages in areas where the guerrillas have been operating, in camps near the larger towns. These refugees must be persuaded, as soon as the military situation permits, to return to their villages and to cultivate the soil. The process of rehabilitation will be both costly and difficult. In the first place, they will require an assurance that no further attacks by guerrillas will be made upon them, an assurance that is not easy to give, since there can be no guarantee, even if Markos is completely defeated, that fresh raids will not be made next summer from over the Albanian frontier.

If the village unit has been largely broken up, so also has the smaller unit, the family. A mother and two children may be in a refugee camp near Athens; the father may have been murdered by the guerrillas; the two elder children kidnapped and taken away to Albania or Czechoslovakia. The number of children removed by the guerrillas is estimated at about 10,000. It is extremely doubtful whether many of these families will be united again, and the break-up both of village and family life has brought immense social, as well as economic, difficulties in its wake.

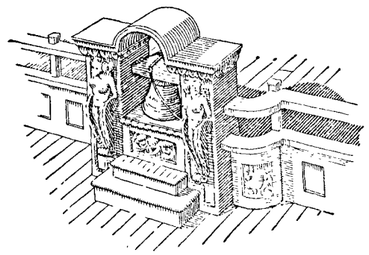
The enormous problems of reconstruction can only be tackled on a reduced scale until the guerrillas have been exterminated, but it would be a mistake to assume that the threat to the independence of Greece will be removed by the surrender or capture of Markos. With American aid, the Greeks must tackle their economic problems with the same determination as they are showing in their operations against the guerrillas. Complete recovery, however, is a Balkan—indeed an international—and not exclusively a Greek problem. So long as its northern neighbours feel protected by encouragement or approval of the Cominform, the danger of a relapse will always remain. Greece can easily be used for indirect and inexpensive attack on British and American interests in the Near East.



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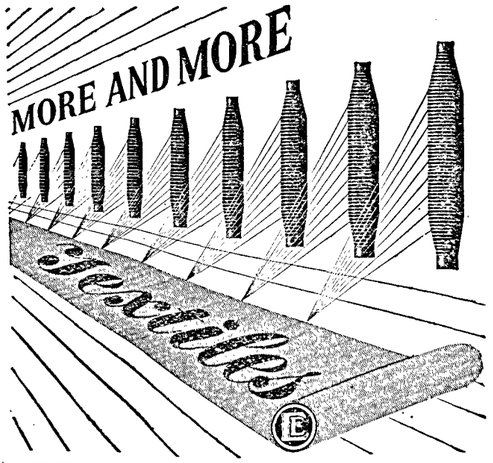
Mounted on or near the forecastle, lavishly decorated belfries were a feature of larger ships from the 16th century onwards. Ships bells were used in all types of ships as they were the only means of making the time known to the ship's Company.

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Unilever in Perspective

IF the report and accounts of the Lever Brothers and Unilever group have a fault, it lies in the difficulty of distinguishing, among all their riches of information, those factors which have played a predominant part in the results of the past year, and those which cast their influence forward into 1948 and beyond. Beauty, it is said, lies in the eye of the beholder. To some readers—small in number, perhaps, but fortunately growing each year—accounts of such model precision have a technical elegance of their own. At the other extreme, many stockholders will be content to accept the nineteen closely printed pages of the group's report and accounts as read, and consider their duty done with an examination of the "Salient Points" with which the report opens. Under every head—save net profits and dividends—they will find, in this intentionally simple summary, evidence of further expansion during the past year. Turnover increased by 41½ per cent, from £338.5 million to £479.3 million; the group's net current assets increased by £12.2 million to £82.6 million, largely owing to an increase in the value of stocks; fixed assets were higher by £6.7 million; and taxation by over £5½ million; special reserves against stocks and fixed assets absorbed no less than £7.8 million (in 1946 only £1,200,000 had to be provided); but consolidated net profit totalled £8.5 million against £10.8 million in the previous year.

But such a flat statement of totals gives no hint of the effect of inflation and rising prices on the group's trading activities. The table below, showing the physical volume and value of turnover in the principal commodities handled by the group, throws an illuminating light on this price factor:—

TURNOVER OF PRINCIPAL COMMODITIES

	'000 Metric Tons		£000's	
	1946	1947	1946	1947
Margarine, edible fats, etc.	560	606	53,752	70,150
Other human foods	...	...	29,237	34,055
Other oils and fats	1,479	1,552	94,854	152,184
Animal feeding stuffs	1,256	1,288	16,845	18,187
Soap and detergents	750	811	57,396	84,634
Toilet preparations	...	...	8,601	10,484
Miscellaneous manufactures	...	...	9,725	14,230
Produce*	891	942	28,356	37,805
Merchandise*	...	...	35,695	50,731
Services and transport	...	...	4,037	6,852
TOTAL VALUE	...	...	338,498	479,312

* Mainly handled by the United Africa Group.

Total weights given for five of the groups show an increase of 5½ per cent from 4.9 million metric tons to 5.2 million metric tons. But the corresponding value figures of the same groups increased by no less than 44½ per cent from £251 million to £363 million. The comparison of weights and prices may not be very precise, but it illustrates, nevertheless, the predominant part which rising prices have played in the figures for turnover and profits. The physical expansion of trade has, indeed, been important, particularly in Western Europe, where there has been a steady recovery from grievous shortage of edible fats, though there is still a substantial surplus of productive capacity which could be used if raw materials were more plentiful. In other markets, including apparently the American continent, the increase in physical turnover was relatively less, and the increase in prices relatively more, important. This may explain why the cash value of turnover increased by 46 per cent in Western Europe, and by 39 per cent in North and South America, which includes the group's biggest single market, the United States.

In these circumstances, the increase in the group's aggregate profit from £28.5 million to £40.1 million is no matter for surprise. Turnover and profits have both increased by a little over 40 per cent. The price inflation in the one is faithfully reflected in the increase of the other. And the Unilever directors have recognised the impact of rising prices by making special provisions of a character which is rapidly becoming familiar to shareholders in large industrial concerns. In addition to the normal provision for depreciation (£3.4 million) they have specifically set aside £3.6 million to reserve for replacement of fixed assets. Thus, the directors have taken the view that, where allowances of depreciation for taxation purposes are based on the historical cost of the assets (as in Britain and most other countries) they have a duty to supplement such legal allowances by adequate sums from taxed profits to meet the higher cost of replacing those assets today. This point is, of course, recognised in certain countries where the group does business—France and Belgium among them. From the viewpoint of directorial policy—to say nothing of the larger question of maintaining industrial capital intact—provisions based on replacement cost provide the only satisfactory method of keeping the real cost of physical capital and the unreal size of paper profits in proper perspective.

But the policy is costly, in the sense that adequate provision for replacement involves the payment of tax on any profits set aside, beyond the legal allowances for depreciation. Thus the full cost of depreciation for the Lever group could be roughly put, not at £3.4 million, but nearer £10 million. The net provision (just over £7 million disregarding taxation), it may be presumed, represents the board's view of the total cost, at current prices, of replacing assets which have been used up in the current trading of the group during 1947. The extra provision, that is, relates only to the addition to the legal allowances which the directors consider to be necessary for that single year; it does nothing to bring the provisions which have been made in the past into line with current replacement costs. The first point for Unilever stockholders to seize is the likelihood that this new item providing for the replacement of fixed assets has taken a permanent place in the accounts.

There is a second special item—not, indeed, new for it appeared in 1946—which has made an even greater impact on profits. In 1946, the group set aside £1.2 million to reserve against stock values; for 1947, this provision has been raised to £4.2 million. The need for this provision is clearly explained in the directors' report:

> . . . Profits have again risen in 1947 on the turnover of stocks purchased at prices considerably below replacement cost and, having regard to present high prices, it has been considered prudent further to increase the reserves for stocks from current revenue. The necessity for the continuation of this charge will depend on the future trend of raw material and merchandise prices.

Throughout this article, "group" relates to the combined activities of Lever Brothers and Unilever Limited and Lever Brothers and Unilever NV (usually known for short as "Limited" and "NV" respectively). A commentary on the accounts, with fuller extracts of the figures, appears in this week's *Records and Statistics* Supplement. The combined figures are described in the accounts as "a guide, and no more" to the trend of results of both Limited and NV, and they should be read with currency restrictions in mind.

The value of the group's stocks has, indeed, risen from £49.5 million at the end of 1946 to almost £85 million at the end of last year. The composition of the stocks is not identical from year to year—for instance, changes occur from time to time in the method of trading in different countries, and in the stocks respectively held by the group on its own account and those which are owned by various Governments. But almost certainly the biggest element in the increase is the rise in prices. The Unilever group, indeed, is faced with this dilemma: it is vulnerable, at present levels of prices, to any sharp setback; but a setback in prices would reflect a fall in trade. It wants very much what the British Government hopes for in the improvement of the terms of trade—some recession in prices to reduce the high cost of its stocks, but not so dramatic that the volume of its trade would be affected. A total reserve of £5.7 million against stock values standing in the balance sheet at £85 million cannot be regarded as excessive in these circumstances.

These two special provisions, coupled with the high level of taxation (which absorbed £16.8 million net last year, compared with £11.3 million in 1946) should certainly impress upon stockholders that token increases in aggregate profits are unlikely to be matched by corresponding increases in net profits and dividends. In any event, the dividend equalisation agreement between Limited and NV effectively limits the dividend of the former to 10 per cent, for any increase in NV's dividend of 8.9 per cent (to which Limited's 10 per cent corresponds) could only be made at the cost of paying the 300 per cent Dutch tax on excess dividends. The group suffers enough from the weight of taxation all over the world to avoid any further increase of that kind. But there are other reasons, apart from the technical complexities of the dividend equalisation agreement, for expecting the directors to pursue a policy of stabilisation. While the group's net current assets have increased during the past year from £70.4 million to £82.6 million, the bulk of this increase is represented by the higher value of stocks, and the reverse of the medal is a fall in the group's quick cash assets from £47.3 million to £32 million, and a rise in its bank overdrafts by £5 million to £12.4 million.

There is, therefore, the same evidence of increased financial strain in the Unilever accounts as in many recent company reports; the degree of pressure on current resources may not be so acute, perhaps, but even Unilever cannot indefinitely finance the ever-growing cost of stocks and capital replacement from its own resources and from its own provisions from profits. That it will do so as long as possible can be taken as axiomatic, but investment in stock on last year's scale, coupled with gross capital expenditure of £9,400,000 involved a specially heavy burden which could not be repeated without resort to new financing. Such is the prospect before Unilever stockholders. They cannot expect any increase in dividends until the prices fall (but not too much), until dividend limitation is a thing of the past, and until the weight of taxation, particularly on the Dutch partner, is lifted. To mention these factors is to expose the total lack of dynamism in Unilever ordinary stock under present conditions. But it is not, of course, to dispute the merits of the stock conceived, as it should be, essentially as a long-term holding. Only a catastrophe in prices and world trade could seriously affect the group's ability to pay steady dividends. Unilever is an equity in the economy of the whole world. And that world, during the period over which investors are entitled to take views in these days, is more likely to be an inflating world than the reverse.

Burdens on the Revenue

(By a Correspondent)

THE security of the revenue is the foundation of good government. In the past, the British people have always astonished the world by their willingness to pay taxes, and by their genius for public administration which has produced a service so efficient and so incorruptible as the Inland Revenue. Undoubtedly the enormous revenue extracted from the British taxpayer by personal assessment is still an outstanding testament to his capacity for social discipline; in this, he is not as some of his European neighbours are. Nor does he yet rebel against the principle that the present experiment in social services must be paid for largely from current revenue—which implies the indefinite continuance of a high rate of taxation. As a tax-paying subject, the British citizen is one of the most remarkable economic phenomena of all time.

But, if he ever felt any virtue at this state of affairs, he has rarely shared his moral satisfaction with the Inland Revenue authorities, and in particular with the Inspectorate of Taxes. The tax inspector is not a popular figure; he may not be hated with the same liberality that is the mark of the average Frenchman's attitude towards *le fisc*, but he is certainly more feared. He is a member of a small, highly-trained administrative cadre; but he is also one of the keepers of the financial conscience of the individual, and hence of the attitude of the public at large towards taxation. High taxation and the laxity which is always encouraged by inflation have, nevertheless, done some harm to the integrity of certain sections of the public towards taxation matters. How far have these lapses resulted from the burden of work which the inspectorate now has to handle?

Ten years ago the standard rate of income tax was 5s. in the £; in 1937-38 £298 million was paid by 3,700,000 income tax payers; for 1946-47, the standard rate was 9s.; the number of taxpayers was as high as 12¼ million and they paid £1,156 million. These total figures give some impression of the extra work which the inspectorate now has to carry out. In 1938, a married man with an income of £250 and a moderate amount of life insurance was not liable for tax. His case called for a routine check of a few minutes every year or two. The same man today may entail an hour's work a year, owing to the rise in his money income. Every point gained by the taxpayer is now worth far more, in cash, than it would have been worth in 1938; matters that would not have been pressed then, because they were not worth the time and effort involved, are now pursued to their conclusion, while matters that were worth raising in 1938 are now argued on both sides at greater length and with greater force. Businesses which are conducting the same physical volume of trade as they did before the war represent a far greater taxation problem today, because greater money values are involved, and provisions for allowances are more complicated. The transfer of farms from a rental basis to a profits basis of assessment has perhaps doubled the amount of work on tax accounts in the average country district.

This, indeed, is only the beginning. Many employers regard PAYE as the perfect device for passing the burden of tax collection from the Revenue to the employer. But there are far more incomes to be taxed, and far more administrative work to be carried out, in the tax offices. There is an intimate connection between what happens in the tax office and the contents of the Friday pay packet: therefore correspondence must be handled

quickly; tax tables must be issued on time, and code numbers accurately determined and promptly changed when necessary. Failure in any one of these directions might easily promote grievance and industrial trouble. Again EPT and Profits Tax have brought new burdens. A high proportion of EPT cases have still to be finally settled; and both taxes involve numerous adjustments to traders' accounts as agreed for income tax purposes. Double Taxation Relief has replaced Dominion Income Tax Relief, and has thus extended over the whole world the obscurities and complexities of the old scheme and the improvements—from the taxpayer's point of view—in the new scheme. Finally, the welcome if limited concessions of the Income Tax Act of 1945 have added a further array of extra work in dealing with initial allowances, balancing allowances and charges, allowances for agricultural and industrial buildings, and for expenditure on patents and research.

These additional duties have not been accompanied by a corresponding increase in the number of inspectors. There has certainly been an increase in the number of clerks—though they, being subordinate staff, have also to be supervised—but the force of tax inspectors has actually shrunk since 1938. In that year, there were some 1,800 inspectors trained to deal with business cases; since then, the force has dwindled to 1,600, of whom 100 are over 60 years old. Direct recruitment to the rank of inspector was suspended during the war, and only 60 clerks were selected by the Board of Inland Revenue for promotion to inspector. Nor was recruitment very happily managed before 1938. The Board foresaw, in the closing years of the 1914-18 war, that income tax was to become a permanently increased commitment; so it hurriedly took on staff in two large blocks, instead of gradually over a period. As a result, promotion in certain grades was disheartenedly slow during the inter-war years. Certainly, the coincidence of a dwindling expert staff with an increasing volume of work has meant a great burden on the revenue machine. That it has not broken down is due partly to the remarkable response of the inspectors to an emergency scarcely understood outside their immediate circle, and to a more selective approach to their ever-increasing work.

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That selective approach, of course, has necessitated greater concentration on current cases, and the deferring of much work undertaken in normal times to stop leaks in the revenue. It is no accident that three years after the end of the war no special attack has yet been started on "back duty" cases; by 1921, the work of uncovering evasion of EPD was in full swing, and producing salutary results. Under-assessment of tax is, of course, a direct consequence of overwork and undermanning of the service. Even more serious is the coincidence of the maximum incentive to evade tax with weakened power of the taxation machine to detect evasion. The plight of the inspectorate seems to be well enough known to certain sections of the trading community. Evasion is necessarily a better risk—to the evader—during a regime of high taxation. The understatement of profits by £1,000 in 1938 might have been worth £300 in income tax and surtax; last year, it might have been worth up to £900 in EPT, income tax and surtax, and the new capital levy might even have raised its value to, say, £1,500. Tax inspectors take a cynical view of human nature, and their estimates of evasion and unpaid back duty tend to run high—probably much too high, for some of their guesses suggest that there might be well over half a year's revenue awaiting collection if evasion could be detected and arrears vigorously pursued.

To enforce the full rigour of tax obligations would entail a considerable increase in trained staff—perhaps by as many as 2,500. The average district inspector has a working year of about 2,000 hours (45½ hours a week, less 5½ for lunch hours, and six weeks' leave annually). In that time, he must direct the running of his district, supervise a staff of 30 to 150 subordinate officers (often twice as many as in 1938), examine 600 to 1,500 accounts, according to the size of the cases (again often twice as many as before the war), handle perhaps 60 EPT and profits tax cases, and represent the Revenue at up to twelve Local and Special Commissioners' meetings. If the proper administration of the district, including Commissioners' meetings, with attendant travelling and preparatory work, can be put at 1,400 hours, the inspector is left with 600 hours for work on accounts, including the submission of statistical returns which may take as long as the actual work of agreeing the taxpayer's liability. It is hardly surprising that he has little or no time for the pursuit of suspected evasion or underpayment of tax. Inspectors are a cautious, taciturn and perhaps even embittered guild of experts; they would welcome more encouragement than they sometimes get from above, and they are human enough to enjoy the incentive of successful prosecution when, after mature consideration, a bad case is brought before the Courts.

The Board of Inland Revenue proposes during the next four years to admit to the service 200 direct recruits to the tax inspectorate and to train 400 others by promotion for clerkships. For a time, however, this expansion will involve a further strain on existing staffs, some of whom take the view that not more than 100 inspectors can be effectively trained in their exacting discipline under a four-year scheme. Certainly, it is necessary that the new entrants should be trained in an atmosphere of purpose and realism. Moreover, older men may require an incentive, psychological as well as financial, to remain in an invigorated service. At present, it is hardly too much to say that overwork and frustration threaten the morale of the service. Offices are often overcrowded, poorly equipped, and the work—particularly on PAYE—is harassing. To main-

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tain *esprit de corps* under such conditions, when the same men who are expected to maintain it are trying to perform their own urgent case work, is a feat that cannot be indefinitely sustained.

This feeling of disillusionment among the tax inspectors is reflected in the steady loss of trained officers who leave the service to take up outside appointments in which their qualifications ensure them a ready welcome. Tax evasion, in the eyes of some inspectors, is no longer a risky proceeding so much as a standard trade practice. They would agree with the dictum that Schedules D and E are not so much two different schedules of the same tax as two different taxes, under which the taxation of salaries and wages is remorselessly carried out, while there is a variable margin of profits, particularly those obtained by the smaller trader and the none too scrupulous manufacturing business, which escapes due taxation by systematic understatement or evasion. And they hold that once the trading community in any district realises that the Revenue is imbued with an active spirit, an improvement will promptly show itself in assessments —with a consequential improvement in business efficiency, for tax evasion on any material scale puts a premium on profligacy and inefficiency and handicaps the normal competitive power of the honest business man.

Such risks are inseparable from a regime of crushing taxation, and one of the best means of checking evasion would undoubtedly be to reduce the burden. The scope for reduction is inevitably limited, however, by the large-scale expenditure to which the state is committed on social services; for several years, at least, the need for an efficient and active inspectorate will be as great as it has ever been in the long history of the income tax. The tax inspector has hitherto won the ungrudging respect of those whose opinion is most valuable—those tax-paying subjects who have crossed swords with him. Inflation, high taxes and new taxes have greatly increased his burden of work; and he feels, rightly or wrongly, a certain lack of encouragement to pursue his function of protecting the revenue against dishonesty and evasion. He may, to be sure, exaggerate the extent of evasion—or at least the loss of revenue which occurs. But it would be dangerous to disregard his judgment on such matters. Modern states enjoy political and economic stability in direct measure as they can assess the liability of their citizens for taxation and collect the revenue. Britain has hitherto set an example to the world both in the efficiency of its taxing machine and the long-suffering consent of its people to be taxed. The two factors are inseparably associated, and the link between them is the capacity of the tax inspector and the respect in which the public hold him.

Business Notes

The Treasury Special Account

It has taken the American and British authorities rather longer than had been expected to decide on the form of bookkeeping to meet the provisions of the ERP agreement for segregation of the sterling proceeds of ERP grants. Now, however, a formula has been devised which suits both parties, and the result is reflected in the Bank return, which this week exhibits one of its very rare changes in form. Under the terms of the agreement, the sterling to be deposited represents, not the actual cash which the British Government receives from reselling Marshall goods or dollars, but the sterling equivalent of America's own dollar outgoings on such grants, as notified by them from time to time. It was laid down that each amount thus notified would be transferred to a segregated account in the name of the British Government at the Bank of England. Accordingly the new "Special Account" figures in the Bank return as a sub-division of the item "Public Deposits." The first visible credit to the account is for an amount of £33.4 million—appreciably more than the £22 million which, as the Chancellor recently announced, was received towards the end of June as the first reimbursement of Britain's eligible dollar expenditure during the previous three months.

This divergence between the figures, however, has no special significance. It has been agreed between the two Governments that the amount accumulated on the new account shall be kept as low as possible and that, at the outset at least, the bulk of the fund is to be used for redemption of floating debt. In fact, whatever redemption of domestic indebtedness takes place as a result of the Government's receipts from borrowing overseas (i.e. from the external deficit as a whole) occurs at the moment when the sterling is received in cash by the Exchequer. Redemption therefore proceeds quite independently of the accounting arrangements for the segregation of ERP sterling. Hence it follows that when each transfer to the Special Account is made, the Treasury will have no unemployed cash available for the purpose. Each transfer will therefore have to be financed by new borrowing; but, to the extent that the funds are used to redeem debt, the amounts transferred will be only nominally borrowed. Shortly after each transfer has been made, the American authorities will give their approval for the "use" of an appropriate part of the balance of the account for debt redemption—whereupon a corresponding amount of the nominal credit will be offset and cancelled against the nominal debt which has been created to finance it.

More precisely, the Treasury will finance each transfer by borrowing from the Bank of England (apparently against a new category of floating debt specifically designed for the purpose, but not separated in the Bank return item of "Government Securities"); each time the American authorities permit it to do so, the Treasury will "use" the special sterling to repay these borrowings. The Bank return, therefore, will show from week to week, not the aggregate of transfers to the account, but only the residual sums of which the "use" has not yet been authorised. This complicated accounting faithfully follows the requirements of the agreement. Yet so long as the money is "used" only for the purpose which the Americans had in mind when they first devised this segregation procedure, it has no effect whatsoever. It will have an effect—and that a debt-creating and an inflationary one—only when it is employed for real expenditures which Britain would not otherwise have embarked upon. Even the finance for the European clearing scheme, if it results in unrequited British exports which would not otherwise have been made, falls into this category, desirable though such lubrication of the European payments mechanism may be.

* * *

TUC on Productivity

The General Council of the Trades Union Congress received distinctly cautiously the idea of an Anglo-American Council to study productivity, but the fact that it appointed six leading trade unionists to serve marks an important psychological advance. A statement issued by the TUC last weekend shows that arrangements are already in hand through the National Production Advisory Council (the body to which Sir Stafford Cripps made his original suggestion) for a team of "official" American representatives to visit British industry, and the TUC's general attitude can be summed up in its own words that "if there is anything to be learned from our visitors, it would be churlish and short-sighted to reject the offer."

The TUC is certainly moving in the right direction, although its progress may appear to be slow. It is at any rate no longer taking a purely negative attitude on productivity. It has endorsed the idea of an Anglo-American Council, admittedly after some searching of hearts; it has decided to co-operate in a series of experiments by the National Institute of Industrial Psychology, to examine the effects on labour turnover of the simplification of industrial processes; it has also established links with such organisations as the British Institute of Management, the Government's Industrial Productivity Committee and the Administrative Staff College.

These wider horizons are most welcome, though understanding and good advice from Transport House are neither so frequent nor so forceful that they invariably percolate to the member in the factory. In this process the joint consultative machinery, which is now being encouraged, may act as a useful channel. The report on the development of consultation prepared for the Ministry of Labour's National Joint Advisory Committee suggests that considerable progress has been made, at any rate statistically, in recent

months. In 38 out of 54 industries (excluding nationalised industries) there is some form of consultation. There is, however, no indication of the number of establishments within these industries which have such arrangements, or of their effectiveness. The Amalgamated Engineering Union is now conducting its own enquiry into the operation of Joint Production Committees. This will inevitably be a one-sided document, but the union's enquiries into wartime JPCs were useful, and a parallel analysis of the peacetime machinery should throw useful light on the workers' attitude towards industrial co-operation.

* * *

Imports Still Dearer

Despite the hopes raised by the shortlived setback in American primary prices last February, Britain has been paying progressively more for its imports since the beginning of 1948. And the increase has been both absolute and relative—that is, import prices have been rising at a faster rate than export prices. During the first six months of the current year, the average price of British imports has risen by 10 per cent while the average price of British exports has risen by only 3 per cent. The Board of Trade estimates that during the second quarter, the terms of trade have deteriorated by 6 per cent compared with the average for 1947.

The main rise in the cost of imports has been due to higher prices for raw materials; these have increased by 14 per cent since the beginning of 1948 and by 48 per cent since the beginning of 1947. The extent of this rise is disquieting because raw materials must be bought at almost any price if production in Britain is to be maintained. The cost of imported manufactures showed the next largest rise (8 per cent) during the six months; prices for this class of imports rose rapidly in the first nine months of 1947, but thereafter they rose more gradually. The cost of imported food and tobacco was fairly stable in the second half of 1947 after a moderate rise during the first six months; since the beginning of 1948, the trend has again been upwards, although the rise has not been steep.

During the first half of the year, raw materials accounted for about 32 per cent of Britain's retained imports and slightly exceeded 90 per cent of the prewar volume. Food and tobacco imports, which were 72 per cent of their 1938 volume, accounted for 43 per cent of total imports. There are further price rises in prospect. An increase of 30 per cent for Canadian wheat came into force on July 1st though it will probably not be reflected in the trade accounts until October. Moreover, new long-term contracts for dairy produce and meat suggest that next season's prices for these foods may, on the average, cost 15 per cent more than last season's. But grain supplies not purchased under contract should be cheaper than a year ago; so should cotton and perhaps wool. Lead and zinc prices, on the other hand, will undoubtedly respond to the higher American level and other metals are also likely to become dearer. The omens, therefore, suggest that the cost of British imports during the next twelve months may increase still further, despite good harvest prospects in the Northern Hemisphere.

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But the movement of the terms of trade against Britain depends in some part on the value of British exports. The rate of increase in export prices has slowed down considerably since about the middle of 1947. In the past three months raw material prices—mainly coal—have shown no increase. The slight increase in the value of exports between March and June of this year is almost entirely due to higher prices for manufactured goods. Of these, the main item was textiles, prices of which rose by 4 per cent during the second quarter; moreover, textile prices are rising at an increasing rate, whereas prices of metal goods and other manufactures are, if anything, rising at a declining rate. But it is precisely the textile group which has not been able to expand its volume of output or of exports to the scale envisaged in the export drive. It may be that textile exports are relatively dear (at one period they were almost certainly too cheap) and that metal goods and other manufactures could be further raised without affecting demand. But that is guesswork, and it makes little difference to the basic problem of the terms of trade, and little contribution towards their improvement.

* * *

"Frustrated Exports"

Frustrated exports are causing embarrassment not only to manufacturers who find their overseas markets suddenly closed to them, but also to those who are maintaining a large export trade. Two months ago the President of the Board of Trade set up a committee of the Association of British Chambers of Commerce to examine requests from manufacturers for permission to dispose of frustrated exports on the home market and to make recommendations to him. The committee has already met, but no information is available about its deliberations. Clearly, however, it could not possibly have finished its task in so short a time. Meanwhile, goods originally intended for overseas markets are appearing in British shops, with or without official sanction. For many articles, it is no easy matter to determine whether the goods on sale were originally intended for the export market. But for a few, such as decorated pottery, there is no such doubt.

The basic problem is to find a satisfactory definition of "frustrated exports." If goods have been specially produced for a particular market which is suddenly closed by import restrictions, a reasonable case can be made out for allowing them to be sold on the home market, provided that there is no alternative export market for them. But what of goods intended for export the quality of which turns out to be too low and the price too high? Can these be treated as genuine frustrated exports? There may or may not have been a firm foreign order for them in the first place; in any event, such goods will be least likely to attract new buyers overseas, and pressure to release them on the home market will therefore be the stronger. The home market is just as profitable as the export market—and for certain goods more profitable. Hence there is little economic incentive, in these circumstances, to make every effort to export, though the controls do what they can to guide production towards the export market. Moreover, once the general idea of frustrated exports is conceded, or even export rejects are allowed on the home market, the door is pushed ajar, if not wide open, for evasion, unless the Board of Trade goes in for a large and costly system of inspection.

Repercussions on those manufacturers who are actively engaged on export business are no less important. Before the war, most of them were well established in the home trade; now their prewar customers take second place to overseas buyers. Yet they sometimes find, to their mortification, that other producers, some of whom may have started production since the war, can sell on the home market goods which are scarce, command a high price, and may be of inferior quality. The faithful exporters can be excused for asking if this is a fair reward for maximum effort.

* * *

Anglo-Italian Trade Dilemma

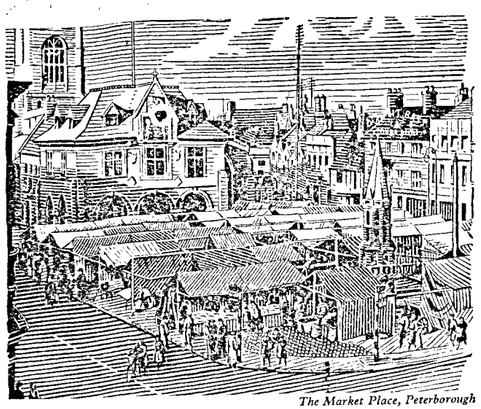
The second meeting of the Anglo-Italian Joint Standing Economic Committee closed rather inauspiciously in Rome last Saturday. The full report is not yet available, but it is known that the discussions achieved little success. Italy has been anxious about the recent depletion of its sterling reserves; it has a marked deficit with the sterling area. If the present rate of expenditure continues, its available sterling would fall within twelve months below the level required for a minimum working balance. Italy, therefore, wanted to export more so-called non-essential goods to Britain: the availability of essential exports on either side is limited. Britain, on the other hand, was not willing to import larger quantities of peaches and other luxuries, unless the Italian Government was in turn willing to guarantee the sterling-dollar crossrate on its free market at parity. If the free foreign exchange market was to be kept open, such a guarantee could only be effective if the Italian Government purchased sterling as might be necessary, and that it was not willing to do.

In such circumstances, agreement was not possible. The official communiqué announced that the question of the sterling-dollar crossrate was reserved for further discussion, while modifications were made to the trade programme agreed last January to effect a "considerably higher level of trade between the two countries during the second half of the year." In fact, it is estimated that trade between Italy and the sterling area should increase by between £2,500,000 and £3,000,000 each way. Most of this increase, however, is represented by essential exports. Final judgment on the talks must be reserved until full details are made known. But the difficulties encountered clearly emphasise once more the need for a proper multilateral trading and payments system in Western Europe. It is high time that the contrast between "essential" and "non-essential" trade disappeared from the vocabulary of such negotiations. One day it may be used, not by Britain, but against Britain.

* * *

Base Metal Prices Again Raised

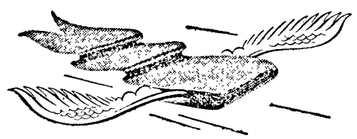
The anticipated increases in American lead and zinc prices were announced at the end of last week. Lead is 2 cents dearer at 19.50 cents a lb. and zinc 3 cents dearer at 15 cents a lb.; the



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The subscription to the Bulletin, which covers twelve monthly issues, is £10 10*s.* 0*d.* ($42.00 for subscribers in Canada and the U.S.), plus cost of air or surface mail to addresses outside the United Kingdom. Subscription forms and any further information can be obtained from the

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sterling equivalents of the new prices are approximately £108 10*s.* a ton for lead, compared with the British price of £90, and £83 10*s.* a ton for zinc against £75. It seems extremely likely that the copper price will also be raised by 2 cents to 23½ cents a lb., or £131 a ton, compared with the British price of £132. Both the Phelps Dodge Corporation and the Anaconda Copper Mining Company have already increased their prices for September deliveries to this level. American non-ferrous metal producers have hitherto been reluctant to raise their prices in order to encourage long-term demand. But for many months past marginal requirements have been covered at prices nearer the new levels. The recent increases undoubtedly reflect increasing inflationary pressure in the United States.

American consumption of non-ferrous metals has been maintained at a high level this year, and a significant proportion of demand has been met by imports. The United States is using more than half the world's output of copper and nearly half the world's lead and zinc. In the short run, therefore, the only respite for other users of non-ferrous metals is a decline in American industrial activity. Zinc, which was in much freer supply last year, became short when the American subsidy on home produced metal was abolished and a number of high-cost mines had to close down. But there has also been an expansion in zinc consumption, and its use has been extended in many directions. Copper production has increased, but it is still thought to be below world requirements, and lead holds the palm as the base metal in shortest supply. Non-ferrous metal producers have so far been relatively free from labour troubles, although the Mexican strike in April reduced the output of both lead and zinc, and at the moment strikes in the United States are likewise affecting the output of these metals. The new prices—they are peak prices for lead and zinc—should stimulate world production so long as production costs do not expand still further. Nevertheless, as past experience has shown, expansion may take a long time.

The New York market is only a guide to world prices, but in the absence of the London Metal Exchange there is no better guide, and producers outside the United States will undoubtedly tend to follow New York's lead. In the past, British manufacturers have had to pay more for copper and zinc than the official New York quotations, but less for lead, which comes mainly from Australia. Yet, despite this discrepancy, British lead and zinc prices have followed changes in American prices fairly closely. The Ministry of Supply has never disclosed its pricing policy. It obviously averages out its profits and losses, but it is not known whether it balances a current profit on one metal against a current loss on another, or whether it averages out its profit and loss for each metal separately over a specified period. Nor is it known what profit is in hand or what contracts have still to run. It is believed that nearly 24,000 tons of Canadian zinc have been purchased up to the end of the year at an average price of approximately £64 a ton. But Britain's main source of supply is the United States, and unless this year's requirements have already been covered, the British zinc price is likely to be raised. Again, although Britain's lead imports come largely from Australia, it is probable that the lead price will also be increased on the expiration of current contracts, but not necessarily to the full extent of the New York quotations. On the other hand, the Ministry has already covered its copper requirements for 1948 and even partially for the first half of next year. Home consumption has averaged 31,000 tons a month between January and June, which is not much above the scheduled monthly rate of 30,000 tons, particularly as in January alone consumption totalled over 37,000 tons. The chances, therefore, are that the copper price may not be increased unless the Ministry decides to fix home prices on the basis of current replacement costs. That depends, presumably, on its view about future price trends—in which its judgment has been wrong more often than it has been right.

* * *

"Shortfall" or "Failure" in Cotton?

One of the conditions which had to be achieved if the cotton industry was to play the part required of it in the national economic effort was (as the "Economic Survey" explained) an increase of 58,000 in the labour force by the end of 1948. Another was the redeployment of labour; this, the President of the Board of Trade told the Lancashire cotton industry in March, would be the keynote of the production drive. Neither of these conditions seems to be making rapid progress towards fulfilment. Mr Ness Edwards admitted in Parliament last week that there would be, at the rate of recruitment up to May, a "shortfall in relation to the manpower target"; but he denied that the "shortfall" amounted to a "failure" of the recruiting campaign. In fact, as the *Cotton Bulletin* for June showed, the cotton industry by the end of May had gained 9,881 workers since December. This left 48,000 to be found during the rest of the year.

The other arm of the pincer, redeployment, does not seem to be doing any better. In the cotton weaving trade it has come to be identified with the question of applying the recommendations made by the Moelwyn Hughes Report on methods of payment. Those recommendations were examined in *The Economist* on June 12th; it was then stated that the manufacturers' association and the trade unions had agreed on a twelve weeks' trial to ascertain how they would work. The trial agreed upon was not of a particularly valuable kind, since the sheds conducting it would not actually work the new system, but would merely keep records of what the earnings might have been if the system had been in force. But even this experiment has only just started, and there is still ample room for delay before it leads to any material results.

The trial has, indeed, produced as much disquiet as hope. There is uneasiness not only over the delay, but also over the way the negotiations for its introduction may go within the industry. The Moelwyn Hughes recommendations were based on a scheme prepared by Associated Industrial Consultants, Ltd., which implied not only a recasting of the out-of-date wage system but also a recalculation of the work-load in each shed. If the first is done without the second, then the essential incentive to effort may be missed, and the trade may merely be presented with a new Uniform List based on a generalised time schedule for each type of operation in the industry. This uneasiness was reflected in a letter published in the *Manchester Guardian* this week from a director of Associated Industrial Consultants, Ltd., Mr R. J. Gigli. The trade, in Mr Gigli's view, is chasing the shadow and losing the substance of the Moelwyn Hughes report. Mr Gigli's letter helped to show the extent to which redeployment is entangled in the wage structure. Industrial consultants have applied the new system of payment in a number of sheds, but they cannot apply them generally: the Uniform List still has statutory authority, and experiments can in practice only be attempted where they do not happen to conflict with it. The urgency of the matter is underlined by the conclusions drawn by the Nelson weaving industry from its "Beat the Crisis" campaign. This effort to achieve an increase of 10 per cent over a twelve-week period succeeded only in achieving an 8 per cent increase in its best week. The Nelson manufacturers concluded in their report that more could not be done so long as the wage structure remained unchanged.

* * *

Dearer Electricity in Winter

The Minister of Fuel and Power told the Commons last week that he had "asked" the British Electricity Authority and the Area Boards to put into effect certain of the recommendations of the Clow Committee. Among these were the proposal for higher charges in the winter months, to be offset by reduced charges in the rest of the year. The process which now begins may throw some light on the degree of independence of the new nationalised industries from political control. The Electricity Authority has to consider what it will do in response to the Ministry's request—which is, as yet, no more than a request. Assuming that it agrees with the proposal, there will be two main problems for consideration. The first is the period of the year during which the higher tariff shall operate. The Clow Committee preferred a three months' period to a six months' period; consumers, it thought, would be more likely to pay attention to the shorter period. But it has to be remembered that meters are not all read on one day; meter-reading is continuous, and it is quite impracticable to change the meter-reading method for this purpose.

If, therefore, the aim is to achieve the maximum deterrent effect between December 1st and February 28th, it would seem necessary to start with the group of meters which is read on January 15th. Consumers in that group would pay the higher rate on all the current they used between October 15th (their previous reading) and January 15th. The operation would conclude with the meter readings on April 14th or 15th, and would by then have covered all consumers; but the last group, like the first, would get a good deal more warm weather in their high-tariff period than the groups in between. Only one group out of 90 or so would pay the higher rate on the whole of the three months from December 1st to February 28th.

This suggests that, in deterring consumers from using current in the months when peak demand is greatest, the Electricity Authority may also have to deter them from using current in months when peak demand is not so great; and it is not to be

supposed that this will be any more palatable to the electricity industry than it is to the consumer. A similar consideration applies to the crucial point of the whole scheme—the extent of the price differential to be established between the winter tariff and the tariff for the rest of the year. A winter tariff so high as to be really deterrent may produce economy first in off-peak hours, and only secondarily at the peak periods themselves. On the other hand, a slight differential can hardly have any useful effect at all.

* * *

Remitting Profits from Argentina

The normal resumption of remittances of earnings from Argentina to Britain is now to be permitted, according to a message this week from Buenos Aires. This is apparently the result of the settlement of a number of questions arising out of the Andes agreement, principally concerning the quantities of meat by-products to be purchased by Britain. Experience teaches that all announcements emanating from Argentina regarding agreements with the government of that country require to be scrutinised with the utmost care. On the occasion of the announcement at the end of June, the official communiqué stated that a remittance of earnings on old capital would be authorised "in accordance with the availability of foreign exchange." Presumably this qualification still applies, and may still operate at the behest of the Argentine authorities to put a stop at any time to any remittances that may now be authorised. However, it is to be presumed that the British negotiators did extract some concessions in return for the agreement on meat by-products, but until the British companies concerned have succeeded in their applications to remit it would be as well to withhold judgment. In London, there is some confidence that the Argentine attitude on this question will be satisfactory, not least owing to the unwillingness of the American Government to ease Argentina's present dollar difficulties.

Anglo-Argentine trade is still heavily in Argentina's favour, so that there should be ample supplies of sterling to enable these remittances to be effected. No official estimate of the amounts involved has been made available, but a figure of up to £10 million has been mentioned. This is no unconsidered trifle, and it is therefore inexplicable that the question of sterling remittances should have been put so low on the agenda for discussion between the two countries. Is this one more example of Foreign Office indifference to British overseas investments?

In a comment (page 1079 of *The Economist* of June 26th) on the Argentine Government's decision to establish a more favourable rate of exchange for new foreign capital in Argentina, it was suggested that this would give unqualified help to the export from Argentina of a wide range of goods to which the new free rate would apply. A correspondent in Buenos Aires writes to point out that, in fact, this new rate applies exclusively to financial services, remission of profits, etc., and that, in practice, any Argentine manufactures to which the new, and quite separate, export rate might apply, such as books and leather goods, have now priced themselves out of the market. It was thought that the relaxation of import licensing which was announced at the same time for goods from soft currency countries represented a real change in Senor Miranda's attitude, and that "inessentials" such as whisky and motor cars would be imported without restriction into Argentina. This correspondent points out that no exchange permits have, in fact, been issued, at least through direct channels, for textiles, automobiles and the vast majority of so-called "inessentials," and that in Buenos Aires it is difficult to see the reason for the optimism expressed in the British press regarding prospects for increased exports to Argentina.

* * *

Mexican Peso in Suspense

No new official exchange rate has yet been fixed for the Mexican peso since the announcement a fortnight ago that the official rate of 4.85-4.86 pesos to the US $ was being abandoned. It is clear from a statement made by the Mexican Finance Minister, Senor Ramon Beteta, at the beginning of this week that a flight of capital precipitated the Government's move. According to Senor Beteta, sales of dollars during the first 21 days of July totalled more than $19½ million, and reduced the reserve to $114 million. The latter figure presumably refers to the official holdings of gold, dollars and silver. Senor Beteta added that it was impossible to predict when the new exchange rate would be fixed, but reports from Washington intimate that this may happen within the next 15 days.

These reports also speak of a rate which has been agreed with the International Monetary Fund of one Mexican peso to equal 15 US cents. This would be equivalent to a rate of 6.66⅔ pesos to the $ US, or a depreciation of more than 25 per cent, and the approval of the International Monetary Fund would accordingly be necessary. Meanwhile, the peso has changed hands at 7 to the $ in unofficial dealings, and the Finance Ministry has issued a decree fixing a provisional exchange rate of 6.50 pesos to the $ for payment of Mexican taxes by foreign corporations. A complete embargo has been placed upon all exports of gold until the new official rate is fixed, but it is not clear whether internal sales of gold have also been stopped.

* * *

Development Councils

Parliament adjourned without reaching any conclusion in the protracted skirmish over Development Councils for industry. Trade union dissatisfaction with the slow progress made was expressed again by Mr Vincent Tewson, general secretary of the TUC, in a circular reproduced in the July issue of *Labour*. Ten months (the circular pointed out) had already passed since the Industrial Organisation Act received the Royal Assent. Yet the only Development Council so far set up was the Cotton Board, for which "there were specially favourable circumstances"; that is to say, the Cotton Board already existed before the Act was passed, and needed no more than a new constitution. Mr Tewson discussed the proposals of employers for non-statutory bodies, and warned trade unions that

> since the negotiations are being closely watched by employers' organisations generally, a departure from the Development Council form in one industry can be expected to prejudice the establishment of Development Councils elsewhere.

The Board of Trade (through Mr Belcher) was pressed in the House last week for a statement of its intentions, but Mr Belcher gave nothing away. He refused to say what would be done in the pottery industry. He would not promise that no development council would be set up against the wishes of industry; at the same time the reception he gave to assurances of support from organised labour could hardly have been more guarded. He made it clear that patience was not yet exhausted:

> The intention of the Government is to secure the agreement of industries to the setting up of development councils, and we are proceeding towards that end, but it involves negotiations, and I am afraid that the negotiations are taking rather a long time.

Clearly it is sensible to cling to the hope of agreement; the advantages of Development Councils imposed on unwilling industries are hard to see. It is worth noting that in the course of the negotiations the attitude of industry has become a good deal more clear-cut, as a letter on another page from Sir Frederick Bain, President of the Federation of British Industries, shows. The opposition is not to central bodies, but to bodies appointed by the Government and not responsible to the industry. Sir Frederick Bain has stated elsewhere that industry is prepared to accept "an independent element"; as to the size and responsibility of the independent element there is still room for clarification. But it may be that if the Government is prepared to apply the Industrial Organisation Act with discretion and flexibility, the dispute may yet be settled without using the steamroller. Considered in the light of that possibility, Mr Belcher's reticence is intelligible.

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Assistance for Vactric

The Distribution of Industry Act, 1945, sought to provide inducements to industrial firms to place their new factories in Development Areas. Successful persuasion sometimes brings responsibilities in its train; the Treasury's advance of £500,000 to Vactric Limited (announced last week), illustrates the process. The Vactric loan is the biggest yet made under Section 4 of the Act; this authorised the Treasury to advance money to firms, operating or proposing to operate in Development Areas, which were short of funds but which otherwise had good prospects eventually of standing on their own feet. It is made on the recommendation of the Development Areas Treasury Advisory Committee; there have previously been sixteen such loans, totalling £852,700. Seven loans went to firms operating in South Wales, six to firms in the north-east, and three to firms in Scotland.

The Distribution of Industry Bill (not a Labour Government measure, but one introduced by Mr Churchill's Government) obliged firms to notify the Board of Trade of their intention to erect any industrial building with a floor space of more than 10,000 square feet. It also empowered the Board of Trade to prohibit industrial building if it appeared that "the provision of further industrial premises in any area would be seriously detrimental to the proper distribution of industry."

Vactric Limited began in 1944 to seek a new factory; they agreed to place it in Scotland, and occupied a temporary factory at Chapelhall pending construction of a new building. "In embarking on the new programme of production in Scotland," to quote from the chairman's speech last year, "we were deliberately and willingly serving one of the main economic purposes of the Government, both of the (then) National Government and of the present Labour Government." A factory was built to their specification on the Newhouse Industrial Estate, and was leased to them by Scottish Industrial Estates, Limited—which is controlled and supported by the Board of Trade. They expected it to be ready by December, 1945, but this proved optimistic, and they were not able to move in until two months ago.

In the meantime it had become clear that finance in the post-war world was not so plentiful as industrialists had naturally hoped. The company sought additional finance last year for the purpose of extending its production and occupying the new factory, but its efforts were not successful. At the same time it found itself with far larger stocks than had been expected. The burden of stocks was aggravated, as last week's statement said, by "the free delivery of raw materials for which substantial orders had been placed during periods of severe market restriction"—a phrase which serves as a reminder that shortages of industrial materials are not always as great as they may appear on paper. In the last few months the case was put before the Treasury Advisory Committee, which found the company's trading prospects good enough to justify the advance of £500,000. (It will also have the advantage of overdraft facilities up to £250,000 from its bankers.) The terms of the advance make it clear, however, that this is no easy path to expansion. The loan is repayable within 5 years, and is elaborately secured on the company's assets and goodwill. No ordinary dividends are to be paid without the previous consent in writing of the Treasury. The company accepts a financial adviser nominated by the Treasury, and three directors, including the chairman, are to be Treasury nominees. It reflects no little faith in the ultimate prospects of the company that its 5s. shares should have risen from 5s. 7½d. a fortnight ago to a nominal level of 6s. 3d.

* * *

SE Centralised Delivery

The opening of the new Stock Exchange department for the centralised delivery of registered securities has been favoured by the quietest week in Throgmorton Street in the past three years. A full test of the machinery may not come until after the next settlement, but so far it has worked with expected smoothness. This new department results from prolonged discussion and there is general agreement that it will effect worthwhile economies in brokers' office overheads and staffs. The proposed machinery appears to be well devised for its purpose. Members are obliged to collect securities from the department although it is left optional for them to make deliveries. Transfer deeds may be delivered between the hours of 9.45 a.m. and 12.45 p.m., collections must be made daily before 1.15 p.m. and cheques may be delivered up to 1.50 p.m. and collected up to 3 p.m. One interesting departure from the original scheme, as announced in June, involves a change in principle. In consequence of representations from the gilt-edged market, it has been decided to exclude gilt-edged securities (dealt in for cash) from the scheme for the present. It was feared by members that the confidential nature of major transactions for cash in the gilt-edged market might be exposed to undue scrutiny as a result of canalising delivery through the new department.

* * *

Colliery Preference Capital

By a majority decision the Court of Appeal has granted permission to Chatterley-Whitfield Collieries of Manchester to repay its entire preference capital of £200,000, thus reversing an earlier order of the Palatine Court, Liverpool, which restrained the company from doing so. The issue, which may have important consequences for preference shareholders in some colliery companies, is associated with Section 25 of the Coal Industry Nationalisation Act, 1946, which sets out to adjust claims "as between classes of debenture and shareholders of companies having assets transferred" under the Act. In this case, an important section of the shareholders opposed the repayment plan on the ground that there was a reasonable expectation that they might obtain greater benefit, eventually, under Section 25 than they would by repayment at present. The colliery company argued that, having been deprived of much of its business by coal nationalisation, its capital structure had become top heavy and that the preference issue should therefore be repaid.

The Master of the Rolls, in his judgment, linked the effect of Section 25 of the Coal Act with Section 55 of the Companies Act, 1929, which deals with the Court's powers to reduce a company's capital. Lord Greene took the view that the existing capital of the company was excessive in the new circumstances. Therefore "a company would be guilty of gross financial ineptitude if, finding itself in possession of preference capital that was not earning its keep, it did not take steps to reduce the capital." It might be that the terms reached at some future date by a tribunal not yet set up might be less favourable for the preference holders than the terms now offered.

Lord Justice Evershed, however, supported the decision of the lower Court and argued that "ordinary shareholders ought not to regard the preference shareholders as a burden to be got rid of as soon as sufficient funds were available for the purpose."

This is not the first case on the point; indeed earlier litigation in other instances has shown similar disagreement about the presumptive rights of preference shareholders under Section 25. It is, however, the first case arising from the Section which has come before the Court of Appeal. Leave to appeal to the House of Lords having been granted, it rests with the litigants to seek a final decision from that august tribunal.

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It is not only the capital of colliery companies which has become excessive by reason of nationalisation. This week, Stephenson Clarke, the coal distributors, have announced that £3,500,000 which the company has received as compensation for railway wagons will be applied in repayment of the company's debenture and preference capital. The principle is the same as in the case of the colliery companies, but in this case, of course, Section 25 of the Coal Industry Nationalisation Act does not apply. Under the scheme to be submitted to the court, £1,261,267 debentures are to be repaid at 104 and £675,000 12 per cent 10s. preference shares at 23s. per share, both prices excluding accrued interest and dividend. The terms are, in fact, somewhat better than the strict entitlement of the two classes in the event of liquidation; furthermore the problem is simplified in this instance as all the ordinary capital is in the hands of Powell Duffryn.

* * *

Transport Securities Valuations

There have been few cases of opposition by stockholders to the valuations fixed by the Transport Commission for the 81 stocks of the 35 railway and canal undertakings whose value was left undetermined under the terms of the Transport Act. It has been part of the duties of the Transport Tribunal to hear and adjudicate on the evidence submitted by stockholders against the rulings of the Commission. The Tribunal has, in addition,

revised the valuations of the stocks of four companies set by the Commission although stockholders had not opposed them. Of the nine cases recently reviewed by the Tribunal only two were the subject of opposition by stockholders. The Tribunal has agreed to revise the value of the £160,000 of stock of Calder and Hebble Navigation from £20 per cent to £32 per cent after the stockholders had suggested £40 per cent on the basis of the rental figure. And in the case of Aire and Calder Navigation the opposition succeeded in obtaining a higher value for two out of four of the stocks of the company, although the final award for the ordinary stock was unchanged from the Tribunal's original figure of 66⅔ per cent after a revision to 83 had been sought. The case for the higher figure had been based on the not unreasonable submission that the annual average dividend on the ordinary stock over the past 44 years had been 4.31 per cent. After an adjournment from July 20th, when fresh evidence was demanded from the Transport Commission, the case of Lee Conservancy Board was closed on July 28th and the findings announced some days later. Here the rulings of the Commission had not been contested by stockholders, but the Tribunal itself had differed from the Commission in its valuation of the 3½ per cent Debenture stock which it raised from £110 per cent to £101 10s. per cent.

The Transport Commission has recently announced its intention to pay a half-year's interest at the rate of 1½ per cent on the stocks of such securities whose value is not decided by August 7th. On present reckoning, it seems likely that six stocks will qualify for this payment, which will be on the basis of 80 per cent of the provisional valuation placed on the stocks by the Commission. Where a dividend has not been paid on an issue in recent years and the stock has only a nominal value, the interest payment will be postponed until a final valuation has been fixed and the stock converted into 3 per cent Transport Stock. Subject to this latter proviso, interest payments should be forthcoming on the stocks of Easton and Church Hope Railway, East Kent Light Railways, Kent and East Sussex Light Railway, King's Lynn Docks and Railway, Trent Navigation and Hereford and Gloucester Canal.

* * *

EMI Note Issue

The placing of £2,000,000 4 per cent ten year notes at par by Electric and Musical Industries announced at the end of last week is intended to replace a bank loan of £1,313,000 which has arisen since June 30, 1947, the date of the latest published accounts of the company. Together with the recent issue of 500,000 1s. ordinary shares of Decca Record at 17s. 6d. a share, this note issue reflects the deterioration over the past year of the cash position of radio and electronic companies, an experience which has been shared by most industrial concerns. Few companies have escaped, least of all the biggest, as is evident from the latest accounts of the Unilever group—which is the subject of a leading article on page 235 of this issue—and from the current issue of capital by Imperial Chemical Industries. Although only a provisional balance sheet for the year to June 30, 1948, is available for EMI, it is clear from the rise in the value of stocks from £4,135,598 to £6,250,000 that the working capital requirements of the group have increased well beyond the capacity of its permanent capital plus reserves to carry them. In a memorandum to shareholders explaining the need for the issue of notes, the company points to the increase in turnover in 1948 to £8,000,000 (one-quarter of which is accounted for by exports) "at costs and prices much above prewar levels." In addition there were outstanding capital commitments amounting to £500,000 at June 30, 1947.

The directors of EMI somewhat naturally express a preference for obtaining additional capital by means of an issue of notes; these are indeed dog days in the capital issue market, which has in front of it the task of absorbing the big ICI issue. They have also been at pains to indicate that the issue of notes does not preclude them from obtaining further bank accommodation. A similar case of acute capital shortage is provided by the latest accounts of Patons and Baldwins which are analysed this week in the *Records and Statistics* Supplement. Ordinary shareholders must view such developments with concern, since its logical end must surely be reduced dividends. Despite the burden of taxation, it is becoming more than ever inescapable for companies to provide a greater part of their additional new capital and replacement requirements out of profits.

Shorter Notes

The Board of Trade interim index of industrial production fell from 124 per cent of the 1946 average in April, to 118 per cent in May—a provisional calculation. This fall is due to the incidence of Whitsun holidays. The index for May was still appreciably above the figure of 110 per cent for May, 1947. The largest proportionate decline occurred in the mining and quarrying group.

*

The United States Department of Agriculture has recommended that American farmers should sow only 71,500,000 acres of wheat in 1949, or 8 per cent less than this year. The Department has estimated that the reduced area would produce 1,100 million bushels, compared with the current crop of 1,242 million bushels. This prospective loss of exports to Europe can be made good by a further expansion in European production, given an adequate supply of fertilisers and equipment—and favourable weather.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Unilever Group; Patons and Baldwins; Canadian Eagle.

Prices, Year 1948 (Jan. 1 to Aug. 4) High	Low	Name of Security	Price, July 28, 1948	Price, Aug. 4, 1948	Net Yield, Aug. 4, 1948 (n)	Gross Yield, Aug. 4, 1948
		British Funds			£ s. d.	£ s. d.
101⅛	101	War Bonds 2½% August 1, 1949-51	101⅛	101⅛	...	1 6 11 c
101⅜	100⅞	Exchequer Bonds 1½% Feb. 15, 1950	100⅝	100⅝	0 8 9	1 4 2
102⅛	100⅞	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 10 6	1 12 2 c
102⅝	100	War Bonds 2½% March 1, 1952-54	101⅛ xd	102xd	0 15 7	1 17 5 c
104⅛	101⅝	War Loan 3½% (after Dec. 1, 1952)	101⅛ xd	103⅛	1 5 6	2 17 11
102⅛	99⅛	War Bonds 2½% Aug. 15, 1954-56	101⅛ xd	102⅛ xd	1 0 1	2 2 2 c
103⅛	101⅛	Funding 2¾% June 15, 1952-57	102⅛	102⅛	1 3 11	2 8 9
105⅛	100⅛	National Def. 3% July 15, 1954-58	102⅛	104⅛	1 3 7	2 10 1
105	101⅛	War Loan 3½% Oct. 15, 1955-59	105	105⅛	1 4 0	2 11 2
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	101⅛ xd	102xd	1 10 3	2 16 11
101	96⅞	Funding 2¼% April 15, 1956-61	100⅛	100⅛	1 10 11	2 10 0
102⅛	98⅛	Funding 3% April 15, 1959-69	104⅛	102⅛	1 10 9	2 18 0
114⅛	110⅛	Funding 4% May 1, 1960-90	113⅛	113⅛	1 0 7	2 15 0
102⅞	97⅞	Savings Bonds 3% Sept. 1, 1960-70	100⅛ xd	100⅛ xd	1 12 0	2 18 9
98⅛	92⅞	Savings Bonds 2½% May 1, 1964-67	96⅛	96⅛	1 12 6	2 16 0
115⅞	112⅛	Victory Bonds 4½% Sept. 1, 1920-76	113⅛ xd	114⅛ xd	1 4 4	2 17 0
101⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	99⅛ xd	100⅛ xd	1 12 11	2 19 10
111	107⅛	Consols 4% (after Feb. 1, 1957)	108⅛ xd	109⅛	1 1 8	2 16 0
106⅜	102⅛	Conversion 3½% (after Apr. 1, 1961)	105⅛	105⅛	1 10 6	3 2 3
83⅞	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	76⅛	76⅛	1 16 1	3 5 11
89	81⅛	Treas. Stk. 3% (after Apr. 5, 1966)	94⅛	94⅛	1 15 0	3 3 11
100	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	97⅛	97⅛	1 14 11	3 2 10
83⅞	74⅛	Consols 2½%	76⅛	76⅛	1 15 11	3 5 5
101⅛	96	British Electricity 3% Gtd. 1968-73	100⅛	100⅛	1 12 8	3 0 2
99⅞	93⅛	British Transport 3% Gtd. 1978-88	97⅞	97⅛	1 14 9	3 2 3
100⅛	95⅛	British Transport 3% Gtd. 1968-73	100⅛	100⅛	1 12 9	3 0 3

Prices, Year 1948 (Jan. 1 to Aug. 4) High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, July 28, 1948	Price, Aug. 4, 1948	Yield, Aug. 4, 1948
					Other Securities			£ s. d.
104⅜	101⅛	% (d)	% (d)		Australia 3½% 1965-69	102⅛	102⅛	3 1 2
94⅛	91⅜	(d)	(d)		Birmingham 2½% 1966-71	93	93	2 18 1
101⅛	99	(d)	(d)		Argentine 3½%	101	101	3 9 5 f
8⅛	6⅜	60 c	50	b	Anglo-American Corp. 10s.	6⅜	6⅛	4 1 4
10⅜	6⅜	⅞	5	a	25	b	Anglo-Iranian Oil £1	8	8⅛	3 13 7
76/6	62/4½	g15 c	g15	c	Assoc. Port. Cem. Ord. Stk. £1	73/1½	73/1½	4 2 0
38/6	29/6	40 c	40	c	Austin Motor 'A' Ord. Stk. 5s.	31/3	32/-	6 5 0
84/-	72/9	7	a	7	b	Barclays Bank Ord. 'B' £1	75/6xd	76/-	3 13 8
10⅜	8⅜	†20	b	†5	a	Bass Ratcliff Ord. £1	9	8⅛	2 15 11†
104/9	85/-	8	a	12	b	British Oxygen Ord. £1	43	44	4 2 1
46/1½	36/-	2½	a	5	b	Courtaulds Ord. £1	37/6	38/3	3 18 5
32/6	25/1	20	a	7½	b	Distillers Co. Ord. 4s.	26/7½	26/6	4 3 0
32/10½	27/9	8	c	8	c	Dorman Long Ord. £1	29/3	29/9	5 7 7
79/9	68/-	15	c	15	c	Dunlop Rubber Ord. £1	70/-	70/6	4 5 1
53/-	44/-	3	a	7	b	Imp Chem. Ind. Ord. Stk. £1	45/7½	45/7½	4 7 8
6⅜	4⅜	19†	b	13½	a	Imperial Tobacco £1	5⅛	5⅛xd	6 5 8
48/9	40/3	10	c	10	c	Lanes. Cotton Ord. Stk. £1	41/10½	42/6	4 14 1
56/6	44/10½	10	c	10	c	Lever & Unilever Ord. £1	47/6	47/6xd	4 4 3
61/3	47/6	12½	c	10	c	London Brick Ord. Stk. £1	53/9	53/9	3 14 5
66/1½	47/-	25	c	31½	m	P'chin J'nson Ord. Stk. 10s.	52/-	52/6	4 15 3
35⅛	30⅛	†14½	c	†17½	c	Prudential 'A' £1	32	32⅛	2 7 6†
59/3	49/9	12½	c	12½	c	Stewarts & Lloyds Def. £1	52/3	52/3	4 15 9
85/1½	73/1½	12½	a	15	b	"Shell" Transpt. Ord. Stk. £1	75/-	75/7½	1 19 3†
7⅞	5⅛	12½	b	12½	a	Tube Invst. Ord. Stk. £1	5⅞	6	4 3 4
80/9	73/3	11½	b	5⅞	a	Turner & Newall Ord. Stk. £1	74/-	74/-	4 1 1
53/3	47/-	55	b	15	a	Woolworth (F. W.) Ord 5s.	79/-	80/6	4 6 11

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked '+'), and those paying 3 per cent or less will be repaid at the latest date (marked '−'). (n) Net yields are calculated after allowing for tax at 9s. 6d. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (g) Also a capital bonus of 2½ per cent free of income tax worked on 15 per cent basis. (l) To latest redemption date. (m) 15 months Yield Basis 25%. † Free of tax.

COMPANY MEETINGS

BRITISH PLASTER BOARD, LIMITED

VARIETY OF PRODUCTS

THE RT. HON. LORD BELPER'S SPEECH

The thirty-first annual general meeting of the British Plaster Board, Limited, was held on the 29th ultimo at 20, St. James's Square, London, S.W., the Rt. Hon. Lord Belper (chairman of the company) presiding.

The chairman said: Ladies and gentlemen,—There have been certain changes among the members of the board since our last annual general meeting.

Mr W. G. Allen and Mr B. J. Cafferata both retired during the financial year under review after many years of service. By mutual arrangement Mr Allen has kindly agreed to be available to render advice and Mr Cafferata is acting in a consultative capacity and is doing much useful work for the company.

A few weeks ago, Mr Harry Ford also resigned from the board, in view of his advancing years. I am sure we all wish him every happiness in his retirement.

Mr Durham has been connected with the company for a long time and it was with much pleasure that we welcomed him to the board almost a year ago. His wide knowledge of mining and his all-round industrial experience is proving of great benefit.

SCOPE OF GROUP'S ACTIVITIES

It is not always appreciated that the British Plaster Board, Ltd., and its subsidiary companies supply the building industry not only with plaster board, but with many other important materials. In addition, a wide range of trades and professions, apart from those connected with building, are supplied with a variety of products, and I draw your attention to the list of the main users, as set out with the names of your company's subsidiaries on the last page of the report and accounts for the year to March 31, 1948. In view of the number of these products, I shall only comment upon a selected few of particular importance and interest.

GYPSUM INTERESTS

The rate of extraction of gypsum rock from our mines has reached the level aimed at, and the total for the year under review is therefore very considerably above anything achieved before.

The mechanisation of the mines has been completed to the degree planned and is the main factor in securing the tonnages won. There is now therefore mining capacity sufficient to meet the full gypsum requirements of Great Britain, without recourse to importation from abroad, as was the practice to a large degree in prewar days.

In the production of plaster, we have been severely handicapped through slow delivery of essential machinery in the race to provide our share of the country's full needs. Outputs, however, have been substantially increased. A new unit, of considerable size relative to the total outputs, has been brought into production recently by Cafferata & Co., Ltd., and the rest of our new projects for the production of plaster should be completed early next year.

In the case of plasterboard, there have been improvements in the rate of production at all our factories, and our two new units are now in operation. The arrears of outstanding orders have been steadily reduced for some months past, and this rate will be accelerated as the new units are tuned up to full output. Many of you will be aware that there are still restrictions imposed by the authorities upon the use of plasterboard in the building of houses, but this matter is now being reviewed with the departments concerned.

ROOFING FELT GROUP

Your two companies producing felts and other products have had a successful year in supplying far more than ever before, and of a quality which is second to none.

These organisations are keenly alive, as is the rest of your group, to the imperative needs of the country for large outputs, in relation to available raw materials and manpower, of the right goods at a reasonable price.

There are some difficulties over the supply of essential raw materials, which require constant attention in collaboration with the Government, and it is to be hoped that this problem can be eased

PAPER

I am able to report that the output from your paper company has also been increased and that the total for the year is satisfactory for the size of the installation. Here, particularly, the obtaining of raw materials is difficult, especially in regard to the right quality.

DIE STAMPINGS, PRESSINGS, ETC.

During the year, Gill Stampings, Ltd., completed the transfer to their new and enlarged premises in Birmingham, and a substantial quantity of new machinery has been introduced. The organisation of the transfer was carried out successfully, and production was maintained at a high level throughout. The number of different industries supplied is considerable, and the prospects of the company under its keen management are good.

In the last few weeks of the company's financial year we acquired J. Perks and Son (Forgings), Ltd., who manufacture steel drop forgings and allied products, near Birmingham, it being the opinion of your directors that this new acquisition forms a useful expansion of the group's interest in the same broad field as that occupied by Gill Stampings, Ltd.

EXPORTS

Considerable attention has been paid throughout the group to exports and, as mentioned above in the case of Gypsum Rock, to the elimination of imports. Progress has been made in direct exports, and there have been large increases in the supply of materials entering into the manufacture of goods exported by other concerns.

VISITS ABROAD

In the earlier part of this year your joint managing director, Mr W. S. Trimble, and I paid a visit to South Africa, to consult with our colleagues there on a number of problems in connection with our associate company, Gypsum Industries, Ltd.

The new Plaster Mill at Cape Town has recently come into production and the new plasterboard plant will be in operation within the next month or so.

The potentialities for the company's products are undoubtedly considerable, and we look forward to a promising future for this concern.

We are happy to have with us several members of Gypsum Industries, Limited, who are studying the operation of our group. The chairman and secretary of that company propose to visit us in October of this year.

With the easing of travel restrictions visits are being made by several of our executive directors to Canada and the USA as well as South Africa.

There is no doubt that it is becoming increasingly important to maintain and increase our contacts in other countries, to gain new ideas, to study the needs of foreign markets, and generally to promote our export trade.

NEW PRODUCTS

Recently there has been appointed a development manager for the group in order more rapidly to promote full-scale manufacture of new products. The central laboratory and its organisation are being enlarged to encourage still more active research.

Last year a full-time personnel officer, with considerable experience of personnel relations, was appointed to look after the many problems involved in providing proper working conditions and satisfactory rates of pay.

It is with satisfaction that a letter was received recently from the Ministry of Works, thanking those within our industry for the work in running the voluntary control of plasterboard. You will be glad to know that since its inception in the early days of the war your company has taken a leading part in operating this voluntary control.

BRITISH INDUSTRIES FAIR, BIRMINGHAM, 1948

Your company decided to exhibit at the Birmingham section of the recent British Industries Fair, especially in relation to the export market.

We were greatly honoured by a visit from Their Majesties, with whom many of the exhibits on our stand were discussed.

THE DIRECTORS' REPORT, BALANCE-SHEET AND ACCOUNTS

As in past years, I assume it is your wish that the directors' report, the balance sheet and the accounts be taken as read, since they have been in your hands for the prescribed period.

You will, no doubt, observe that the form of the accounts has been altered, in order fully to meet the requirements of the new Companies Act.

I feel the consolidated balance sheet requires little explanation and such remarks as I make will also cover the parent company's balance sheet.

The net value of the fixed assets has been increased by approximately £400,000 and you will note that the cost of acquisition of John Perks and Son (Forgings), Limited, to which I have already referred, was £92,313.

As noted, a further £490,045 is due to be expended on the completion of our present projects, and the liquid position is such that these further expenditures can be readily financed.

INCREASED PROFITS

The consolidated profits for the year, before taxation, at £827,186 show an increase amounting to £181,542 over those of the previous year. On the face of it, this is a substantial increase, but it must be remembered that considerable capital sums have been expended in enlarging units and building new factories covering the whole range of your company's activities.

In reality, for example, concealed within this composite figure of profits is the fact that the sales prices of our important and grow-

ing production of gypsum plasters have not been increased since 1941 and now average only 23 per cent. above prewar. Similarly, the prices set for plaster board cannot be regarded as satisfactory, and the prices of both these commodities have been the subject of negotiations with the Government Department concerned for some time past.

DEPRECIATION ALLOWANCE

One of several important points of principle involved in these negotiations is the question of depreciation. The amount which has been allowed in the past has been the same as that allowed in arriving at the assessment for income tax—that is, a percentage of the reducing balance of the original cost of the asset.

Wherever this applies to assets purchased with pounds at prewar values, it means that the funds being accumulated for the replacement of those assets can only amount to less than half the sums required, because of the fall in the purchasing power of the pound.

INCIDENCE OF TAXATION

Since income tax, at current high rates, is also being levied after allowing only these inadequate sums for future replacement, there is severe limitation on the company's ability to make adequate provision for this purpose.

Even for those companies which are no longer price controlled, the incidence of heavy taxation, without due allowances for replacement, will inevitably drive industry as a whole into a most difficult position—increasingly so as time goes on—unless some concession can be made.

So far as concerns the negotiations between your company and the department on sales prices, there is some reason to believe that this principle will be recognised.

As you will have noted, income tax, together with the onerous profits tax, have absorbed the substantial and indeed disproportionate sum of £505,617, so that the net profit remaining available as the result of the year's trading at £321,569 is only some £20,644 above that of the previous year.

THE NEEDS OF INDUSTRY

So much good sense has already been conveyed to the public upon the urgent need to relieve industry of such heavy burdens of taxation, that I will not add further remarks at this juncture, except to make one point, which is, I believe, not generally appreciated.

The Government have assumed many charges upon the national purse previously borne (and, incidentally, at far less cost) by industry and others, and these now swell the total charged for income-tax. It is surely most inequitable that these charges in the form of income-tax should be levied as an appropriation of profits, instead of remaining, as heretofore, a part of the normal business costs which are deducted before profit assessable to tax is computed.

The proposal to pay the same rate of dividend as that which has been maintained for many years past leaves us in the position to recommend the transfer to general reserve of £50,000 in comparison with nothing in the previous year.

REDUCTION IN WORKING HOURS

During the year our workers have been granted a reduction in their basic working hours. Your management had not felt able to agree to such a proposal, in view of the vital need for all the production possible, and this question was, therefore, submitted by mutual agreement between the company and the unions concerned, to the National Arbitration Tribunal. The award supported the desire for a shorter working week, without loss of pay, but there was agreement that, in fact, the actual hours worked would not be reduced whilst maximum outputs are required thereby occasioning additional overtime payments.

I have already intimated that our productions throughout have been substantially increased to the national benefit. It is apparent that the national exchequer has received very substantial additional contributions from your group. In maintaining the dividend at the same rate and in view of the very substantially reduced purchasing power of the net dividends receivable, the stockholders continue to bear the main brunt of events.

FUTURE OF BUILDING INDUSTRY

The immediate future of the building industry continues to be obscure. Such indications as have been given by the Government, as a result of centralised planning, are difficult to accept as sufficiently factual, particularly in view of the constant changes in forward plans which have been announced over the last two or three years.

Your company is well equipped in personnel and machinery to face whatever demands may be made upon it and, for the time being, sales remain at a relatively high level.

THANKS TO PERSONNEL

On your behalf, I thank the whole of the personnel for their efforts over the past year and for their continued keenness in promoting the interests of the group. In this connection I would specially mention the joint managing directors, Mr W. S. Trimble and Mr R. S. Jukes, whose successful work during such a difficult first year of office has fully justified the confidence placed in them.

The report and accounts were adopted; a final dividend of 15 per cent., less tax, making 25 per cent., less tax, for the year was approved, and the meeting concluded with a vote of thanks to the chairman, directors and staff.

OHLSSON'S CAPE BREWERIES, LIMITED

DIVIDEND 22½ PER CENT.

The fifty-ninth ordinary general meeting of Ohlsson's Cape Breweries, Limited, was held, on the 28th ultimo, in London.

Mr Geoffrey Dent, the chairman, in the course of his speech, said: The profit on trading and rentals of this company and its subsidiaries amounted to £750,788, which compares with £805,371 for the preceding year. During the first nine months of the trading period ended March 31, 1948, our sales were well maintained; in fact, we experienced the same difficulty as in previous years of meeting fully the demand for our products, but from Christmas, 1947, onwards there has been some falling off in sales due to the reduced spending power of the public.

In consequence of this restriction of public spending our sales for January, February and March suffered an appreciable decline, and it is a matter for regret that this decline has continued up to the present time. Such temporary setbacks in trade are the natural corollary of present unsettled world conditions, and no country can remain wholly unaffected by them. I consider that, given stable conditions, the long-term prospects for expansion of trade in the Union are as good as those of any country in the world.

As a result of the drop in sales our profits naturally show some decrease, amounting to £54,583. Whilst costs of ingredients and containers have kept reasonably stable during the past year, wages and cost of living allowances have again increased. It is proposed to pay a final dividend of 17½ per cent. on the ordinary shares, less tax, making 22½ per cent. for the year.

The report was adopted and the proposed increase in the authorised capital to £1,300,000 was approved.

ASSOCIATED BRITISH PICTURE CORPORATION, LIMITED

FACTORS AFFECTING RECEIPTS

The twenty-first ordinary general meeting of the Associated British Picture Corporation, Limited, was held, on the 29th ultimo, in London, Sir Philip Warter, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to March 31, 1948.

The trading profits and sundry income of the group amount to £2,026,110, compared with £3,076,783 for the previous year. In my review last year I anticipated a downward tendency in theatre receipts. The fall in net takings—that is, after entertainment tax—as compared with the previous year was nearly £700,000, and this factor, coupled with the increase in expenses which I foreshadowed mainly accounts for the substantial drop in trading profits.

The high rate of entertainments tax is a serious adverse factor in present circumstances. The primary function of the corporation is to provide entertainment for the people by exhibition of films. The gross takings at the corporation's chain of theatres during the year under review amounted to £18,842,321. Of this no less than £6,986,907, equivalent to 37¼ per cent., represents entertainment duty. In these days of diminishing incomes and increased costs of living, it is obvious that entertainments tax on its present basis is a serious deterrent to the theatres' gross revenue and consequently to successful film production in this country, and if persisted in at its present scale will defeat its own object.

The benefit anticipated from the repeal of excess profits tax has to a certain extent been offset by the doubling of the rates of profits tax.

The corporation is continuing to give every assistance, financial and otherwise, to independent British producers in an endeavour to make available as many worthwhile British pictures as possible to meet the high quota percentages fixed by the Board of Trade.

DIVIDEND 22½ PER CENT.

The net profits of the group applicable to the corporation are approximately £442,000 lower at £513,901. The distribution on the ordinary stock is 22½ per cent. Reserves and undistributed profits of the corporation and its subsidiary companies are £683,812 higher at £4,480,915, which is more than double the amount of the issued ordinary stock.

The first British quota percentages fixed under the Cinematograph Films Act, 1948, are to be 45 per cent. for first feature films and 25 per cent. for supporting programmes and these quotas become operative on October 1, 1948. It is too early to say what effect these high percentages will have on the business of the group. Theatre profits for the first three months of the current year are slightly in excess of the corresponding period last year, but the feeling of uncertainty arising from the film quotas and other causes make it impossible to give a reliable forecast for the immediate future.

As I see it, there is a serious danger that, in an attempt to meet this new quota situation, British producers may be driven to sacrifice quality for quantity at a time when British pictures are earning themselves a deservedly high reputation with the public. Despite the practical difficulties the corporation will do everything in its power to conform to the provisions of the Act and to maintain its usual high standard of entertainment.

The report was adopted.

Statistical Summary

GOVERNMENT RETURNS

For the week ended July 31, 1948, total ordinary revenue was £82,267,000, against ordinary expenditure of £55,765,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £3,603,493 the surplus accrued since April 1st is £219,018,488 against £262,224,175 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand) April 1 to Aug. 2, 1947	April 1 to July 31, 1948	Week ended Aug. 2, 1947	Week ended July 31, 1948
ORDINARY REVENUE					
Income Tax	1309150	275,744	293,708	23,160	18,748
Surtax	90,000	15,280	20,750	400	800
Estate, etc., Duties	160,000	59,563	64,500	3,700	3,500
Stamps	55,003	15,050	20,035	1,780	1,300
Profits Tax	250,000	8,660	31,510	900	3,600
E.P.T.		67,977	45,200	4,229	1,600
Other Inland Rev.	1,000	...	85	...	...
Special Contribution	50,000	...	8,150	...	750
Total Inland Rev.	1915150	442,369	483,938	34,169	30,298
Customs	820,600	255,177	269,453	12,052	12,320
Excise	726,550	196,417	246,100	32,554	37,900
Total Customs & Excise	1547150	451,594	515,553	44,606	50,220
Motor Duties	50,000	7,891	7,334	676	375
Surplus War Stores	102,000	63,964	20,766	135	...
Surplus Receipts from Trading	57,000	25,000	826	...	...
P.O. (Net Receipts)	...	80	...	80	...
Wireless Licences	11,000	2,640	2,730	500	510
Crown Lands	1,000	410	360	...	180
Receipts from Sundry Loans	14,000	12,382	4,711	...	...
Miscell. Receipts	68,000	155,650	22,772	31	684
Total Ord. Rev.	3765500	1161980	1058991	80,197	82,267
SELF-BALANCING					
Post Office	150,200	46,300	48,960	3,920	4,000
Income Tax on E.P.T. Refunds	16,000	6,859	2,743	123	139
Total	3931500	1215139	1110691	84,240	86,406

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Aug. 2, 1947	April 1 to July 31, 1948	Week ended Aug. 2, 1947	Week ended July 31, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	154,270	127,509	21,786	568
Payments to N. Ireland	26,000	6,675	5,869	...	...
Other Cons. Fund Services	8,000	3,260	3,161	120	44
Total	534,000	164,205	136,539	21,906	612
Supply Services	2441679	732,020	699,830	76,606	55,153
Total Ord. Expd.	2975679	896,225	836,369	98,512	55,765
Sinking Funds	...	...	3,603	...	...
SELF-BALANCING					
Post Office	150,200	46,300	48,960	3,920	4,000
Income Tax on E.P.T. Refunds	16,000	6,859	2,743	123	139
Total	3141879	949,384	891,675	102555	59,904

After increasing Exchequer balances by £7,962 to £3,318,570, the other operations for the week decreased the gross National Debt by £11,316,728 to £25,700 million.

NET RECEIPTS (£ thousand)	
Cotton (Centralised Buying) Act, 1947, sec. 21(3)	131
NET ISSUES (£ thousand)	
P.O. and Telegraph Acts, 1946 and 1948	400
E.P.T. Refunds	169
Overseas Trade Guarantees Act, 1939, sec. 4(1)	7
Housing (Temporary Accommodation) Act, 1944, sec. 8(1)	500
Housing (Scotland) Act, 1944, sec. 4(2) and Housing (Financial Provisions) (Scotland) Act, 1946, sec. 13(2)	715
Local Authorities Loans Act, 1945, sec. 3(1)	4,100
Overseas Resources Development Act, 1948, sec. 17(1)—Colonial Development	50
War Damage: War Damage Commission	4,000
Civil Contingencies Fund	5,000
Finance Acts, 1946 and 1947, Post-war Credits	368
	15,309

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
2½% Def. Bonds	326	Treasury Bills	12,440
Tax Reserve Certs.	10,964	Nat. Savings	1,300
		3% Def. Bonds	*2,041
		Other Debt:—	
		Internal	33
		External	102
		Ways & Means Advances	6,690
	11,290		22,606

* Including £1,573,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1941						
Aug. 2	2180·0	2470·4	317·7	2·5	1460·5	6371·0
1948						
Apr. 17	2160·0	2750·0	324·4	...	1340·5	6574·9
„ 24	2170·0	2716·9	322·5	...	1349·5	6558·9
May 1	2180·0	2689·3	322·9	...	1346·5	6538·7
„ 8	2200·0	2643·2	310·2	...	1346·5	6499·9
„ 15	2210·0	2643·5	301·0	20·3	1325·5	6501·3
„ 22	2210·0	2626·6	297·8	14·8	1362·0	6511·1
„ 29	2210·0	2620·2	303·5	...	1377·0	6510·5
June 5	2210·0	2616·7	283·2	3·5	1410·0	6523·5
„ 12	2210·0	2608·9	281·7	1·0	1425·5	6525·2
„ 19	2210·0	2635·1	274·0	11·3	1443·5	6573·8
„ 30	4817·3		270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
„ 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
„ 24	2210·0	2632·8	294·6	13·3	1429·5	6580·1
„ 31	2210·0	2620·3	301·2	...	1429·5	6561·0

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Aug. 1	160·0	287·9	160·0	10 1·11	39
1948					
April 30	170·0	287·9	170·0	10 1·34	45
May 7	170·0	290·3	170·0	10 1·24	43
„ 14	170·0	290·7	170·0	10 1·36	45
„ 21	170·0	294·5	170·0	10 1·26	43
„ 28	170·0	278·6	170·0	10 1·68	50
June 4	170·0	295·8	170·0	10 1·20	40
„ 11	170·0	277·5	170·0	10 1·70	49
„ 18	170·0	259·6	170·0	10 1·89	57
„ 25	170·0	279·7	170·0	10 1·65	48
July 2	170·0	286·8	170·0	10 1·45	45
„ 9	170·0	276·5	170·0	10 1·48	48
„ 16	170·0	279·7	170·0	10 1·55	48
„ 23	170·0	294·3	170·0	10 1·31	43
„ 30	170·0	291·8	170·0	10 1·34	42

On July 30th applications for bills to be paid on Tuesday, Wednesday, Thursday and Friday were accepted as to about 42 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for August 6th. For the week ended August 7th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended July 26, 1947	Week Ended July 24, 1948	Totals Apr. 1 to July 24, 1948
Savings Certificates:—			
Receipts	2,750	2,100	38,400
Repayments	2,450	4,000	44,800
Net Savings	300	*Dr1,900*	*Dr6,400*
Defence Bonds:—			
Receipts	1,925	860	13,570
Repayments	743	1,026	14,124
Net Savings	1,182	*Dr 166*	*Dr 554*
P.O. and Trustee Savings Banks:—			
Receipts	17,230	11,549	200,747
Repayments	14,916	13,986	204,667
Net Savings	2,314	*Dr2,437*	*Dr3,920*
Total Net Savings	3,796	*Dr4,503*	*Dr10,874*
Interest on certificates repaid	441	720	7,970
Interest accrued on savings remaining invested	2,250	2,313	37,850

BANK OF ENGLAND RETURNS

AUGUST 4, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1288,348,648	Other Govt. Securities	1288,267,881
In Bankg. Department	11,899,185	Other Secs.	707,135
		Coin (other than gold)	9,881
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,835
	1300,247,835		1300,247,835

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	405,199,291
Rest	3,823 229	Other Secs.:—	
Public Deps:—		*Discounts and Advances*	*10,555,592*
Public Accts. H.M. Treas. Special Acct	*8,632,440* *33,402,510*	*Securities*	*27,429,255*
	42,034,950		37,904,847
Other Deps.:—		Notes	11 809,185
Bankers	*305,423,122*	Coin	882.369
Other Accts.	*90,141,391*		
	395,564,513		
	455,975,692		455,975,692

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

COMPARATIVE ANALYSIS

(£ thousand)

	1947	1948		
	Aug. 6	July 22	July 29	Aug. 5
Issue Dept.:—				
Notes in circulation	1421·7	1276·5	1285·0	1288·3
Notes in banking department	28·5	23·8	15·2	11·9
Government debt and securities*	1449·3	1299·3	1299·2	1299·3
Other securities	0·7	0·7	0·8	0·7
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	18·2	14·7	11·2	8·6
Treasury Special Account	...	...	...	33·4
Bankers	279·6	307·0	311·0	305·4
Others	95·8	89·1	89·4	90·1
Total	393·6	410·8	411·6	437·5
Securities:—				
Government	335·0	366·9	366·3	405·2
Discounts, etc.	19·0	15·6	13·4	10·6
Other	27·1	22·1	34·1	27·4
Total	381·1	404·6	413·8	443·2
Banking dept. res.	30·9	24·5	16·0	12·8
	%	%	%	%
"Proportion"	7·8	5·9	3·8	2·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	July 29, 1947	July 13, 1948	July 27, 1948
Cereals	107·3	120·3	120·2
Other Foods	138·7	138·8	138·8
Textiles	140·6	185·6	184·6*
Minerals	223·8	246·3	246·3
Miscellaneous	148·1	157·8	157·7
	146·0	163·4	163·1*
1913=100	*200·9*	*224·8*	*224·4**

*Provisional

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 29	45	74⅜	176 10	112 8
„ 30	45	74⅜	175 7	113 9
„ 31	Markets	Closed	174 10	112 11
Aug. 2	Closed	74⅜	175 13	113 3
„ 3	45	74⅜	176 4	112 12
„ 4	45	74⅜	176 2	113 4

influence is by no means negligible, it is not strong. There are more than traces in Labour thinking of the love of controls for their own sake—but there is also an acute awareness that the way to win popularity with the electors is to relax a control. Much more powerful than these theoretical preconceptions are the conscious and unconscious vested interests that have grown up in nine years of control. Many of the controls are masterpieces of administrative ingenuity and it is difficult for their devisers to agree cheerfully to the scrapping of their handiwork. (One suspects that the continuance of the steel rationing scheme is mainly to be ascribed to this cause.) On the other side of the fence there are a number of industries, now frozen in a set pattern by controls that have grown familiar, where the participant firms would not really welcome a return to the rough and tumble of competitive freedom. However much they may yearn for liberty in the abstract, they have, in fact, come to love their chains. And most powerful of all, there is the agglutinative nature of all bureaucracies. The psychologists would explain it by the innate desire of all men to exercise power over other men, the cynic by the fear of destroying administrative jobs, the charitable by timid unwillingness to take the responsibility of launching from the orderly familiarity of control to the unknown hazards of a free market—whatever the explanation, there is no room for doubt about the extreme difficulty of persuading any administrative machine to abandon powers of control it has once assumed. Limpets are symbols of renunciation beside the bureaucrat on the defensive.

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Behind all these influences retarding the liberation of the economy, there is another that carries great weight with the Socialists and is a by no means negligible force in far wider circles. This is the fear that the relaxing of controls will lead to "rationing by the purse." If the controlled allocation of any commodity is relaxed—certainly if it is relaxed before supplies are actually rotting for lack of takers—then, the argument goes, some people will get more than others. Some people, horror of horrors, may even get less than they are getting now, especially if the freeing of demand leads to any rise in prices. It is an appealing and insidious argument, and it needs tracing down to its psychological roots.

The fear of "rationing by the purse" has, of course, an entirely rational core. When supplies of necessaries are short, no one should suffer actual want merely because others have longer purses. In a besieged city, bread is distributed on a per head basis, not sold to the highest bidders. So far everyone would agree. But there really is no risk whatever of decontrol, even if it were accompanied by some rise in prices, being carried so far as to deprive anyone in this country of his fair share of the basic necessaries of life. To begin with, it is not the basic necessaries of life—certainly not the basic foodstuffs—that can be decontrolled. And secondly, even if there were some reversion to "rationing by the purse," the purses of the wage-earners of this country are longer today than they have ever been before. A pound of meat, a pound of butter, a pound of bread, costs the British wage-earner less, in terms of hours of work, than it costs almost any other wage-earner in the world—including those of most of the food producing countries.

The resistance to "rationing by the purse," in present circumstances, is not a humanitarian impulse. It is, in effect, an assertion of the doctrine that, even after a reasonable minimum standard of living is assured to all, no individual ought ever to enjoy more material welfare than another. It is the fear not that some will get too little, but that others will get too much, that lies behind the talk of "rationing by the purse." From the moral and philosophical point of view, this doctrine may have something to be said for it. But as a practical proposition for application in this country at this time, it has insuperable defects; we have already had too much of it. There is not another country in the world that has found it workable—Soviet Russia tried it, abandoned it, and now has more deliberate inequality of real incomes than most others. Moreover, the Labour Party, though their instincts incline them in the direction of compulsory egalitarianism, do not really believe in it themselves. They insist on the maintenance of traditional wage differentials. They attach large salaries to the posts they create—and surely not just as honorific badges of rank. And if they are asked in cold blood whether they are ready to create and permanently to maintain the enormous apparatus of administrative control that would be necessary if "rationing by the purse" were to be abolished, they know that the answer must be that they are not. The truth is that a certain inequality of material rewards is the mainspring of economic society, whether it is run on the principles of private enterprise or of state capitalism. The Socialists may not like it, but they cannot remove it until they have something to put in its place.

It is perfectly true that, in our present society, the possession of wealth is a most imperfect measure of individual deserts. Any attempt to correlate the distribution of income with the distribution of economic merit is vitiated by the institution of the inheritance of property. But to rush from this established fact to the opposite extreme of holding that money is no measure at all of right to consume is absurd. Imperfect though it may be, it is the only measure there is, and to reduce its effectiveness is to tamper with by far the most powerful motive force in the economy. To allow everything to be allocated at auction would, in a time of scarcity, lead to social evils which nobody—in this country, at least—would tolerate. But to allow nothing to be rationed by the purse would bring the economy to a standstill. And to move as far in that direction as Britain, under the pressures of wartime, was compelled to do, is to make the economy painfully sluggish.

In any case, these arguments of equity apply only as between individual citizens, and though there may be some more relaxations of controls over consumers' goods in the offing, the great majority of those that are now on the brink are controls over raw materials, which affect business firms rather than private individuals. Moral issues hardly apply here; and there can be no doubt that the apparatus of physical control is a most powerful brake on the economy. Where materials or production quotas are allocated, as many still are, on the basis of prewar experience, they are a direct incentive to slack complacency and an insurmountable barrier to initiative and enterprise. Where they are allocated by the grant of licences by a Government department, the system causes great administrative expense both to the Government and to industry and puts a premium on "contacts." What are the defects of "rationing by the purse" that make it worse than these systems of physical control? The main risk, of course, is that it would lead to sharp rises in prices. But to that there are several answers. The first is that nobody would suggest the removal of control in cases where the demand, at present prices, is still a long way ahead of supply—as in newsprint, for example. The second is that over a wide range of materials, a comparatively small rise in prices, or even no rise at all, would suffice to bring demand and supply together. And a third answer is that there is, in any case, a great deal of confusion in the public mind about the relationship between rising prices and inflation. The two things are by no means synonymous. A rise in some prices—most notably in the price of labour—is inflationary, since it increases incomes and therefore aggregate demand. A rise in other prices might serve to choke off demand and would thus be disinflationary.

"Rationing by the purse," in short, in the present conditions of this country, is a false bogy. It should not be allowed to obscure the basic fact that the time has come for taking risks in the liberation of the British economy. The risks will be small, and the rewards might be large.

The Uses of Uno

THE publication of the Secretary-General's latest Report on the work of the United Nations comes at the end of three years of troubled and frustrating existence. It is useless to pretend that the organisation is doing the work its sponsors mapped out for it. The Security Council is not a world cabinet; nor is the General Assembly a council in which the conflicting interests of the Powers, great and small, are peacefully merged. In fact, Uno is not assuming the functions of an embryo world government. The conditions for all these things are, as Mr Trygve Lie freely admits, simply non-existent. The division between East and West has grown steadily worse. Far from there being a peace treaty for Germany, the conflict over Berlin has carried the Great Powers to a new pitch of hostility. Far from there being a Far Eastern settlement, war continues in China and Indo-China, and there is a fierce undercurrent of violence in Burma, Malaya and Indonesia. As for the more distant prospect of peace, all expectations of disarmament have faded into an invisible distance. The Commission on Atomic Energy has decided to suspend its sessions in face of constant failure to agree with the Russians on any point. The hope of a United Nations is contradicted at every turn by the fact of a disunited world.

No one will deny the unfavourable background. But how many people will agree with the Secretary-General when he claims that the time has come to stop blaming the United Nations' inadequacies on the situation in the world at large, and that instead the United Nations must be upheld and applauded as the chief agency making for order and peace? In some quarters the only response can be a very feeble cheer. If the general public were asked to give a composite picture of their idea of the United Nations, they would describe a welter of reports and surveys, a mad round of conferences and commissions, the whole crowned by Mr Gromyko saying "No" in the Security Council. Nor is this general impression of frustration coupled with senseless activity confined to a not always well informed public opinion. Governments, too, have their reservations. Apart from anything else, they might well grudge the expense. The operations of the United Nations cost money in the currency which most nations can least afford—dollars. Only 20.5 per cent of the annual contribution may be paid in other currencies, and of this proportion, 12.5 per cent has to be found in another excessively scarce currency—Swiss francs.

Nor is it simply a question of direct contributions to the United Nations. The two chief centres of United Nations activity are New York and Geneva. It follows that there is a further constant drain of dollars and Swiss francs to maintain delegations and experts. The expenditure is increased by the almost incredible number of conferences which are, in fact, being held—over 2,000 meetings in New York in the last twelve months and nearly 2,000 at Geneva (the average daily hours of meetings at Headquarters during the year amounted to over two hours a day). And many conferences mean many documents—220 million impressions for internal use alone. Nor are endless conferences expensive only in dollars and paper. The seconding of trained administrators, the rounding up of experts, the provision of staff generally create a steady drain on the administrative resources even of the most advanced nations. For the less wealthy and educated, the problem is insoluble. And what, after all, the Government might ask, is there to show for all this work, worry and expenditure? Behind this milling mass of conference givers and takers, this mound of documentation, this tonnage of translation, is anything in fact happening? Has the Emperor really any clothes?

A little reflection will show that this type of criticism goes too far. Over a wide range of economic and social activities the United Nations has made solid progress. The work of the Economic and Social Council and its subordinate agencies is worth an article to itself. Here it is sufficient to refer to its essential task in collecting and publishing world statistics, the start it has made in bringing out valuable analytical studies of various aspects of world economy—the report on economic conditions in Europe published by its Economic Commission in Europe was a model of its kind—the practical activities both proposed and achieved in its regional economic commissions, the mass of unsensational but vital work taken over from the League of Nations in such fields as the control of drugs, the suppression of traffic in women and children, the safeguarding of standards of labour, and practical welfare work, such as the feeding of over four million children and the launching of a mass campaign against tuberculous infection in the young. However, neither peoples nor governments are thinking primarily of economic and social activities when they criticise the United Nations. The challenge must be taken up where it is offered—in the political field. Given the frustrations and vetoes and fruitless wrangling of the Security Council, does the United Nations justify its existence as a political instrument and, above all, as a force making for peace?

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Since the danger of war is the nightmare hanging over the unhappy world, it is by its success or failure in preventing conflict that the usefulness of the United Nations must ultimately be judged. If it is one of the elements in the world lessening hostility and postponing irrevocable resorts to force, then its rising budget and the $34 million spent on it in 1948 must be counted cheap indeed. And on this a good case can be presented. The forces making for peace in the world are neither very numerous nor very obvious, but the United Nations is certainly at their head. It is the only place, as the Secretary-General fairly points out, where the Great Powers meet regularly and where, nominally, at least, they meet in pursuance of common aims. On occasions, this meeting can quite unexpectedly break the hardening pattern of East-West division, as for instance when the United States and the Soviet Union found themselves together against Britain and China on the issue of Palestine. This fact of continued contact is particularly important when one of the Powers lives so remote and withdrawn an existence as do the Russians.

Another vital function performed by the Security Council is to keep a spotlight turned upon the areas of the world in which serious trouble may arise. In the last three years, nearly all the potential causes of disturbance between governments have been brought up and thoroughly discussed in the complete publicity of the Security Council. In some cases, the effect has undoubtedly been to put an end to the trouble. It is doubtful whether Russia would have withdrawn from Azerbaijan in 1946 if the fact of its presence there had not been sent to the ends of the earth by the sounding board of the United Nations. Similarly, the presence of United Nations Commissions in Northern Greece and Southern Korea has helped to prevent a local conflict developing into a major struggle.

A minor consequence of this fierce light thrown upon disputes by the necessity of discussing them in public, before a critical audience of other Powers, has been at times to show even to the nations involved a different facet of their case, which, considered at home against a background of nationalist ferment,

had passed unnoticed. For instance, it is clear that the Egyptians, when they arraigned Britain before the Council for a breach of the peace in maintaining garrisons in Egypt, were caught unawares by the extent of the other Powers' interest in the Sudan's progress towards independence. Similarly, the government of India may have at first been outraged by the amount of consideration shown to Pakistan's defence in the debates on Kashmir; but it is certainly possible that the attitude of the Security Council may ultimately have a tempering effect on the more ardent spirits in Delhi.

The chief justification of the Security Council lies, however, in the fact that in the last year it has succeeded on three occasions in putting a stop to fighting which had already broken out. It is beginning to evolve techniques of mediation and conciliation which have at least a chance of bringing the three disputes to a peaceful conclusion. Admittedly they are not disputes involving the major Powers; but from the first it has been assumed that the Security Council would be unlikely to resolve such conflicts. But the cases of Indonesia, Kashmir and Palestine are, each in its way, sufficient to inflame a whole area and, if unchecked, to lead to more widespread hostilities. The mere fact of achieving a cease-fire has probably already saved the world in absolute terms more than the $30- odd millions it has spent on the United Nations.

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The Secretary-General's Report gives a full summary of the discussion of each of these three disputes in the Security Council. It is clear that, on the whole, the voting—though divided—has not been irresponsible. Even where the Soviet delegates did not entirely approve of the steps proposed—as was certainly the case over Indonesia and Palestine—they were not prepared to block action approved by the majority. The veto was not used to prevent action in these cases. As a result, the Council was able to begin at least the outline of a process of conciliation which may prove an effective precedent for all disputes save those between the Great Powers themselves.

The first step is to use its moral pressure to secure a cease-fire. This step was exceptionally difficult in the case of Indonesia, and over six months elapsed before agreement became effective. The second step is the appointment of a Mediator (in the case of Palestine) or a Good Offices Commission (in the case of Indonesia and Kashmir) to represent the authority of the Security Council on the spot and to lay the foundations of a peaceful settlement. This phase of the negotiations has not yet been successfully completed in any of the three cases; but it is significant that a renewed resort to war in Palestine was checked a second time and, so far, no irrevocable return to violence has taken place. The Security Council may not have completed its task and perfected its technique, but it has prevented bloodshed and held uncontrollable hostilities in check.

One weakness in the Council's procedure which the events of the last year have thrown into relief is its complete dependence on moral authority alone to maintain a truce while negotiations are getting under way. If, in Indonesia, there had been an impartial international force to police the line between the Dutch and Indonesian troops, a settled truce might have been achieved in half the time. In Kashmir the arrangements for a withdrawal of troops and the holding of an impartial plebiscite would present a far less formidable problem if a force whose impartiality was completely accepted were in being to supervise the settlement. In Palestine, Count Bernadotte's ability to hold the situation has been jeopardised by the obvious unwillingness of the United States (with France and Belgium following its lead) to risk the despatch of American forces to keep order in Jerusalem and to underpin the truce.

It is, therefore, a natural consequence of this year's experience that the Secretary-General should ask in his Report for the aid of armed men. He proposes that the General Assembly should consider as a matter of urgency the establishment of a small international police force, to be used by him for defence work in connection with settlements such as those proposed in Kashmir, Indonesia and Palestine. Such a force could not, of course, be used offensively. It is no substitute for the armed forces proposed as the basis of a United Nations military force. But it could be a valuable reinforcement of the authority of the United Nations in its task as a conciliator and mediator in limited disputes.

The limited achievement of 1947-48 does no more than offer hope. Basically, the future of the United Nations remains as precarious as that of peace itself. The initiatives taken in Palestine, Indonesia and Kashmir have not yet been crowned with complete success. What success they have had has been achieved in spite of the divisions between the Great Powers whose co-operation was to have been the foundation of the Security Council's authority. The development of effective methods of mediation still hangs in the balance. Yet the mere existence of such a possibility justifies all the expense and energy which have gone into the running of the United Nations in the last three years. If its economic activities and its social effort are added, there can be no doubt that the organisation has every reason to demand the nations' continuing support.

The Schools Question in Europe

ALL over eastern Europe, there are signs that the battle between Communism and the only force still coherent enough to resist it—Catholicism—is about to enter a new phase of violence; and the centre of the controversy is inevitably the issue of the schools. The Communists feel they can crush Catholicism provided no new generation grows up imbued with a rival philosophy of life. The Catholics know that with the passing of the schools to the state, materialist and atheistic teaching will shape the children's minds. Both sides feel, even if they do not say it, that this is a battle for survival. The Communists, in complete control of the power of the state, have gained every round so far. Only in a few instances did outright suppression take place on the morrow of liberation—in Jugoslavia, Slovakia and the Russian zone of Germany. Here the state took over the schools and forbade private schools. Elsewhere, the attack developed more slowly and even followed a period of co-operation. In Bohemia and Moravia, in Rumania, in Hungary and in Poland, there was a time of truce. Today, however, Poland is the only country in eastern Europe where no attempt has been made to nationalise education. Nationalised schooling becomes law this year in Bohemia and Moravia and private schools may continue only with state permission. In Hungary the offer of a compromise, according to which the Government would continue for a time to finance the church schools (the great majority), was refused by Cardinal Mindeszinthy on the not unreasonable grounds that it was merely the first step in a campaign of suppression. The state has therefore taken over the schools. In Rumania, the denunciation of the old Concordat with the Vatican is leading to the suppression of Catholic schools. To round off the picture, a system of nationalised schools will be introduced shortly in Berlin. Thus, throughout the Soviet zone of influence, with the probably temporary exception of Poland, a new *Kulturkampf* is engaged in which the schools question is the chief symbol of a violent and unbridgeable clash of faith.

It is not, however, only in the east that the division appears. In recent months the problem of the Confessional (or Catholic) school has thrust itself to the centre of western politics. In France, for instance, the Schuman Government, before it fell on the issue of the military budget, threatened on more than one occasion to split open on the question of subsidies to religious schools. Belgium was without a Government for a fortnight in the early summer because the Socialists would not agree to increasing the scale of the Government subsidy to Catholic schools. The issue is dormant in this country, but it roused sharp controversy when the Education Act of 1944 was before Parliament. In the United States, the issue of religion in state schools has been before the Supreme Court. Clearly the division of opinion is sufficient to make the schools question a live political issue in the west, even though the violence of the eastern conflict is lacking. The fundamental difficulty is the different view taken of religious education. To the secularist—Socialist or Radical or Conservative—religious education is an extra. The state has the responsibility of providing a certain basic education. If parents wish for more—whether it be elocution or dancing classes or a special form of religious instruction—they must pay for it themselves. It is no part of the state's task to provide such extras free of charge. Some people, particularly among the Socialists, would go further and say that religious education is a dangerous luxury since the Catholic Church—witness the Franco regime—is the enemy of liberty and progress.

The Catholic view is precisely the contrary. Catholics argue that the parents have the absolute right to determine the kind of education their child is to receive. Since the state insists on compulsory education and Catholic parents pay their share of the rates, which provide it, they are entitled to receive in return subsidies from the state to run Catholic schools where the education of their choice can be given. And far from religious training being "a dangerous luxury," it is on the contrary a public service since it trains responsible, reliable and industrious citizens. These, then, are the opposite points of view. It is hard to think of a more divergent approach.

In practice, however, western countries have been able to work out a variety of compromises. In Britain, the state pays a part of the expense of Catholic schools, leaving a large sum to be found by the Catholic community. In the United States few obstacles are placed in the way of the Catholic community organising its own schools, but the state gives no financial assistance (although a recent judicial ruling allowed the State of New Jersey to provide its Catholic children with a school bus). On the Continent, various forms of state subsidy to religious education are the rule. The Belgian crisis occurred when an attempt was made to increase the existing figure. In France, the situation is more complex. Before the war, there were no subsidies. The Vichy regime introduced them and the Fourth Republic surreptitiously continued them. The Socialists, as the anti-clerical party *par excellence*, were restive and sought to have all subsidies removed. The issue was exacerbated this year by the question whether or not the state should take over a number of Catholic schools run for miners' children. Twice the schools question threatened a complete deadlock in the Cabinet, and although a face-saving formula was found—that needy Catholic parents should receive a grant to send their children to private Catholic schools—the fundamental issue remains bitter and unsettled.

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This issue may seem of only limited political significance in face of the racking problems of war and peace which torment the western world. There is, however, a reason why the issue of the Catholic schools has immediate political significance. It is that this struggle may have a vital bearing on the continuance in western Europe of coalitions of the "Third Force." The core of democratic government on Europe's western fringe today is the continued co-operation of the Catholics and the Socialists. In Holland, in Belgium, in France, in Austria they are the key to the coalition. In Italy, the adhesion of the Saragat Socialists to the Christian Democrat Government increases its political range. In Germany, the future of constitutional government probably turns on the ability of the two sides to co-operate. But on the schools question, the possibility of compromise seems to be growing fainter. The Catholics feel less than ever able to waive their right to Catholic education for their children, now that in eastern Europe the full consequences of handing over education to an anti-Catholic state are becoming daily clearer. At the same time, the Socialists are committed by tradition and instinct to the lay school and, under constant pressure from the Communists, feel they cannot risk the charge of supporting "clerical fascism."

The Socialist unwillingness to compromise is increased throughout western Europe by the fact that, in the economic life of the country, the Socialist Party has been compelled to give ground. On the morrow of liberation, the idea of a coalition of "all progressive forces" to refashion the face of society, to introduce measures of nationalisation and planning, to conduct industry "in the interests of the working masses," was strong enough to give Socialists the feeling that part at least of their electoral programme could be realised in coalition with other groups. At this time, sections at least of the Catholic parties were markedly radical and in France and to a lesser extent in Italy and the Benelux countries willingly supported a number of left-wing reforms—for instance, the nationalisation of the Central Bank in Holland and France, the nationalisation of coal and public utilities in France and the beginning of a measure of land reform in Italy.

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The hope that there was a semi-Socialist, middle-of-the-road economic policy upon which both Catholics and Socialists could agree has vanished in the last three years. Smoothly as in Belgium, or with turmoil and crisis as in France and Italy, the government has returned more or less to the doctrines of *laisser faire*. The political majorities may have been Catholic and Socialist, but in the event Socialist economic policy was too doctrinaire, while a coherent Catholic programme simply did not emerge. In principle, the two sides might have found common ground in such points as Catholic teaching on the social duties of property or Catholic support for the rights of trade unions. But in practice, neither Catholics nor Socialists were realist enough or clear-minded enough to apply their principles. They might command parliamentary backing, but economic policy has been the work of minority groups led by such "unreconstructed" Liberals as Signor Einaudi in Italy or M. René Mayer in France. The Socialists thus bear the daily burden of participating in governments whose economic policy appears to bear most hardly on the masses they are supposed to represent, while their rivals for working class support—the Communists—are everywhere able to reap the advantage of being in irresponsible opposition.

The difficulty of maintaining a Third Force coalition in the face of these economic facts amounts to this—that the western world has so far failed to work out the next phase in democratic economic policy. That a mere return to *laisser faire* will not survive the first business depression is clear enough. Indeed, the opposition of the Communist-led unions may be enough to give it a stillbirth in any case. Yet without labour's co-operation recovery will be hard to seek. On the other hand, the *dirigisme* supported by Socialists in western Europe in the last three years has satisfied nobody, the workers least of all. The result is confusion and dissatisfaction on both the Socialist and Catholic side and a steady draining away of mutual confidence.

To some extent, therefore, such political issues as the schools question—upon which various forms of compromise are possible and have indeed been reached—are subordinate to the underlying economic problems of restoring a stable and productive economy in which the co-operation of both management and labour can be secured. This is the basic instability of the Third Force—its lack of any agreed and coherent economic policy. If such a policy could be evolved, other problems, even the vexed schools problem, would probably fall into place. Without it, the likelihood that the coalitions of the Third Force will disintegrate, with disastrous consequences for western democracy, is a perpetual risk.

Sitting on the Fence

(By a Wavering Correspondent)

THE first moves in the election-campaigns are being made with the outbreak of polls and surveys which are apparently to be relied on to forecast the British election results as accurately as they have done in America. Straw votes, cross section surveys and all the rest of the card index-comptometer science are unanimous in showing one thing: a swing-over from Socialism to anti-Socialism. While old-fashioned publicists might suggest that it does not need an army of investigators to discover that there is a pendulum motion in the affairs and views of the electorate we may presume that these figures are studied at party headquarters with chagrin or glee as the case may be.

It might be unfashionable and unscientific, but I feel that a more useful purpose could be served by investigating the views of the electorate a little more fully than is possible with a questionnaire of the "Yes ; no ; don't know" variety. I myself have never found a representative of Drs Gallup and Durant on my doorstep ; but if I did I fear that I should prove an unreliable decimal point in their percentages. I could not answer in one word sentences—certainly not this far ahead of the election. For I simply don't know how I shall vote.

One factor which might make me a valuable pollster is that I would probably exemplify the swing from Socialism one month and the swing back the next. In this I believe I am the average man, though my reasons cannot be digested by an adding machine. Most people would agree that the poll for Labour candidates in 1945 reached the total it did largely because of the service vote. I had no vote, the cards were lost somewhere in France months before, and my vote for Socialism was therefore theoretical. By the time of the election I was back in England, and in that lazy pleasant period of service life around election day there was little to do but talk politics. To all intents and purposes every junior officer, every NCO, and every ranker was strongly pro-Socialist.

One must not underrate the serviceman's "bloody-mindedness," which was a big factor in this sudden interest in politics. A vote against the Tories was a vote against "them"—the people who sent silly orders from Whitehall, the brass hats, the die-hards with lots of "scrambled egg," the old order of 1914, 1938, and all that. It might seem ridiculous to suggest that grown men, members of a citizen army in which bank clerks, solicitors, labourers and boys were intermingled, could regard a vote for the Reds (as we invariably called them) as anything remotely like cocking a snook at Authority. But there it was. We did.

That, I believe, was the mainspring of the serviceman's interest in his vote. True, from that narrow interest many of us started to think for ourselves, and those of us who were already thinking had done so because of those yellow-covered books of Mr Gollancz, of which each copy was read by dozens (and overseas, by hundreds). Another remarkable and rarely mentioned influence on the serviceman's vote was the welfare and rehabilitation lectures which were both common and compulsory by 1945. Although the speakers were non-political, as was right, the fact remained that their expositions of the Beveridge Plan, the housing schemes, and the general outline of the plans for a well-paved Civvy Street, were strongly Socialist in character.

Another factor was the women's influence. Most servicemen's wives, a little embittered at living on the allowance, nurtured a natural instinct to champion the underdog. They told their husbands they were going to vote Left, and this swing-over came from women who had never troubled to work out these things for themselves in peace-time. Running the finances of the house, apart from food shopping, had been the husband's worry. The nation's economics affected the wife only if they affected her husband's job. But several years of fending for herself in these matters made her also think for herself. She thought—and subsequently voted—Left.

Have I a tendency to over-emphasise the importance of the service vote in 1945 ? It did happen in the rural area of East Anglia where I was stationed at election time that the result was a close thing in favour of the Socialist candidate. A polling officer subsequently told me that the soldiers' votes totalled some fifty over the Socialist majority. He was certain that without those votes the Labour man would have lost.

We voted Socialist last time—several millions of us. We helped to swell the enormous vote of the "workers." The latter will presumably vote Left once more. But what of us—the political infants ?

If I can offer myself as typical, then I would say we don't know. We shall not know until the election draws nearer. I think we have serious doubts about it at the moment. We are not so anxious as we were to vote Socialist, though we are still less desirous of voting Tory. There is, indeed, a sign of that chronic sickness—the voter's apathy. We tend to solve our bewilderment by saying we are sick of politics. The Tories can thank their past record for this. The Socialists can blame some of their present leaders.

The Tories cannot win our favour by suggesting that the troubles are due to mis-government. We people who saw the mess of Europe and sometimes paused to wonder at the wealth of armaments which we were using day after day, year after year, feel that a pretty good job of work has been done, all things considered. The oldsters had told us of the "land fit for heroes" debacle of the 'twenties, and we expected it this time. It hasn't occurred. We just don't believe our freedom is in danger, though we thank God and Parliament for all the controls which no one grumbles about—on rents, on profits, on food. The Tories' Fleet Street friends who shriek against the iniquity of rationing, the terrors of pleasure travel restrictions, and the tragic situation of luxury hotels, do them no service.

I am afraid that the Tory party cannot rely so far on getting the majority of our votes. If it were a case of voting for Churchill then the situation would be very different. I met men who disliked Montgomery ; I knew plenty who failed to venerate Mountbatten. But I never heard of one who did not admire Churchill. Most of us, I believe, have a feeling of guilt for throwing him out at the end of the war. But we find little else in his party which would influence our vote—least of all in the peculiar mixture of "controlled private enterprise" which is occasionally dangled before us. If the Tory party wants to overhaul its machine it should first of all get busy on its local units. All of them are very busy, but they still seem to be centres of sterility. The kernel of officials are a little pathetic in their blustering complaints of what's going on, and confirming that nasty suspicion we got in 1938—that patriotism is a little too much for them. It must be their Britain—or Britain can go under. Now, I don't believe there is a Tory MP with this attitude (I would not say as much for his opponents), but it undoubtedly exists in the rank and file of garden-party organisers and whist-drive secretaries. The Tories must not get complacent about the rising membership. In 1945 we chaps in uniform crammed the local Conservative club. It had two excellent billiards tables.

I don't think I shall vote Tory—not unless there are more tinkers' cusses and verminous rantings. Why must we have this sort of exaggeration ? The only Tory MP I know told me that if only more Ministers would shout this sort of thing then his party would get in next time. I believe him.

Apart from this emotional reaction against voting Socialist what other objections have we now ? Until we are given very cogent reasons why ideology should not give way to practical requirements this will lose votes. So will the faint aroma of "jobs for the boys." We don't mind when Throgmorton Street wangles directorships for its pals in politics. That's the way of things in the jungle of private enterprise we have read about ; but it doesn't suit the venerable placidity of Westminster.

But more than anything else is the need for the party leaders to eradicate the guilt complex we feel just because we are not members of a trade union. The miners are gods ; the railwaymen angels ; and the dockers supermen deserving of every privilege. We realise that comparatively speaking this approaches the truth. But the fact that we don't get filthy during our day's work should not cause us to want to make excuses about it. Mr Morrison is wooing us well enough. But he is disciplining his friends too little. He must banish the suspicion that Transport House, not Westminster, is running the country.

Patriotism, which in my younger days was an emotion to stifle and apologise for, has, I think, become a strong factor in this country's life. The more the United States suggests that the sun is setting on the Empire, the more the Soviet Government rants about the reactionary British Isles, the more will there be a tendency to wave the Union Jack.

Every time a Socialist Minister talks about the new Empire I raise a glass to him and promise a vote. The new conception of the Commonwealth seems pretty good to us. It was not long ago that we had believed that we would all be pals in the fine new world of Uno. Now that we are not so convinced about it we pin our faith in the new Britain. The Socialists have done the spade work. We would like to let them get on with the building.

I was told by a Socialist MP: "Don't worry about the election. A few weeks before the day Morrison will cram the shops with every kind of goods you can want ; there'll be some bonuses on the ration. That will help the women's vote. As for you—you'll vote Left. Really, you know it's the only way. We'll get back." Not with that attitude they won't.

NOTES OF THE WEEK

Moscow and Berlin

By this Sunday the blockade of Berlin will have lasted 51 days and the Moscow negotiations 17 days. Insofar as the Western envoys are still in touch with Mr Molotov there seems ground for hope that they will approach some basis of agreement without sacrificing any vital interest in Germany. Mr Marshall says there is no intention to get "agreements for agreements' sake," and there is no sign so far that either Americans or British have put the brake on developments in western Germany—which is what the Soviet Government wants above all. In fact, representatives of the premiers of the eleven western *Länder* began discussing on Tuesday their work on a constitution for Frankfurt Germany. Their proposals will be submitted to a Constituent Assembly on September 1st, which will prepare the final draft of the constitution. On no account should the western envoys be allowed to concede to the Kremlin a postponement either of this meeting or of the Six-Power meeting which is to begin drafting a statute for the Ruhr.

Rather should they be told that the tactics of their governments in western Germany will be precisely those of the Russians in Berlin—to go on working to get what they want as if nothing was happening in Moscow. For in Berlin the fight for power goes on as bitterly and ingeniously as ever.

The economic prospects of the Germans in the western sectors are worse than correspondents in the city are allowed to say: the Russian attack on the city's police administration, on its finances, on the machinery of food distribution is pressed home daily. The predominantly Social-Democrat *Magistrat* may well see its powers in the Russian sector of the city lopped off—in which case little more would be needed to divide Berlin completely.

The danger that Mr Bevin has now to recognise is this: that even if the Moscow talks get the blockade of Berlin lifted, the power of the western governments and the Berlin authorities may have been so whittled down by the end of this year as to make the western position in the city untenable.

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Daily Bread for Bizonia

An Allied spokesman announced in Frankfurt last week that the food situation in Bizonia was "extraordinarily favourable." His optimism is borne out by the figures. Ordinary consumers this July actually received 1,990 calories daily, whereas in July, 1947, the basic ration—subject to availability—was just over 1,500 calories daily, and in June, 1946, only 1,050 calories. The potato ration has been doubled since last July, and the fat ration more,

than trebled. There is every hope that, with the prospects of a good harvest and the continued flow of Marshall Aid dollars, it will be possible to maintain the rations at over 1,800 calories a day for the rest of the year. In short, the Allied spokesman felt confident enough to assure the Germans of Bizonia that the nightmare days of last winter were over, never to return; they could cease to worry about their daily bread.

The situation compares very favourably with that in the eastern zone. At a press conference on August 6th, the chairman of the Zonal Economic Commission could not announce definite increases in the food supply, but only a possible hope that, in view of this year's good harvest, it might be possible to increase rations by 150 to 200 calories a day. Even by 1950 the Russians and their German advisers do not aim at providing more than 2,000 calories a day, to be obtained solely from indigenous production.

Russian policy seems still to be based avowedly on the assumption that the eastern zone is there to be made the most of, and that requisitioning either for export or to feed the occupation troops need not be limited by either humanitarian or economic considerations. It is estimated that the Russians have been requisitioning well over half the high-quality food produced in their zone, whereas during the first ten days of July nearly 200,000 tons of food were imported into Bizonia from the United States alone. While in western Germany food is being pumped in, in eastern Germany it is still being pumped out.

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M. Reynaud's Success

The question before the French now is quite simply this: whether M. Reynaud's plan for restoring the national economy can be carried out without a regime such as General de Gaulle would favour. Everything he proposes to do hits some interest at a vital point: reorganisation of the nationalised industries may upset the Socialists; reforms in taxation designed to turn the French taxpayer from a rebel into a loyal contributor will strike at a bad but cherished national habit; and retrenchment in the public services will cost many people their jobs.

The debates that took place before the Assembly gave M. Reynaud some of the powers he wanted and revealed many points of interest for the future. In spite of instructions from the General's *entourage* the Gaullists were divided on the Bill—a third of them abstained from voting. The Communists argued for Parliamentarism and constitutional propriety in the tones of Pym and Hampden. They got the Socialists to vote with them in favour of an amendment which obliges the Government to table its taxation reforms on December 10, instead of bringing them automatically into force on January 1, 1949.

M. Reynaud has shown great determination and skill in his handling of the debates, although his analysis of the French economic situation was really the old story rather better told. He has denied that he is either a planner or an anti-planner. And he has put well to the front of his programme his hopes of western co-operation and eventual union. But he remains at the mercy of the mass of Frenchmen. If they strike, if they relax their efforts, if they insist on wages resuming the chase of prices—then what M. Reynaud treats as a financial and administrative problem becomes a problem of morale. And everyone knows, with the present rightward swing in France, which personality believes himself to have the cure for bad morale.

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Government Departments Under Fire

Two reports published this week are the result of the ancient and salutary tradition whereby the House of Commons examines the affairs and expenditure of the Government with a cold and unfriendly eye. The sixth report of the Select Committee on Estimates deals with the use of petrol by Government departments and uncovers an interesting example of the official attitude towards privilege and to how until very recently the Ministry of Fuel and Power had made no effort to control the petrol consumption of Government departments. The various departments merely submitted their requirements and were issued with the coupons, about three-fifths of which were for bulk use in "G" coupons, and about two-fifths in "E" for use in private cars. The result has been that in 1947 Government departments managed to burn 38 million gallons or about 2½ per cent of the total consumption of the country (even the National Debt office managed to account for 7,600 gallons). The horrifying fact is that this consumption is only half of one per cent, or some 7,000,000 gallons, less than the total consumption of the armed services in this country, the Government-owned civil aircraft and the tractors of the County Agricultural committees. Perhaps most humiliating of all is the revelation that in August, 1947 (when cuts in the basic ration were proposed), the Ministry of Fuel and Power asked Government departments to economise petrol consumption by 10 per cent, but the only people to pay any attention were the Service departments, who cut down operational training in the Fleet and tank training in the Army, while bodies such as Naafi, with a tenuous governmental connection, received and consumed all the petrol they wanted. The Select Committee seem satisfied that the Ministry of Fuel and Power has now instituted an effective check on these extravagances, and confine themselves to recommending that Government departments should share in cuts or increases of petrol exactly like the rest of the community.

The Committee of Public Accounts has extended its examination of expenditure over a much wider range and finds a great deal to criticise. Since the Ministry of Information was dissolved it has apparently been impossible to do more than guess at the amount spent on Government information services although the Treasury hazard an estimate of £16,697,050—a not unreasonable sum if well spent, but a very high figure for the dissemination of the obvious which makes up the bulk of Government publicity. The Ministry of Health is scolded for not making use of requisitioned properties, while the Ministry of Food is criticised for being so gullible as to pay British firms the ruling world price for whale oil, and even the Navy's rum and baccy has been found to rest on a most insecure basis of statutory authority. But the biggest broadside is reserved for the Ministry of Labour, for failing to contract its training facilities as the need for them dwindled with full employment after the war, and for maintaining in April, 1948, six staff for every ten of the 4,300 remaining trainees.

It is to be regretted that no one suffers personally for such costly and foolish misconduct. Valuable though the select committees are, as providing the public with an informed criticism of governmental method, they have no weapon stronger than a pen. It is to be feared that their attacks and criticisms do little more than ruffle the vast complacency of officialdom.

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Mr Mackenzie King Stands Down

Mr Mackenzie King, with the mastery of the diplomacy of politics which has characterised his whole career, is retiring step by step from the leadership of Canadian affairs. He has thereby escaped any possible retribution at the hands of time and avoided the fate which overtook Mr Churchill, Field-Marshal Smuts and Mr De Valera. In an atmosphere of great cordiality and respect he has laid down the leadership of the Liberal party which he has held for thirty years, and will shortly vacate the office of Prime Minister which he has occupied for a total of twenty-one years.

The election of Mr St. Laurent by the Liberal Convention to succeed him in the leadership of the party represents a mature and admirable decision to entrust their party to a man of character and intelligence rather than to a more routine politician. Mr St. Laurent is an able and upright French-Canadian lawyer who was "drafted" into politics only seven years ago. During that time—although he has occupied only politically unglamorous posts—Justice and External Affairs—his personal qualities have placed him head and shoulders above his colleagues as a leader, although his powers as an administrator have not been fully tested. He is not a young man, being sixty-six, but Canada, like most young countries, does not greatly care for young statesmen. His advantage to Canada is that he is the man most likely to succeed in continuing the Liberal tradition founded by Sir Wilfrid Laurier of extracting the maximum unity that is possible between French- and English-Canadians. His advantage to the Commonwealth and to the world is that he is a convinced internationalist and is prepared to commit Canada to such joint action with the rest of the democratic countries as a realistic assessment of her resources and limitations will permit.

Politically, his task is not easy. Canada is under two years away from a general election, and the Liberal party is in danger of finding itself sandwiched between a conservative and a socialist reaction. Even though Mr St. Laurent may lean slightly towards the right wing of his own party, traditional animosities would make any *rapprochement* with the Conservatives very difficult. The Liberal party must—as the convention appears to have realised—invigorate its policy if it is to maintain its position, and that is not easy for a party which has been in power for thirteen years.

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Prison Life—From Two Aspects

The report of the Prison Commissioners for the year 1947 is the usual collection of facts and statistics concerning the prison population and those who look after them. It is pierced every now and then by a sentence or phrase that shows a spirit of humanity, but as befits an official record it is objective rather than subjective, factual rather than interpretative. This manner of presentation, however, does less than justice to the gallant attempts of the present Commissioners, an enlightened body, to introduce a more human and humane atmosphere, and the bare facts given in the report (Cmd. 7475) convey to the ordinary person, who has little interest in the subject and still less personal knowledge of it, a very poor impression of what prison life means to the prisoner. Yet public awareness of this is essential if any real progress is to be made with penal reform.

There was recently published, however, a little pamphlet* which gives an account of the prison system as it appears to the prisoners themselves. It is quite true that the evidence of prisoners, even if its honesty can be relied upon, is of necessity prejudiced, but this account, compiled from the evidence of Quaker prisoners sentenced for conscientious objection, has a ring of truth that will impress all but the most complacent. Read in conjunction with the official report it gives a detailed picture of life in an ordinary prison—and a horrifying picture it is. For instance, the commissioners state that the present overcrowding—prisoners are often packed three into a cell—has effects on hygiene which "must be disagreeable, but have not so far affected the general state of health." To realise just what this disagreeable hygiene amounts to, the reader should then turn to *Snail's Progress* and learn about the sanitary arrangements (or lack of them) in the average prison. Again, the commissioners, referring to the reinforcement of security measures, say that one result "was a further reduction of workshop hours to enable the staff to give time for searching." But a reduction of workshop hours means an addition to the already long hours of loneliness and boredom which, in Mr Carter's words, "sweep the mind bare, ready for the devils of sexual fantasy or morbid brooding to enter in."

Why, it may be asked, should one bother, at a time of shortages of manpower and buildings, about persons who, after all, are being punished for offences against society? The answer is, first, that a society which calls itself civilised is itself committing an offence in allowing the conditions described in Mr Carter's pamphlet. Secondly, a prison where such conditions are found achieves nothing. The petty discipline does not teach self-discipline. The deadly uniformity, the soul-destroying monotony effectively quell any response to what training and reformation may be attempted. A prisoner's grudge against society is fostered, and it must be an exception rather than the rule if he is not discharged from prison a worse man than he was on entering it.

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Danube for the Danubians

The fortnight spent on the Danube Conference in Belgrade has been, from the British point of view, a fortnight wasted. Mr Vishinsky has enjoyed a busman's holiday, grilling his Western colleagues during working hours and boating on the disputed river in his time off. The *claque* of riparian states has given him well-drilled support in a clamorous retreat from international ideas about how this great European highway should be controlled. The outcome is now likely to be a new convention, based on the Russian draft, and containing such unimportant concessions to American, British and French views as can be extorted by hard bargaining.

Unfortunately the Western delegations have nothing to bargain with save the threat of walking out, a course of action recommended to them early in the conference by Mr Vishinsky. They started on the basis, untenable in the circumstances and in such a capital as Belgrade, that the 1921 convention could not be revised without the consent of all its signatories. Unfortunately they had not taken the precaution of insisting that all the signatories should be present at this conference. Then an attempt was made to get full representation for the Austrians, which enabled Mr Vishinsky to play the role of defender of east European sovereignty against Germans and Austrians generally. Then an American draft was submitted, rather late in the day, which proposed among other things that guarantees of free navigation should be clear and specific, that the new control body should have links with Uno and that Western representation should continue. That was, of course, rejected.

So far then Western diplomatic tactics seemed to show lack of forethought, co-ordination and resolution in preparing the case for a meeting in which Americans, French and British were bound to be steadily outvoted by seven to three. The assumption of Four Power agreement, on which the original proposal to hold this conference was based, broke down last year. If the world is to be divided into exclusive spheres of interest, then the Russians must expect no more consideration of their views on Italy's African colonies than they have given to Western views on the Danube.

If the riparian states get their way—and Russia is one of them thanks to the return of Bessarabia by the Rumanians in 1940—then the lower Danube will be under Russian inspired control from Linz to the Black Sea. Whatever general guarantees may be given about free navigation, the fact will remain that German and other west European trade by this route to eastern Europe will pass only by permission of the Cominform governments. In other words, for any future political or commercial dealings with a central or a west German government the eastern *bloc* will hold a card of great strength. It remains to be seen whether the riparian states can carry out the extensive works needed on the river without the assistance of machinery and materials from the West.

* "Snail's Progress." By Charles F. Carter. The Penal Reform Committee of the Society of Friends, Euston Road, N.W.1.

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Oder-Neisse Agitation

Anglo-Polish relations may be slightly improved by setting up the mixed Commission which the Polish Government has proposed to settle a number of outstanding points of difference between the two governments. The first agenda, however, will probably be confined to minor questions left over from the days of the London Polish Government.

The major issue between Warsaw and London is one scarcely mentioned in the British press—the revisionist activities among the millions of Germans who have been expelled, or fled, from the territory east of the Oder and Neisse rivers, which has been under Polish rule since the Potsdam conference in 1945. The Poles—and not the Poles alone—have reason to be anxious about this activity, which is the subject of frequent Notes of protest to the British and American authorities in Germany. Although political activity is theoretically forbidden, it is in progress all the time, both openly and under the cloak of welfare organisations.

One of the propaganda sheets of refugee organisations in the American zone, which in this case appears to masquerade as a textile trade journal, recently quoted an interview given to the *Hannoversche Presse* by Pastor Albertz, who was recently made Refugee Minister in the Lower Saxony State Government. This appointment is the first of its kind, but has been defended by British Military Government against a protest from the Poles. The interviewer said:

> We have been hearing a lot recently about plans for forming an Eastern German Government-in-exile, and demands for representation of the East German territories in the future German National Assembly. What do you think about these plans?

The Minister thought shadow governments were no use, but supported the demand that the Assembly at Frankfurt should represent the refugees which, he said, numbered 37 per cent of the total population in the West. "For me, as for any decent German," he declared, "the Oder-Neisse Line is no object of discussion; that is to say, it represents not only Germany's death-line, but Europe's, and is a constant menace to world peace." In fairness, it must be recorded that the Minister added that immediate attention should be devoted to welfare matters.

In typically hectoring tone, the "textile journal" retorts to the latest Polish protest:

> What do the Poles think? As long as there is no peace treaty, Poland is solely a trustee administrator of the German Eastern territories. Every man can defend himself who discovers that a trustee is trying to enrich himself out of the property entrusted to him. Every expelled German has the right to raise his voice in warning when it is seen how a new threat to peace is created in the heart of Europe. That has nothing to do with "revisionism." It is the good right of the people to whom the country belongs to look after their property and demand it back from the "trustee" who is playing the lord and master.

Many Germans still find it obvious that everyone must see how right their unjustly treated country will be in starting another war forced upon it by an envious world. Indefensible though the Oder-Neisse frontier is, the British and American Governments, whose main objective should be to turn German minds to a Western future, should actively discourage such hopes and plans. They provide one of the few really cohesive factors in the East European *bloc*.

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The Dutch Spectator

The British public is often astonishingly unaware of reactions of opinion abroad to acts of British national policy. At present

it seems to be quite ignorant of the strength of anti-British feeling in Holland, especially since the announcements of measures undertaken to suppress the revolt in Malaya. The Communists and extreme Left naturally disapprove of these measures from sympathy with the rebels; but among Dutchmen of conservative views, who might be expected to be pleased at the British display of strength, there is widespread bitterness and acid comment on what is regarded as dishonesty in the British attitude towards the Dutch in Indonesia.

As long as the current of British policy was definitely and obviously set towards renunciation of imperial authority, as in India and Burma, Britain had a fairly strong moral position in its persistent opposition to Dutch attempts to resume control by force in Java and Sumatra. Even now, there is from a British point of view a case for denying the analogy between the problems of Malaya and Indonesia, inasmuch as the rising in Malaya is not a national movement of the Malays, but is confined to the Chinese and is definitely of Communist inspiration. It can also be claimed that our basic policy has not changed and remains as liberal and renunciatory as ever. Nevertheless, the crisis in Malaya has made a difference; when the point is reached at which force has to be used on a large scale as the only alternative to immediate surrender, the emphasis of policy cannot be the same, and statements have been publicly made on the British side which seem to the Dutch utterly inconsistent with the sermons preached to them from London during the last three years.

The Dutch find it hard to understand why an Indonesian Republic, headed by a man who was a puppet of the Japanese, should be considered as inherently so much more respectable an institution than a Malayan anti-Japanese People's Army which the British once liberally provided with arms. If it is a question of murders, the Dutch suffered many more in the early days after Japan's surrender than the British have yet suffered in Malaya. But the Dutch now see Britain apparently resolved to stay in Malaya as the sovereign authority and to protect British material interests without interference from Uno; while in Indonesia, not only has the Security Council stopped Dutch military operations, but the Uno "good offices committee" has been acting more as a arbiter than as a mediator in its task of bringing about a settlement. The Uno intervention may be an excellent thing, but it should be clearly recognised in this country how painful is the contrast for the Dutch between their ticket-of-leave situation in Indonesia and the unfettered discretion which Britain enjoys in Malaya, though the juridical rights of the two nations over their respective territories are in no way different.

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Old People at Work

It is unfortunate that the statistics of old people at work, given in the July issue of the *Ministry of Labour Gazette*, should perforce be so scanty. The only comparisons made are between the middle of 1947, 1945 and 1939. Thus the effect on the employment of old people of the raising of the old age pension to 26s. a week in October, 1946, cannot be distinguished from the effect of the end of the war. The comparisons are as follows:—

	Men, Aged 65 and Over	Women, Aged 60 and Over
Mid-1939	320,000	63,000
„ 1945	600,000	118,000
„ 1947	456,000	104,000

It was only to be expected that there should have been a decline in the number of old people at work since the end of the war. But what is wanted urgently is statistical information on whether this inevitable decline has been intensified by the higher pensions. From October, 1946, these pensions have only been given on retirement, and to satisfy the retirement conditions a pensioner must prove that he works "only occasionally" or "in circumstances not inconsistent with retirement." If a person earns more than £1 a week from such occasional employment, the excess is deducted from his pension. On the other hand, the fact that he is earning less than £1 a week does not prove that he has retired, for the umpire has ruled that the amount of remuneration is wholly irrelevant in determining retirement or not. The Liberal Party's committee, which examined the whole question in some detail, came to the conclusion that the retirement condition might have to be modified. It also reported a widespread view that it was causing elderly people to retire earlier than they otherwise would.

Since the full national insurance scheme came into force in July, people who work beyond the pensionable age will have an addition to their pensions of 1s. a week for every six months of work beyond that age. Both the Nuffield Foundation's survey committee and the Liberal Party's committee concluded that this incentive for old people to continue at work would prove inadequate, and they suggested additional incentives. But before any decision can be come to on their proposals it is necessary to know the facts. It is to be hoped that the Ministries concerned are doing all they can to collect them.

* * *

Who Should Plan?

The Committee on the Qualifications of Planners, under the chairmanship of Sir George Schuster, is embarking on its task of considering what qualifications are necessary for those engaged in town and country planning. It will have its work cut out. In no field, outside perhaps that of money and credit, is the case for collective modification of the results brought about by free enterprise stronger than in this. In no field, with the same reservation, is it more necessary that control should be intelligent, well informed, long sighted and, above all, inspired by common sense. And since town and country planning affects ordinary people more intimately, and more permanently, than does the more general control of the economic climate, it is particularly important that it should be carried out in the light of a sympathetic and imaginative understanding of the whole complex of human needs.

The ideal town planner, considered as an individual, would need to be a superman. He should be a good economist—for only a profound and practical knowledge can serve as a basis for estimating loss and gain in the siting of industry and agriculture. He should know a great deal about geology and the limits which it imposes on engineering; about water supplies and subsidence, soils and gradients. He should have an artist's eye for landscape and layout and an architect's sense of the possible. He should have a profound sense of history, combining respect for the past with an abiding recollection that the greatest numbers are still unborn. And, above all, he must be capable, through experience and imagination, of putting himself in the shoes of those who are to live and work in the community for whose physical framework he may be responsible. Considered as an individual, in fact, he is impossible to find ready made and very nearly impossible to produce by training. But it should not be quite impossible to constitute planning committees which between them comprise most of the necessary ingredients. The danger is that the expert qualifications, as they are both the most easily definable and the most immediately necessary, will be sought for with an eagerness which will obscure the equally fundamental necessity for qualities of human sympathy, imagination and common sense.

* * *

Divided Arabs and Cocky Jews

The second Palestine cease-fire has seen a revival of what may be called the opposition within the Arab League. On the one side are the absolute monarchs, representing conservatism, acceptance of Western aid, and realism about Palestine, backed by the only organised armed forces available to the Arabs. On the other is an opposition representing a theoretical parliamentary progressiveness, xenophobia, and all-or-nothing in Palestine, with unceasing irregular warfare. This is not the only possible alignment of Arab politics, fluid as they are, though it replaces for the moment the simple dynastic grouping of the Hashimites against the rest. It seems to have come about during the recent upheaval in the Yemen, where the Arab "progressives" mostly gave their sympathy, if not their active support, to the revolutionary Imam, Abdullah al-Wazir; while the ultimate triumph of legitimacy and primogeniture in the person of Imam Admad seemed to the Kings an affirmation of divine right.

The Kings are the two Beduin rulers, Abdullah and Ibn Saud—now dramatically reconciled—and, so long as a Palace government is in power in Egypt, King Farouk. The Opposition is the Syrian Republic, Iraq—where the Hashimite ruler has had to bow to his opposition—and the Mufti of Jerusalem with the Palestine Arab Higher Committee. Their strength lies above all in the fact that no Arab leader has yet dared tell the Arabs that they have been defeated in Palestine. So it is only too easy to persuade them that they have been cheated of a certain victory over the Zionists only by the selfishness of their rulers and their complaisance to foreign interests. There is not yet an open breach, but the Iraqis and Syrians have publicly claimed credit for voting against the cease-fire, and are manœuvring to instal the Mufti in Palestine instead of the relatively efficient administrative arrangements made by Abdullah. The latter, congratulating his

Arab Legion last week on its part in the fighting, said "We and the others went into this fight jointly. Here we are. Where are the others?"

*

Among the Zionists, the policy of enlarging their aims with each tactical success has so far had spectacular results. They have shown that they did not underestimate their hold on the American administration or their military superiority in Palestine. They are now flouting world opinion in their attitude to the Arab refugees and their high-handed dealings in Jerusalem, which they evidently hope to incorporate, partly or wholly, in their state. Friends of Zionism would feel easier in mind if the tone of Tel Aviv were more sober.

Meanwhile, their economic difficulties are piling up. Price inflation in the Zionist areas of Palestine is formidable. These are being kept going by American dollars, but even dollars may not be inexhaustible. They plan to bring in 600,000 Jewish immigrants from Europe—the 200,000 DPs, plus twice their number from obliging Poles, Czechs, Rumanians, and Bulgars—in five years or less. They even want to take 800,000 Jews from Arab countries as well. A settlement scheme of these dimensions will demand capital investment on a gigantic scale, and it is difficult to see how it can be easily or quickly made to pay its way.

* * *

Oil Companies' Dilemma

Of the oil concerns affected by confusion and uncertainty in Palestine, by far the biggest sufferers are the Iraq Petroleum Company, because Haifa is—or was—its biggest export outlet, and Consolidated Refineries, Limited, owners of the big refining plant there. The companies that work the fields in the Persian Gulf area have outlets to the Indian Ocean, and have merely had to abandon, for the moment, their plans for pipes to the Mediterranean.

Nevertheless, owners of all nationalities are affected, for the IPC is an international concern owned in equal shares by British, American, French and Anglo-Dutch principals. CRL is British, being run jointly by Shell and Anglo-Iranian. While the present atmosphere in Palestine lasts, it is obviously difficult to pump oil from an Arab source in Iraq to a terminal in a Jewish-held town. None has been pumped since May. The company would like to resume pumping, and, without using the refinery, to ship crude oil westwards for refining in more peaceable conditions. But any prospect of doing this disappeared from the moment, at the end of July, when the Israeli government authorised 400 Jews to take over the refining plant, on the ground that all is fair in war and that local oil needs were paramount. These proceeded to refine some 40,000 tons of crude oil which were lying in store at the IPC's pipe line terminal. Israel is now hoping to buy further crude oil from abroad and to refine it in the same way. CRL officials who have paid a flying visit from Cyprus report that their plant is being well and carefully used by its impounders.

But what is the IPC to do about export from Iraq? Its only outlet is its pipe line to the Mediterranean. One fork of this does not enter Palestine—it goes through Syria, to Tripoli in the Lebanon—but that fork is the smaller of the two. The branch to Haifa had been doubled and would, if usable, now be carrying a flow at the rate of 4,000,000 tons a year. Only 2,000,000 tons a year can be pumped to Tripoli, and the refinery there, though its output will be doubled by next spring, will not even then handle one-tenth of Haifa's 4,000,000 ton annual capacity.

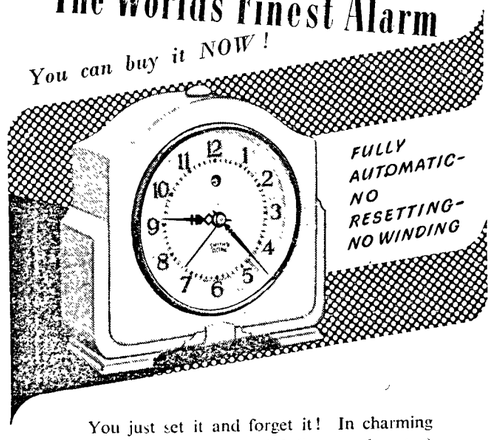
It is plain that if Haifa is used and benefits the Jews, there is a danger that Arabs in the other states will tamper with the pipe or pumping stations, including those feeding Tripoli. Here is a conundrum for the company. The problem for the Iraqi government is also difficult, for no export means no royalties, and a serious deficit in the national budget.

*

A layman who wants to review the whole oil position, including that of the companies on the Gulf, will find an excellent survey in the London *Petroleum Times*'s "Review of Middle Eastern Oil," published this summer. He will find there full details about the look and the layout of the different enterprises, their potentialities and their record of output. It is a pity that so good a publication should be marred by an article on local politics that is often wrong and conveys no idea of a major problem now facing the companies—how best to handle the Arab social and political chaos that is already beginning to result from Arab defeat. The

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author of the article, Mr Max Thornberg, rightly warns readers against "over-simplification," and "failure to distinguish between the various groups comprising the Arab world." He then proceeds most flagrantly to default himself. "On the political side," he writes, "the Arab people have breathed life into the Arab League and made in effect an Arab state to match the United Nations creation of a Jewish state in Palestine." This assertion is false. It is worse than false, for it is bound to lull into unjustified complacency all those—they are chiefly Americans—who feel that, having helped Jewish refugees, they have earned a halo and need feel no responsibility for correspondingly displaced Arab refugees because these last "have plenty of places to go."

* * *

Dominion Affairs in the Commons

The rights and wrongs of discussing Dominion affairs in the House of Commons provide some nice points for the Speaker to settle during the summer recess. Clearly, the adjournment debate on Hyderabad and Kashmir at the end of the last session was in order, for Britain's policy was directly involved. Pledges had been given by the British Government with regard to the Indian states, and the British representative on the Security Council had to be told what to say when the question of Kashmir was brought up. On both points the House was entitled to know what was being done in its name.

But Mr Churchill brought up a further point. He asked:

> If, for instance, grave catastrophes arise there or in any other Dominion, or a clash occurs between two Dominions, is the House of Commons to be the only place in the whole world where this matter may not be discussed?

The rule on questions has already been settled: questions may not be put down referring to internal affairs of the Dominions. What needs to be settled now is the rule for debates. The two things are very different. No Minister of the British Government can be expected to answer questions about what is happening inside a Dominion, but there is a case for extending the scope of debates to include discussion on Dominion affairs, if only to provoke Government action when such action is needed. The Canadian Speaker, for example, thought it permissible to allow a heated debate on Britain in the Canadian House of Commons when a wheat agreement was being discussed.

The criterion is whether Britain is, or should be, involved in the particular Dominions affair to be discussed. The House of Commons can and does argue about what Britain should do in the event, say, of a conflict between two foreign countries. It should, therefore, also be allowed to discuss what Britain should do in the event of a clash between two Dominions. Obviously, no less tact is required in a discussion on the Dominions than in debate on foreign countries; but if Britain is concerned, then it would be wrong to ban discussion altogether.

The same criterion applies to the internal affairs of a Dominion. The Speaker did not prevent, for instance, the discussion of the Communist *coup* in Czechoslovakia; nor, then, should he prevent the discussion of a similar catastrophe in a Dominion. It will be difficult to lay down hard and fast rules, and it would probably be best if the Speaker were to judge each case on its own merits, but the general principle should be easily framed.

* * *

South Africa Settles Down

The fear of radical change in South Africa is melting away. The tenth Union Parliament was formally opened on August 6th by the Governor-General, Mr Van Zyl, and the speech from the Throne foreshadowed nothing drastic for the first short session, which is to be taken up almost entirely with the Budget (discussed on p. 278). The new government under Dr Malan and his electoral ally, Mr Havenga, are in fact settling down well to the business of administration and, for the moment at any rate, have put aside controversial measures.

This is a wise as well as a politically sound policy. Dr Malan's cabinet contains first-rate administrators who outshine all except the top two or three in General Smuts's United Party; provided their political partisanship can be kept in check they will render valuable service to South Africa as a whole and will enhance the prestige of the two Afrikaans parties which now constitute the government. Extreme measures, such as the restriction on native artisans and the release of Nazi saboteurs, which characterised their first fortnight in office, could do nothing but harm to their cause. It is gratifying to see such partisan fervour being replaced by steady attention to the details of government. Dr Malan and his colleagues have also shown themselves to be unexpectedly sensitive to public criticism both inside and outside South Africa. This fact alone has allayed most of the suspicions that they were intending harsh reforms against English-speaking South Africans and the Bantu. At a Nationalist Party rally early this week in Capetown, a plea for unity between all South Africans was strongly urged.

In Commonwealth affairs the new government has, if anything, acted more closely with Britain and the other Dominions than its predecessor. The Nationalist Party's newspaper, *Die Burger*, suggested sending aircraft to help in the Berlin air-lift even before Mr Bevin sounded out the rest of the Dominions at the end of June. This offer has lately been repeated by Dr Malan, and there is no doubt that his government are strong supporters of Britain in the present clash with Russia.

* * *

Biological Deviation

Nothing could be further removed from the principles of compromise which are guiding the Western statesmen in their search for a basis on which to resume talks with Moscow than the dictum laid down by a Soviet biologist, Yuri Zhdanov. In a confession of error made last week to Stalin as head of the Central Committee of the Bolshevik Party, Zhdanov confesses himself appalled at the way in which he lectured on different theories of contemporary Darwinism.

> I obviously underestimated my new position of worker in the apparatus of the Central Committee. I failed to realise that my speech would be appraised as the Central Committee's official point of view.

The mind boggles at the notion of Transport House issuing a party line on Darwin.

Zhdanov's cardinal sin was that his neglect of Marxist-Leninist theory "caused a desire to 'reconcile' the opposing parties, to erase differences, to lay emphasis on what unites and not on what divides the opponents." But, he declares,

> in science, *just as in politics, principles are not reconciled, they triumph.* The struggle proceeds, not by way of effacing, but of exposing, differences. The attempts to reconcile principles on a basis of pseudo-efficiency and narrow practicality, the underestimation of the theoretical aspect of the controversy, have led to an eclectic approach, which I do confess.

One may almost hear the applause from Yuri Zhdanov's namesake who has, through the Cominform, been laying down these same principles for the Communist Parties of the world. The Western mind must remain perpetually puzzled at the mentality of the Soviet leaders. No sooner has it been decided that the clue lies in the Oriental love of a bargain, or the Byzantine origins of Russia, than—as in the case of Yuri Zhdanov—the rigid dogmatism of Marxist theology emerges as the dominant factor in Bolshevik conduct.

* * *

No Change from Ulster

It was inevitable (writes a correspondent in Belfast) that sooner or later the new inter party Government in Eire, led by Mr Costello, should cast a fly into the stream of controversy which flows over Irish unity. The only rise that could have been expected was the reply by the Prime Minister, Sir Basil Brooke, reaffirming the absolute determination of Northern Ireland to adhere to the present constitutional position established by the Government of Ireland Act, 1920.

There can be no doubt about the solidity with which the great bulk of opinion in Ulster is behind the Northern Ireland Government in this matter. Twenty-seven years of separate government in Northern and Southern Ireland have done nothing to bring about any disposition towards unity, and there has been an increasingly close integration between Northern Ireland and Great Britain and an ever widening gap between the economic, social and cultural conditions in Northern Ireland and in Eire.

Ulster farmers through their union have for many years worked in the most direct co-operation with their fellows in England and Wales and Scotland, and Northern Ireland is covered by the same guaranteed prices and markets provided by the Agriculture Act of 1947 for the rest of the United Kingdom. Manufacturers and traders in Northern Ireland are allied with their opposite numbers across the Irish Channel through membership of the same trade associations, and it is as easy to open a branch or factory in Northern Ireland as in Scotland. Even in the case of labour, where contact with Dublin has probably persisted longest, the link with the trade union movement in Great Britain is becoming increasingly close. So far as the man in the street is concerned, his life is just as much a part of the British system—

with its advantages and disadvantages—as if he lived in London, Manchester or Glasgow.

If no other factors had been at work, the effect of the war alone would have been decisive. In Ulster eyes, Eire's policy of neutrality meant its virtual withdrawal from world affairs. Its isolation appeared in marked contrast to the position in Northern Ireland, where the war resulted in a great awakening of activity in agriculture, in industry and in contacts with the outside world—not only with Great Britain, but with other Allied countries also. Not only in economic activity, but in science and education Northern Ireland is far more concerned with the outside world than would have been believed possible ten years ago.

On the political side, the fact that the Ulster Government is Unionist and Conservative, whereas the Government at Westminster is Socialist, has doubtless created problems. At one stage there was evidence of a movement in favour of Dominion status in that it would safeguard Ulster against any action by Westminster to modify the Act of 1920, and that there would be less tendency for Ulster to be pushed along the road to Socialism by close integration with the British economy. The movement—if such it can be called—was short lived, since it soon became clear that opinion in Ulster was completely opposed to any break in the relationship that exists with the rest of the United Kingdom.

* * *

A New War Memorial?

Parliamentary question and answer two weeks ago, on the War Memorials Advisory Council's suggestion of a memorial in the areas of either St. Paul's or Westminster Abbey, displayed Mr. Herbert Morrison in a very odd light. No scheme, he said, had yet been put forward which would "make a wide popular appeal." Pressed for a criterion of "wide popular appeal," he told the House that a letter to *The Times* on the subject had elicited no supporting correspondence, and gave his opinion that "correspondence in *The Times* is a fair indication of the degree of public response." This is surprising. It is surprising that Mr Morrison, of all people, should choose the correspondence columns of the lofty browed and threepenny *Times* as the equivalent, in a matter of popular feeling, of a Gallup poll. Is this really where the leaders of the people's party look for the voice of the people? It must be very gratifying to *The Times*, whose Editor may now see himself, more incontestably than ever, in a position to influence Government policy not merely by his editorial pronouncements but by the discreet tightening or loosening of the tap which controls the access of letter-writers to his columns. In so far as these do constitute a recognised forum for expert opinion, there is good reason for the Government to pay attention to them; but the question of a War Memorial is not one of expertise, it is one of popular sentiment—and the spectacle of Mr Morrison hiding his momentary mental nakedness behind a column or so of *Times* newsprint is rather more comic than impressive.

* * *

Identity Cards to be Permanent?

Leaflets issued by the Ministry of Health, explaining how people can get dental treatment and sight-testing and glasses under the National Health Service state that people should take their identity cards with them. A person's identity number has to be inserted in the forms used—"for office reasons." If people using the dental and ophthalmic services have to be identified by number instead of by name, that can be accepted. But why cannot they be identified by their national insurance numbers or their husband's national insurance numbers if they are married women, or, for the small minority who are not insured, by an *ad hoc* number? Can it be that among this small minority there might be a few naughty people who would try to amass a hoard of spectacles or false teeth if they were not checked by their identity numbers?

If it is asked why there should be any objection to people being asked for their identity numbers, the answer is that national registration and identity cards were part of the emergency legislation of war. They have no place in peacetime England, and no Minister has ever given a satisfactory explanation why they are still necessary in the semi-peace of today. The theory that they are useful in finding deserters and other fugitives from the law has long been disproved. By bringing identity cards into use in the health service the Minister of Health is making the system of national registration permanent by administrative action. If the Government wants to make it permanent, and can justify its decision, let it do so by asking for fresh legislation.

Shorter Notes

When he visits London in a few weeks' time Señor Miranda, the Argentine President's economic lieutenant, may be more accommodating than usual. His country's trading position is much less favourable than the figures for the first quarter of this year show. The favourable balance this time last year was 222 million pesos; now it is 164 million pesos. There is generally much more resistance to Argentina's shockingly high prices; resistance which has the powerful backing of the American Economic Co-operation Administration operating for the ERP. Señor Miranda's department has tried to hit back by concluding trade treaties with East European countries, just to show that there may be markets other than those now shrinking or stiffening in Western Europe. The gesture is an ineffective one—like the renewed boasts of a vast increase in trade with Russia.

*

Just as, nearly two years ago, Mr Shinwell laughingly remarked that everyone except the Minister of Fuel knew that there was an impending fuel crisis, so for the last few weeks Mr Strachey has been apparently the only person unaware of an approaching cloudburst of plum jam. Growers might wait for help, manufacturers plead and housewives mutter, statistics might indicate unequivocally that the time for derationing had come; but the process of enlightenment could not be hurried. Like the end of bread rationing, the decontrol of jam had to wait upon the Ministerial prima donna's infallible sense of timing. It is not the less welcome—though its mechanics make it a dubious blessing to those who have hitherto concentrated their rationed purchases on marmalade, leaving teatime to look after itself, and now see their breakfast laid waste: and equally those who have counted on the sugar equivalent to make real jam instead of the stuff humorously described as "full fruit standard" and now face a similar reduction, only very partially compensated by the prospect of unlimited supplies of variously named pectin.

*

Uneasiness is being caused in the Netherlands by proposals that the deadlock over Berlin might be broken by the withdrawal of all occupation troops from Germany. The idea has been discussed in two such different quarters as Mr Walter Lippmann's column and the Soviet press. Our correspondent at The Hague points out that the Dutch see all too little of the military strength of the Brussels Powers, that three-quarters of their own regular forces are overseas, and that it would come as a great relief to see concrete—and photogenic—evidence that there are troops to train and aircraft to fly. The best available base for them is Germany.

*

The request by student nurses of six London hospitals for an increase in salary is chiefly interesting because one of the chief reasons for it is their liability to pay the new national insurance contributions. On the assumption that student nurses are still treated as nurses rather than as students, they probably have as good a case for a rise as any other body of workers. Examination fees, books and uniforms take a large toll from their monthly cheque. But to grant a rise to cover the new insurance contributions would create a dangerous precedent.

"*Knowledge is of two kinds. We know a subject ourselves, or we know where we can find information upon it.*" Not all Dr. Johnson's dicta are accepted to-day (e.g. is claret the liquor for boys, and must one drink brandy if one aspires to become a hero?) but few will quarrel with his views on knowledge. For example, business and other organisations requiring information outside their own subjects know that they can often find it at The Economist Intelligence Unit.

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Letters to the Editor

Twilight Sleep

SIR,—As I read your article, I wondered whether you have considered the relation of efficiency of industry to almost any other activity in national life? Surely efficiency in industry is relatively about twice as high. It seems to me that there is no chance of obtaining higher productivity until the productivity of other phases of national life are increased. Otherwise, how could it be that so many people try to escape from industry? Goods cannot be produced under the conditions of slackness that one sees everywhere outside it.—Yours faithfully, HARRY WARD
Industrial Management Research Association,
Manfield House, Strand, London, W.C.2

SIR,—The leading article in *The Economist* of August 7th was needed to bring to Parliamentarians, industrialists and others a true appreciation of this country's industrial position. On one point only your article is not clear. What do you expect this coutry to gain from the American industrial advice?

American material aid has been magnificent and has won the gratitude of all. American industrial performance in their own country, as you say, sets standards which British industry would do well to copy. The performance of American owned and operated businesses in this country, on the other hand, has been generally at British and not at American levels of efficiency. They lead the best British firms narrowly, if at all. Why?

It is common knowledge that American industrial lead over this country is greatest in the mass production industries. In the same industries here, there are many American firms giving that example which is rightly preferred to precept. British firms in these particular industries believe that they are operating on the American pattern. Why is the British industrial lag greatest in those industries in which they have acted on American advice in the greatest degree? These questions can and need to be answered.—Yours faithfully, LEWIS C. ORD
23 Fitzjohns Avenue, London, N.W.3

[The important thing is that British industry, on both sides of the capital-labour fence, should be ready to accept advice, no matter whence it is proffered and should be eager to learn what can be learned from the experience of other nations, even if their methods cannot be imported bodily. What was so depressing about the discussion in the House of Commons was that it showed an almost total lack of this willingness.

We agree that there is no magic formula, known to American industry but unknown to British industry, which can simply be imported and applied here. But it would be silly to say that we have nothing to learn from America—the contrast is too great for any such conclusion to be tenable. The examples cited by Mr Ord suggest, as does other evidence, that the explanation lies not so much in the methods of direct production as in ancillary services (transport, handling of materials, organisation of flows, etc.) and in the general atmosphere of production, the former of which is hardly, and the latter not at all, within the control of the individual firm. But if so, as Mr Ward suggests, this opens up whole new fields of interest in American (and Swedish and Swiss) experience. Moreover, the conclusion that there is nothing to be learned from the Americans at the stage of direct production—at the lathe or on the assembly line—applies, if it applies at all, only in engineering, which is what is usually meant when "mass production" is mentioned.—EDITOR.]

From *The Economist* of 1848

August 12, 1848

WE noticed last week the two facts that the middle classes were now generally prosperous from the extension of enterprise and cheapness, and that they were devoted to our institutions. However much some amongst them may yet complain of the exclusive privileges yet possessed by the aristocracy, and whatever they may say against exorbitant taxation, and enormous pensions and salaries, they practically feel so secure and well off, particularly when they contrast their condition with that of the bulk of the labourers, that they are ready almost to a man to take up arms or a constable's staff in support of order. They enjoy the benefits of society, and they are ready to defend it. They hate even the threat of violence, and are roused at its aspect. Powerful as they are, they are perhaps unnecessarily alarmed at its slightest appearance, and apt then to be too much terrified. . .

Nearly all the political power is in their hands. They are the persons whose opinions the ministers consult, and whose interests they rarely or never thwart. The ten-pound franchise may be described as framed exclusively in the interest of the middle classes. All the modern political changes of importance took place at their instance, and were intended to serve them. All the changes made in modern times in our tariffs have been to their advantage. . . We everywhere see marks of their prosperity. All our towns have been rapidly enlarged and improved; the almost numberless elegant houses and suburban villas adapted for respectable families, that encircle the metropolis, the new streets filled with large shops, within it, are indications of the growth and prosperity of the middle classes.

Switching in Sterling Securities

SIR,—May I make some observations on the note in *The Economist* of July 24th. If the new regulations are studied in terms of British policy and self-interest, they are most difficult to understand. To divide British securities into thirteen groups and to forbid switching from one group to another, except into British Government securities, must inevitably mean that the largest offerings in New York will be of British Government stocks. Consequently, their price will always be at a discount compared with all other British investments. British Government stocks can be bought here at a "security sterling" rate of $1.75 to the £, while for shares in other groups the rate varies up to $2.05 to the £. This means that 4 per cent Funding Loan 1960-90 can be bought here at a flat yield of 8 per cent plus 100 per cent capital appreciation in probably twelve years. Such switching into Government stocks is also a disadvantage to the British foreign exchange position, since interest on Government securities is paid without reduction of British income tax.

Measures of this kind can only have the result that American investors get more and more afraid of their British investments and want to sell out at any price. After the war there was quite an interest here in British securities, and at the end of 1945 the effective rate for purchasing them was $3.90 to the £. Since February, 1946, the price of security sterling has dropped. Interest in British securities in New York is often referred to in London as "illegitimate dealings" or a kind of "black market." Such phrases are unjustified. American holders of British securities, some of which have been held here for a long time, acquired them legitimately and no blame attaches to any investor who wants to sell.

The British Government would like to minimise the change of ownership of British securities from soft currency countries to hard currency countries, and measures of this kind cannot be criticised. But it still should be possible to find ways of doing so which encourage American investments in Britain rather than discouraging them. Certainly they should be directed to making British Government investments the most attractive, and not the least attractive to the holder here.—Yours faithfully,
63 Wall Street, New York City D. BINGHAM

Frustrated Exports

SIR,—"The basic problem," says your note last week, "is to find a satisfactory definition of frustrated exports." May I offer the following:—

Frustrated exports are shortfalls in unrequited exports caused by unfair foreign application to British exports of the excellent principles governing British imports.—Yours faithfully,
1 Cornhill, E.C.3 H. W. AUBURN

Crown and Commonwealth

SIR,—The courage of Mr W. A. L. Coulborn in *The Economist* of July 24th must command the admiration due to one who endeavours to clarify the unclarifiable. The words "British" and "Irish" which he dubs adjectives have, long since, been used—quite erroneously—as nouns of multitude.

But in a hotel register the word to be entered is truly an adjective, qualifying the noun "nationality" at the head of the column. Why do the large majority of the population of the United Kingdom miss their opportunity of using the most glorious of all adjectives by casually entering "British" when they might proudly (and quite correctly) enter "English"?—Yours faithfully,
36 Hardinge Road, N.W.10 ALBERT BOLTON

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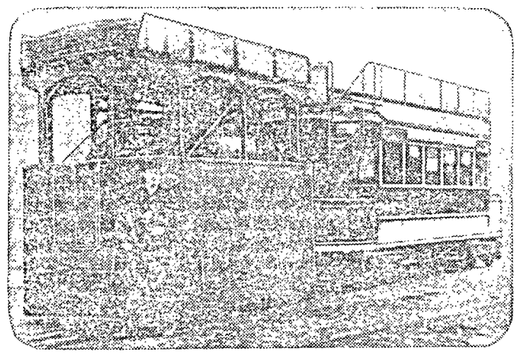
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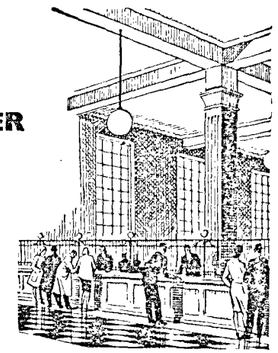
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AMERICAN SURVEY

Spies at Home and Abroad

(From Our US Editorial Staff)

THE Congressional attempt to divert the national attention from economics to spy thrillers is not without reasons, though too many of the reasons are frivolous. Spy hunts are as popular with all ages as economics are unpopular. Communists are safer game than rising prices. They make better headlines, demand less effort, stir a more primitive emotion, appeal to millions who are against Communism even more heartily than they are against sin. Three committees, two in the House and one in the Senate, are in hot pursuit of a number of politically profitable hares, who include former officials of a variety of Government departments and a former adviser to President Roosevelt. Such a chase, however unsupported by evidence that would convince a Court, delights the perennial Roosevelt-hater, embarrasses the Democratic Party, wounds Mr Henry Wallace. That it may also damage aspiring Republicans is a possibility which the gleeful questioners seem not to have contemplated until one of the accused revealed that he had the backing of Mr Dewey's foremost political adviser, Mr John Foster Dulles. As political ammunition, historical foot-notes which concern the living are not always safe.

It is too early to assess the effect of this summer circus on the voting public. The President condemns it, the serious press calls it irresponsible, disintegrating, even malign. But like so many unappetising spectacles in American politics, this has roots far below the surface. At the bottom there is an obscure sense of national danger, a bewilderment, a fear of the Russian unknown, a resentment at being forced to give up old isolationist habits and learn new international ways. America feels the need of a whipping-boy, and the Communists are first choice. With this subconscious unease goes a persistent belief that at some decisive moment before or during the war the Soviet Union did influence national policy, that it did use Russian spies or American Communists or both, that they have secured information (probably about the atom bomb) which is vital to the nation's safety, and that they are still active and dangerous, an uncaught menace in the event of another war. Thus far, little evidence has been uncovered which would support this belief, but the fear will not lie quiet. Its exploitable possibilities are known to Communists as well as to Congressmen.

Many people had hoped that the year-long labour of the New York Grand Jury, recently come to fruit in the indictment of twelve officers of the American Communist Party, would lead to trials in which rumour would be laid to rest, and the intentionally treasonable goats separated from the deluded sheep. The competition between House and Senate for the testimony of the Grand Jury witnesses, before the indictments have been heard, may end these hopes. It is worth noting, however, that the United States has not yet had its equivalent of the Canadian spy trials ; until some investigation as serious and as thorough takes place, there is little chance of curing what is coming to be a national neurosis. Afterward, it may be possible to pass an espionage Act which is competently drawn and to create an agency which can handle those suspected of subversive activity in a manner satisfactory both to Congress and the public.

In theory, the catching of spies at home might be supposed to be the job of the Federal Bureau of Investigation. In practice, this is a muddy pie in which many offices have a finger. Checks on the loyalty of government employees are made by the FBI and the Civil Service Commission. Checks on the loyalty of private citizens are, when occasion permits, attempted by the Un-American Activities Committee of the House of Representatives. Their sources of information vary but they have been known to refer protesters to lists of suspects compiled by the FBI. At the moment a sub-committee of the Labour and Education Committee of the House is looking into Communism among New York department store workers, though the ground for such enquiry is not clear.

★

That spy hunts at home should this summer coincide with a searching study of American facilities for spying abroad is not chance. The former make headlines, the latter proceeds with as much secrecy as can be managed. Yet despite this difference, and the semantic elegance of "intelligence service" as contrasted with "spy rings," it is obvious that for the American peace of mind Russian agents in the United States should be caught, and American agents in Russia should operate with skill and success. If the first is not at present being done satisfactorily, neither, say the experts, is the second.

Before the war, the Departments of State, War and Navy, all had their separate intelligence services. The first step towards co-operation was taken in July, 1941, and during the entire war there were continuous attempts to quiet competition and secure co-ordination in the triple process of obtaining, analysing and handing on information. At the end of the war such emergency organisations as the Office of Strategic Services and the Joint Intelligence Committee fell apart. A new series of efforts began which had as their goal the creation of a system which, in peace as well as in war, could supply the new needs of America's new international position. The Central Intelligence Agency, set up by the National Security Act in July, 1947, to operate within the new co-ordinated framework of the high command, is the latest result of these efforts. The CIA was expressly created for the purpose of "co-ordinating the intelligence activities of the several Government departments and agencies in the interest of national security." There are reasons to believe that it spent the first year amid more sparks of dissension than songs of harmony. The Secretary of National Defence has asked Mr Allen Dulles of war intelligence fame to conduct a survey of intelligence operations and to report next January. Certain changes in the CIA have already been made, and others are rumoured to be pending.

Mr Hanson Baldwin, of the *New York Times*, who is a member of another committee charged with examining the work of bodies set up under the National Security Act, believes that the existing intelligence structure is probably sound so far as organisation goes and "certainly it is better than any prior system." In action, however, he finds that it comes into conflict with the War Department, the FBI, the Atomic Energy Commission and the State Department. In general, it has trouble with the Washington ailment known as "empire-building," and with other woes arising when a new agency tries to teach its jealous grandmothers to suck eggs in chorus.

In a series of five articles, Mr Baldwin cites, as evidence of ineffectiveness, the failure of the intelligence services last spring to inform Mr Marshall that a Communist uprising was planned to take place in Bogotá while he was attending a conference there, the difference of opinion between departments as to Soviet intentions during February and March, intelligence fiascos in Finland and Hungary and the continuing lack of information on Russian strength in various fields. His recommendations for improvement include better personnel, recognition of intelligence work as a career for which training and advancement must be provided, and reorganisation of the CIA on a basis which is at once more efficient and more capable of imposing its plans on recalcitrant rivals in other departments.

All this sounds elementary to nations better schooled in the techniques of distrust and defence (a study of British Intelligence is included in the report which preceded the setting up of the CIA). The United States comes late to the mechanisms of international responsibility as well as to its impact on national habits. The nation has, however, shown abilities both as a pupil and an innovator and under pressure sometimes performs miracles. The question is whether peace, however queasy, will provide sufficient pressure to make America turn in time from play with cloaks and daggers to a search for substitutes which, less romantic, may also be more effective.

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

The Economy of the Southwest

[FROM A CORRESPONDENT IN TEXAS]

THE Southwest region of the United States is variously defined. A glance at the map tells why. But usually it is accepted as the area covered by Texas, Louisiana, Arkansas, Oklahoma and New Mexico. These states form an economic region primarily because they all produce prodigious quantities of raw materials, far more than their own residents can use. The surplus flows to the Gulf ports of Texas and Louisiana for export to foreign countries and coastwise shipment to the great industrial areas of the upper Atlantic seaboard of the United States. This common destination of its produce gives the Southwest its only unity. Apart from this, it is completely heterogeneous ; indeed, it has been called the "region of the meeting of regions."

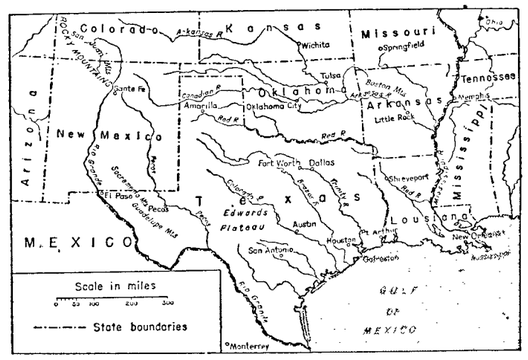
Into this region from the east extends the southern pine belt to cover Louisiana, the eastern fourth of Texas and most of Arkansas. The great plains come down from the north covering most of Oklahoma and north, central and west central Texas. Through New Mexico and across trans-Pecos Texas run the eastern ranges of the Rocky Mountains, with characteristic plateaux and arid basins. The subtropical drylands of northern Mexico continue into south Texas. This diversity of physiographic and climatic conditions gives the Southwest its great diversity of agricultural production, which includes cotton, wheat, rice, market garden crops, forest products, beef, mutton, wool, and mohair. Its output of minerals is almost as varied ; a high proportion of its oil, natural gas and sulphur is consumed outside the region.

In recent years the most notable economic development has been the great changes in the agricultural industries. Not many years ago this area produced an average of ten million bales of cotton annually, of which about 90 per cent was exported. As the cotton region farthest from the domestic textile centres and nearest to the Gulf ports, it was the logical cotton-exporting area. Hence the restriction of cotton exports as the result of competition, of synthetic materials and of the wartime decline in foreign markets has reduced cotton cultivation by about 50 per cent.

The consequences have been far-reaching. Approximately fifteen million acres of cultivated land have been either diverted to other crops or put back into pastureland. This has resulted in the introduction of new crops and in the great expansion of former secondary crops—wheat, oats, grain sorghums, rice and a variety of fruit and vegetables. At the same time, there has been a precipitate fall in farm tenancy, since in this region tenancy exists primarily in the cotton-growing sections. The decline in the number of "share-croppers" has been particularly noticeable ; these are tenant farmers who pay their rent with a share of their output and whose standard of living is notoriously low.

Another result has been the rapid mechanisation of farms, since cotton is much less adaptable to mechanisation than the crops that have supplanted it. Even cotton has been mechanised considerably in its shift from the eastern wooded area, where small farms and tenancy prevailed, to the large-scale farming areas of the prairie plains in the central and western parts of Oklahoma and Texas. There has also been a simultaneous increase in livestock breeding, not only because land which used to be cultivated has now been diverted to livestock purposes, but also because concentrated stockfarming is replacing large-scale ranching operations to a substantial degree.

These economic movements have been accompanied by comparable movements of population. It is estimated that 800,000 people have shifted from rural work and homes to an urban environment. While the total population of the Southwest has grown at a normal rate in recent years, three-fourths of its counties have lost population and, as a result, there is a high concentration in the other one-fourth. This shift came with little economic strain, since even before the war it accompanied an increasing industrialisation of the Southwest, and it was speeded up by the growth of the great war industries. At present the employment situation remains good as the result of the rapid conversion of most of the war industries to peacetime production. The industrial activity of this region, as measured in real-income dollars or in the number of wage earners, is now about twice what it was immediately before World War II.



The movement of population has accentuated the housing problem of the Southwest. There is little shortage of housing in the areas that have lost population, but the situation is acute in the industrial areas. It has been relieved somewhat by a phenomenon hitherto little known in modern migration—the migration of houses themselves. This has been made possible by heavy motor transportation and improved highways, especially in the plains areas where there are few curves, undulations or bridges. In some instances houses of as many as eight or ten rooms have been moved distances of fifty or one hundred miles, either whole or after being bisected. There has been no census of house migration but, according to the figures of several contractors in the business, some tens of thousands of houses have been moved. There are boom oil towns which have been almost entirely dependent on such transportation.

Large-scale migration of the rural population to urban centres has frequently created serious social problems. Because of the lack of building materials and the high cost of construction, extensive suburbs of Dallas, Houston, San Antonio, Fort Worth, New Orleans, Little Rock, Oklahoma City, Tulsa and other cities have been built with flimsy residential structures, creating fire and health hazards. The provision of streets and other utilities for these areas has put a heavy burden upon city

inances, especially since their taxable value is below the average, because of their cheap construction. In several instances cities have refused to incorporate suburbs having as many as ten or twenty thousand people. While jobs are plentiful and wages high, people live in these sections with a minimum of discontent. But conditions could become bad if a period of economic recession should set in. On the other hand, much residential construction of modern, permanent quality is under way in these cities, promising considerable relief from the housing shortage if conditions remain favourable to building for a year or two. In each of the six or seven leading cities of this area, an average of about 2,000 modern houses has been continuously under construction (with a period of about three months for average completion) during the last year and a half.

Another encouraging factor in the current situation is that, while there is much talk of bad housing conditions created by migration to the cities, actually there has been improvement of the standard of living in most instances. Many of these new city dwellers are former sharecroppers. Conditions in their old rural slums were even worse than in their present urban ones, and there was less hope of improvement. In the cities it is difficult for the public to overlook bad conditions. Further, as a result of the migration, there has been a distinct improvement in the real-dollar income, not only of the former farm tenant who is now an industrial worker, but of the farmer himself who, with a larger acreage than formerly and with mechanised production, is in much better economic condition than when a portion of his farm was tenanted.

* * *

There is much controversy over the future of the oil and natural gas supply in this Southwest region, with possibly more optimism than pessimism because of continued discoveries of new oil and gas deposits. Nevertheless, withdrawals of both petroleum and natural gas are increasing at a very great rate. Long-distance high-pressure pipeline transportation of natural gas began only about two decades ago, and the depression and later the war caused almost complete cessation of pipeline building. But during and since the war a large number of these pipelines have been constructed, and natural gas from this region now goes to more than half of the forty-eight states, including the nation's principal industrial areas. There is also a large export of gas to Mexico to serve Monterrey and some other population centres.

The present great increase in export of natural gas from this area may have considerable consequences for the economic future of the region, according to some economic observers and writers. They point out that it has been to a great extent responsible, both as fuel and raw material, for the development of the huge chemical industries. More than $200 million has been invested in such plants in the last few years, and there is a large construction programme under way now. But industrial expansion might be seriously restricted if the supply of natural gas is depleted or even declines to the point where its price would be higher than that of other industrial fuels.

There is no reliable census of income for this Southwest region, but it is undoubtedly at an all-time high in real-income dollars. This is the consequence of the flush production and high price of oil, natural gas and other mineral products, and the high agricultural prices, particularly those of livestock. Since the region's income depends primarily upon its great outward shipment of surplus commodities to both domestic and foreign markets, its economic future will depend upon the ability of the national and international markets to absorb its products.

American Notes

Congress Compromises

President Truman's brave defiance of the Republicans has given him a victory on points, but it is a victory for the Democratic Party rather than for its Presidential candidate. The Democrats who are running for the Senate and the House will reap a harvest of votes from the unsatisfactory Republican repiy to the President's challenge, and it is only in these local contests that the Democrats have any real hopes of success. But, however much Mr Truman may try to make it seem otherwise, he is fighting not Congress but Governor Dewey, and in this battle it is he, not the Republican candidate, who must stand and be judged on his record. Mr Dewey has as yet given little indication of the strategy which he will follow when he opens his campaign in September.

If there was any doubt about the shrewdness of Mr Truman's decision to base his attack on Congress on its failure to control prices and remedy the housing shortage, it was dispelled when the Republicans showed that they did not dare to face the electors without doing something to repair both deficiencies. But politically the Congressional compromises are as feeble as Mr Truman maintains they are, and will detract little from the propaganda value of these two issues to the Democrats. A fierce attempt was made, by Republican as well as Democratic Senators (although not by Senator Taft), to secure passage of the full Taft-Ellender-Wagner Housing Bill, for which the President had asked and which the Senate had already approved. But the House—and the housing lobby—won and the provisions for direct Federal aid for public housing and slum clearance, which would have given help where it was most needed, were left out. The Act, as finally signed by the President, provides only for liberal credit and mortgage insurance for low-cost houses and flats and for the establishment of a Government agency to work for the standardisation of building codes.

* * *

Credit Controls

Congress has thus followed the bad example which it had accused the President of setting: the inflationary effects of its housing legislation will cancel out at least some of the deflationary effects of the credit controls which it also approved. This was the only part of the President's anti-inflation programme on which Congress was prepared to act, and in practice it was almost the only part on which action was likely to be effective. The power of the Federal Reserve Board to regulate consumer credit has been renewed: since it lapsed last October, the most liberal terms have been offered for instalment purchases and the volume of such purchases has greatly increased. It is expected that something resembling the wartime restrictions will now be reimposed.

This power has been given to the FRB until June, 1949, as has the power to increase the cash reserve requirements of its member banks by one and a half per cent for time deposits and by four per cent for demand deposits. The President had asked for increases of four and ten per cent, but Congress was not prepared to go so far. The House attempted to raise gold reserve requirements for the Reserve Banks, but this provision was dropped by the Senate after it had been denounced by government spokesmen. Congress could not, however, be induced to extend the cash reserve requirements to banks outside the Federal Reserve System, although Reserve officials insisted that failure to do this would penalise the banks within the System and would lessen the effectiveness of the legislation.

The voters have been warned that these credit controls are unlikely to bring prices down, and from their point of view Congress has certainly done little to weaken Mr Truman's case against it. But the President has gained a worthwhile addition to his powers to check inflation, powers which were already substantial and which he has been criticised for not using. His failure to use them has been explained by the disagreement on financial policy between the Treasury and the FRB. During the special session, however, there were indications that the Treasury was becoming more amenable, and it has this week raised the interest rate on short-term Government securities from 1⅛ to 1¼ per cent, an increase for which the FRB had been asking.

* * *

$65 Million for Peace

If the Eightieth Congress did little during the special session to gloss over the stains on its domestic record, it put a final polish on its already almost unblemished international performance. The only one of the President's eleven requests on which it was prepared to satisfy him completely was the loan of $65 million for the construction of the United Nations headquarters in New York. The loan is interest-free and is to be repaid in annual instalments, beginning in 1951. The House approved it by 264 votes to 97; the Senate had already passed the Bill before the adjournment, but at that time the Speaker of the House, Mr Martin, had successfully prevented the House from acting upon it, by refusing to allow the loan to be separated from the provisions for strengthening the United Nations and for giving diplomatic privileges to its staff, which the Foreign Affairs Committee had included in an omnibus Bill. Consideration of these provisions has now been left until the new Congress meets. Mr Martin's greater readiness to compromise may have been inspired by a belated realisation that isolationist tendencies are not at the moment an asset in the Republican Party.

The question of diplomatic privileges for members of the United Nations staff might have led to controversy, in view of the allegations of subversive activity which have recently been made against some of them. Indeed, in the debate on the loan itself, there was talk of "a sanctuary for Stalin's agents." To that the reply was made that, if the loan was defeated, the United Nations might move to Europe, where it would be even closer to the Communists. Such a move would certainly sap the already weakened faith of Americans in the United Nations. Failure to pass the loan would have had just as disastrous effects on the faith of the United Nations in the United States. If, as has repeatedly been declared, the United Nations is not only the world's best chance for peace, but the keystone of American foreign policy, the least the country can do is to give that keystone a concrete setting as a symbol of its permanency. In fact, of course, the readiness of the United States to pay its international way has already been amply demonstrated; participation in international organisations cost it nearly $1,10 million last year and it contributes almost 40 per cent of the total United Nations budget. The United States has requested that the method of assessing contributions to this budget should be reconsidered, but this is not because it objects to the amount of its own contribution, but because it fears that the present method may give major contributors undue influence.

* * *

Reconstruction Finance Corporation

The Reconstruction Finance Corporation has been authorised to advance $25 million to enable an immediate start to be made on the 39-story building for the Secretariat, which it is hoped to release from the "salt mines" at Lake Success by the summer of 1950. The site given by the Rockefeller family is already cleared and it is not inconceivable that next January the Governor of New York may stop on his way to Washington, to take office as President of the United States, in order to lay the foundation stone of the building that will provide tangible evidence of the bi-partisan foreign policy which he claims to have initiated and which he has certainly done much to maintain. The City of New York is to spend $20 million on improving the surroundings of the building, which will make it the capital of the world—provided that the United Nations does not break up before the building is completed, as some Congressmen fear it may. The City has good cause to be grateful to Governor Dewey for its newly exalted status and its citizens will be able to show their gratitude in November, a point which was probably in his mind when he gave his somewhat delayed support to the loan.

Mr Dewey's adviser, Mr John Foster Dulles, who is expected to be his Secretary of State, will once more be a member of the United States delegation to the United Nations Assembly in September. He was in Washington while the loan was being passed and it is believed that arrangements were made for his association with the State Department in the formation of foreign policy during the coming election campaign. Mr Dewey has evidently decided that this year, as in 1944, the national security makes it essential to keep the broad principles of that policy free from political controversy.

* * *

Meat on Velvet

In Beverly Hills, California, a butcher has evidently decided that meat has been in the luxury class long enough to qualify for permanency. He has spent £2,500 to make his shop window resemble an expensive jeweller's and he displays choice cuts on velvet pillows, hoping that the window shopper will be tempted to buy a Sunday joint of beef costing £4 or £5. Flamboyant Hollywood naturally goes to dramatic extremes, but carefully decorated meat now frequently appears in shop and restaurant windows.

Mr Hoover's campaign slogan of "a chicken in every pot" may have sounded fine in 1928, but today the demand for red meat (beef, lamb, veal, pork) has been encouraged by high wages and full employment to such an extent that it would need the promise of "a steak on every stove" to arouse the enthusiasm of the voter. Statistics indicate that families, who before the war could not afford meat, eat it now with regularity, but, conversely, a great number of those in the middle income brackets, who have taken meat for granted for two or three generations, eat beef and lamb only as a rare treat. Meat prices are on the average nearly three times as high as before the war. Rib roast fetches a retail price of 4 shillings a pound, lamb cutlets are 4s. 6d., bacon 3s. 6d., with cheaper cuts and offal also beyond the means of many. In restaurants fillet of beef costs anything up to 30s. the portion. Desperate housewives grumble in turn against their butchers, the Government, the farmers, and the hungry people of Europe (actually only ¼ of 1 per cent of domestic meat production was exported during the first half of this year). Even temporary boycotts, such as the one taking place at present, have accomplished only localised reductions in prices. There is just not enough meat to satisfy the demand.

The current shortage and high prices are the result of last year's poor corn crop; the cost of grain made it unprofitable to fatten hogs and cattle and many animals that should be coming to market were eaten last winter. Farmers reduced their livestock (the Department of Agriculture reports the fewest sheep in 24 years) so that grazing lands could be ploughed into profitable crops. Paradoxically, the prospect of more and cheaper feed this year will accentuate the meat shortage. Not only will the stock that might have been sold this autumn be held back for further fattening, but more animals will be kept for breeding. This will not increase meat supplies much before 1950 and lower prices are, therefore, unlikely next year if demand remains high.

A picturesque proposal has been made in the Far West where mustangs still graze freely on the high plateaux. Cattlemen have suggested that thousands of these wild horses should be slaughtered; this would produce cheap meat for export and leave more grass for cattle. Naturalists recall the disappearance of buffalo from the western prairies and oppose the plan, so perhaps the inventive housewife might get away with meat substitutes by appealing to the romanticism in her family with an occasional "save the mustang meal."

* * *

Alaskan Frontier

Long ago the late General William Mitchell insisted that "He who holds Alaska holds the world." The view that any future war may be won or lost on the short air-routes above the Arctic is strongly held by American military authorities. The reluctance of Denmark and Iceland to grant the permanent Arctic bases sought by the United States has served to concentrate attention on Alaska, which is not only a free field for experiment in sub-Arctic conditions, but America's own back door. Asiatic Russia is only 52 miles to the west, and Alaska, seeking from Washington the means of development, may well regard Stalin as Alaska's best friend.

If the backdoor is only lightly barred, it is largely because the scarcity and costliness of transport facilities impede both defence projects and the economic development which is equally necessary for security. Alaska is the prisoner of its own remoteness and size. Everything must be imported: food, building materials, workers, either by air, by the uncertain and costly sea route, or over the Alaskan Highway built during the war. Both the Administration in Washington and Governor Gruening of Alaska have insisted that statehood (Alaska has been a Territory for more than thirty-five years) is essential both for the purposes of defence and development. President Truman urged that Alaska, as a state, would be able to advance its own cause by sending representatives, rather than a voteless delegate, to Washington; it would be able to revise its antiquated tax system and to borrow money for its own improvements. But Congress failed to act on statehood either for Alaska or Hawaii. It did, however, approve a number of separate projects to explore Alaska's resources.

With only 94,000 inhabitants in an area one-fifth the size of the United States, Alaska is America's last great natural frontier. Enthusiastic colonists are not lacking, but Alaska is an even less rewarding field for individual pioneering than was the American West. The easy profits are already skimmed off by the absentee-owners of the salmon and gold industries. The veterans who streamed north as homesteaders after the war found jobs scarce, housing almost non-existent, and the cost of living prohibitive.

Under the $200 million appropriation approved by Congress, the Federal Government is to ease their way. The insistence of the Army that Alaska's chief defence needs are an improved railroad, a major oil pipeline, and the building of an internal road system, now almost completely lacking, led Congress to vote $50 million for these purposes. The rest of the money will be spent surveying sites for pulp and paper mills, hunting for scarce and strategic minerals and investigating the Point Barrow oil reserves, and surveying by air possible sites for homesteads. The hope is not only to lay the foundations for a broad five-year plan of economic development, financed by Congress, but to encourage private capital, hitherto alarmed by Alaska's high costs, to play its part on the frontier.

Something in the City

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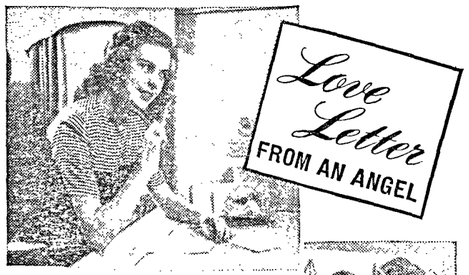
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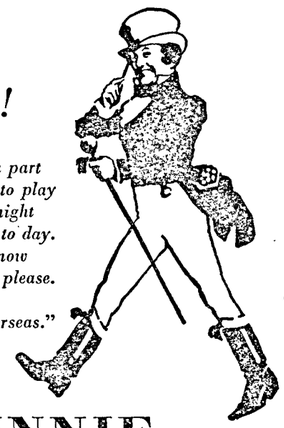


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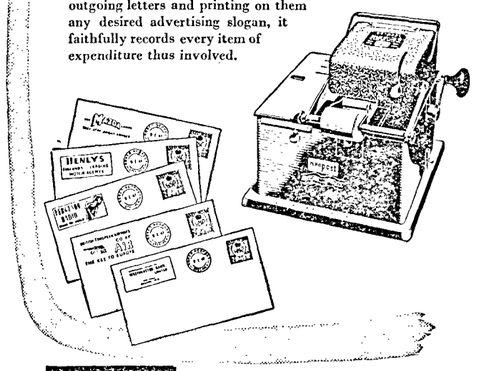
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THE WORLD OVERSEAS

In Rural Turkey

(By Our Special Correspondent)

FOR lack of good communications, the foreign traveller in Turkey is apt to fail to get into the countryside. He sees the cities. He meets the Turks who speak a foreign language, or have been abroad, or have got a degree. He rubs up against the uneducated either little or not at all. He therefore gives peasant life a miss.

He may see something of it in the fertile tobacco and currant-growing coastal area behind Smyrna, where intensive cultivation and horticulture produce green crops, and employ many hands. But inland, his view is apt to be limited to what can be seen out of trains and aeroplanes. His impressions of the Anatolian plateau, therefore, are chiefly two: firstly, how very much more this land could produce if better handled; secondly, where do all the people live who scratch its furrows?

Statistics provide a part answer to his question. (And, to the great convenience of the English-speaking reader, a useful variety of these has just been produced with a dispassionate and admirable commentary, by the former British Commercial Counsellor at Ankara. It is available from His Majesty's Stationery Office at 4s. 6d., and is value for money.) Of Turkey's population of nearly 19 millions, over three-quarters are villagers. In 1945, 81.8 per cent (counting both sexes) were engaged in agriculture and fisheries, as opposed to only 8.3 per cent in industry and 5 per cent in public administration. But the peasants' net productivity per male head was low. It was, shortly before the war, 109 international units per male earner per annum, as compared with 90 units in Egypt, 93 in Iraq, 475 in Great Britain and 661 in the United States. The cause of the low Turkish figure is not, as in Iraq or Egypt, climate or debilitating diseases. The Turkish peasant who survives his rigorous and insanitary infancy is tough and a worker. His handicaps are a lack of tools; a lack of communications and therefore of markets; and a lack of incentive to better himself owing to dissemination of his kind over tens of thousands of remote hamlets that have so far proved too small and inaccessible to modernise one by one.

Untouched by Social Changes

An agricultural population of about 15.5 millions is spread over 40,000 villages. An average village, therefore, numbers only 380. Nine thousand contain under 200 inhabitants. The social changes that have transformed Turkey's towns have left them untouched. They remain conservative, uninventive and unenterprising. Eating their produce as they do, those that lie on Anatolia's plateau produce six lamb cutlets and a partridge per head as a normal meal, having no means of sending half this amount abroad and buying an overcoat instead. Snowbound as they are for months at a time, they are far more often cold than hungry. But they are proof against crisis by comparison with the richer tobacco grower of the coast. Their tiny clusters of mud huts are the same colour as the dun landscape, and melt into it. A wide valley that at first glance looks uninhabited turns out to contain two or three. And, until lately, little has been done to disturb their complacent ignorance. All available state funds have been concentrated upon developing strategic or autarkic requirements in industry. By comparison with the advancement in the towns little has been done, therefore, for the countryman in the way of health and educational services and—all important in the coastal river gorges—of flood prevention. As a result, a new and conscientious young Minister of Public Works who last month visited the areas of Erzinçan that were devastated by February's floods, became the butt of endless reflections upon "our former negligence and incompetence."

It follows that a recent comment, made by an American visitor during a press interview, that "what an American can do, a Turk can do," at present applies only to individual Turkish scholars and technicians. It is and will be for many years to come untrue of the farmer. A generation or two must pass before every Turk can read what is on the bottle, and before he develops that instinct for handling machinery that seems to become second nature to the male sex in the second or third generation of industrial development.

But the change is on the way. There is no room, in an article on rural Turkey, to discuss how far it will be speeded up under the schemes for the development of communications, flood prevention and rural hygiene that form part of the present Government's ambitious fifteen-year programme. The success of this, and of the developments brought on by ERP grants and other moneys from abroad, depend to some extent upon the hazards of politics. But the traveller through the Turkish countryside can see for himself certain changes which are already taking place not only on paper but in practice.

Drive For More Teachers

One of these is a by-product of the mobilisation that is on every other count costing Turkey far too dear. It is the very considerable increase in literacy that has been brought about by teaching all recruits to read during their period of service. Of the age group under 25, 60 per cent in the towns and 40 per cent in the villages are now literate. The bulk of the illiterate are girls. In the years between 1937-38 and 1944-45, the number of schools all but doubled and the number of teachers rose from 21,500 to 34,800. But this second figure, covering as it does both town and country, at once shows that there is far from being a teacher for every village. Nearly 10,000 are still without schoolmasters.

The drive to supply this want is the most interesting of the social developments at present in progress. Its name, in Turkish, is the Village Institute system, which means the special method devised for training teachers who are ready to undertake the long and uphill plod in the backward and inaccessible hamlets already referred to. For experience has taught that few town-trained teachers want to go there. Once a taste for modernity has set in, the Turk has no use for village life. Missionary zeal is rare. Civil servant, doctor and schoolmaster alike regard Eastern Anatolia as banishment because, only too often, it turns out to be so. One of the weakest points in the organisation of Turkish Government service is that out of sight is out of mind, and the young man who has gone east sees himself passed over in favour of those who are in a position to dance attendance on Ministries.

In 1939, therefore, a system of training teachers in a village environment was begun. There are now 21 Village Institutes, each some 1,000 strong and each serving about 3 vilayets. Here promising local boys and—despite parental prejudice—also some girls are selected at about 12 years of age. The final selection is made by personal interview. Six years' instruction is then provided at state expense, divided as to 50 per cent for culture and the arts, 25 per cent for handcrafts and 25 per cent for agriculture. At the end of the period the pupil who passes out gets a village appointment—at about £T100 per annum, but with house, land and a horse supplied. A six-year course, the idea of which was evolved only in 1939, has, so far, passed out only two finished batches of students. At the present rate of progress every village in Turkey will have its qualified teacher by 1955.

The Institutes are self-contained, in that they do their own servicing from baking to building and plumbing, but are also taught to regard themselves as part, as it were, of a public schools system. At Hasanoglan—the Institute that serves the Ankara area—ground plans of the 20 counterparts hang in the corridor. "This one has the sea, but then we get skiing." Hasanoglan, with its colour-washed shacks and general air of vigour, is the very antithesis of the old-style village of its name on the slopes above. Below, girl students are playing women teachers at

volley-ball, each side vociferously cheered by male counterparts. Up the hill, the elderly woman driving her ass down the apology of a street snatches her head cloth into her mouth out of sheer habit, to conceal her face from strangers. She is a reminder that the student, once qualified, is going to a lonely job. Some marry at the Institute, and start work as a pair. It must be easier for two to set examples and to break hard ground.

A visit to a Village Institute leaves some sharp impressions. One is of a fresh flowering of the pioneering spirit that was the hallmark of Kemal's zenith. Teachers and pupils alike create this atmosphere in their eagerness to show off what are, as yet, the meagre means at their disposal. The second impression is one of making the best of scanty equipment. "If only we had another machine. . . ." "There are a thousand of us but only 72 pairs of skis. . . ." Even the uniform, though warm, is drab. "But it would not do to be too smart where we are going. . . ." This, however, is no reason for equipping both sexes in porridge colour battle dress cut to fit giants whereas the average Anatolian peasant is stocky. Another impression is that more time given to agriculture, and in particular to teaching the many simple dodges that make for a better crop—such as how to double-trench, leaving top-soil topmost, and how to turn compost—would be a quicker route, than are the hours spent on foreign languages and the like, to converting Anatolia into the major food-producing area that it must become if Turkey is to prosper. The agricultural instruction, at least in this important inland area, does not, to a western eye, approach in quality anywhere near to the standard of the cultural syllabus. It is far below that given to corresponding pupils in Cyprus, whereas the instruction given in other crafts is more varied and better.

But the makings of a great change in rural Turkey are all there. A Village Institute is a show piece, and worthy of the pride taken in it, even by townsmen. Of course its very novelty is, by implication, an admission of a fact long concealed—that during the drive to modernise what had been Ottoman Turkey not everything could be done at once. Something had to slide, and that something was rural development and welfare. Parts of the Turkish provinces still welter in the Middle Ages. That they do so has lately been the subject of some candid but naïf articles in the Turkish newspaper *Cumhuriyet*. Its correspondent, who did a Cobbett's ride in Urfa, where Turkey's largest wheat silos have been installed, writes with astonishment of "mediæval conditions" and "no signs of modern legislation." Today his discoveries come as news to his readers. If Hasanoglan fulfils its promise, he should have a different tale to tell if he rides again in ten years' time. Meanwhile, however, the peasant sees no reason to change his ways and any revolution in Turkish agricultural production is bound to be slow.

Defence Policy of Pakistan

[FROM A SPECIAL CORRESPONDENT]

THE partition of India has left Pakistan occupying the unenviable post of Warden of the Marches, as important in its strategic position as it is vulnerable. Whether, with limited resources and a lengthy line of communications, Pakistan could fulfil its obligation of protecting the north-eastern Frontier is highly problematic; but fortunately the focus of the defence of the Indian subcontinent has swung back to its traditional orientation and the potential danger is from the north-west. It has been so since the dawn of history; what is new is that India is no longer concerned with the defence of the Frontier and is buttressed by another buffer state between itself and Russia. Pakistan has already risen to the occasion in what may be termed the local problem: the Frontier Tribes are no longer semi-outlaws perpetually harrying the border, but are yielding to the attraction of the new Muslim State and are quieter than they have been at any time during the last hundred years. But, in the present darkening international scene, it is worth while considering how Pakistan stands in the wider strategic sphere and what the broad outlines of its defence policy are likely to be.

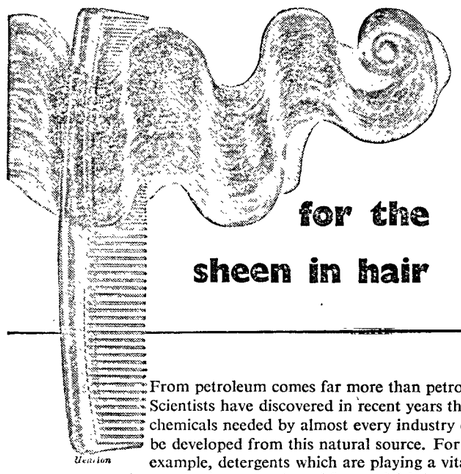
At the outset, it may be said that the indications are that, so long as Pakistan remains a member of the British Commonwealth, it will fulfil its obligations as such. It would, no doubt, be entitled to follow the Irish precedent and adopt an attitude of strict neutrality in the event of war, but most observers are fairly sure that Pakistan will not be content to remain in the Commonwealth solely for what it can get out of it. It is more likely honourably to play whatever part is allotted to it on the side of the freedom-loving nations. Apart from the fact that this will be consistent with the general tone of Pakistan's foreign policy, the Dominion has a shrewd idea as to who are its real friends. Russia is certainly not one of them, and in the unhappy event of war breaking out between the USSR and the western Democracies, Pakistan will assuredly be found on the side of the latter. This is not to say that Pakistan will at once follow the lead of the United Kingdom and rush to arms. There is ample warrant for the view that in certain conditions "non-belligerency" may be more helpful to an ally than an immediate declaration of war, and the general feeling is that the Great Powers will find Pakistan more of an asset by keeping it neutral in the initial stages of a war than by placing themselves under the necessity of taking up responsibilities for defence which they could not fulfil. Such obligations could only be discharged if careful preparations had been made in advance, but nothing of the sort appears to have been done. Indeed, it is surprising that, as far as is known, the British Government has, as yet, made no *ad hoc* approach to the Pakistan Government in connection with their common defence problems; still less have any joint staff talks been initiated.

Favourable Strategic Position

Presumably the Imperial General Staff recognises the importance of the strategic and political position of this part of the Commonwealth. Apart from the broad fact that Pakistan is the largest, and perhaps now the most influential, Muslin State, Karachi provides an excellent harbour, commanding the approaches to the Persian Gulf with its vital oil installations; while the North-West Frontier Province and the West Punjab are situated only a few hundred miles from the highly industrialised areas of Russian Turkestan. Is the British Government taking Pakistan for granted, or does it consider the part it could play insufficiently important? The answer is beyond the competence of a layman, and quite possibly more is being done behind the scenes than is realised. War supplies are, of course, being drawn from the United Kingdom for the Pakistan armed forces; the position in this respect was not encouraging in the earlier part of the year, but the Defence Secretary's recent mission to London is said to have produced good results, and the flow of essential requirements is being speeded up.

Thanks to the formidable barriers provided by nature, the Pakistan Government is confident that a land invasion over the North-West Frontier is not a practical proposition and that Pakistan's small but efficient army would be capable of warding off any such danger. Parachutist attacks would, however, be a serious threat, and it is not likely that Pakistan would be able to spare any forces for other theatres of war. The Royal Pakistan Navy too, small as it is, would be adequate to keep the sea lanes open against any threat from a power which is not predominantly maritime and to guard the approaches to Karachi. The real danger lies in the air, and the crux of Pakistan's defence lies in the air arm. At partition, Pakistan received only two fighter squadrons and a few transport aircraft; if it became involved in war with Russia, it could be heavily blasted from the air either from Central Asia or from Persia (for it is assumed that the oilfields of the Gulf would be one of the enemy's first objectives, and Persia would be quickly overrun) without being able to put up much defence, unless heavily and promptly reinforced by the western democracies. Preparations for the organisation of adequate air defences must obviously take time and, unless they are put in hand well in advance, a fatal interval might elapse. As matters stand, an initial period of neutrality seems almost inevitable.

How, then, does India fit into this picture? The answer seems to be that India does not fit in at all. There is a strong probability that it will adhere to an attitude of strict neutrality. In any case, no attempt is being made to work out a co-ordinated defence policy between the two Dominions, and the possibility of such an attempt being made is remote. Apart from the fact that the two countries are even now engaged in something like an undeclared war in Kashmir, the memories of the ghastly events of last autumn are still vivid, and Pakistan could never contemplate the idea of Indian troops being moved across the West Punjab to help in the defence of the Frontier. Admittedly, regular meetings between the Defence Secretaries of the two Governments are being carried on, but their discussions are mainly confined to problems arising out of the division of ordnance stores and similar administrative matters. Ultimately, when relations between the two sides improve, the fact that they have much in common in their strategic problems may necessitate a closer approach. A common danger might also unite them, but for the present each must be expected to pursue its own separate policy.



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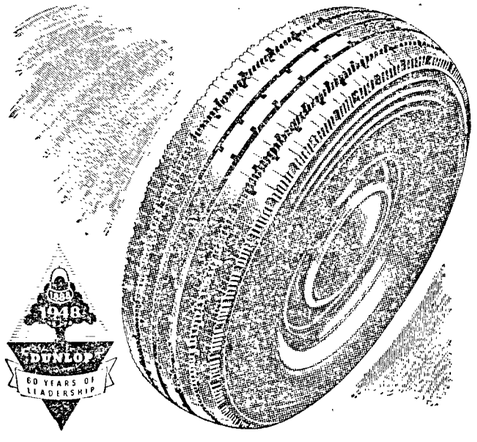
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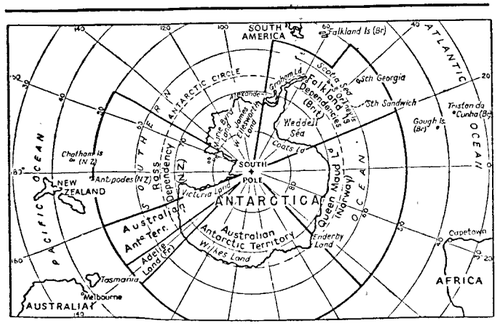
British Rule in the Antarctic

[FROM A SPECIAL CORRESPONDENT]

THE comedy of diplomatic manners played out each winter against the frigidly improbable background of the Antarctic is attracting increasing attention. Many doubt whether Britain can afford a spectacle which, in itself so diverting, is clearly prodigal of prestige and presumably also of hard cash.

Although the Falkland Islands Dependencies Survey (FIDS) did not operate under that name until 1945, its work began in secret in 1943 under the title of Operation Tabarin for the purpose of maintaining British sovereignty in the face of Argentine and Chilean encroachments. The distinguishing mark of this work was that it was based on the then revolutionary policy of establishing a series of permanent bases in the Antarctic covering a large area. Meteorology, land survey and geological and biological research were all included in the scientific programme. Chile and Argentina both adopted a similar policy in 1946, and at the moment, in comparison with Britain's seven bases, the former are occupying one and the latter three (including the meteorological station on Laurie Island in the South Orkneys, the maintenance of which was handed over to them in 1904 by Dr Bruce, the Scottish explorer).

Economically, the value of the Falkland Islands Dependencies has been exaggerated. Their only proven worth lies in the vast quantity of raw protein in the Antarctic Ocean, which contains enormous shoals of tiny sea creatures, mostly about the size of shrimps, which form the diet of the whales. The exploitation of this, however, is not a short-term project, much further research being required. For immediate purposes Britain can only con-



centrate on the revival of shore stations to take advantage of the present market for whale oil (shore whaling is not restricted by international authority but only by the British administration) and on developing sealing in South Georgia and starting it in the South Orkneys.

It is hard to believe that so vast an area as the Antarctic does not contain great mineral resources, but none worthy of development have yet been discovered—rumours of uranium deposits may be taken with a large pinch of salt. The task of geological survey is prodigious and expensive. The thick ice-cap, the bad climatic conditions and the difficulties of communication would make only rich deposits of precious or semi-precious ore worth developing. In short, with so much of Britain's colonial territory undeveloped, the Antarctic does not offer an encouraging field for research.

Similarly the range of Britain's strategic interests has been overestimated. Meteorological and ionospheric work in the Antarctic is of importance as it gives Britain an opportunity of securing more accurate weather reports and of improving wireless communication. But the Dependencies do not offer good harbours for ships, and the passage round the Horn is controlled far more effectively from the Falklands or South America. Weather conditions make the establishment of air bases a doubtful project and Australia is not likely to find a fueling station there a practical possibility should the loss of the Middle East ever compel it to use the Cape route. Finally, there is no close analogy between the North and South polar regions; any potential enemies are in the North which does not suffer from such appalling climatic conditions as in the South. It is hard, therefore, to picture the isolated Antarctic as a strategic area in a foreseeable future war.

From 1943-46 the operations of the FIDS were financed by the Admiralty, and no separate accounts were kept for what was regarded as an item of war expenditure, but from April 1, 1946, financial responsibility was transferred to the Colonial Office. The large excess revenue amassed by the Dependencies during the last two years through the sale of their stamps—issued in 1946 and much in demand among philatelists—led to their making two contributions amounting to £99,000 towards the work of the organisation; consequently the FIDS cost the British taxpayer only about £21,000 in the two years for which it came under the Colonial Office vote. No further expenses will now fall on Britain, for, from April 1, 1948, the Governor of the Falkland Islands and their Dependencies under the Secretary of State for the Colonies has assumed control of scientific work and will finance it from a Research and Development Fund, now containing about £150,000, and from any excess revenue accruing to the Dependencies. In the interests of economy and of the whalers (who form the majority of the area's inhabitants and are the source of its wealth) the scientific programme will be one of immediate practical value—weather forecasts, tidal and ice observations, an annual seal census and hydrography. Elaborate surveys and geological work are unlikely to be pursued after 1949; research work financed from other sources will, however, be facilitated where necessary.

Taxes on Whaling Industry

This new move marks a return to the old system by which a programme of regular scientific research in the Dependencies was financed; for the FIDS is not the first British organisation to embark on such an enterprise. In 1923 a body known as the Discovery Committee was set up to organise hydrographic survey and marine biological research in the area with special reference to whales; it was then that the Research and Development Fund was set up. Totalling some £316,000 at the end of 1924, the fund contained the surplus assets accruing to the Dependencies from taxes on the whaling industry and was to be maintained by future surpluses and interest on investments.

Although the invention of the factory ship later led to large-scale abandonment of shore stations (which are alone subject to oil taxation) and of the institution of pelagic whaling, this was a time of great prosperity. Whaling taxes and licences and port dues brought in over £150,000 in 1923; but, though the gross figures rose to over £200,000 in 1926, from 1925 onwards generous tax refunds were made and the net income of the Dependencies from whaling were down to little over £80,000 in 1928. Expenditure by the Discovery Committee was at first very heavy, averaging £75,000 annually in the four years 1926-29, but for the following years up to 1939 the annual figure was about £58,000. The Fund reached the record figure of £477,302 at the end of 1928, from which it then declined, gradually at first, but far more rapidly in the latter thirties; for, while the Discovery Committee continued with their ambitious research work, the depression hit the whaling industry and the approximate whaling revenues of £77,000 in 1930 fell to £14,000 in 1932 and £9,000 in 1933; nor did they again rise above £16,000 until this last year, when the taxation rates were revised to accord with the present high market value of whale oil—£90 per ton. Taxation now is about 51s. per ton. The receipt in taxes on whale oil for this year is estimated at about £40,000, which is highly satisfactory in view of the fact that there are only three shore stations now operating—all in South Georgia.

Sovereignty or Trusteeship?

The British Government have verbally maintained its sovereignty in the Dependencies and put British prestige in the balance. Yet they have proved unwilling to defend that sovereignty as they would presumably in any other British territory. Surely it is time to end this contradictory policy? Either Britain must claim that its sovereignty is inviolable on the grounds that its Letters Patent for the area were never at the time disputed, remove the intruders and recover its prestige at least at the temporary cost of part of our meat ration. Or, confessing that its practical authority has only ranged over small areas and swallowing its pride, Britain must try to reach an agreement with the other claimants. This would allow each to keep those areas to which they have reasonable claim by virtue of occupation and administration (and Argentina's claim to Laurie Island is quite a strong one), while the rest of the area could be put under a form of joint trusteeship. Britain would thus keep the whaling and sealing centres, the sources of immediate wealth, and be able to ensure the development of these industries unharassed by violent nationalist restrictions. At the same time there is no reason why reduced sovereignty should hinder scientific work.

THE BUSINESS WORLD

Industrial Productivity

IT is easier to judge what is wrong with British industry than to measure what is wrong. For many years, it has been the recurrent theme of *The Economist* that industrial productivity in this country was too low, by comparison with productivity in the United States and also with what could be produced with the existing resources and skill of British industry if they were better applied. Such conclusions have usually been based on informed observation and judgment. If more facts about industrial productivity had been available, the Chancellor of the Exchequer's proposal for an Anglo-American Council to strengthen the technical knowledge of British industry would have evoked fewer protestations about the efficiency of British manufacturers and the unremitting efforts of British labour. Until full-scale censuses of industrial production are being taken each year, this statistical gap will remain. To fill it, the observer must content himself at present with impressions, evidence assembled in various working party reports relating to particular industries, some painstaking research into prewar productivity in Britain and America conducted by Dr Rostas, and a few—very speculative—estimates of what has been happening to productivity in this country since the war.

There is no need, on this occasion, to rehearse the evidence that British productivity is far from satisfactory which has been produced whenever a British industrial delegation has visited the United States. The Platt Report, the working parties, and Mr T. E. B. Young's recent account of American coal mining practice tell the all-too-familiar story that British industry is lagging behind. It is, however, as well to be certain what the argument is about. The study of productivity is concerned with the best use of real resources of labour, capital equipment and raw materials. It is concerned with technical efficiency, and not merely with low costs or competitive ability. The native potter may produce his crude wares at lower cost than the average worker in a modern pottery, but his productivity will be infinitely lower, and his lower cost only reflects a far lower standard of living than the industrial worker's. In modern industrial communities, of course, the two concepts of cost and productivity cannot be separated quite so obviously, but there are still good reasons for measuring relative industrial efficiency by the physical output per worker. There are, indeed, plenty of technical pitfalls in such calculations. A ton of cement may be very much the same wherever it is produced. But two yards of cotton cloth may be very different in quality and durability; and to compare the British and American motor industries without allowance for differences in size, quality and style of their respective products would obviously be wrong. Again, an industry in one country may have much more capital equipment per head than the same industry in another country—usually measured by differences in the horsepower of machinery installed per head of the labour forces in the two industries.

These initial difficulties are clearly set out in a privately circulated study of productivity in British and American manufacturing industry prepared by Dr Rostas two years ago for the National Institute of Economic and Social Research. The approach and methods used by Dr Rostas are described in this article, together with three tables setting out some of his main conclusions, with the permission of the Institute; the study itself is to be published in the Autumn under the title "Comparative Productivity in British and American Industry," as Occasional Paper No. XIII in the Institute's series by the Cambridge University Press. Dr Rostas relies largely on what he calls the "global method" for his comparisons; that is, he takes figures of production for comparable commodities (or groups of commodities) and of the total number of employees required to produce them, in both countries. This is not the only method; the "sample method" (employed in the Platt Report) attempts to show the differences in output per head of a small number of typical mills or factories, but since these factories have to be comparable in size, labour force, technical integration, and quality of plant, it is not an easy matter to get satisfactory samples in two countries. There are also difficulties in the global method because individual industries, as defined in the national censuses of production, turn out goods which are not identical in the different countries, either in type or quality. The difficulty is to get homogeneous definitions of an "industry" and a "product."

The first problem—to define an "industry"—raises questions such as the relative importance of main products and by-products. The motor industry produces cars and tractors; the radio industry produces wireless sets, and also radar and

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other electronic equipment. Is textile finishing a separate industry, part of the cotton industry or part of the woollen industry? How is one to measure the relative efficiency of assembly industries, whose raw material is, to a large extent, already pre-fabricated? Secondly, if it is possible to compare those industries whose products are broadly homogeneous, some industries, like chemicals and jewellery, rule themselves out of any comparison. Industries producing the same end-product may differ in respect of technical integration—like the cotton industry in England (which is in separate sections) and that in the United States (which is not). Throughout the exercise, differences in quality, which may or may not be apparent to the consumer, dog the accuracy of international comparisons. All these difficulties are faithfully recorded and discussed in Dr Rostas's study. But he draws attention to one entirely different type of difficulty arising from "differentiation" of product—the difference, that is, between production which is largely standardised and that which is produced in greater variety. It is sometimes claimed that such differences account for the lower output per head of the British cotton industry compared with the American; but this, as Dr Rostas shows, is a problem, not of methods of comparison, but of the structure of the industry. It is one of the factors, like existing capital equipment and the skill and habits of workers, which play a part in determining productivity. It raises the question whether the advantages of variety are bought too dearly, compared with the much greater output of more standardised goods which could be produced (given the necessary changes in the industry) from the same amount of labour.

After this summary explanation of the methods and approach of Dr Rostas to the problem of productivity, it is time to review his conclusions. The first table gives the general results of a comparison of physical output per man and per manhour in the United Kingdom and the United States before the war. The comparison covers 32 manufacturing industries in both countries, accounting for about half of the value of net output in Britain and two-fifths of the value of net output in American manufacturing industry. Broadly speaking, consumption goods industries were better represented in the sample than capital goods industries.

The estimates suggest that in the prewar period between 1935 and 1939 average productivity in manufacturing industry was rather more than twice as high in the United States as in Britain. But this is not the whole story. An investigation into working hours in Britain in October, 1935, showed that they amounted to 47.2 hours in manufacturing industry, whereas the average hours worked in the United States were 36.6 in 1935, 38.6 hours in 1937 and 37.7 hours in 1939. Thus the British worker worked on the average 27 per cent more hours than the American worker; and hence the relative output per manhour in the United States was about 27 per cent higher compared with the United Kingdom. If allowance is made for the shorter working week in the United States, output per manhour was perhaps 2.8 times as high in the United States as in Britain.

These are average results. What is the showing of the main industrial groups and the main industries? The second table compares the productivity of main groups of industry in the two countries. Productivity is highest in those American industries producing packing materials and mass-produced durable consumption goods; the mixed group of seedcrushing, rayon, soap, matches and paper is close to the average; food is below the average; and steel, clothing, textiles and building materials are well below the average (though still appreciably higher than in Britain).

The third table gives comparisons for individual industries. It shows some truly astonishing results. How was it that the output of pig iron per worker was over 3½ times as high in the United States in 1937 as in Britain, or that output of tinCans

TABLE I—COMPARISON OF PHYSICAL OUTPUT PER WORKER AND PER MAN-HOUR IN 32 MANUFACTURING INDUSTRIES, 1935–39

	Output Per Worker			Output Per Man-hour (c)		
	U.K.	U.S.A.		U.K.	U.S.A.	
		Including Machinery Trade	Excluding Machinery Trade		Including Machinery Trade	Excluding Machinery Trade
(a) Identical yrs. (mostly 1935) in both countries	100	216	214	100	286	284
(b) Years reflecting use of capacity (1937 in both countries, or 1935-37 av. in U.S.A. and 1935 in U.K.)	100	224	223	100	292	290

Source: Comparative Productivity in British and American Industry (Rostas).
(c) Covering a smaller number of industries.

TABLE II—COMPARISON OF OUTPUT PER HEAD IN MAIN INDUSTRIAL GROUPS (U.K.=100)

	U.S.A. 1935—1939
Average, 32 sample industries	211—224
Higher than average advance in U.S. productivity:—	
Packing materials (glass containers, tin cans)	415—423
Durable mass-produced consumption goods (motor cars, wireless sets)	310—312
Machinery	230
Seed crushing, rayon, soap, matches, paper	224—225
Less than average advance in U.S. productivity:—	
Manufactured food	131—195
Iron and steel	173—174
Clothing	160—164
Textiles	155—160
Building materials	113—125

Source: Comparative Productivity in British and American Industry (Rostas).

TABLE III—ESTIMATED OUTPUT PER WORKER AND PER MAN-HOUR, U.K. AND U.S.

(Index Numbers, U.K.=100 in Years shown)

Industry	Utd. Kingdom		United States					
			Output Per Worker			Output Per Man-hour		
	1935	1937	1935	1937	1939	1935	1937	1939
Pig iron	...	100	...	364	...	...	452	...
Steel works and rolling mills, etc.	...	100	...	166	...	...	207	...
Foundries, iron & steel	100	...	150	167	177	...	...	230
Machinery (a)	100	...	...	268	310	...	340	...
Cement (b)	...	100(c)	...	94	110	...	121	144
Bricks	100	...	121	(139)	(150)	159	...	...
Coke	100	...	(187)	236	190	N.A.	N.A.	N.A.
Seed-crushing	100	...	...	...	117	...	...	125
Cotton spinning	...	100	...	...	150	...	...	161–172
Cotton weaving	...	100	...	...	200	...	...	250–260
Woollen	...	100	...	145–153	...	...	174–188	...
Worsted	...	100	...	115–120	...	...		
Rayon	...	100d	...	...	143	...	...	167
Rayon weaving	...	100	...	149	...	...	195	...
Linoleum	100	...	...	(191)	148–184	N.A.	N.A.	N.A.
Paper	100	...	(224)	(249)	263	(281)	(295)	315
Rubber tyres	100	...	(271)	276	315	(422)	422	437
Tin cans	...	100	...	573	...	...	709	...
Glass containers	100	...	(242)	(266)	276	(318)	(349)	366
Motor cars	100	...	306	...	...	395	...	...
Radio sets	100	...	...	...	348	...	...	414
Electric lamps	100	...	...	...	539–548	N.A.	N.A.	N.A.
Boots and shoes	100	...	152	154	157	202	201	208
Hosiery	100	...	...	...	176	(209)	(211)	234
Breweries	100	...	201	202	250	...	255	310
Soap	100	...	266	286	328	334	343	393
Margarine	100	...	120	153	172	N.A.	N.A.	N.A.
Matches	100	...	312	336	331	N.A.	N.A.	N.A.
Biscuits	100	...	(310)	(347)	363	...	...	424
Beet Sugar	100	...	(102)	(108)	117–123	N.A.	N.A.	N.A.
Grain milling	100	...	(167)	174	...	...	...	197
Fish curing	100	...	...	...	54	N.A.	N.A.	N.A.
Manufactured ice	100	...	207	219	256	N.A.	N.A.	N.A.

(a) Based on comparison of net output per worker. (b) For U.K. 1935=100, U.S. 1935=81.
(c) 1938. (d) 1939. N.A.: Not available.
Note:—Figures in brackets are based largely on extrapolation.
Source: Comparative Productivity in British and American Industry (Rostas).

per manhour was over seven times as high? What explains the ability of the American radio industry to produce 3½ times the output per man in 1939 that was produced in Britain in 1935, and over four times as much per manhour? Nor are these differences the only significant lesson from the table; where figures for the United States alone are available for the period from 1935 to 1939, they show a consistent rise in output per man and also per manhour. Why are industries as diverse as steel, machinery, bricks, textiles, cars, electric lamps, breweries, margarine and matches so superior in terms of output per man in the United States compared with Britain? (The single exception is fish curing, which can hardly be taken as a measure of efficiency in the modern industrial state.)

There is, of course, no single explanation. The physical formation of coal deposits will explain some (though not all) of the difference between productivity in the American and British coal industries. British blast furnaces are less efficient, in terms of output per man, because they have to use lower quality iron ore, and therefore have to handle more ore and coke per unit of output. Markets differ in extent, and industries in their range of specialisation. At any point of time, output per man will also depend on the extent to which he is equipped with machinery; measured by horsepower, an American worker already had the advantage before the war of 1¾ times the capital equipment available for the British worker. It is no accident that output per man and installed equipment were both, broadly speaking, twice as high in the United States as in Britain. But these factors, important though they are, are not the only causes of differences in productivity; the willingness and ability of labour, the intense use of capital equipment by shift-working, systems of payment, and the layout of factories to enable workers to earn as much as possible—all these influences are also operative. It would be charitable to say that, in respect of any of them, the attitude of the average British manufacturer or the average British workman matches the attitude of their American counterparts.

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On all these questions, however, much work remains to be done before scientific conclusions can be reached. It remains finally to make some speculative guesses about the course of of productivity in this country since before the war. The material does not exist for any accurate measurement, but some impression can be obtained from a comparison between the index of production compiled by the London and Cambridge Economic Service and the movement of employment for the larger industrial groups. Between 1935 and 1947, the index of total production rose by 9 per cent, while employment (at the end of June in each year) rose by 14.7 per cent. Comparison of the two changes suggests a fall in output per head amounting to nearly 5 per cent. The detailed figures for 10 industrial groups are given below:—

TABLE IV—ROUGH ESTIMATE OF CHANGE IN BRITISH OUTPUT PER MAN, 1935–47

	Production in 1947 comp. with 1935 (London & Cambridge Index)	Employment June 1947 comp. with June 1935	Approx. change in output per man
	%	%	%
Textiles	−25	−23·5	− 0·6
Clothing and leather	−12	−22·4	+13·4
Metal production	+33	+48·0	−10·1
Metal using trades	+40	+48·4	− 5·6
Food, drink and tobacco	+ 6	−13·0	+21·9
Chemicals	+18	+61·8	−27·0
Building and building materials	−20	+17·7	−32·0
Fuel and power	+17 *a*	+ 1·6	+15·2
of which Coal	−14	+ 5·9	−18·6
Paper and printing	−18	−11·8	− 7·0
Total (incl. other trades)	+ 9	+14·7	− 4·8

(a) This increase masks a fall of 14 per cent in coal, a rise of over one-third in gas and a doubling of electricity output.

It must be emphasised again that these estimates are very rough and ready. The use of an index number of production over a period of 12 years, including six war years, is obviously far from ideal. But the conclusions suggested by the table are not repugnant to common-sense and ordinary observation. Productivity in coal and building is notoriously low. But it is disturbing to find that the industries which have expanded most rapidly (the metal using trades and chemicals, for example) have themselves suffered a fall in output per man. Moreover, the last column of the table makes no allowance for new capital equipment installed since 1935, and none for a reduction in the normal working week from 47/48 to 43/44 hours. With all necessary reservation about the method of calculation, these figures do indicate the need for major technical reforms in British industry, and a revolution of thought on the part of the British worker. British industry has much to learn from American industry, and even more to apply that it knows already. Will it do so in time?

The Coal Production Problem

OF the many economic plans for 1948 made by the Government, none is more basic than the commitment to produce this year 200 million tons of deep-mined coal and 11 million tons of open-cast coal. This target of 211 million long tons was announced by the British Government at the Paris Conference on European Reconstruction in July last year. It enters, therefore, not only into the industrial plans of this country but also into the industrial plans of Western Europe. Its attainment has been encouraged by giving the mining industry one of the first claims on manpower, lavish treatment in supplies of machinery and materials, and a greater latitude in expenditure on wages and welfare than any other industry has had in the same period. Such open-handedness cannot be extended to one industry without cost to others; its justification rests upon a sentence in the "Economic Survey": the coal target "must be regarded as an absolute minimum and every effort made to exceed it." This is no more than the plain truth: Britain's and Europe's need for coal production at least up to the target could hardly be more compelling.

The weekly statements of coal production issued by the Ministry of Fuel and Power provide a simple measure of the effort to reach the objective. Coal production is now in the annual holiday trough; production last week was 2,222,400 of deep-mined and 151,200 of open-cast. (The two together were 56,000 tons more than in the week ended August 9th last year.) The cumulative total output in the 31 weeks ended on August 7th was 115.14 million tons of deep-mined coal (57.6 per cent of the target for the full year) and 7.42 million tons of open-cast coal (67.5 per cent of the target for the full year)—the two together being 58.1 per cent of the full target. If there were no seasonal movement in coal production, output of the first 31 weeks of the year would need to be 59.6 per cent of the year's target. But there is an habitual tendency for coal production to rise above the average level in the eight weeks before Christmas; this happened last year, and unless miners' habits greatly change, it will happen again. Even so, the picture is not reassuring. In the first 31 weeks of 1947 109.07 million tons were produced in the mines and 5.65 mil-

lion tons at open-cast workings; the two together represented 58.4 per cent of the total quantity produced in 52 weeks in 1947. This examination shows that, if the level of output were to proceed for the rest of this year in the same manner as in 1947, total output of deep-mined coal would be about 196.5 million tons and of open-cast coal about 13.5 million tons. The two together would be about a million tons short of the target, and the total would be made up of more open-cast coal (in general, of inferior quality to deep-mined coal) than was intended. This result might be passable, by customary standards, if the coal target were a mere target; it is not good enough for an "absolute minimum," and it is not even certain that it will be achieved.

The production drive in the mines has achieved a certain quantitative success, but not of a final or decisive kind. Industry, in consequence, is freed from the immediate threat of coal shortage—though it cannot yet be certain that the freedom will endure. Exports, which play so important a part in the plans for European recovery and are essential to the maintenance of British influence in Europe, have been resumed—though not on the scale which is needed. These are entries on the credit side of the Coal Board's ledger, and it is open to doubt whether they could have been achieved without the nationalisation of the mines. It is in the cost and quality of coal that the postwar performance of the mining industry cries out for improvement. In the first quarter-year of the Coal Board's operations a ton of coal cost 37s. 11.4d. to produce; in the fifth quarter (the first three months of 1948) it cost 44s. 8.7d. Each of the intervening quarters showed an increase. Admittedly, the first quarter of this year was the first to show the full impact of the wage increases of last November; it is also true that (having increased the price of coal by 2s. 6d. a ton in January) the Coal Board began to show a profit. But there is no evident reason for supposing that the upward trend of costs has come to an end. The National Union of Mineworkers is preparing a claim for the restoration of sliding-scale payments based on the index of retail prices. It is early to say how this claim will be received, but claims from the mineworkers since the Board took over have not, on the whole, been met with any great show of resolution. In any case, this is not the only way in which the mineworkers' slice of the coal industry's budget may be expected to increase: there are other possibilities, of which the present negotiations on compensation for "redundancy" offer one example. With the cost of coal at 44s. 8.7d. a ton in the first quarter of this year, the Coal Board made a profit of 1s. 6.8d. a ton. After meeting interest charges and interim income to coalowners it showed an estimated surplus for the quarter of £501,000. There is clearly no margin to meet further increases in costs without raising prices yet again.

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Merely to avoid fresh increases is, however, too modest an aim. The users of British coal at home and abroad are now getting not all the coal they could use, but enough coal (at least) to be able to turn their attention to the fact that it is too dear and not clean enough. To be in a position to make such complaints is, relatively speaking, a luxury. But the complaints are important, and it is on the cost and cleanness of coal that the Board must now begin to concentrate its attention. The Coal Board, in its recent report, admitted the deterioration in quality in recent years. This was partly due to long-term causes (it was, of course, perceptible before the industry was nationalised) but had lately been aggravated by the insistent demand for quantity. "While there has been a need to increase the quantity of coal mined at almost any cost, standards of quality have inevitably fallen." Thus, in addition to the acknowledged increases in the price of coal, there has been a concealed increase as well; for to the coal user a fall in quality is the same as an increase in price.

The nationalised coal industry has lived its life so far under insistent pressure, and has had little energy to spare from the quantitative needs of the moment. Its remedies have been of an expensive kind. The industry has (to take one of the remedies) contrived to expand its labour force, though more slowly than was planned. The important failure here is not in recruiting, but in making use of the new labour; the cost of the new labour (both in terms of the Board's wages bill and in terms of the loss to the labour force of other industries) is evident, but the gain to the coal industry so far is doubtful. More men need to be put to work at the coal face, and this is not apparently being done. The number of wage-earners on colliery books increased from 714,000 to 725,000 between November, 1947, and June, 1948. The number of workers at the coal face increased by only 2,000 (from 290,000 to 292,000) in the same period.

Indeed, the effectiveness of the drive to expand and revive the industry appears to decline as the drive approaches the coal face. Absenteeism is still much greater among face workers than among mineworkers as a whole. In June the average mineworker worked 4.91 shifts a week, the average face worker 4.63 shifts a week. The attempt to work mines on Saturday mornings since the five-day week was conceded has never given good results, and this has been partly because the surface and haulage workers came to work on Saturday mornings but the face workers stayed away; and such coal as was produced (it has lately been not much more than one-fifth of a normal day's production over the country as a whole) has been produced at quite inordinate cost.

COAL COSTS, PROCEEDS, PROFITS AND LOSSES

	1947				1948
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.
Output (mn. tons):—					
Commercially disposable	42·1	42·1	39·3	45·9	44·5
Saleable	46·2	45·9	42·8	49·9	48·6
Costs (per ton saleable):—	s. d.	s. d.	s. d.	s. d.	s. d.
Wages	24 9·8	25 3·9	27 8·8	28 8·2	29 4·8
Roof supports, stores, repairs	5 0·3	5 10·8	6 4·0	6 3·5	6 1·9
Coal and power	2 6·9	2 5·9	2 7·6	2 5·9	2 10·5
Other costs (incl. depreciation)	5 6·4	5 8·6	6 1·5	6 2·8	6 3·5
TOTAL COSTS	37 11·4	40 5·2	42 9·9	43 8·4	44 8·7
Proceeds	38 9·6	38 9·7	40 3·4	42 10·7	46 3·5
Profit (+) or Loss (—) (before charging interest)	+ 10·2	—1 7·5	—2 6·5	— 9·7	+1 6·8

The necessity now, therefore, is for the Coal Board to seek ways of producing the quantity of coal required without sacrificing (as it has so far been obliged to sacrifice) quality and price. It may have to be accepted that certain of the devices adopted to expand production, reasonable though they seem, do not yield a proportionate return. Ways might still, perhaps, be found of getting them to yield a proportionate return; but they would depend on getting a different spirit in the mines, and a different spirit cannot simply be created by administrative decision. Overtime would yield results if the daily task were increased; if it merely lengthens the day without lengthening the stint, it is better discarded. The expansion of the labour force would yield results if the working of the mines could be reorganised to take more workers at the face; but if labour practices are too rigid to permit this to be done, then the extra workers would be better employed elsewhere. The installation of new machines has given some results, but by no means on the scale that its advocates expected. For the future, the further mechanisation of the mines will need to be accompanied by the reorganisation of work, so that the labour saved can be productively employed: if this cannot be done, it may begin to be questioned whether better uses could not be found for the engineering effort which now goes to provide cutters and conveyors.

The mining industry is clearly entitled to its fair share of the country's economic advantages. It cannot, however, operate without regard to the economic climate in which the other industries of the country live. This fact may well find practical illustration when the Coal Board becomes more heavily engaged on its long-term development plans. For the cost of capital projects (as other industries are finding) is rising very rapidly; and one of the main causes is the higher cost of coal. Even a nationalised industry cannot plan its long-term development without regard to facts of this kind.

Perhaps only a vast programme of long-term development—the construction of new mines—can put the British mining industry on a level of efficiency approaching that of the mining industry of the United States, and high enough to meet the reasonable needs of British industry and the reasonable demands of the European purchaser of British coal. But this will take many years, and the need for more, cheaper and better coal cannot wait so long. In the meantime the main hope must be to raise efficiency by concentrating labour and resources at the better pits, and closing the costly and inefficient pits which are contributing more to the high price of coal than to the attainment of the target. It would mean hard feelings in the industry; this, no doubt, is why the Coal Board has so far approached the matter so delicately. A more radical concentration policy would have to be pushed through; it might mean a conflict of wills with some parts of the mineworkers' union, or even with Ministers. But the present expedients are bearing poor fruit, and sooner or later the Board will have to exert its collective will in the collective national interest.

Business Notes

Throgmorton Street Doldrums

August is never an active month on the Stock Exchange, but rarely have the markets found themselves so completely becalmed as they have been this week. The ebbing tide is causing prices to drift, though only very gently, to lower levels; there is an almost universal absence of interest, relieved occasionally by a little speculation in Kaffir shares (since disappointed by Mr Havenga's budget) and by the response of Australian bank shares to the rejection by the High Court of the Australian Government's plan of nationalisation. These occasional incidents apart, markets have never been more featureless in any holiday season.

But there is some evidence that investors are trying to pierce the dullness in the hope of discovering a line of policy. Sentiment is wavering a little owing to the prolonged and evidently difficult negotiations in Moscow. Wall Street, where shares look cheap compared with London, is again unsettled, and that fact has a sentimental, if not strictly logical, reaction in some investors' minds. There are still hopeful investors (many of them, one suspects, holding shares which they bought a good deal "higher up") who herald the fading-out of the policy of disinflation, and are optimistic about the return of open inflation. If that is the only bull point they can find, disappointment surely awaits them. For it is quite obvious that a thorough-going cost inflation (which the end of Sir Stafford's policy would certainly encourage) would have harmful effects upon industrial profits at this stage. And even those companies which managed to pass on the rise in costs to consumers would be faced with the problem of maintaining their real fixed capital and stocks at even higher prices than those which prevail today.

The paradox today—and it is time that the trade unions seized the point—is that industry cannot afford to depart from voluntary dividend limitation, unless it is prepared to face the risk of exhausting its capital and jeopardising its future earning power. The task of mere maintenance of capital—quite apart from extending it—is quite as much as most companies can now bear. As for new investment, the decision of Courtaulds not to proceed with an important project at Dundee (discussed on a later page) is an example of the limitations which high prices and taxation have imposed on new investment by even the most enterprising and liquid of companies. The steady drift in equities this week is therefore readily explained. Gilt-edged, on the other hand, are more vulnerable to the shift of sentiment about the Moscow talks. Politics apart, the scissors movement between the Funds and ordinary shares might in due course be expected to widen, rather than narrow—unless there is a complete breakdown in the Chancellor's policy. But although Sir Stafford has made concessions, he may be expected to fight for what is left of the main principle, so long as he is not overwhelmed by his own back-bench "supporters" and by those Ministers who speak for them in the Cabinet.

ECA Accounting Futilities

The tale of the ECA segregated sterling has been carried a stage further this week, but it cannot be said that its unfolding has done anything to dispel the misunderstandings which this curious device has caused. On the contrary, despite all the efforts to explain that the Treasury is merely indulging in a few purely book-keeping antics to meet the wishes of the Americans, the first appearance of the Treasury Special Account in the Bank return last week caused some revival of the fallacy that a fund is being created out of which a real, as distinct from a nominal, redemption of debt will be effected. At the week-end responsible quarters of the press were naively and too faithfully reporting the money market as speculating whether the accumulated ERP sterling would be used next week to redeem Treasury deposit receipts, when, after the recent gap, maturities again recur. It needs to be said once again, therefore, that any debt redemption (or minimisation of new borrowing) which occurs as a result of the Treasury's receipts from Marshall aid—or from any other portion of Britain's external deficit—occurs as and when the dollars are sold for sterling to British importers, or as and when bulk-purchased goods are sold by the trading departments to distributors. Redemptions of this character have been occurring for many months past—though in diminishing amounts as the total of the external deficit declines—and are best regarded as wholly independent of the mechanism of the Special Account.

The amount on that Account has shown no change during the past week because, contrary to expectations, the Americans have not yet responded to the official request for permission to "use" the fund for "redemption" of debt. The Bank return therefore showed the £33.4 million first credited to the account, and the corresponding borrowing from the Bank of England by which this nominal transfer was financed, as still outstanding. The Exchequer return, similarly, showed a £33.4 million increase in receipts from creation of "Other Debt—Internal," representing the special interest-free Treasury Notes by which the Treasury has temporarily borrowed from the Bank. When the Americans give the word, the ceremony of debt redemption will be duly performed: the fund—or, rather, 95 per cent of it, for 5 per cent will remain to finance America's ECA administrative expenses or stock-piling purchases—will be "employed" in correspondingly redeeming the nominal debt specially incurred for the purpose. At that stage, the Exchequer return will at last reveal that some ECA grants have been received: a new credit entry under that heading will appear under "Other Receipts" and "Other Debt—Internal," which this week has been increased, will be correspondingly reduced, and honour will be satisfied.

It remains to add that the confusion of the initial transactions has been made worse confounded by the necessity of carrying the first ERP dollar receipts (paid in reimbursement of earlier expenditure out of Britain's own stock of dollars) to a suspense account in the name of the Paymaster-General, pending agreement upon the mechanics of the Special Account. Since the funds in the Suspense Account did not exist in cash, but were nominally lent to the Treasury, the Paymaster could not make the eventual (nominal) transfer to the Bank of England until he had been put (nominally) in funds by the Treasury, which accordingly had (nominally) to redeem Ways and Means advances, financing itself for this nominal repayment by its nominal borrowings at the Bank against special Treasury Notes. This week's Exchequer return, therefore, reveals a redemption of departmental Ways and Means advances—another purely internal category of debt—corresponding to the increase in internal debt officially so described. These bewildering antics need to be described because of the widespread interest they have aroused. But the ordinary observer

—and even many supposed "experts" in the City—would be well advised not to waste any time in trying to understand them. They have no real significance whatsoever, and any argument to the contrary (there have been many such, and doubtless there will be many more) is presumptively false.

* * *

Rebuff for Mr Chifley

Mr Chifley's Government this week sustained its biggest rebuff when the Australian High Court handed down its delayed decision on the challenge to the Act to nationalise the Australian banks. The decision is a resounding victory for the banks and for the three states which joined with them in disputing the constitutionality of Mr Chifley's legislation. It had long been realised that the Government might lose its case, but not even the most optimistic of its opponents expected that the High Court verdict against it would be unanimous. Full details of the decision are not yet available in London, nor is it known on what precise legal and constitutional grounds it was based. But it appears that although there were two dissentients to the Court's ruling against the provisions of the Act governing the actual taking over of the businesses of the banks, there was a unanimous vote against the sections empowering the Government to displace the management of those banks. The Court has made an order restraining the Government from implementing the Act, but, because of the dissentient voting on certain sections, the operation of the Order has been postponed for fourteen days, during which either side is free to apply to the Court.

The decision has been warmly welcomed in banking circles, not only in London but in other Dominions. Most objective observers took the view that the powers conferred on the Commonwealth Government by the 1945 Act gave it as much scope to control the financial machine as even the most enthusiastic of Socialists could well desire. In view of the unanimity of the Court on the main question, most London bankers were of the opinion that the Government is unlikely to attempt to reverse the decision by appeal to the Privy Council. Such a move would, in any case, be very unpopular in Australia, which would dislike any such reminder of its former dependence upon the Mother Country. Hence an appeal would exacerbate the strong feelings which the nationalisation plan has aroused throughout the Dominion. Australian trade union circles, none the less, are reported to be urging the Government to fight the issue to the bitter end, and are blithely ignoring the recent lesson of the referendum on the question of Federal control of prices and rents.

* * *

Disinflation in South Africa?

Mr Havenga's first budget since the advent of the Malan regime in South Africa has set at rest the fears that the new Government's desire to court popularity might lead him to relax the sound financial principles for which he was reputed before the war. South Africa needs a disinflationary policy at least as urgently as Britain, and in its general structure this budget is plainly intended to exert a mildly restraining effect. Mr Havenga's tax remissions totalling £6,200,000 fell some £2,700,000 short of the realised surplus for the past financial year, while loan expenditure is cut from £90 million to £70 million. On the general aspects of South Africa's economic plight, Mr Havenga sounded a warning note, as it was undoubtedly his duty to do, but the tone of his speech was several degrees less austere than that of Dr de Kock at the recent meeting of the South African Reserve Bank (discussed in these columns a fortnight ago). Indeed, he actually affirmed that much of the public comment recently had been too gloomy—a remark which was conceivably pointed at Dr de Kock.

The Government, it is clear, is trying to avoid imposing any really drastic measures of retrenchment upon the economy unless and until they become demonstrably inevitable. It is easy to see how a Government which promised freedom from controls should find it difficult to restrain the excessive inflow of imports; but, political considerations notwithstanding, it might be wiser to reimpose import control forthwith. As it is, the Government is exhorting the business world to discipline itself, and in the meantime is evidently prepared to dip still more deeply into the accumulated gold and exchange reserves. The scope for further external disinvestment by this means will not, however, be large unless the Government is prepared to sponsor amending legislation to relieve the Reserve Bank from its obligation to maintain a gold cover of 30 per cent of its liabilities to the public. Since Britain's capacity for making unrequited exports is very limited, South Africa's still large holdings of sterling are no guarantee that the flow of imports can be maintained on a scale sufficient to sustain economic activity within the Dominion at its present level. Inevitably, as Mr Havenga recognised, the Union must buy largely from the United States. Such purchases naturally involve further drafts on the gold reserve. This, though less than one-third of the peak figure at which it stood two years ago, still exceeds £80 million, but the reserve ratio, at about 36 per cent, shows only a small margin above the present legal minimum. There was a hint in Mr Havenga's speech that this minimum may be reduced. "We shall not," he declared, "maintain reserves not required for financial stability merely to prevent the reserve ratio dropping from its previous exceptional height." Evidently the Government would prefer to take this step before withdrawing the present freedom for imports, but Mr Havenga said plainly that he can give no assurance that import restrictions would not have to be reimposed.

In the circumstances, it is hardly surprising that the Government recognises the importance of attracting, if it can, continued inflow of capital from abroad, and especially from Britain. It is therefore fully confident of the advantages of remaining within the sterling area.

* * *

Kaffir Bulls Disappointed

Something more than the relief afforded to the South African gold mining industry than Mr Havenga conceded on Monday will be required to revive interest in the Kaffir market. Hopes that the low-grade producers would be favoured, even at the expense of higher grade mines, were responsible for a burst of activity in the Kaffir market immediately prior to the Budget. But this minor stimulant to activity lacked an air of reality, and reaction came quickly, for the revised formula, as it turns out, slightly favours the high-grade producers.

Mr Havenga has, in fact, continued the process of scaling down taxation in the manner of his predecessor. Taxation concessions estimated at £900,000 a year have been granted to the industry. Mining taxation is still assessed by reference to the ratio of profits to recovery. For 1947-48 its incidence was governed by the equation $Y=63-\frac{325}{x}$ where Y equals the percentage of profit payable as tax and x the ratio of profit to recovery expressed as a percentage. The new equation is $Y=60-\frac{360}{x}$. By the new formula a mine which shows 50 per cent ratio of profit to recovery will now pay 52¾ per cent of its profit in taxation compared with 55½ per cent in the past year and 61½ per cent in 1946-47. At the other end of the scale the exemption limit is unchanged at 6 per cent ratio of profit to recovery; a mine with an 8 per cent ratio will be liable to pay 15 per cent, against 15¾ in 1947-48 and 17½ per cent in 1946-47. The merits of these changes have been widely assessed in relation to the possibility, which has been much canvassed, that some form of subsidy might be given to low-grade producers. The Nationalist Government has preferred to take the line of assisting mines of all grades rather than favouring lower grade mines at the expense of others. That the bias of the new taxation formula is on the side of the higher grade mines may be interpreted as an indication of the new Minister's policy. The new legislation to increase the rate of allowance for the amortisation of capital expenditure for tax purposes from 22½ per cent to 27½ per cent is also in line with this policy. Its importance for developing mines, now faced with heavy capital expenditure, needs no emphasis.

* * *

Wages and Restraint

Trade unions with wage claims pending have fastened upon the latest statistics of wages and prices to provide evidence in support of their case. The Ministry of Labour's retail price index in June was almost 10 per cent higher than in June, 1947, while wage rates increased during the year by only 6 per cent. The biggest single increase in prices occurred in food, which rose by 13 per cent during the year, though the increase of 5 per cent between May and June was mainly due to the new potato season. Increases were also recorded for clothing and fuel, but the price of household goods fell slightly between May and June, and rent and rates were actually lower than a year ago.

The unions, however, cannot complain that the wages "stop" has prevented them from increasing their money incomes. During June, more than half a million wage earners secured increases in weekly wage rates representing £129,000 a week, and the total increases in the weekly wages of 3,277,000 workers for the first six months of the year represented an addition of £962,000 a week to wages. The corresponding increase in the first six months of 1947, when nearly 1¼ million workers secured weekly

increases totalling £296,000, seems modest by comparison. The major part of this year's increase has occurred since the issue of the White Paper on Personal Incomes last February. From the beginning of March until the end of June, increases in weekly wages amounted to £737,000 a week, while the retail price index rose from 106 at the end of February to 109.7 in June. If the many wage claims now outstanding are conceded, increases in wage rates will certainly outstrip the rise in prices, much of which represents the open manifestation of hitherto concealed inflation.

The latest union to formulate its claim is the National Union of Railwaymen, which has this week decided to press for an increase of 12s. 6d. a week, representing "the balance" of the claim for £1 put forward last year, of which 7s. 6d. was admitted. Railway costs have been twice swollen this year by higher prices of coal; if the NUR claim is met, even in part, the deficit on the railways, which is already a certainty for 1948, will be seriously increased, and the inflationary cycle will presumably receive a further thrust from higher railway charges.

* * *

Courtaulds Goes Slow

Few big industrial concerns have shown more enterprise than Courtaulds, Ltd., in embarking on new projects since the war; but the chairman's statement in June indicated that these plans were having to be cut down. One—the proposed acetate yarn factory at Sellafield, West Cumberland—was abandoned altogether, though an alternative plan was drawn up to expand the company's acetate yarn production at Coventry. Another—designed to produce film base at Norwich in co-operation with the Belgian Gevaert Company—was held up by the Government's decision not to grant building licences. The reasons were various, but the chairman's statement made it quite clear that, as a result of higher costs of new plant and factories, the company's large reserves could not be used for new development to the extent that had been hoped.

It became known this week that Courtaulds' project to build a plant at Easthaven, near Dundee, for the production of "Fibro" viscose rayon staple yarn had been shelved for the time being, and that the company had withdrawn its tentative offer to Dundee Corporation to bear the cost of improvements to the water supply system. This is no doubt disappointing for Dundee, since the scheme formed part of an industrial development plan. "Fibro" yarn was to have been supplied to the Dundee mills from Easthaven. It is also manufactured by Courtaulds at Greenfield (North Wales), and plans are in existence for a limited expansion of production there.

The company has not disclosed its reasons for the decision not to go ahead at Easthaven, but the decision can perhaps best be explained by a remark in the chairman's recent statement in the company's report: "It is, I believe, true to say that when the war came to an end we were all—and here I refer to Government as well as to industrialists—over-optimistic in regard to the speed at which recovery in this country would take place. However, it would appear that we have come down to earth." The chairman's statement had previously expressed concern at the rising cost of replacement of fixed assets, which would oblige the company to use for replacement funds which had been accumulated for development and expansion. The company had received £27,125,000 in 1941 for the forced sale of its interest in American Viscose Corporation, and the chairman commented that to restore the productive and earning capacity represented by that interest would today cost much more than twice that amount. Courtaulds have other new projects in hand—one of the most notable is the Pontypool factory of British Nylon Spinners, in which they hold a half-interest—which, as things are, will no doubt absorb much of the company's capital resources. Courtaulds' problem is symptomatic of the difficulty which confronts industry in general, and the enterprising industrialist in particular, in maintaining and extending its capital assets.

Working Party for Tobacco?

The cigarette shortage is again becoming acute, and the Tobacco Workers' Union is obviously getting worried. Reduced supplies of leaf tobacco have caused some tobacco makers to go on short time and some to curtail their staffs. Mr Percy Belcher, the secretary of the Union, has urged the President of the Board of Trade to appoint a working party to consider conditions in the industry. How a working party could help in present circumstances, it is difficult to imagine. Would it inquire into the actions of the Board of Trade in restricting withdrawals of leaf from bond, or examine the Chancellor's decision to reduce purchases of American tobacco in order to save dollars? The cigar-



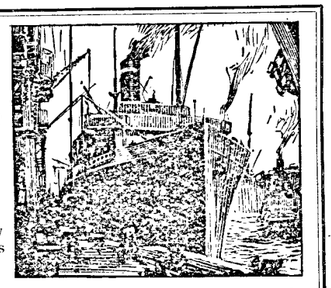
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ette shortage is a manifestation of the dollar shortage and no working party will relieve that.

More significant, perhaps, than this misunderstanding of the cause of the shortage, is the Union's insistence on the *status quo* in the industry. The essence of the import cuts and the export drive is to help Britain to balance its overseas trade accounts. To do so, there must be some curtailment of labour in certain industries and an expansion in others. How else are workers to be secured to man the industries *in an era of full* employment? Mr Belcher's union, however, takes the view that the size of the tobacco industry is unchangeable and that its labour force should be immune from contraction.

America is Britain's main supplier of tobacco. Larger quantities are being purchased from Empire countries, but a major expansion in production in those areas, commensurate with British imports of American leaf, would involve long-term schemes of *development and resettlement.* For the next five years, British manufacturers have agreed to buy a minimum of 46 million lb. annually from Rhodesia. This year, it is estimated that at least 56 million lb. will be available, but normal British consumption of all tobacco runs at 250 million lb. a year. Increased supplies could undoubtedly be obtained from Greece and Turkey against sterling, although the quantities involved would be too small to begin to make good the reduction in purchases from the United States. Up to June of this year, America supplied Britain with only 36 million lb. of tobacco out of total imports of 69 million lb. In the same six months of 1946, imports totalled 150 million lb. of which 129 million lb. came from the United States.

These import figures explain why, during the past year, most tobacco manufacturers have been drawing smaller quantities of *leaf from bond. From May, 1947, to April, 1948,* withdrawals for home consumption amounted to 208 million lb.; in the previous twelve months the total was 258 million lb. This reduction in consumption has been helped by successive increases in the tobacco duty and the policy of disinflation. From July 1st, however, the Board of Trade reduced maximum withdrawals from bond to 201 million lb. and from next month withdrawals will be cut to an annual rate of 193 million lb. Is the present shortage then due to increasing demand or to maldistribution of supplies caused by the holiday period and purchases by overseas visitors? Or are manufacturers unwilling to alter their blends for a short period because they are secure in the knowledge that American tobacco will be available to Britain under ECA? Whatever may be the cause of the present dearth in cigarettes, a working party would be the worst method of discovering it, or of finding a solution to the problem of getting enough tobacco without spending dollars.

* * *

ECA Loans at 2½ Per Cent?

The discussions in Washington between the British and US authorities on the terms on which ECA loans, as distinct from grants, will be made available, seem to be proceeding very satisfactorily. An unofficial report circulated last week suggested that the rate of interest on loans to Britain would be 2½ per cent, that the loans would carry a "waiver" clause analogous to that in the 1945 loan agreement and that the term would be "considerably longer" than the 10 years which has been fixed for the purpose of ECA loans to Iceland. This report is understood to have been premature and not necessarily accurate. The discussions are still proceeding and are unlikely to be concluded before the end of next week. Until all details are settled, there is naturally a possibility that the piecemeal agreements on particular points may be upset. It is believed, for example, that the precise provisions of the waiver clause and the actual term of the loans are still to be decided. If, however, agreement can be reached on these matters, it is likely that the rate of interest will be as forecast in last week's report.

It is difficult enough for Britain, in its present plight, to agree to shoulder any further burden for the service of overseas debt; yet, if hard currency imports are not to be cut to the point at which substantial unemployment might be caused in this country, some US aid transferred other than by way of grant would seem to be imperative. In the circumstances, a rate of interest only half per cent above that payable on the 1945 loan—when the economic risk on investment in Britain was certainly rated much lower by the Americans than it is likely to be now—must be regarded as very reasonable. It has been emphasised again that ECA loans will not in any case be negotiated unless the funds are required for specific capital projects in Britain. That does not mean, however, that the Government is contemplating outlays not already included in the investment programme set forth in last year's White Paper and in this year's Economic Survey. The purpose of this informal provision is simply to ensure that ECA loans, like ECA grants, shall be used only for essential purposes.

* * *

Overtime or Redeployment?

Overtime, as a means to expanded production in the cotton industry, could never be more than a stopgap effort to be maintained only until other methods could be brought into play. The effort has now almost died away. The spinners in the Bolton district, who have the best record for overtime work, have decided to return on August 30th to their normal working week of 45 hours. It is useless to blame the Bolton workers for this decision; they have maintained a considerable extra effort since last November, over a period in which little or no overtime has been worked in the other principal spinning districts. In practice this has usually meant starting work at 7 instead of 7.30. Many of the workers are married women with household responsibilities, and the extra half-hour has gradually become a real burden.

It would seem useless to persist with this method of getting extra production when the most willing group of the Lancashire workers has decided to abandon it. The only conclusion to be drawn is that the other (and in the long run more constructive) methods need to be pursued with more energy. The most promising of these methods is redeployment, and it may well have been in the minds of the Bolton spinners that the extra production which they were achieving by longer hours could have been attained (and, without difficulty, exceeded) by the reorganisation of methods of work within the mills. The Bolton district has the best overtime record in the spinning industry, and it has also made more progress in redeployment than any other. It was in this district that the Cotton Board conducted its experimental redeployment of the cardroom of the Musgrave Mill. At the end of the trial the operatives at the Musgrave Mill agreed to accept the new methods permanently; the owners (Fine Spinners and Doublers, Ltd.) have since applied the methods to their other mills, and have met with the same co-operative attitude.

The Cotton Board is beginning another experiment in redeployment, this time at the doubling mill of W. and R. K. Lee, Ltd., at Sowerby Bridge. The Shirley Institute is already engaged *on preliminary work at the mill,* and the industrial consultants will begin their work in the near future. Here also the employees are co-operating readily.

* * *

Large US Cotton Crop

The prospects of cheaper cotton were discussed in these columns on July 17th. This week an official estimate has put the American cotton crop at 15,169,000 bales compared with the *unofficial estimate then given of 14 million* bales. Last season's crop yielded 11,500,000 bales and the season before 8,500,000 bales. The carry-over stock on August 1st was under 3,000,000 bales; accordingly, available supplies of American-grown cotton for the coming season should amount to about 18 million bales. Consumption in the United States (which has recently been declining) has been estimated at 9,000,000 bales, but the needs of the rearmament programme and increased civilian demand due to higher wages *may well increase* this total to over 10,000,000 bales. Recovery in the European cotton textile industry has been encouraging, although in the past year purchases of raw cotton from the United States have been restricted by lack of dollars and by relatively high prices. Even including ECA purchases, cotton exports from America are estimated at not more than 2,500,000 bales, leaving an end-of-season stock next year of the order of 5,000,000-6,500,000 bales.

For the first time since the war, American farmers are likely to resort to Government loans. The loan rate is calculated on the basis of the cost of goods which farmers buy, and retail prices in the United States have been rising quite rapidly. The loan rate was recently fixed for the 1948 crop at 30.74 cents a lb. for middling 15/16 inch cotton. On Tuesday, the New York spot price stood at 32.20 cents and the New Orleans at 31.05 cents a lb. The price has not very far to drop until the loan price is reached. Cotton supplied to Western Europe under ECA will presumably be charged at the loan rate and supplies are not likely to be offered by farmers on the open market at any lower price. The only ultimate chance of much cheaper American cotton lies, therefore, in a general fall in American prices which would have the effect of reducing the loan rate for next season.

Barter with Italy

The text of the Anglo-Italian trade agreement signed a fortnight ago in Rome is not to be published, nor are any of its details. British traders must therefore be content with the very brief and uninformative communiqué issued last week by the Foreign Office. How merchants are to know that they may now import from Italy live lizards for experimental purposes in university laboratories is not disclosed. Presumably they must *read assiduously the various Government publications* with the hope of finding, some months hence, details of the new avenues of imports and exports opened up by the recent agreement. What conceivable reason is there for this reticence? In the past reasonably adequate information has always been forthcoming about trade negotiations. Is the Foreign Office now so preoccupied with secret diplomacy that trade agreements, which the Treasury has usually regarded as public property, come into the "top secret" class?

The broad outline of the agreement was given in a Note on page 239 last week and some further information has since leaked through the iron curtain of the Foreign Office. Negotiations centred almost entirely in essential exports. Britain is to send Italy textiles, machinery, chemicals and herrings. Australia is to sell wool, South Africa hides and wool, India cotton, jute, *oilseeds and hides, and Malaya rubber* and tin, subject to allocation by the Combined Tin Committee. Italy is also hoping to purchase wheat from Australia, if the International Emergency Food Council agrees. Rhodesian copper was also requested, but the entire output is already sold under contract.

In return, the United Kingdom is to take olive oil, fruit, vegetables, certain textiles, hemp, raw silk, caustic soda, soda ash and zinc concentrates. It is understood that there is also a list of minor items such as toys, broom handles—and live lizards. Italy has also agreed to export textiles, machinery, dyestuffs, sulphur, motorcars and other vehicles to countries within the sterling area.

These exchanges are not very impressive and are undoubtedly the result of hard bargaining on both sides. The purpose of Britain's bilateral trade agreements was avowedly to expand the volume of trade in both directions and in particular to permit greater scope for the export of non-essential goods. In this the Italian agreement is a conspicuous failure. Admittedly, it has obtained for Britain and the rest of the sterling area certain scarce raw materials, but they are being purchased in return for other raw materials which are equally scarce.

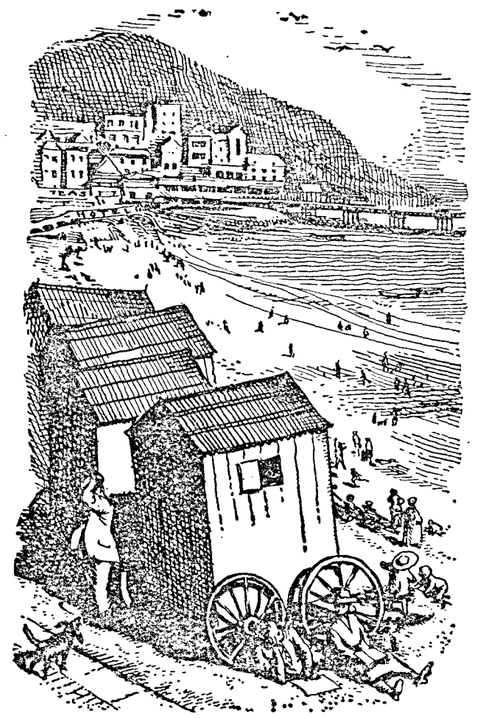
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Flexibility in Cotton Exports

The open exports scheme for cotton piece goods has been made more open this week by one change in the existing regulations and less rigid by another. Hitherto, exports to hard currency areas have come under group "A," Commonwealth exports under group "B," and exports to other countries under group "C." In the revised scheme, areas "A" and "B" (that is, hard currency and Commonwealth markets) are combined in one group. With one exception, within this group no administrative distinction is made between the importance of the various countries. It is, however, emphasised that the necessity to earn dollars by cotton exports is in no way diminished by the modifications.

The one important qualification to this grouping affects Canada. During this, the third quarter of 1948, converters must reserve 25 million square yards of cotton piece goods for export to Canada. This reservation for Canada represents 10 per cent of all cotton export contracts, which are thus envisaged for the third quarter at approximately 250 million square yards. During the first two quarters of the year, export orders placed by converters were 246 million and 266 million respectively. The reservation of 10 per cent of export orders for Canada does not necessarily mean that each converter must send 10 per cent of all his exports to Canada; nor does the export scheme itself tie individual converters to meticulous percentage targets of present or prewar trade or individual export figures. The trade as a whole is expected to aim at the targets set. Yet somewhere someone must say "Converter X is not exporting enough to Canada," and it cannot be easy to decide when stronger pressure should be applied against individual converters who are not playing their *full part in the scheme.*

The second modification to the open exports scheme should make for greater continuity of production and relieve converters of some of their risks. Previously they have had to apply for permits for production of goods early in each quarter. In future, converters will be allowed to submit applications for permission to produce in the current period up to September 30th, the last day of the quarter. Thus converters will be able



August

August is the popular holiday month—it opens with Bank Holiday weekend, and a Bank Holiday means a holiday for all. Yet as we journey to escape the prosaic world of affairs the services which a great bank affords are ready to meet the leisure mood. Money can be made available wherever we may go; our instructions for regular payments can be met even in our absence, and it is reassuring to know that precious smaller possessions may be left with the bank for safe custody. Before going on holiday, it is wise to consider whether you are making the fullest use of all the services which this modern bank affords.

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to time their applications when they have a clear idea of overseas requirements; as a result orders should flow more evenly to the industry. The third quarter is now well advanced and the full consequence of the modified scheme will hardly be apparent by the end of September. But it in no way relieves the merchant converter of the responsibility to give hard currency markets first priority: the greater degree of flexibility, indeed, should make failure less excusable.

* * *

Good Hopes of the Steel Target

The average weekly production of steel ingots and castings by the British steel industry in July was 232,400 tons, representing an annual rate of 12,084,000 tons. This compares with an average weekly production of 294,700 tons (annual rate 15,323,000 tons) in the second quarter of 1948. Average weekly production of pig iron in July was 171,300 tons (annual rate 8,908,000 tons) compared with a weekly average of 182,000 tons in the second quarter.

These reductions in output are due to the effect of holidays; the figures are quite consistent with the "reasonable prospect" held out by the *Statistical Bulletin* for July of the British Iron and Steel Federation that the recently increased target of 14½ million tons of steel in 1948 can be not only reached but exceeded. The annual rate of production maintained during the first half of the year was 15,129,000 tons. The *Bulletin* estimates that this should be discounted by about 2 per cent to allow for the effect of holidays in the summer quarter; adjusted on this basis, steel production in the first six months of the year corresponds to an annual production of 14¾ million tons.

In spite of the continued rise in the level of steel production, the drain on stocks of pig iron and scrap, which had gone on almost continuously since 1946, was arrested in the second quarter of 1948. Stocks of pig iron rose by 15,800 tons in the second quarter, and stocks of scrap by 32,800 tons. The pig iron position may improve further during the summer holidays, since at holiday periods blast furnaces are more fully maintained in production than steelworks. "The possibility of some decline in home scrap supplies must not be ruled out," adds the *Bulletin*. "On the other hand, imports of scrap in the first part of the year fell substantially below the target rate, and there is a prospect that now the German currency reform has been introduced, considerably increased supplies from this source will arise during the second half of the year."

* * *

Canadian Eagle Issue Success

Applications for warrants to enable shareholders of Canadian Eagle Oil to subscribe for the new issue of 6,491,520 ordinary shares at 25s. a share are reported by the company to have amounted to some 96¾ per cent of the total rights. The final date for application for warrants was August 6th, and the last day of payment for the new shares is August 27th. This result bears all the promise of a resounding success for the new issue, although a certain number of warrant holders may not take up the new shares. Dealings in warrants have exceeded expectations in the market and prompted the suggestion before the announcement of the high percentage of applications that some of it might have been the result of short selling. French holders of the shares have been responsible for much of the selling since they are permitted to pay for new shares only to the extent of the sterling acquired from the sale of warrants. As August 27th approaches, a better idea may be obtained of the number of warrants which are not used, but the rise in their price early this week from 3s. 10½d. to 4s. 1½d., suggested a hardening of opinion on the success of the issue, though there was a reaction in later dealings. At this stage, underwriters to the issue still do not know the extent of the commitments, but if they have had any doubts during the past few weeks of international tension, they should now be reassured by the high degree of interest shown by shareholders.

There can be little doubt of the present strength of Canadian Eagle in a world short of oil. The recently published preliminary statement of results for 1947 revealed an increase in the combined profit of the company and its subsidiary, Eagle Oil and Shipping, from £1,760,917 to £2,481,305, and a rise in the dividend from 6d. to 10½d. per share. Since taxation at 9s. in the £ is deducted from only one-tenth of this payment, owing to the relief provided under Section 31 of the Finance Act, 1946, the gross dividend for 1947 is equivalent to 1s. 6.23d. per share. Calculated on the basis of the latest dividend, the old shares yield £4 2s. 8d. at the current price of 30s.3d. This might have seemed a modest return on an oil share measured by prewar standards, but earnings possibilities are high. So is the cost of new schemes of expansion. Both factors are likely to be more evident when the full accounts are published shortly.

* * *

Firmer Sugar Market

There has been a surprising change in the world sugar market. The price of Cuban sugar up to a month or so ago was rather under 4 cents a lb. (22s. 6d. a cwt.) f.o.b.; now it has risen to 4.20 cents a lb. (23s. 5d. a cwt.), and there is every likelihood that the rise may continue. The current sugar crop in Cuba totals almost 6 million tons. Of this total, local consumption will absorb 200,000 tons, the Commodity Credit Corporation has purchased 900,000 tons and the United States quota now totals 2½ million tons; thus there is a balance available for export of 2,400,000 tons. Sales to markets other than the United States are expected to amount to 1,650,000 tons, leaving a net surplus of 750,000 tons. As Messrs C. Czarnikow, Limited, point out in their recent review, such a surplus is not very large to cover further open market purchases, the possibility of American relief purchases and a satisfactory carry-over of stocks into next season.

This relative tightness in sugar supplies—and at the moment it is no more than that—has arisen from larger American purchases. The US Government recently decided to raise its buying quota by 180,000 tons to 6,400,000 tons, and under the American Sugar Act, Cuba will supply most of this additional quantity. Moreover, both Hawaiian production and domestic production of cane sugar in the United States will be below their allotted quotas, which again has given Cuba an additional market for over 125,000 tons. In all, therefore, American purchases of Cuban sugar have risen by nearly 290,000 tons, and the disposable surplus has been correspondingly reduced. There are also reports that Philippine sugar exports may fall below their quota and that Cuba will be asked to supply a further 45,000 tons to the United States, while rumours suggest that American relief purchases may amount to 350,000 tons, although not all of this quantity will have to be shipped during the current year.

Supply prospects for next year are uncertain. This year's European beet harvest is expected to be good, and import requirements are likely to be reduced. Another large area has been planted to sugar in Cuba, but it is, of course, too early to estimate its yield. Nevertheless, the high cost of Cuban labour (wage rates are now uniform throughout the season) has effectively restricted much of the field work. Hence, even if weather conditions prove to be very favourable, a crop equal to this year's may not be attained. And although Cuba is not the only important exporter of sugar, its crop has considerable influence on the world sugar market, since Cuban supplies account for over 60 per cent of world exports. A smaller Cuban crop may not mean a dramatic rise in world sugar prices, but it might well prevent the decline in prices which had been previously anticipated—particularly if American purchases should be maintained at the present high level.

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Joseph Black published only three papers on chemical subjects in the course of over fifty years of scientific research, but his work is of such importance that he is regarded as one of the founders of modern chemistry. The most important of his papers, published in 1756 and entitled "Experiments upon Magnesia Alba, Quicklime and some other Alcaline Substances", deals with the chemical changes which occur when quicklime is added to the "mild alkalis" to render them caustic. He showed that when a solution of mild alkali is treated with quicklime, limestone and caustic alkali are produced. Black's explanation of this reaction is still accepted, and so well reasoned is his paper on the subject that it is regarded as one of the classics of chemical literature.

Born in 1728 in Bordeaux of Scottish parents temporarily resident in France, Joseph Black went to Glasgow University at the age of 18, becoming Professor of Anatomy and Chemistry in 1756, a post he retained for ten years until he took up an appointment at the University of Edinburgh. But it is for his work on the alkalis that this Scottish chemist is remembered. These chemicals which include such every day substances as washing soda and bicarbonate of soda, are as essential for industry as for the home. Their manufacture is one of the most important branches of the British chemical industry.

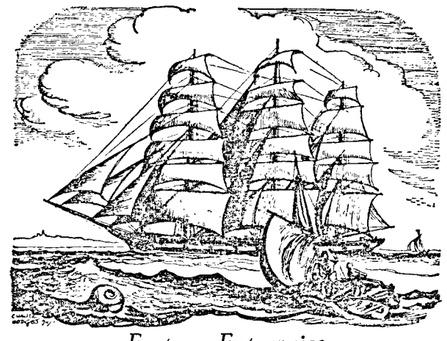
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Fall in Bank Advances

The clearing banks' statement for July showed, rather unexpectedly, a sharp drop in the total of outstanding bank advances—the first decline in this item in any month for two years. The actual decline amounts to £13.7 million, most of which is attributable to a steep reduction in the advances of the National Provincial Bank, which for the second month in succession have dropped by £9,000,000. It is well known that the close connection of this bank with tobacco and film financing from time to time produces large changes which do not conform to the general experience; but it would be wrong to assume that the movement in the aggregate figure last month was wholly due to such special factors. Of the eleven clearing banks, only three showed further increases in their advances; and the largest was no more than £1,100,000. The contrast with the strong upward trend of earlier months is therefore quite striking. There is little doubt that this is the first pale reflection of the effects upon the banks of the changes which disinflationary influences are producing in industry. On the one hand, the decline in consumer demand for certain types of goods has made producers of certain non-essential goods anxious to rely even more heavily upon their bankers; on the other hand, this very relaxation of buying pressure at the margins of the economy is gradually opening out some of the bottlenecks which have forced producers of more essential goods to carry large stocks of half-finished articles and thus to lean heavily upon the banks. A further factor has been the influence of these tendencies upon bank policy. Formerly, the most important borrowers were those in the essential industries, but now the main pressure is shifting to industrial groups which, in present circumstances, are less credit-worthy. In consequence, the banks are certainly beginning to look much more discriminatingly at loan applications than they found it necessary to do a few months ago. It would be unwise, no doubt, to attempt to draw too definite a conclusion from the experience of a single month; it is noteworthy that there has been a decline in advances in the month of July in every year but one of the past decade. But there is little doubt that in recent weeks the banks have been glad to see existing advances reduced out of proceeds of new capital issues, and have grown more chary of sanctioning new ones.

Last month, in contrast with experience in June, the Chancellor's disinflationary financial policy was also reflected in the movement of bank deposits, but the total of net deposits dropped by only £5,500,000—actually by £9,000,000 less than the decline in the banks' advances and investment holdings. In other words, the Government has again been a net borrower from the banking system, but the disparity between these borrowings and its apparent needs (as disclosed by the Revenue Return) was rather less marked last month than in the month of June. In the period most nearly comparable to the three weeks covered by the latest clearing bank figures, the Exchequer return showed an overall deficit (including items both "above" and "below" the line) of £5,000,000.

Shorter Notes

The Indian Finance Minister introduced on Monday the Bill to nationalise the Reserve Bank of India. The decision to nationalise that bank, as well as the Imperial Bank of India, was announced last February. At many points the plan follows closely the model of the nationalisation of the Bank of England. There is no intention to nationalise the commercial banks.

*

An interim dividend of 2 per cent (50 cents per share) in respect of 1948 has been declared on Canadian Pacific $25 ordinary shares. The company states that during the first half of the current year railway earnings made no contribution to the dividend. The fall in net railway earnings is attributable to a continuing rise in costs. The rise in wages since March 1st—it amounts to $27 million in a full year—has completely absorbed the increased freight rates introduced on April 8th. The company has applied to the Board of Transport Commissioners for permission to increase charges further by 20 per cent, and pending final settlement, by 15 per cent. Last year's accounts showed net railway earnings at $22,892,189, while other income, chiefly from the company's smelting, hotel and shipping interests, amounted to $24,788,927.

*

The action brought recently by certain preference stockholders of Eastern Telegraph Company to restrain the company from paying £5,000,000 as a special tax free 100 per cent dividend has been discontinued. The dividend had been paid to Cable and Wireless (Holding) which owns 98 per cent of Eastern Telegraph's ordinary capital. The main point at issue had been whether Eastern Telegraph could make the tax free distribution to ordinary stockholders out of reserves, to the possible disadvantage of preference stockholders who rank in case of winding up equally with ordinary stockholders. Pending the outcome of the action, Cable and Wireless (Holding) had agreed to hold the £5,000,000 dividend in reserve; now that the case has been discontinued, the dividend received from Eastern Telegraph can be distributed at the discretion of the Holding Company.

*

The Foreign Relations Committee of the US Senate approved the International Wheat Agreement last week. But the chairman of the committee, Senator Vandenberg, in reporting to the Senate, stated that there were many reasons which made it unnecessary to consider its ratification at the special session. This step has effectively killed the agreement; if the Americans wish to proceed with the matter next year, a new agreement will have to be negotiated by the thirty-six signatory countries.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: British Glues and Chemicals; Murex; Reardon Smith Line; Guest, Keen and Nettlefolds; Richardsons Westgarth; Brewery Company Reports.

Prices, Year 194- Jan. 1 to Aug. 11 High	Low	Name of Security	Price, Aug. 4, 1948	Price, Aug. 11, 1948	Net Yield, Aug. 11, 1948 (n)	Gross Yield, Aug. 11, 1948
		British Funds			£ s. d.	£ s. d.
101⅝	101	War Bonds 2½% August 1, 1949-51	101¼	101¼	...	1 6 6
101⅛	100⅛	Exchequer Bonds 1¾% Feb. 15, 1950	100⅛	100⅛	0 8 5	1 4 0
102⅛	100⅛	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 9 9	1 11 6
102⅛	100	War Bonds 2½% March 1, 1952-54	102xd	101⅛	0 16 0	1 17 11
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	103⅛	103⅛	1 5 1	2 17 7
102⅛	99⅛	War Bonds 2½% Aug. 15, 1954-56	102¼xd	102⅛	0 19 9	2 1 11
103⅛	100⅛	Funding 2¾% June 15, 1952-57	102⅛	102⅛	1 3 10	2 8 8
105⅛	100⅛	National Def. 3% July 15, 1954-58	104⅛	104⅛	1 3 4	2 9 11
105	101⅛	War Loan 3% Oct. 15, 1955-59	105⅛	105⅛	1 3 10	2 11 0
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	102xd	102⅛xd	1 9 9	2 16 4
101	96⅞	Funding 2½% April 15, 1956-61	100⅛	100⅛	1 6 8	2 9 9
102⅛	98⅛	Funding 3% April 15, 1959-69	102⅛	102⅛	1 10 4	2 17 7
114⅛	110⅛	Funding 4% Nov. 1, 1960-90	113⅛	113⅛	1 0 2	2 14 8
102⅞	97⅛	Savings Bonds 3% Sept. 1, 1960-70	100⅛xd	101⅛xd	1 11 7	2 18 3
96⅛	92⅜	Savings Bonds 2½% May 1, 1964-67	96⅛	96⅜	1 12 2	2 15 7
115⅛	112⅛	Victory Bonds 4% Sept. 1, 1920-76	114⅛xd	114⅛	1 4 2	2 16 10
101⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	100⅛xd	100⅛	1 12 8	2 19 7
111	107⅛	Consols 4% (after Feb. 1, 1957)	109⅛	109⅛	1 0 10	2 15 2
106⅛	102⅛	Conversion 3½% (after Apr. 1, 1961)	105⅛	105⅛	1 9 11	3 1 8
83⅜	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	76⅜	77⅛	1 15 11	3 5 7
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	94⅜	95⅛	1 14 11	3 3 9
100	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	97⅛	98⅛	1 14 5	3 2 3
83⅛	74⅛	Consols 2½%	76⅜	76⅛	1 15 10	3 5 3
101⅛	96	British Electricity 3% Gtd. 1968-73	100⅛	101⅛	1 12 6	3 0 0
98⅜	93⅜	British Transport 3% Gtd. 1968-73	100⅛	101⅛	1 12 6	3 0 0
98⅜	95⅛	British Transport 3% Gtd. 1978-88	97⅛	97⅛	1 14 8	3 2 3
100⅛	95⅛	British Transport 3% Gtd. 1968-73	100⅛	101⅛	1 12 7	3 0 0

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

Prices, Year 194- Jan. 1 to Aug. 11 High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Aug. 4, 1948	Price, Aug. 11, 1948	Yield, Aug. 11, 1948
					Other Securities			£ s. d.
104⅛	101⅛	%	%	%	Australia 3½% 1965-69	102⅛	103½	3 0 7
94⅛	91⅜	(d)	(d)	(d)	Birmingham 2½% 1966-71	93	93	2 18 0
101⅛	99	(d)	(d)	(d)	Argentine 3½%	101	101	3 9 5
8⅜	6⅞	50	e	50	c Anglo-American Corp. 10s	6⅛	6⅛	4 1 7
10⅞	⅛	5	a	25	b Anglo-Iranian Oil £1	8⅛	8	3 15 0
76/6	£2/4⅛	£15	c	£15	c Assoc. Port. Cem. Ord. Stk. £1	73/1½	73/9	4 1 5
38/6	29/6	40	c	40	c Austin Motor 'A' Ord. Stk. 5s.	32/-	33/1½	6 0 9
£4/-	72/9	7	a	7	b Barclays Bank Ord. 'B' £1	76/-	76/-	3 13 8
10⅜	8⅛	120	b	15	a Bass Ratcliff Ord. £1	8⅛	8⅛	2 15 11
104/9	£5/-	8	a	12	b British Oxygen Ord. £1	4⅛	97/6	4 2 1
46/1½	36/-	24	a	5	b Courtaulds Ord. £1	38/3	38/9	3 17 5
32/6	25/1	20	a	7½	b Distillers Co. Ord. 4s	26/6	26/9xd	4 2 3
32/10½	27/9	8	c	8	c Dorman Long Ord. £1	29/9	29/9	5 7 7
79/9	68/-	15	c	15	c Dunlop Rubber Ord. £1	70/6	70/6	4 5 1
53/-	44/-	3	a	7	b Imp. Chem. Ind. Ord. Stk. £1	45/7½	45/7½	4 7 8
6⅞	4⅛	19½	b	13½	a Imperial Tobacco £1	5⅛xd	5⅛xd	6 8 6
48/9	40/1	10	c	10	c Lancs. Cotton Ord. Stk. £1	42/6	42/6	4 14 1
56/6	44/10½	10	c	10	c Lever & Unilever Ord. £1	47/6xd	48/9xd	4 2 1
£1/3	47/6	12½	c	10	c London Brick Ord. Stk. £1	53/9	53/9	3 14 5
66/1½	47/-	25	c	31½	m P'chin J'ison Ord. Stk. 10s	52/6	53/6	4 13 5
35⅛	30⅛	174½	c	†77½	c "Shell" Transpt. Ord. Stk. £1	32⅛	32⅛	2 7 6
59/3	49/9	12½	c	12½	c Stewarts & Lloyds Def. £1	52/3	52/3	4 15 9
£5/7½	73/1½	12½	a	15	b Tube Invst. Ord. Stk. £1	75/7½	74/4½	2 0 4
7⅞	5⅛	12½	b	12½	a Turner & Newall Ord. Stk. £1	6	6⅛	4 2 5
90/9	73/3	11½	b	3½	a Woolworth (F. W.) Ord 5s.	74/-	74/6	4 0 6
53/3	41/-	55	b	15	a	80/6	79/-	4 8 8

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (g) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (l) To latest redemption date. (m) 15 months. Yield Basis 25%. † Free of tax.

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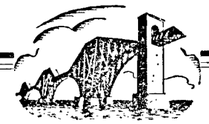
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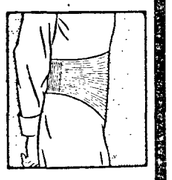
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COMPANY MEETINGS

ARGENTINE ESTATES OF BOVRIL, LIMITED

LORD LUKE'S REVIEW

The fortieth annual general meeting of this company was held, on the 4th instant, in London.

In his address, Lord Luke, the chairman, said that the trading profit of £132,406 showed an increase of £117,359 compared with last year. Of that profit, taxation absorbed £72,000 and the net profit for the year was £43,533, against £2,521 in 1946.

The net preference dividend for the year to September 30, 1947, which had been paid on June 4, 1948, amounted to £16,500, and their directors recommended that a dividend of 4½ per cent. be paid on the preferred ordinary shares for the year to September 30, 1947, which would absorb £12,808. That left £75,957 to be carried forward and made the balance on profit and loss account approximately the same figure as it had been in 1945.

He had that day received the following cable from the Argentine:—"Cattle and camps are in very satisfactory condition and wintering well. Present prospects cereal crops on company's camps are good. Estimated profit on farming section about 50 per cent. of previous year, due to increased maintenance cost and decreased turnover on cattle account. Continually mounting social services, higher wages and short season are bound to affect factory figures very adversely. If present difficulties and restrictions causing inability to ship raw materials continue intensely difficult situation will arise."

Regarding the future, through no fault of theirs the prospects were decidedly uncertain. They could but look hopefully for some sign of encouragement and freedom for those industries which, like themselves, were endeavouring to maintain and increase the food supplies of the world.

THE GLOBE TELEGRAPH AND TRUST COMPANY, LIMITED

A SATISFACTORY RESULT

The seventy-fifth annual general meeting of The Globe Telegraph and Trust Company, Limited, was held on the 11th instant, in London.

Sir Edward Wilshaw, K.C.M.G., the chairman, in the course of his speech, said: The gross revenue has improved by £9,412. On the other hand, our expenses, due mainly to taxation, have increased by £15,086; £14,182 of this is due to the doubling of profits tax.—raised from 12½ per cent. to 25 per cent.—higher income tax on our increased revenue and an adjustment of a previous year's tax.

The balance is thus reduced by £5,674 to £191,329, which amount, when added to the balance brought forward from last year of £171,454, makes a total of £362,783. From this the dividends already paid and those now proposed will absorb £177,472, leaving £185,311 to be carried forward to next year, an increase of £13,857, which I think you will agree is not an unsatisfactory result in a difficult year.

Our Investments quoted on the London and other Stock Exchanges, which cost £3,817,765, had a market value at the date of the balance-sheet of no less than £7,794,227, in addition to which unquoted investments appear at £1,328,982. Taking these unquoted investments at cost, the total market value of both quoted and unquoted holdings at £9,207,473, shows an increase in appreciation of £202,083 over last year. This is mainly due to our investment in Cable and Wireless (Holding) Limited, which forms just over 41 per cent. of the book value of our portfolio. This originally cost us £2,124,486, and its market value on June 30th last was £6,064,705.

The report was adopted.

NOTICES

INCORPORATED ACCOUNTANTS

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS EXAMINATIONS

The next Examinations will be held at London, Manchester, Leeds, Cardiff, Glasgow, Dublin and Belfast as follows:—
Final Examination: October 26, 27 and 28, 1948.
Intermediate Examination: October 27 and 28, 1948.
Preliminary Examination: October 26 and 27, 1948.
Candidates are requested to make their own arrangements for accommodation.
Applications on the appropriate forms must be lodged on or before Wednesday, August 25, 1948, with the undersigned.
A. A. GARRETT, Secretary.
Incorporated Accountants' Hall,
Victoria Embankment, London, W.C.2.

WANTED TO PURCHASE, Outright or a 50 per cent Controlling Interest in, a really sound first-class Commercial or Industrial Business. Must have certified accounts, etc., and a genuine reason for selling. Public or private limited liability company, within reach of Edinburgh, offering real scope and reasonable remuneration for hard work and capital, preferred.—Box 880, Robertson and Scott, Edinburgh.

DIRECTORSHIP or Partnership wanted to Purchase in a really sound first-class Commercial or Industrial Business, offering wide practising scope and reasonable remuneration for hard work and capital, within reach of Edinburgh by youngish practising accountant with 15 years' experience of running his own business with considerable success. Considerable experience in engineering, building, hotel and financial firms. Excellent Referees.—Box 881, Robertson and Scott, Edinburgh, 2.

CAPITAL AVAILABLE to expand or support existing Commercial or Industrial Business, within reach of Edinburgh. Preferably public or private limited liability company. Working Directorship or Partnership required offering real scope and reasonable remuneration for hard work, plus capital, certified accounts required.—Box 882, Robertson and Scott, Edinburgh, 2.

SENIOR AUDIT CLERK (28) seeks commercial post with prospects for advancement. Willing to travel.—Box 792.

MANAGING DIRECTOR (45) seeks executive appointment, home or overseas. Wide experience commerce and industry; sound knowledge of finance. Good war record (Colonel). Many important personal contacts (banking and business) at highest levels. Excellent references. Can introduce new capital.—Box 793.

MARKET RESEARCH or Sales Intelligence Post required by B.A.(Com.), just graduated (girl). Or willing to train for business or administrative post. Available immediately and will go anywhere.—Box 794.

CHEMICAL EXPORT MERCHANTS require services of competent, energetic and trustworthy gentleman with general knowledge of chemicals and allied products to take charge of responsible, permanent and progressive position, used to work on own initiative.—Write in confidence, with full particulars, to Box 795.

LARGE FIRM of Paint Manufacturers require an Export Sales Executive with knowledge of Paint Products and experience of Export Markets to assist in the Management of an expanding Export Department. Please state age, qualifications, experience and present salary, to Box 796.

B.COM.(LONDON). First-Class Honours; fluent French, Polish, moderate Spanish, little German; ex Staff Officer; able negotiator and organiser; age 30; seeks post with scope in imports-exports or industry.—Box 797.

B.Sc.(Econ.), 30, some business and sales experience, capable handling staff, seeks appointment where initiative and drive will lead to responsible executive position.—Box 769.

MATURE business man with many years' merchant experience at high level in various parts of the British Commonwealth would consider advisory or executive work near London.—Reply Box 801.

ANNUITIES

(Single lives; Last survivor; "Capital-protected"; "Capital-redemption"; Reversionary; Certain; Deferred, etc.)

Circumstances have made annuities an attractive proposition to an increasingly large number of people, particularly now that the capital invested in them can be safeguarded against loss due to premature death. Very considerable loss (up to £1,000 and over in individual cases) has been and is being sustained by the public due to their entrusting the purchase of their annuities to inexperienced and unrepresentative part-time agents. The undersigned has specialised for many years in every kind of annuity issued by the various Life Offices (for all of which he acts impartially and in the sole interests of his clients), and is therefore in a position to advise on those giving the highest NET yield with complete safety.

Descriptive brochure, without obligation, to bona-fide applicants, Box 712.—H. A. OUTHWAITE, Assurance Broker. 'Phone: WES. 3092. Interviews by appointment only.

ACCOUNTANT required by British Merchant Firm for senior position at Indian Branch. C.A. preferred, but all candidates with sound general experience of taxation and commercial and industrial accounts considered. Not over 35. Commencing remuneration £1,000 to £1,500 p.a. according to age and experience. Initial outfit allowance, free passages, local leave, pension scheme, provident fund and medical expenses. Initial agreement four years with six months home leave on full salary.—Apply to Box H.53, Foster, Turner and Everetts, Ltd., 11, Old Jewry, London, E.C.2.

THE Civil Service Commissioners invite applications for four pensionable posts of Research Officer (£900-£1,220), five of Assistant Research Officer (£650-£850) and three of Research Assistant (£330-£600) in the Board of Trade. Salaries rather lower for women and for posts outside London. For Research Officer candidates must be at least 28, for Assistant Research Officer 26-39, for Research Assistant 21-29. They must have a University degree in Economics, Statistics or a kindred subject with at least Second-Class Honours or equivalent. Candidates for the posts of Research Officer and Assistant Research officer must also have knowledge and research experience on distribution of population, trade and industry, communications and services, natural resources, etc. Full particulars and application forms from the Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 2267. Closing date September 16, 1948, for candidates in the United Kingdom and October 7, 1948, for candidates overseas.

ASHRIDGE. *Course* 31. Manpower in the Commonwealth. September 9th-15th.
Economic Implications; Prospects in the Colonies; Present Official Schemes; Snags; Britain's Manpower Problems; The Man in the Street. Suggested Solutions. Speakers include Sir Alexander Carr-Saunders, Miss Edith Thompson, Sir Miles Thomas, Sir Godfrey Ince.
Inclusive fee £5 5s.

Course 32. Housing and Town and Country Planning. September 17th-20th.
Open Space in the Building Pattern, Miss J. Adburgham; Population Movements on Rural Life, H. C. M. Tapper and F. B. Stevens; A Critical Survey of Post-War Housing, M. B. Blackshaw; Planning Under the New Act, Captain R. L. Reiss.
Inclusive fee £3 3s.
Applications for enrolment to Bursar, Ashridge, Berkhamsted, Herts. Tel.: Little Gaddesden 3191.

PRESS AND THE NATION

Read how the Press serves the community, as told by Lord Camrose and other famous contributors in "THE PRESS—1898—1948," now on sale, price 2s. 6d., at all newsagents and booksellers or direct from the publishers: The Newspaper World, 154 Fleet Street, E.C.4.

THE BOND STREET STAMP AUCTIONS

The H. R. Harmer Saleroom is the Mecca of all serious Philatelists. The auctioneers of the "Hind" and "Roosevelt" Collections invite you to contact them if you have fine stamps or Collections for disposal. If you wish to buy, write for Catalogue subscription blank. Airmail editions of Catalogues are available six to seven weeks in advance of Sales. To all serious Philatelists, the H. R. Harmer Service is indispensable.
H. R. HARMER, LTD., 39/42, New Bond Street, London, W.1. Tel.: No. MAY 0218. Cables; "Phistamsel London."

Statistical Summary

GOVERNMENT RETURNS

For the week ended August 7, 1948, total ordinary revenue was £72,939,000, against ordinary expenditure of £47,365,000 and issues to sinking funds £720,000. Thus, including sinking fund allocations of £4,323,000 the surplus accrued since April 1st is £243,872,705 against £283,112,658 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand) April 1 to Aug. 9, 1947	April 1 to Aug. 7, 1948	Week ended Aug. 9, 1947	Week ended Aug. 7, 1948
ORDINARY REVENUE					
Income Tax	1309150	286,494	309,679	10,750	15,971
Sur-tax	90,000	15,580	21,150	300	400
Estate, etc., Duties	160,000	61,865	67,100	2,300	2,400
Stamps	55,000	16,750	20,835	1,700	800
Profits Tax / E.P.T.	250,000	9,760 71,783	33,110 46,500	1,100 3,806	1,600 1,300
Other Inland Rev.	1,000	95	90	...	5
Special Contributn.	50,000	...	8,700	...	550
Total Inland Rev.	1915150	462,325	507,164	19,956	23,226
Customs	820,600	269,648	282,724	14,471	13,271
Excise	726,550	214,700	277,300	18,283	31,200
Total Customs & Excise	1547150	484,348	560,024	32,754	44,471
Motor Duties	50,000	9,707	8,923	1,816	1,589
Surplus War Stores	102,000	64,047	20,871	84	105
Surplus Receipts from Trading	57,000	25,000	826	...	...
P.O. (Net Receipts)	...	...	60	*Dr. 80*	60
Wireless Licences	11,000	2,640	2,730	...	...
Crown Lands	1,000	410	360	...	...
Receipts from Sundry Loans	14,000	13,597	7,683	1,215	2,972
Miscell. Receipts	68,000	155,679	23,289	28	517
Total Ord. Rev.	3765300	1217753	1131930	55,773	72,939
SELF-BALANCING					
Post Office	150,200	49,380	53,000	3,080	4,040
Income Tax on E.P.T. Refunds	16,000	7,121	2,935	262	192
Total	3931500	1274254	1187865	59,115	77,171

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Aug. 9, 1947	April 1 to Aug. 7, 1948	Week ended Aug. 9, 1947	Week ended Aug. 7, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	157,998	150,876	3,728	23,367
Payments to N. Ireland	26,000	7,371	6,807	696	938
Other Cons. Fund Services	8,000	3,260	3,161	...	...
Total	534,000	168,629	160,844	4,425	24,305
Supply Services	2441679	762,140	722,890	30,120	23,060
Total Ord. Expd.	2975679	930,769	883,734	34,545	47,365
Sinking Funds	...	...	4,323	...	720
SELF-BALANCING					
Post Office	150,200	49,380	53,000	3,080	4,040
Income Tax on E.P.T. Refunds	16,000	7,121	2,935	262	192
Total	3141879	987,270	943,992	37,887	52,317

After decreasing Exchequer balances by £658,018 to £2,660,522, the other operations for the week decreased the gross National Debt by £20,230,287 to £25,680 million.

NET RECEIPTS (£ thousand)

Tithe Act, 1936, sec. 26	210

NET ISSUES (£ thousand)

P.O. and Telegraph Acts, 1946 and 1948	425
E.P.T. Refunds	235
Overseas Trade Guarantees Act, 1939, sec. 4(1)	6
Local Authorities Loans Act, 1945, sec. 3(1)	3,500
War Damage: Board of Trade	1,000
Finance Acts, 1946 and 1947, Post-war Credits	326
	5,452

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Tax Reserve Certs.	4,052	Treasury Bills	21,930
Other Debt:		Nat. Savings	1,300
Internal	33,389	2½% Def. Bonds	173
		3% Def. Bonds	*2,164
		2½% Ter. Annuities	1,474
		Ways & Means Advances	30,630
	37,441		57,671

* *Including £1,522,000 paid off on maturity.*

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Aug. 9	2180·0	2421·0	348·4	3·5	1400·5	6356·4
1948						
Apr 24	2170·0	2716·9	322·5	...	1349·5	6558·9
May 1	2180·0	2689·3	322·9	...	1346·5	6538·7
,, 8	2200·0	2643·2	310·2	...	1346·5	6499·9
,, 15	2210·0	2643·5	301·0	20·3	1326·5	6501·3
,, 22	2210·0	2626·6	297·8	14·8	1362·0	6511·1
,, 29	2210·0	2620·2	303·3	...	1377·0	6510·5
June 5	2210·0	2616·7	283·2	3·5	1410·0	6523·5
,, 12	2210·0	2608·9	281·7	1·0	1423·5	6525·2
,, 19	2210·0	2635·1	274·0	11·3	1443·5	6573·8
,, 30	4817·3		270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
,, 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
,, 24	2210·0	2632·8	294·6	13·3	1429·5	6580·1
,, 31	2210·0	2620·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Aug. 8	170·0	216·6	170·0	10 1·48	49
1948					
May 7	170·0	290·3	170·0	10 1·24	43
,, 14	170·0	293·7	170·0	10 1·36	45
,, 21	170·0	294·5	170·0	10 1·26	43
,, 28	170·0	278·6	170·0	10 1·68	50
June 4	170·0	295·8	170·0	10 1·20	40
,, 11	170·0	277·5	170·0	10 1·70	49
,, 18	170·0	259·6	170·0	10 1·89	57
,, 25	170·0	272·7	170·0	10 1·65	48
July 2	170·0	286·8	170·0	10 1·45	45
,, 9	170·0	276·5	170·0	10 1·48	48
,, 16	170·0	279·7	170·0	10 1·55	48
,, 23	170·0	294·3	170·0	10 1·31	43
,, 30	170·0	291·8	170·0	10 1·34	42
Aug. 6	170·0	288·1	170·0	10 1·50	44

On August 6th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 44 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for August 13th. For the week ended August 14th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Aug. 2, 1947	Week Ended July 31, 1948	Totals Apr. 1 to July 31, 1948
Savings Certificates:—			
Receipts	2,900	2,100	40,500
Repayments	2,750	3,400	48,200
Net Savings	150	*Dr1,300*	*Dr7,700*
Defence Bonds:—			
Receipts	1,785	765	14,335
Repayments	764	907	15,031
Net Savings	1,021	*Dr 142*	*Dr 696*
P.O. and Trustee Savings Banks:—			
Receipts	14,109	11,467	212,214
Repayments	17,263	14,572	219,239
Net Savings	*Dr3,154*	*Dr3,105*	*Dr7,025*
Total Net Savings	*Dr1,983*	*Dr1,347*	*Dr15421*
Interest on certificates repaid	495	612	8,582
Interest accrued on savings remaining invested	2,250	2,289	40,139

BANK OF ENGLAND RETURNS

AUGUST 11, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1277,837,347	Other Govt. Securities	1288,270,311
In Bankg. Department	22,410,486	Other Secs.	707,136
		Coin (other than gold)	7,453
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	402,154,291
Rest	3,842,880	Other Secs.:—	33,915,929
Public Deps.:—	53,370,540	*Discounts and*	
*Public Accts.**	*19,968,030*	*Advances*	*8,324,129*
H.M. Treas. Special Acct.	*33,402,510*	*Securities*	*25,591,900*
Other Deps.:—	387,708,003	Notes	22,410,486
Bankers	*299,749,906*	Coin	993,717
Other Accts.	*87,958,097*		
	459,474,423		459,474,423

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

COMPARATIVE ANALYSIS

(£ thousand)

	1947	1948		
	Aug. 13	July 29	Aug. 5	Aug. 12
Issue Dept.:—				
Notes in circulation	1411·8	1285·0	1288·3	1277·8
Notes in banking department	38·4	15·2	11·9	22·4
Government debt and securities*	1449·3	1299·2	1299·3	1299·3
Other securities	0·6	0·8	0·7	0·7
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	16·2	11·2	8·6	20·0
Treasury Special Account	...	...	33·4	33·4
Bankers	294·9	311·0	305·4	299·7
Others	93·3	89·4	90·1	88·0
Total	404·4	411·6	437·5	441·1
Securities:—				
Government	342·6	366·3	405·2	402·2
Discounts, etc.	20·7	13·4	10·6	8·3
Other	18·7	34·1	27·4	25·6
Total	382·0	413·8	443·2	436·1
Banking dept. res.	40·8	16·0	12·8	23·4
	%	%	%	%
"Proportion"	10·0	3·8	2·9	5·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Aug. 5	45	74⅜	175 14	112 14
,, 6	45	74⅜	176 8	112 10
,, 7	Markets	Closed	176 2	112 2
,, 9	45	74⅜	175 13	112 12
,, 10	45	74⅜	175 11	112 7
,, 11	45	74⅜	Markets	Closed



New Business Contacts

With its wide network of Branches, The Union Bank of Australia is able to give the fullest assistance to those seeking to establish new business relationships in Australasia. If desired, visitors so interested will be put in touch with importers and exporters of standing.

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ANNUAL INCOME EXCEEDS £7,500,000
ASSETS EXCEED £102,000,000
CLAIMS PAID EXCEED £189,000,000
(1947 Accounts)

UNIVERSITY OF ABERDEEN

RESEARCH FELLOWSHIPS IN ECONOMICS

Applications are invited for two Research Fellowships in the Economics Department, one of which will be in the History of Agriculture. The Fellowship will carry a stipend at the rate of £500 per annum, plus F.S.S.U. benefits. Applications to be lodged with the Secretary by August 31, 1948.—The University of Aberdeen. H. J. Butchart, Secretary.

AUCKLAND UNIVERSITY COLLEGE, AUCKLAND, NEW ZEALAND

Applications are invited for the following appointment: LECTURESHIP IN ECONOMICS. Salary £625 per annum (New Zealand currency). Allowance is made for travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Universities Bureau of the British Empire, 8, Park Street, London, W.1. The closing date for the receipt of applications is October 1, 1948.

THE WEST OF SCOTLAND AGRICULTURAL COLLEGE, GLASGOW; THE EDINBURGH AND EAST OF SCOTLAND COLLEGE OF AGRICULTURE, EDINBURGH; AND THE NORTH OF SCOTLAND COLLEGE OF AGRICULTURE, ABERDEEN

The Governors of the Colleges invite applications from graduates for three new posts of Agricultural Economist, one at each College, to develop farm management advisory work, with particular reference to work simplification and farm efficiency studies. The salary scale is £485-£25-£739 at Edinburgh and Glasgow and £470-£25-£710 at Aberdeen, plus consolidated addition of £90. Candidates should have some knowledge of farm management in its practical and economic aspects, and of investigational techniques used in farm management surveys. Persons appointed will be eligible for admission to the Federated Superannuation System for Universities. Further information regarding the conditions of appointment and the duties of the post and forms of application may be obtained from any of the undersigned, with whom applications and copies of testimonials should be lodged not later than September 30, 1948.

The Secretary, West of Scotland Agricultural College, 6, Blythswood Square, Glasgow, C.2.

The Secretary, Edinburgh and East of Scotland College of Agriculture, 13, George Square, Edinburgh, 8.

The Secretary, North of Scotland College of Agriculture, 41½, Union Street, Aberdeen.

PERSONNEL MANAGEMENT. Business executive with wide experience finance, commerce and industry and with profound belief importance personnel management, training and welfare, seeks appointment, offering scope and opportunities, with concern who have similar belief. High level contacts and references. Public school, University, good war record.—Box 798.

SALES STATISTICS.—East Herts manufacturer requires assistant in sales department with flair for handling facts and figures relative to sales, advertising, distribution stock control, etc. Perferably local resident. Not over 30. Keenness more important than experience.—Apply Box 799.

Postal Tuition for B.Sc.ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical, research and welfare work in commerce and industry, and for teaching or administrative post. under Education authorities, etc. The degree is open to all, without University residence. You may prepare for the three examinations at home under the experienced guidance of Wolsey Hall (est. 1894): moderate fees, payable by instalments, if desired.

Prospectus from Dept. P17, WOLSEY HALL, OXFORD

Printed in Great Britain by St. Clements Press, Ltd., Portugal St., Kingsway, London, W.C.2. Published weekly by The Economist Newspaper, Ltd., at 22 Ryder Street, St. James's, London, S.W.1. U.S. Representative: R. S. Farley, 111, Broadway, New York, 6.—Saturday, August 14, 1948.

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(Incorporated in the Colony of Hongkong)

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RESERVE FUNDS STERLING - - - - - - - £6,000,000
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Chief Manager: The Honourable A. Morse, C.B.E.

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CANADIAN PACIFIC RAILWAY COMPANY.—(Incorporated in Canada with limited liability.)—DIVIDEND NOTICE.—ORDINARY CAPITAL STOCK.—At a meeting of the Board of Directors held today, a dividend of two per cent (fifty cents per share) on the Ordinary Capital Stock in respect of the year 1948 was declared payable in Canadian funds on October 1, 1948, to shareholders on record at 3 p.m. on August 23, 1948. The Directors desire to point out that railway operations for the first half of the current year have contributed nothing to the payment of this interim dividend. Continuing increases in the cost of materials and supplies and heavy increases in wages (retroactive to March 1st), which alone will aggregate annually $27,200,000 or more than the net railway earnings for the previous year, have completely offset the increase in freight rates which became effective on April 8th. An application for a further increase in rates became imperative, and application has now been made to The Board of Transport Commissioners for a twenty per cent. increase including an interim increase of fifteen per cent, pending final disposition by the Board.—By order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, August 9, 1948.

LONDON TRANSPORT EXECUTIVE

Applications are invited for a post as a Principal Executive Assistant for financial and accountancy work in connection with the establishment of an economic efficiency audit by financial and statistical methods. The duties of the post include the definition of measurements of *economic efficiency* in all branches—engineering, operating and administrative—of the Executive's work, the study of such measurements and their trend, and the investigation of particular aspects of costing data. A sound knowledge of accountancy and costing principles is essential and a professional qualification desirable. Applicants, who should combine the qualities of initiative and imagination with a practical outlook, must be able to write clear and concise reports and be experienced in the interpretation and presentation of financial and statistical data.

The salary for the post is in the range £1,100-£1,300, with prospects of further advancement, and the successful candidate will be required to pass a medical examination. After serving satisfactorily for a probationary period, membership of the Executive's contributory superannuation fund will be compulsory.

Canvassing, either directly or indirectly, will disqualify.

Applications, giving full particulars of education, business or other experience and professional qualifications, should be sent within 14 days of appearance of this advertisement to the Staff Officer (F/E.V.21), London Transport Executive, 55, Broadway, Westminster, S.W.1.

BIRMINGHAM CHAMBER OF COMMERCE (INC.)

Applications are invited for appointment as Secretary on retirement of present occupant of the office. Candidates, preferably between 35 and 45, must have had wide experience in secretarial and administrative work; a University Degree or some knowledge of legal work an advantage but not essential. Post, which also carries with it the secretarial responsibility for the Birmingham Section of the British Industries Fair, is a whole-time pensionable appointment. It offers considerable scope and a particularly interesting type of work to the selected candidate. Remuneration is commensurate with the high degree of responsibility involved and the prestige of the office.

Present occupant will remain in Office for a period of time to enable the selected candidate to take over *smoothly and efficiently.*

Applications, stating age and giving full particulars of qualifications and experience together with the names of three referees, and present remuneration, should be addressed to the President, Birmingham Chamber of Commerce, 95, New Street, Birmingham, 2, marked "Private and Confidential." They must be received NOT LATER THAN first post on October 1, 1948. Canvassing either directly or indirectly will disqualify.

GENERAL WORKS MANAGER.—A well-known confectionery manufacturing company invites applications for a post as Head of the Production Division. The position is at top executive level and involves the co-ordination and control of all production, chemical and process development activities, all of which are committed to a heavy expansion programme. *Essential requirements:* Honours degree (Engineering, Physics or Chemistry); not less than 10 years' experience in process type of industry, including three to five years at senior executive level; proven qualities of leadership and ability to direct operations of a team of high-grade executives; not over 48 years of age. The appointment will carry an initial salary of over £1,000 per annum, plus pension, life assurance and other benefits; prospects of executive directorship. Only candidates fulfilling all the above specifications can be considered.—Please apply in confidence, giving age and full particulars of education, career and salary level, to Box 800.

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Troubled Truce

THE unofficial Israeli suggestion to the Security Council—that either a settlement should be reached with the Arabs within a specified time or the Jews should recover their freedom of action—brings into the open the decisive factor of the second truce in Palestine. It is that the Zionists are now on the offensive. Arab opinion, it is true, is divided on the issue of further fighting; those who have done least—the Iraqis and the Syrians—press most strongly for action. It is also true that popular opinion in the Arab countries and among the irregular forces in Palestine itself continues to be restive and ready for violence. But it seems clear that the more responsible Arab statesmen are no longer blind to the events of the last months. Threatened by powerful Jewish forces to whom arms and reinforcements are arriving steadily, overwhelmed by the ghastly disaster of their 300,000 destitute refugees, they realise that the tide of fortune inside Palestine is flowing strongly for Israel and that as a result the intervention of the United Nations, coupled with the maintenance of the truce, is now their chief hope of rescuing anything from the local situation which has turned so swiftly against them.

Zionist offensive strategy springs from the realisation on their side that renewed fighting might bring victory more complete than any yet conceived—outside the brains of the extremists. The successes of Zionist arms in clearing Haifa, Lydda, Ramleh and Nazareth, in overrunning most of western Galilee and in keeping open a corridor to Jerusalem (in which it appears new settlements are being hastily established) have convinced government and people alike that a new resort to arms would give Israel not simply the territories allotted to it by the United Nations Commission, but the whole of Palestine. Their recent policy reflects this new confidence that the best basis for the Zionist cause is now the right of conquest. The Prime Minister, Mr Ben Gurion, has announced that the provisional government no longer *regards the frontiers* suggested by the United Nations as final, and official claims have also been made to Jerusalem as a purely Jewish city. Yet, if the original basis of the proposed Jewish State—the United Nations proposal—is abandoned, there is only one other criterion to put in its place—the amount of territory that can be taken from the Arabs as a result of successful war.

Concrete actions speak as loudly as official claims, and in two vital fields—that of the Arab refugees and of Jewish immigration—Jewish policy confirms and underlines Mr Ben Gurion's statement, for it makes sense only if most, or indeed all, of Palestine is to be included in the Jewish State. The Arab refugees were systematically stripped of all their belongings before they were sent on their *trek* to the frontier. Household belongings, stores, clothing all had to be left behind—a factor which helps to account for the total destitution of the vast majority of the refugees. In some areas, once the villages and settlements had been cleared in this manner, Jewish settlers were brought in to take the place of the outgoing Arabs. Although the Israeli authorities have not publicly committed themselves to a refusal to allow the refugees to return to

their homes, they have shown extreme reserve in discussing the question of the conditions under which the Arabs would be allowed to re-enter the country.

At the same time, Jewish immigration is now being expanded to allow for the reception of 10,000 immigrants a month and it is hoped to bring in 200,000 DPs and 400,000 other Jews from Eastern Europe in the next five years. There is also talk of bringing in some 800,000 Jews who live in other Arab countries. Israel, in the form proposed by the United Nations, could not absorb so many in so short a time. Once again, the practical consequence of Jewish policy is to make control of most of Palestine a necessity.

The obstacle in the way of realising such a policy is the jurisdiction of the United Nations in the whole Palestine dispute and the mission to Palestine of the United Nations' Mediator, Count Bernadotte, and his group of observers. Through the United Nations, world opinion in general—and American opinion in particular—has given its support to the achievement of a peaceful settlement in Palestine. Moreover, the circumstances of the truce are such that the first of the two protagonists to revert to force, be he Jew or Arab, runs the risk of being named aggressor. This is the risk which restrains the Israeli Government today. Its belief that it has everything to gain by fighting is tempered by the fear that to break the truce would invite United Nations intervention—which would be to all intents and purposes American intervention—and undermine the Zionist cause in the country the Zionists must seek above all to propitiate, the United States. In their attempt to escape from this dilemma, the Jews have sought to pin the responsibility for breaches of the truce upon the Arabs. The blowing up of the pumping station at Latrun—allegedly by Arab irregulars—was used to launch an attack upon the uselessness of the Truce Commission, and every effort is being made to convince the world that the Arabs have started a major offensive in Jerusalem. But the evidence of the Mediator controverts these efforts. The United Nations observers are not prepared to commit themselves even upon Latrun and, in general, Count Bernadotte has made no secret of his view that in this second truce, the Zionists, not the Arabs, have shown the greater readiness to let off their guns.

Another line of Zionist tactics has been to invite the Arabs to direct negotiations—a suggestion which, to the chagrin of the Jews, Count Bernadotte passed on to the Arabs without comment. But the Arabs are by now too aware of their weakness to wish to abandon the protection of negotiation only within the jurisdiction of the United Nations. The Jews have therefore proposed the speeding up of a settlement under the ægis of the United Nations. The Security Council is being requested to set a time limit after which, if there is no agreement, both sides will be allowed to resort once more to force. There is reason to sympathise with the Jews in their desire for a speedy settlement, but it is surely clear that any attempt to secure a quick solution in Palestine at this stage can mean one thing only—the breakdown of negotiations and the reversion to violence. Approval of this procedure by the Security Council would simply mean that, after a certain point, the Zionists would be in a position to launch an offensive, but to do so this time without incurring world blame and risking the intervention of the United Nations.

*

The Security Council has, for the time being refused to consider any end of the truce except by its own decision. But many people, especially in America, might not be unduly distressed to see the efforts at conciliation collapse. So many kingdoms in history have been established by force of arms that the prospect of the Zionists carving out their state in the traditional way can be presented as a natural and indeed inevitable process. And since few peoples in the world have longed for a homeland as keenly as the Jews, there is rather more excuse in their case than in that of most other conquerors. But a moment's reflection must show that such an attitude is basically irresponsible. Quite apart from the justice of the matter—and justice is the first casualty in all wars of conquest—there are two reasons why it would be disastrous to permit the problem of Palestine to be settled by force. The first is the extent to which the successful functioning of the United Nations is now bound up with a peaceful solution in Palestine. The United Nations itself is at the moment no more than a piece of machinery which the powers can use or not at will. One development which is calculated with certainty to break it as an instrument for peace is a situation in which the powers, after taking it up and committing themselves to its use, simply allow it to slip from their hesitant hands.

The second reason is as grave. There can be no general peace in the Middle East if the Arab states are asked to reconcile themselves both to the loss of Palestine and to the principle that the Zionists can have what they can take by force. This is not a question only of Anglo-American rights and interests in Arab lands, important as oil concessions, transit and landing rights undoubtedly are. It is the wider question of the pacification of a whole area which lies on a dangerous frontier between competing spheres of interest of the great powers. Even if the Arabs could not destroy Israel by regular military operations, they and their guerrillas and irregulars could create a permanently explosive state of "no war—no peace" from which wider troubles might constantly spring up.

It is for this reason that the British Government has not ceased to urge that any lasting settlement must be based upon the consent of both sides, and in accepting the principle of mediation and peaceful settlement the powers are now committed through the United Nations to the same view. The fulfilment of this principle means that neither side can now hope to achieve its full ambitions. The Arabs must reconcile themselves to the existence in one form or another of a Jewish state—an outcome which their more responsible leaders probably realise already. The Zionists must moderate their territorial ambitions sufficiently to leave some sugar on the bitter pill the Arabs will have to swallow in accepting Jewish sovereignty. It may be that a lasting settlement can be built upon an "equality of discontent"; but there can be no hope of peace if either side forces the other to the total loss not only of its whole cause but of its prestige as well. This explains the much-maligned policy of the British Government in withholding recognition from the state of Israel. It is not because Britain rejects the solution of partition and Jewish sovereignty—on the contrary, it has been accepted as inevitable for a long time past—but because British policy, for all its hesitations and tergiversations has for many years held quite firmly—and, beyond question, rightly—to the conviction that only an agreed settlement has any chance of enduring.

Nor is it any more right today than it ever has been to abandon the quest for an agreed settlement simply because the two sides will not for the moment agree. Possibly the Arabs are by now sufficiently chastened to agree to a partition scheme. But even if they are not, it is the duty of the United Nations to set up a solution that both sides can be expected to agree to, however grudgingly, when they come to their senses and not to acquiesce in one that will never be accepted in any circumstances.

The overwhelming interest of the powers in securing a settlement that can be maintained peacefully cannot be doubted. It is equally obvious that their policy at present is leading them in exactly the opposite direction. Negotiated peace can only be secured, under present conditions, under the aegis of the United Nations and through the good offices of the Mediator. So little support, however, has he received from the powers directly concerned—the United States, France and Belgium who form the Truce Commission—that his own position is becoming seriously compromised. He has asked for more military observers. The response has been dilatory and inadequate. He has asked for a sufficient police force to enable him not only to maintain the truce but to reinforce his moral authority while he urges his unwilling protagonists along the slow and painful path of negotiation. To this plea the reply has been wholly negative. Under these conditions, Count Bernadotte cannot maintain much longer the position of authority which must be his if he is to achieve a settlement. Once the Israeli authorities become convinced that the powers' backing both for the truce and for the principle of mediation is so wavering that it can be flouted with impunity, they are likely to find the temptation to attempt a settlement by conquest overwhelming. Only the narrow thread of their continued acceptance of the Mediator's authority holds them back. If that thread snaps, Palestine will once again be plunged in war.

In the last analysis, only one power can stabilise this dangerous situation—the United States. Its desire not to be implicated directly, its desire to keep its own men from an area in which the forces of Irgun are operating, are perfectly understandable. But the risk seems small compared with the major danger of breaking the United Nations and allowing the conflagration in the Middle East to break out once again. Resolute and unequivocal American backing for the authority of the United Nations and for the Mediator's role and American readiness to provide the manpower necessary to hold the position in Palestine would stabilise a situation which is now showing all too many signs of drifting back to war. Other nations can contribute to a settlement. France and Belgium will undoubtedly follow an American lead. Britain will certainly not obstruct any solution reached by agreement and under international authority. But the United States alone has the power and the influence—above all with Zionism—to turn the scales in favour of peace.

Plan and Pseudo-Plan

THE spectacle of America, stronghold of free enterprise, urging upon the sixteen ERP nations the necessity of common planning, is paradoxical in more ways than one. It is not only that the advice comes from the last place whence, ideologically speaking, one would expect it; it is that the international aspects of planning have, ever since the beginning of the plan-or-no-plan debate, been regarded as offering the most difficult problems and, indeed, constituting the Achilles heel of the whole concept. The planning urged by Mr Hoffman, however, is more a co-ordination of policy and an estimate of its results than a "plan" in the sense in which Socialists understand the word; and indeed, the increasing extent to which planning—of some sort—is becoming a matter of international obligation makes it particularly important to decide just what are its intrinsic possibilities, difficulties and limitations.

Planning, as Socialist opinion understands it, certainly does not correspond to any one clearly definable, logically coherent principle or course of action. One may leave out of discussion that totalitarian Utopia, vaguely technocratic and wholly exempt from any inconvenient notions of pandering to the consumer, cherished by some of the dimmer spirits of the Left, and the still vaguer use of the word in incantations and perorations as an evocative symbol of everything that is non-capitalistic and virtuous. There remain two contrasting realities for which the word may stand when used by different people or by the same people in different circumstances. One of these is the ideal planned economy of the liberal socialists. This sets up as its aim, and claims to achieve through a scientific use of prices and market mechanisms, just that nice adjustment of resources to needs, that maximum exploitation of technical possibilities, which the competitive system ought to produce but does not. The other can best be described as pseudo-planning; it does indeed comprise an objective, or a more or less related series of "targets," but it makes only the most approximate guess at consumer needs, and works less through the price system (which its operators thoroughly distrust) than through piecemeal and spasmodic intervention by physical controls.

There has of course never been an ideal planned society or even a genuine attempt to achieve it. Russian experience has little relevance to a free society, and the dictatorially imposed schedules of a physical plan can only be accepted by such a society as a strictly temporary wartime measure, as intrinsically undesirable, even if as necessary, as blackouts or universal conscription. The same argument applies to such hangovers from wartime control as rationing. Rationing constitutes in itself a confession that the economic system is not producing things in the proportions in which consumers want them; it may be the best and indeed the only immediate way of dealing with the emergencies of war and postwar dislocation, or with an income structure grossly incompatible with current social ideals, but it is essentially a wasteful and clumsy makeshift. In a genuinely democratic planned economy its necessity would be regarded as a clear indication of failure—failure to use the price system either to elicit the right things or to distribute incomes in the right proportions. Deliberate reliance on rationing and on physical controls is, if complete, the mark of totalitarianism; if partial, the mark of the pseudo-plan. Britain, with its genius for muddling through (or at any rate for muddling), is just the country where pseudo-planning might be expected to yield the best results; but those results so far, apart from any judgment of their merits, throw no conclusive light on the theoretical possibility of successful democratic planning.

Quite an impressive case can be put for that theoretical possibility, as readers of the works of the "market socialists" are aware. Appositely enough, a new exposition of planning has lately arrived from America in the shape of a revised edition of Professor Carl Landauer's "Theory of National Economic Planning."* It repays study. Planning—such is its thesis—need not involve physical interference and control; it need not imply public ownership (except over that limited field of "natural monopolies" and communal services which would also need to be publicly controlled in the absence of a plan). It does require price-fixing, supplemented where necessary by taxes, subsidies and guarantees, but a flexible price-fixing such as should in theory result from the operation of the "perfect market." Imperfection in the market is, under private enterprise, ineradicable; actions are taken at best in the light of the present situation, not the situation as it will be when these same actions have borne fruit. Planning can change all that, on certain assumptions which Professor Landauer proceeds to elaborate. He assumes that the planners will not make the fatal mistake—the Russian mistake—of contenting themselves with a mere accumulation of material statistics of production, stocks, sales, manpower, capacity and so forth, but will also work out both supply and demand schedules, with due regard to interconnections, both technical and commercial, for every commodity and service within their purview, solving the myriads of simultaneous equations involved in order to discover the "true" market price of each. These prices they would then proclaim—and the whole equilibrating mechanism of the textbooks, powered by old reliable profit motive, would be able to pursue its beneficent work without further interference.

*Theory of National Economic Planning. By Carl Landauer. University of California Press. (London: Cambridge U.P.)

One would imagine that, having made this demonstration, Professor Landauer would regretfully consign liberal-socialist planning to Utopia. It may be intellectually satisfying to confute that school of thought which holds planning to be essentially irrational even as a paper theory. But the imagined spectacle of a planning board trying to work out, in constantly changing circumstances, what every family and every business man in the community will demand at every conceivable combination of prices for all conceivable commodities and with every conceivable technique, is enough to rouse the compassion of those fairy-tale tyrants who set their victims to sort out overnight a barnful of mixed seeds. Nor is the position really much improved if broad averages are struck for groups instead of individuals, and the less probable technical possibilities ruled out from the start. But Professor Landauer is undismayed. The market does just that, wastefully and clumsily, experimenting with men and goods instead of with figures in a column ; since the work must be done, why not let the planners do it, and do it properly ?

To argue thus is to overlook both that averaging of errors which is the salvation of the free market and the difference between the size of the problem confronting each individual business man and that confronting the planning board. (In the fairy tale, it is a hill-full of ants, or a flock of birds, which sort out the seeds and save the hero or heroine from the penalty of failure. There is a lesson in this.) It is also to overlook the contrast between the merchant shading his price as his business sense brings him a whiff of a buyers' market, and the ideal planning board deciding on a similar reduction after passing its ideally adequate data (collected on how many perfectly designed forms, handled by how many infallibly reliable clerks) through its ideally adequate calculating machines, is like that between the movement of a human player's eye across a tennis court and that of the Mount Wilson telescope across the heavens. The telescope is a more powerful and accurate instrument and backed by a better brain ; but the tennis player's eye is more sensitive and his reactions are quicker. When to these considerations one adds those which affect the actual, as against the ideal, planning procedure—the pitiful inadequacy of data, the inertia of officialdom, the power of the save-trouble motive—no sane mind can accept the fact of perfect planning. When one reflects, moreover, that one of the most important sets of market prices to be fixed is wages, then it becomes painfully obvious that comprehensive planning will never be able to do the market's job for it. In practice, the planning organisation will always be a more or less slapdash affair, making errors and correcting them by physical controls, clapping on more controls to make these effective and taking them off again when they prove unworkable or politically dangerous, judging the plan to fit its own incapacities, and approximating, according to the temper of planners and planned, either to the totalitarian or to the pseudo-planning pattern. And yet planning—of a sort—is essential. It is essential in the long run in order to remedy the recognised susceptibility of capitalism to boom and slump. It is equally essential in the short run, because adjustments which, under free enterprise, would have been made, have not in fact been made and cannot be made at one blow without catastrophe, any more than a traveller who has taken the wrong road over a mountain can safely rejoin the right one by jumping down a thousand-foot cliff face. The ivory-tower analysis of Professor Landauer casts little light on this interim planning for special ends—the only sort of planning, it is reasonable to suppose, that Mr Hoffman has in mind. More realistic, though less ambitious, is Professor J. E. Meade's latest contribution to the debate "Planning and the Price Mechanism."* He is as thoroughly alive as Professor Landauer to the irrational and undemocratic nature of physical controls ; but he has a much less starry-eyed view of the genus planner, and his objectives are limited accordingly. He has, after all, spent the last few years in Great Britain, not in California. Look after the total of national expenditure, the distribution of incomes and property, the possibility of monopoly, and—at all events for the time being—the flow of foreign trade, and the rest of the economy can look after itself ; such, in outline, is Mr Meade's prescription, and—still in outline—it is one with which few people outside the Society of Individualists are likely to quarrel.

Even this nucleus planning, as one may call it, presents difficulties enough. The control of total expenditure, where popular pressure insists simultaneously on enormous investment in the less productive forms of capital, on largely expanded communal services, on fully maintained private spending power and shorter hours, is a tough enough nut in itself—as Sir Stafford Cripps is finding and as any other Chancellor would find in his turn. The unravelling and control of monopolies calls not merely for enormous legal and administrative ingenuity but—since the really important thing is not monopoly *per se* but restrictive practices—a radical and prolonged process of popular re-education. And the control of foreign trade, in a world of wildly unstable prices, is itself a task to stagger anyone. (For just what world situation is Great Britain to plan its activities in 1952 ?) The minimum of planning, the control of the economic climate, is by any realistic standards the maximum too. One can have not only paper plans but paper planning-systems ; in the one as in the other

> We fortify in paper and in figures
> Using the names of men instead of men.
> Like one that draws the model of a house
> Beyond his power to build it.

Less elegantly than Shakespeare, one can only beseech the plan-minded not to insist on biting off more than they can chew.

The Rift in World Labour

IN October the World Federation of Trade Unions will be three years old, but whether it will survive to celebrate its fourth birthday is more problematical. It is true that the meetings of the Executive Committee in Rome last May gave some hope of its survival. By a series of uneasy compromises, by agreeing to differ on such controversial issues as the Marshall Plan, and by postponing decisions on others, the WFTU's life was saved. It was agreed to carry on, in an effort to recapture some of the lost unity of 1945 and to restore some of the dignity of which its recent dissensions have robbed it. But the international atmosphere since May has scarcely been propitious for carrying out the Rome proposals. The recent conference of western European and American labour leaders in London strengthened the non-Communist groups and established close relations with the ERP administration, even if it did not lead to the formation of a rival trade union international. When, five months after the Rome meeting, the Executive of the WFTU meets in Paris in September, it will either have again to gloss over differences, or face its problems squarely, risking the probability of a final breach.

The main reason for not lightly abandoning the WFTU is that it is a genuine international organisation, which if east and west ever resolved their political differences, might still do useful work. It is the first trade union organisation in which revolutionary and reformist movements have joined. With more than 70 million members, it is far more comprehensive than its predecessor, the International Federation of Trade Unions, which would have been quite inadequate to meet the needs of the postwar situation and which in 1943 had a membership of only 16 millions. Because of its rule—one country, one organisation—the IFTU excluded the American CIO, and it never dared to risk offending the American Federation of Labour by inviting its rival to join. British-led attempts to bring in the Russians were unsuccessful, even in the late 1930s when the "Red International" was no longer active and the Russians were pursuing a "Litvinov line." As recently as 1939, at the IFTU's Zurich congress, a proposal to invite the Russians was defeated.

*

Wartime developments precipitated the end of the IFTU. An Anglo-Soviet trade union committee was formed, and the CIO, with its mass membership in munitions plants, grew in influence. From 1943 discussions went on about the basis for the postwar international and eventually, in February 1945, the first world trade union conference was held in London, largely on British initiative. The only major organisation not represented, apart from the Germans, was the American Federation of Labour, which consistently rejected co-operation with the WFTU. The London declaration recognised

> the vital importance of uniting in one world federation the trade union bodies of freedom-loving nations, irrespective of race or creed, or of political, religious or philosophical distinctions.

These admirable sentiments provided the basis for the WFTU's constitution, which was endorsed with great enthusiasm in Paris in October 1945, when the Federation was officially born. It is worth recalling, however, that Lord Citrine warned this conference that the WFTU would only succeed if it concerned itself with trade union matters and kept out of politics, if it were financially and administratively sound, and if it made satisfactory arrangements for the inclusion of the International Trade Secretariats.

None of these three conditions has in fact been fulfilled. The political bias of the administration of the WFTU in Paris, under its secretary Louis Saillant (until recently also a secretary of the Confédération Générale du Travail) has been a constant source of irritation to the British and Americans, and has given the American Federation grounds for its incessant criticisms of Communist domination. Publications of the WFTU have contained vicious attacks on British and American policy and accused the western trade unions of carrying out the dictates of Wall Street. M. Saillant's refusal to place Marshall Aid on the executive's agenda last November precipitated a crisis and led the western trade unions to hold a separate conference to discuss labour participation in ERP. The WFTU'S excursion into Greece, the Middle East and other centres of delicate diplomatic negotiation has created considerable embarrassment.

The chief criticisms brought against the WFTU both by the British TUC and by the American CIO have, however, been on the grounds of the inefficiency and ineptitude of the administration. Mr Vincent Tewson, of the TUC, brought up in the efficient traditions of British union management, has complained bitterly about the World Federation's administrative incompetence. Mr James Carey of the CIO went so far as to declare at Rome that, unless M. Saillant were removed, his organisation would leave the WFTU—a threat from which he rather ingloriously retreated. This action did however result in a compromise arrangement, embodied in a seven-point declaration, whose main purpose was to limit the activities of M. Saillant, to increase the authority of his assistant secretaries (one of whom is Mr Walter Schevenels, former secretary of the IFTU and a strong anti-Communist) and to ensure consultation with the national centres on matters of major policy. It cannot be said that there have been any noticeable improvements in the efficiency of the WFTU or in the standard of its publications. A strongly worded telegram from M. Saillant to Signor Togliatti, after the attempt on the Italian Communist leader's life, has caused both British and Americans to wonder whether the Rome agreement had been forgotten ; it will be one of the bones of contention at the next executive meeting.

These administrative hurdles might be overcome without too much difficulty, but Lord Citrine's third condition—satisfactory arrangements with the International Trade Secretariats—is less likely to be fulfilled, for it now looks as if the protracted negotiations with these bodies will never be concluded. The Secretariats are the international organisations of specific groups of workers, such as miners, textile workers, metal workers and transport workers. They used to be loosely connected with the prewar IFTU and it was originally intended that they should become Trade Departments of the WFTU. Only the miners and printers have signified their readiness to enter the scheme. The majority have preferred to wait and see, while the powerful International Transport Workers' Federation has definitely refused, and its President at its conference last month at Oslo described the WFTU as "an unfortunate chapter in trade union history." The opposition of the Secretariats springs largely from fear of losing their individual autonomy—most of them are wealthy and influential—and from mistrust of the Communist elements. There have also been many technical and financial difficulties. The inclusion of these occupational groups as an integral part of its organisation would provide the WFTU with a solid and practical foundation, which it has hitherto lacked.

It may be that the force of these practical and political obstacles will lead to the disintegration of the WFTU. If this happens, no immediate alternative organisation seems likely to take its place. It is true that the American Federation of

* Planning and the Price Mechanism. By J. E. Meade. Allen & Unwin.

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Labour, which originally pressed for the revival of the IFTU, has been encouraging the western groups to form a new anti-Communist international. They wanted to see a body with a fully fledged international secretariat emerge from the recent London conference on the Marshall Plan, and this might well have been the end of the WFTU. These proposals, which were supported by delegates of the CIO and other American organisations, were not adopted, largely because the British and European groups were not ready to move so far. The British, whom the Americans criticised for a "lukewarm" attitude and for slow progress in making intra-European co-operation effective, insisted that international action must spring from effective national action, and that it was necessary first to ensure co-operation between the national trade union centres and their Governments. In the end, it was agreed that each national organisation should appoint a special ERP official, that M. Léon Jouhaux should act as liaison officer with the Paris ERP administration, which would recognise and consult with the unions' ERP advisory committee. It remains to be seen whether this arrangement will develop along the lines envisaged by the Americans or whether it will permanently be confined to ERP activities.

The American Federation of Labour in the meantime has been consolidating its position among the non-Communist groups. It recently set up an inter-American Federation of Labour to counter WFTU influence in the western hemisphere and it is believed to be contemplating similar plans for the Asiatic anti-Communist elements. The Federation is reported to have given substantial funds to the French anti-Communist Force Ouvrière and has recently provided advisers in Marseilles and Le Havre, where Communist influence is strong. No doubt the Italian minority movements will equally turn to it for support and advice. It has also encouraged its members to participate in the International Trade Secretariats, to oppose WFTU interests.

These developments have placed the British TUC in an awkward position. It conceived and nurtured the WFTU and has provided Lord Citrine and Mr Deakin as presidents. While there is considerable support for the WFTU in the British trade union movement, as resolutions for the forthcoming Margate conference show, the TUC has also been a prime mover in the ERP conference. European unions, like their political counterparts, have always tended to look to the British for a lead. Now there is a tendency for the Communist unions to look to Moscow, and the anti-Communists to Washington. Hitherto, the TUC has managed to keep a foot in both camps, but the role of peacemaker is a thankless one, and it may soon have to make up its mind to bring its feet together.

The conception of "workers of the world unite!" is very difficult to sustain. The idea that working people have common interests which transcend nationality and race flourished during the nineteenth century, when, except for fraternal gatherings, it was never really put to the test. The outbreak of war in 1914 dealt the first blow to it, and the divergence between revolutionary socialism, reformist socialism, and the American conception of organised labour in a capitalist state dealt it another. The harsh experience of the twentieth century has, in fact, been that national loyalty exerts a stronger pull than any other interest, and that, even where common interests exist between the members of a class in different countries, the division between democracy and totalitarianism creates a barrier which only the fanatical few are anxious to surmount.

Consequently, as the ideological conflict deepens between east and west, trade unions have come more and more to mirror the policies of their governments. The identifications between government and union in Russia and the Russian dominated countries is almost complete. The British unions are, with few reservations, committed to the foreign policy of their own Foreign Secretary. The two American federations, though they will reject any suggestion of governmental pressure, are in fact at one with the Administration on the Marshall Plan. Until there is some progress in the diplomatic and political spheres it is impossible to foresee anything but a precarious and unhappy future for the WFTU.

NOTES OF THE WEEK

Fruits of Moscow

The Moscow talks still hang in the balance and the last attempt to present minimum terms to Mr Stalin has not been made at the time of going to press. If they should prove acceptable and lead to a lifting of the blockade of Berlin, then it will be wise to restrain any tendency to claim a straight diplomatic victory for the West. After such hard bargaining it could be assumed that whatever the Russians had secured would be really valuable to them; and to that gain must be added their power to re-impose the blockade at any time and to nibble away by economic and administrative measures at the Western position in the city.

If Mr Stalin does not unbend, then the Western Powers will take a graver view of the consequences than will the Russians. The people of the Soviet Union appear to be unaware either that critical discussions are going on or that the Western Powers have organised a full-scale military operation in order to maintain the Western sectors of Berlin. They have been told that all the trouble arises from the introduction into Western Germany of a new currency against which the Russian authorities in Berlin felt obliged to defend the economy of the city and of their zone. If, therefore, the present talks fail the Russian people can be told that the Western envoys were unreasonable about highly technical currency matters. If they succeed the Russian people can be told that the Western envoys have sensibly given way and that the blockade is therefore no longer necessary.

In fact, it is worth emphasising that the whole Berlin question looks graver from the Western than it does from the Eastern side. It has taken three weeks of intense thought and careful manœuvring by the professional diplomatists of America, Britain and France to overcome the tactical difficulties created by months of prestige politics practised by the Berlin generals. Whatever the outcome of the conference, they should not again have imposed on them such a wide range of responsibilities, especially in economic matters.

* * *

Red Danube

"Law," says Mr Vishinsky, "is an instrument of politics, and the reverse theory is untrue." With this classic formulation the Soviet public prosecutor and draughtsman of the Stalin constitution rejected last Monday any idea of referring disputes about the use of the Danube to the International Court of Justice. Instead they will be dealt with by a tribunal of three, two nominated by the riparian states and one by the chairman of the new and solidly satellite Danubian Commission. It is now settled that the Western Powers have lost all status in Danubia; the new convention regulating control of the river reflects none of their rights or views. Time alone can show what rights Germany and Austria will be granted beyond the reaches within their territories.

The conference in Belgrade has been a damaging fiasco for British as well as American diplomacy. It will have raised the stock of the Russians among the neighbours of Tito at a difficult time. And it will have exposed the apparent inability of Western diplomatists—with their present instructions—to find any method of overcoming stubborn stone-walling tactics. Sir Charles Peake scored some sharp debating points but not enough to efface the memory of Mr Vishinsky's triumphant hectoring. One would like to know what Talleyrand would have done when confronted with a negotiator who says: "What is in the Soviet draft convention is acceptable. What is not in the Soviet draft convention is not acceptable."

Defence and Defiance

The question is being asked whether the lips of Mr Alexander, like those of Mr Baldwin, have been sealed. Certainly the Minister of Defence has done noticeably little either to warn the public of the dangers of the international situation or to arouse its interest in the implications of the Brussels Pact. Recruiting speeches have been left to Mr Shinwell, a task for which he shows little liking, and the explanation of British obligations and indebtedness to allies is nobody's business. It is really astonishing that the arrival of American bombers in East Anglia, greeted with relief across the Channel, brought forth barely a word of welcome or justification from a Cabinet Minister.

Ministers may readily be excused for avoiding talk of war. The men in charge of the Service Ministries are not of high calibre, and they are probably as much alarmed by the power as by the weaknesses of the forces they control. But they cannot be forgiven for failing to explain to the public two things: first, that defiant diplomacy without power is bluff; second, that the effort which Western Europe will make towards regional arrangements for its security depends on the lead given by Britain. About the progress made in London by the military committee of the Brussels Powers not a word has been published which would enable leaders of public opinion to present the country's obligations in a novel and interesting light. Recruiting, whether for the regular or for the territorial and auxiliary forces has no point, no appeal, so long as the danger it is intended to meet is not frankly and bravely explained. This task cannot be left to Lord Montgomery.

The Opposition too must take its share of the blame. Mr Churchill should have asked months ago in the Commons for information about the state of the nation's defences. His followers should have pressed the Government much harder for assurances about the state of civil defence, about the disbanding of special airborne and armoured formations, about the state of anti-aircraft and fighter resources and about arrangements for calling up reservists. Had such questions been pressed and reasonable assurances given, then British spokesmen—among them Mr Eden—would have been better entitled to speak brave and defiant words about Berlin. There is a general reluctance on both sides of the House to realise that policies which lead to situations just short of war need the support of forces which are just short of complete readiness. Ministers should spend part of their vacations reading the speeches they made on defence in 1937-38. They wear well.

* * *

Tobacco Cuts

Last Friday's announcement of a further cut in the supply of cigarettes and tobacco to retailers raised a cry of anguish from a British public which had spent most of its holidays queuing for supplies which had suddenly become scarce. In fact this cut may lower consumption to 195 million lb., the point at which it stood in 1938. The extent of this reduction can be seen by comparing it with the figure of 258 million lb. for 1946-47 which had, however, been reduced by savage taxation to the rate of 208 million for the year 1947-48.

This might be the genuine symbol of Nemesis, ramming home to the British public what it means to be a citizen of a country with an adverse trade balance and therefore unable to set its own pattern of living standards. To the worker sick of queuing for a twopenny cigarette of indifferent blend, it might be possible to demonstrate—as it is impossible with subsidised food—that living standards depend upon productivity. But in fact the operation of two factors will probably mask this grim truth. First, tobacco will inevitably bulk large in Marshall aid to Britain and ECA had already estimated the United Kingdom needs of American tobacco for this year at 205 million lb. of which Britain will probably take up the two-thirds covered by grants under ERP. Limited supplies of Greek, Turkish and Rhodesian tobacco are available, but although the American Government may have no immediate objection to their purchase, it is unlikely that the American growers would allow such a risky change in consumer habits to become permanent.

Secondly, cigarettes are not in the same category as other consumer goods. The process of reducing the consumption of nicotine is so painful to the hardened smoker that he or she will curtail many other pleasures (including saving) first. Although it is considered by sociologists to be more easily controllable than drinking or gambling, smoking has nevertheless acquired a steadily stronger grip in Britain. (Consumption in 1946 was almost double that of 1924.) Its volume is not related to the standard of living (the highest figure of domestic consumption ever reached has just been recorded in the United States) nor to the availability of other goods. Although the power to satisfy the urge depends upon the level of money wages, the urge itself is created by the many tangible and intangible factors which contribute to the strain of living. Many works managers will agree with Mr Belcher, secretary of the Tobacco Trades Association, that any saving of dollars on tobacco will be offset by a decline in the efficiency of the British worker who, quite wrongly, is convinced that regular smoking is essential to his well being. Whatever the result of better housing and amenities, and a return to more settled civil conditions, will have upon permanent smoking habits, there can be no doubt that the smoking urge is still near its peak, especially among male workers.

Faced with a possible drop in industrial morale and the certainty of political unpopularity, there is very little that the Government can do except to juggle with the distributive arrangements. The placing of cigarettes on the ration as an alternative to sweets might work, but there would inevitably be a big black market traffic. To tax tobacco even more highly would inevitably create a demand for bigger wages, since the workers regard them as a necessity of life. The Government's probable course will be to make some discreet arrangement whereby cigarettes find their way into the industrial areas and the canteens at the expense of other localities.

* * *

Cost of Living

In the latest Bulletin of the Oxford Institute of Statistics Mr Dudley Seers has further elaborated his cost of living estimates by a subdivision of the middle classes. The results, reproduced in the table below, are based on careful calculations, and would doubtless be borne out by that somewhat elusive body of people whose living conditions happen to conform to weighted mathematical averages. Yet, bearing in mind that individual circumstances vary widely, the trends shown in Mr Seers's calculations conform to experience. From 1938 to 1940, he estimates, the working and middle-class living cost rose about equally, from 1941 to 1943 the middle-class cost of living rose more rapidly and from 1944 to 1946 the two groups rose again at about the same pace. Since 1946 the calculations show a slight differential disadvantage against the working classes, which is indicated in the last column of the table.

COST OF LIVING OF DIFFERENT SOCIAL STRATA
(1938=100)

	(1) June, 1947	(2) May, 1948	Percentage Rise Since June, 1947
Working class	161—2	174	7·8
Lower middle class	166—7	179	7·3
Clerical employees	168	180	7·2
All salaried personnel	169—70	182	7·3
Upper middle class	185—6	198—9	7·0

The cost of living index of the working classes since 1938 has risen somewhat less than the consumer's price index, but whether this means in effect a rise in real wages depends upon the view taken of both size and quality of the national product today as compared with prewar. There is little doubt, however, that the incomes of the higher groups have fallen behind their respective cost of living indexes; no mathematics are needed to prove this. At best the national product has moderately increased in quantity, yet the larger share of the working classes in that product must come from somewhere and as it does not, at least all of it, come from more production or overseas borrowing, it must come from less consumption—for someone. "The general rule appears to be that the higher a social group was in 1938, *ceteris paribus*, the greater has been the increase in the prices of their customary purchases since 1938." It is rationing by the purse indeed when cost of living rises faster than incomes.

In the last year the middle classes have apparently not fallen behind in the race to retain their share of the national product. Indeed, the upper middle class—on Mr Steers's definition, all people whose incomes in 1938 exceeded £500 a year—have fared least badly in the past 12 months. Yet this has become an economy where cost, and thus standard, of living depend on good fortune as much as good management. The working man who since the war has a new home at £1 a week (and subsidised by £22 a year) and the salaried person who took a 14-year lease in 1938, are relatively comfortable; but for the postwar tenant at uncontrolled rents normal budgeting has been made impossible for years ahead. Too much individual hardship is hidden by averages to warrant sighs of relief at the statistical cost of living of any section of the community.

She Chose Freedom

In the Biblical narrative of the Fall an angel with a flaming sword was posted to keep people out of Paradise. Under the rule of the Marxist-Leninist state, on the other hand, the more important task of the flaming sword is to stop people escaping from Paradise. Extraordinary precautions are taken by the Soviet Union to prevent its citizens from fleeing from their happy land. As long as the iron cage does not extend beyond the frontiers of the Union, it is no matter for international law—even though cases such as that of the detention of the Russian wives of British subjects are a cause of international friction—but when the Soviet state pursues its wayward children outside its territorial boundaries, awkward incidents are liable to occur.

The latest case is the astonishing "rescue expedition" of officials of the Soviet Consulate in New York to bring into Soviet keeping the school teacher Mrs Kosenkina, who was living on a farm owned by a White Russian organisation outside New York—having been abducted thither according to the official Soviet version, but having taken refuge there according to her own account which she has now given to the New York police. Even if she had been abducted, there was no justification for the Soviet Consul's action; it would have been his duty in international law to request the American police to liberate her, not to organise a rescue party himself on the territory of a foreign state. But by jumping from the window of the Consulate, and afterwards refusing to allow Consulate officials to take her from an American hospital, she effectively refuted the Consul's contention that White Russians, and not his own staff, were the kidnappers.

Meanwhile the Soviet Government had raised the matter to a high diplomatic level by formally protesting to the State Department and demanding that Mrs Kosenkina and another Soviet citizen, Mr Samarin, who with his family had also "chosen freedom," be handed over forthwith to the Soviet authorities. As Mr Samarin had already placed himself under the protection of the Federal Bureau of Investigation, it was no longer sufficient to accuse the White Russian group of abduction, and American officialdom was directly charged with being in the plot to entrap Soviet citizens longing to return to their own country. This insolent bluster is unlikely to convince any honest American that Mrs Kosenkina jumped from the Consulate window because of her joy at being once again within the embrace of the Soviet state.

In any case, the American Government has refused the extradition of the fugitives, and the Swedish Government has now been encouraged by the example to warn the Soviet Embassy in Stockholm to desist from attempts to force the return of an Esthonian girl who wishes to remain in Sweden. It is, indeed, about time that the Russians, who lay such stress on their own sovereignty, were told clearly that they can claim no extra-territorial rights on foreign soil for the purpose of applying their discipline to their own nationals.

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Too Many D-Marks?

The German people in the three Western Zones will have another billion D-marks placed at their disposal by the decision taken this week to release the remaining quota of 20 D-marks per head, which was promised in the currency reform law last July. Dr Erhard, head of the Economics Department at Frankfurt, opposed this step on the grounds that consumers had too much purchasing power already, while industry is acutely short of medium and long-term credits. The public was blamed by the German authorities for forcing up the now largely decontrolled prices by reckless buying and for encouraging the fresh hoarding which is taking place.

It is often overlooked in such arguments, however, that the former "legal" prices which have now risen were in any case fictitious, and that real prices have fallen by far more than the cut in currency would have justified by itself. Thus, the legal price of a pair of shoes was 18 Reichsmarks before July 20th, but at the rate of allocation and issue it would have taken eight years for each consumer to secure a pair. On the black market, shoes were to be had for 800 to 1,000 Reichsmarks. At the exchange rate of ten to one, this price should have sunk to 80 to 100 D-marks; but, in fact, shoes can now be bought on points in the shops for prices which are wavering between 30 to 40 D-marks.

Undoubtedly, there is a risk attached to the present decision. There may, indeed, still be too much purchasing power in the public's hands. The Anglo-American estimate of old money in circulation before the exchange proved to be only about half the actual figure; no less than 123 billion Reichsmarks were in circulation. This figure has been cut to 5.7 billion D-marks, in cash and bank accounts, a figure to which the extra billion will now be added. And the danger of another buying spree exists. The Germans have not yet realised how poor their country has become. The great need is for a return to reality in all aspects of life, and it is the basic virtue of the currency reform that it sharply forced the trend in that direction. For the British it is hard to estimate how far illusion had gone in Germany, where belief in a miracle weapon had been succeeded by faith in a whole range of other fictions, political and economic.

Though there is a risk in giving the public its 20 D-marks per head, it had nevertheless to be taken, even if it temporarily fosters the illusion that good times are coming. If the currency law had been altered, public confidence in the new marks would have been undermined. Rumours of fresh inflation are already being spread by speculators and Communists, including the report that the Western Powers will, after all, allow the Russians a share in control of the D-mark in order to remain in Berlin. That the Western Germans should be nervous on this score is a warning of the danger of any but the most limited concessions on currency matters in Moscow.

* * *

Christian Trade Unions in Italy

The expected split in the Italian Confederation of Labour (CGIL) is now virtually complete. The Christian Democrats had long presented the political twist given to CGIL policy by the Communist majority. The last straw was the general strike ordered by the Communists on July 15th, after the attempted assassination of Palmiro Togliatti, their leader. The next day the Christian Democrat trade union leaders sent a letter to the CGIL Secretariat declaring that, since the objectives of the strike were against the proper aims and tasks of trade unionism, they must denounce Article 9 of the CGIL Statute. Under that article all members agreed to abide by majority decisions of the Directorate. Furthermore, the Christian Democrat trade union leaders urged their workers to ignore the strike notice.

In reply, the Communists appealed for trade union loyalty. But the quarrel was taken up by the Christian Association of Italian Workers (ACLI) recently formed by the Christian Democrats to operate within the CGIL. This action was followed by the predominantly Communist executive committee of the CGIL expelling its Christian Democrat colleagues. The expelled leaders refused to leave their offices, and parleying went on for several days. But the die now seems cast, and news of "free trade unions" is coming from all over Italy including even Bologna, the Left-wing stronghold. It is expected that when the ACLI holds its first national congress early next month, it will set up a fully independent and rival trade union organisation like that of the *Force Ouvrière* in France.

Meanwhile, two particular aspects of the present confused situation are of interest. First, the Pope is reported to be preparing an encyclical on Christian Trade Unionism, to be issued probably just before the ACLI congress in September. This promises to be a momentous document, for which there has been no precedent since the encyclical *Quadragesimo Anno* issued in the early thirties. Secondly, the Christian Democrats, having successfully got the courts to block the CGIL's liquid assets, amounting to 200 million lire at the Banca dei Lavoro, pending a decision on legal entitlement, have now been allotted 23 million lire as their share. This event has convinced many doubting observers that united trade unionism in Italy really is finished.

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Constitutional Progress in Rhodesia

Northern Rhodesia is the latest colony to have its constitution modified towards more responsible government, but the changes announced by the Colonial Office this week are less interesting than the events which led up to them. Constitutional advance in Northern Rhodesia is hampered by the two facts that it is a colony with a white settler community and that it is adjacent to self-governing Southern Rhodesia which discriminates against the African in its legislation and administration. There is always the fear that if more responsible government, in accordance with the Europeans' wishes, is given, it will pave the way for the infiltration of discriminatory practices from Southern Rhodesia and possibly for the amalgamation of the two territories.

It was against this background of suspicion that earlier this year the unofficial European members of Northern Rhodesia's

Legislative Council put forward proposals for constitutional reform. Not unnaturally they would have allowed Northern Rhodesia's Europeans a bigger say in its affairs by giving the Legislative Council control over the Executive Council in which three of the European elected members should sit. But they also proposed that the balance of power in the Legislative Council between Europeans and Africans should be preserved and that an African, chosen by Africans, should sit in the Executive Council as Minister for Native Affairs. Yet so great is the suspicion of European intentions that the very real advance proposed for the Africans was overlooked both by the Africans themselves and in this country, and the scheme was denounced lock, stock and barrel.

The Colonial Office's counter-proposals, which were agreed to by the European and African delegation sent to discuss the whole matter, are much more limited. The Executive Council will include three European unofficials from the elected members of the Legislative Council and one of the European unofficials nominated to represent African interests. Provision is also made for one or two of the unofficial members to have responsibility for groups of departments—the usual device in the colonies for helping the transition from an Executive Council to a full Cabinet system. When Africans are ready for it, they will be eligible for appointment to the Executive Council, but for the time being they must rest content with the direct representation in the Legislative Council which they will have for the first time this autumn. Yet the Africans apparently prefer these cautious proposals of the Colonial Office to the real advance which the unofficial proposals would have given them.

* * *

Federation or Amalgamation?

No official statement was issued at the end of the talks between the Secretary of State for the Colonies and the Northern Rhodesian delegation on the question of federation with Southern Rhodesia. But it is becoming such a prominent topic in both colonies that it can hardly fail to have been discussed. There is no doubt that many Europeans in the Rhodesias still desire amalgamation as wholeheartedly as they did in the 'thirties when the Bledisloe Commission pronounced against it for the time being. But there is also no doubt that the reason why the Commission pronounced against it is as strong now as it was then—the fear of Southern Rhodesia's native policy held by the Africans of the northern territory. On the other hand, federation would, it is claimed, give all the advantages of amalgamation—it would provide a larger and more convenient unit for the administration of such matters as civil aviation, transport, hydro-electric schemes and external relations—but without the great disadvantage of amalgamation, for it would reserve to the individual governments all aspects of native affairs. Amalgamation of Northern Rhodesia with Nyasaland would be the natural introduction to the federation of the three territories, and there are signs that the former opposition of the Nyasaland Africans to the proposal is breaking down.

Whatever their real feelings, an important section of Europeans in both Rhodesias appears to have decided to drop amalgamation in favour of federation as being the most practicable aim. In fact, the United Central Africa Association, an organisation in Southern Rhodesia, is anxious that Southern Rhodesians should not press for Dominion status because it would be impossible for the federation of a colony and a Dominion to be achieved, and at the moment it puts the practical advantages of federation above the problematical advantages—and undoubted costs—of Dominion status in isolation. The nucleus of federation of the three territories already exists in the Central African Council, and the Colonial Office may well think that this body, which is solely advisory, should be given a longer trial before anything more ambitious is attempted. In the meantime, the Africans of Northern Rhodesia and Nyasaland should be told exactly what federation implies and, more important, what it does not imply, and their opinion on it ascertained. It would be unfortunate if yet another scheme should founder on African distrust.

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Insurrection in Burma

For months past a large area of central Burma has been outside the control of the Burmese Government and under the domination of Communist rebels led by a certain Than Tun. But it has only been during the last fortnight that revolt has assumed such proportions as to endanger the very existence of the Government—now a "caretaker" administration still headed by Thakin Nu, who succeeded to the leadership of the AFPFL (Anti-Fascist People's Freedom League) after the assassination of Aung San, and concluded the Independence Treaty with Britain. A section of AFPFL, the PVA (People's Volunteer Association), formerly Aung San's private army, broke away and seems to have formed a working alliance with the Communists; there have also been mutinies of units of the regular army and a spread of brigandage ensuing on the breakdown of the central power. Rebel forces have attempted to take Rangoon, but have been beaten off by troops still loyal to the Government, including garrisons urgently recalled from the Chinese frontier.

U Tin Tut, who has resigned as Foreign Minister, but continues to support the Government, is trying to raise an auxiliary military force, which in accordance with current Burmese custom will, doubtless, be in effect another private army. What is now happening in Burma appears to be a dissolution of the state in which central rule may virtually disappear for some time in a struggle of factions, with the border tribes perhaps asserting their independence. With reorganised military forces the present regime may ultimately succeed in restoring its authority, but in the meantime Burma, and foreign interests in Burma, cannot but sustain serious economic loss. If, on the other hand, Than Tun were to come to power in Rangoon, his programme commits him to cancellation of the treaty with Britain and to outright confiscation of British assets in Burma, which now form one of the most important sections of British capital holdings abroad.

The unrest in Burma is to some extent an inevitable result of inflated hopes of the results of independence among the masses of the people. Nationalist propaganda has long attributed all poverty and woe to colonial administration, and has painted a picture of a golden age to come with the passing of British rule; reality has fallen far short of expectation, and the Communists have been quick to suggest that, if the millenium has not yet arrived, it is because Ministers in Rangoon are still the slaves of imperialist monopoly capital. The peasants do not see why they should pay taxes or pay for tickets when they ride in trains, for they have been told that the country and its wealth now belong to them; if the officials want money, why don't they take it from the Burmah Oil Company, which has plenty? On such states of mind Communist agitation plays skilfully in accordance with text-book tactics to promote anarchy through which the Communists can come to power; it will be time enough afterwards to explain to the peasants that they will have to pay taxes after all. Meanwhile, the world is wondering what is going to happen to Burma's exports of rice, oil and teak.

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ECA Delivers the Goods

The Economic Co-operation Act (ECA) has now been in operation for over four months, and some Europeans are beginning to ask what kind of goods they are getting under the recovery programme. The answer is given in a recent survey provided by the ECA authorities. It shows that, ever the four months ending August 7th, ECA had authorised the 17 Marshall nations to make purchases under the Act to a total of over $940 million. Practically all of this total was for food and raw materials. Authorisations for the purchase of capital equipment were negligible. The following table gives the authorisations by commodity group in detail:

Food and Agricultural Supplies	Value $ Million	Raw Materials	Value $ Million
Wheat and wheat flour	275	Petroleum products	108·5
Meats	48	Coal	66
Other food products	41	Non-ferrous metals and non-metallic minerals	60
Cheese and other dairy products	21	Cotton	55
Fertiliser, feeds and seeds	20	Lumber, etc.	30
Agricultural equipment	1·5	Inedible oils and fats	24
Total	406·5	Tobacco	22
Miscellaneous		Steel	20
Ocean and inland freight	97	Chemicals	13
Industrial equipment	21	Fibres and textiles other than cotton	4·5
Medicines	5		
Aircraft parts	3		
Miscellaneous	4·5		
Total	130·5	Total	403·0

The provenance of the goods offers interesting comparisons. Figures available at the beginning of August showed that 38 per cent of the purchase authorisations were issued for the buying of goods and services outside the United States. The largest contributors of these so-called "off-shore" supplies were Canada and the Persian Gulf areas. The main commodities they furnished were petroleum, wheat and wheat flour, and bacon. The par-

ticipating European countries themselves; apart from Belgium and Bizonia, have so far supplied little.

E.C.A. Authorisations, April-August, 1948

Total authorisations	100%	
Purchases in U.S.A.	62	
Off-shore purchases	38	
Canada		17
Persian Gulf area		4
Dutch W. Indies		2
Bizonia		2
Belgium		2
Scandinavia		1
S. and C. America		5
Rest of world		5

In the distribution of these supplies, by far the biggest share has gone to the United Kingdom, which has received 30 per cent of the total of $940 million. A further 25 per cent has gone to France, and Italy and Western Germany have each received about 12 per cent.

These figures and percentages raise the question how far the experience of the first four months may form the permanent pattern for the future recovery programme. If there is an improvement in world supplies of cereals and later of dairy produce, then the ERP countries can make greater savings in their use of dollars for imported food. A change, therefore, in the commodity composition of ERP imports is probable. Such a change, however, assumes that the Marshall countries will be able to use their saved dollars to buy capital equipment—deliveries of which play an insignificant role in the deliveries so far. The present signs are that they will not be able to buy all their requirements from the United States. The American steel industry is unwilling to finance large plant expansion merely to meet what it considers a temporary European demand.

So the prospect is that the ERP nations will have to turn to one another in order to obtain the industrial equipment needed for reconstruction and development. Such an increase in intra-European trade is, in fact, implicit in the whole design of ERP. If the programme is to fulfil the intentions of its American architects, the 17 nations should move toward a point where they are drawing off very little from the American economy—ERP food needs should be met primarily by Canadian and Latin American supplies and requirements of capital equipment should be met within Europe.

* * *

Satisfaction in Olympus

Despite the unfortunate symbolism of the fact that the torch blew out the minute it reached the white cliffs of Dover, Britain's turn as the host to the Olympic Games has been a much greater success than anyone had dared to hope. The arrangements for spectators and competitors were not luxurious, but they were adequate, and apparently better than many foreign visitors had been led to expect. There were occasional flashes of that unimaginativeness which British petty officialdom can display, as for instance the poverty of decoration and the three carriage Emmett train put on to return the entire audience from Henley to London. But every arrangement within the ambit of the Olympic organisations themselves was excellently contrived and great credit is due to Lords Portal and Burghley and their staffs, respectively the chairmen of the London Games and of the Organising Committee.

Apparently man (and woman) is destined to run faster and to jump higher as mankind knows less and less whither it is bound. The athletic prowess of the coloured runners was fully to be expected together with the general pre-eminence of the American and Scandinavian athletes. Apart from the boxing, which should be excluded from the Olympic Games until a better set of international rules can be produced, the various victories gave more pleasure to the victors than pain to the vanquished, and especially the performance of Mrs Blankers-Koen which made the Dutch happier than anything since the liberation.

One thing has become obvious. The success of an Olympiad depends on the quality of the crowd which watches it. The British are among the most expert of spectators, and the skill with which they summed up the finer points of the events was impressive. Their attendance outstripped official forecasts, although the British people have recently confided to Dr Gallup that their favourite sports are, in that order, soccer, cricket, tennis, racing, rugger and the dogs, only one of which was represented. That they were concerned more with the success of the Games than with the prowess of the British teams was evidenced by the wave of relief which swept the country when it was found unnecessary to disqualify the American relay team.

Nothing could have been in greater contrast to the Berlin Games.

Unfortunately, it is idle to pretend that such successful gatherings can do much to induce a better spirit of international amity. As a result of bitter experience the Western world has now learned that it is international politics that decide policy, and that the athletes who link arms in one year may be shouldering arms against each other in the next. It is certain that the echo of the crowd at Wembley will have been heard but dimly in the Kremlin, and perhaps the most significant test of the relative placings of Mr Marshall, Mr Molotov and Mr Bevin will be whether or not there will be an Olympic Games at Helsinki in 1952.

* * *

Mr Chifley Sets His Teeth

Mr Chifley is not, after all, accepting his defeat at the hands of the Australian High Court. The Federal Government has decided to appeal to the Privy Council against the invalidation of their Act to nationalise the Australian banks. The decision is surprising, for it is against the traditional policy of the Australian Labour party to take its problems outside Australia. Moreover, since the six judges of the High Court were unanimous in their findings against the crucial sections of the Act—those which gave the Commonwealth Bank power to take over the management of trading banks—it is unlikely that the constitutional law has been misinterpreted. And it is only on points of law that the Privy Council can base its decision on the validity or otherwise of the High Court's judgment.

Apart from appealing to the Privy Council, there were two courses open to Mr Chifley's Government. Either they could have accepted the High Court's judgment as final and abandoned their attempt to nationalise the private banks; or they could have framed alternative legislation, modifying the extreme measures in the Act. In the circumstances either one of these two courses would have seemed better than obstinately clinging to their original intentions. Political feeling in Australia has been exceptionally strong against the Banking Act, and Mr Chifley's determination to carry it through will not serve his party well at the general elections next year.

The question of whether or not the Australian banks can be nationalised has become the chief political issue in Australia. It has been lifted out of its immediate context and it is now a test case of how far the Federal Government can override the State governments without resorting to a referendum. In point of fact Mr Chifley's Government acquired the financial powers they needed by the Act of 1945, and, as far as the banks were concerned, the new Act of last year was an unnecessary attempt to make assurance doubly sure. Mr Chifley had little apparent reason for pursuing the question once the extent of public opposition had made itself felt. But the cat was let out of the bag by the Minister for Labour and National Service, Mr Holloway, who, commenting on the High Court's decision, said that it showed "how narrow and hidebound the Australian Constitution really is."

* * *

Meals for Children

Last week the Economic and Social Council agreed that the United Nations should sever its connection with the appeal for children which it originally sponsored and organised. If this decision is endorsed by the General Assembly, the responsibility for collecting non-governmental funds for the relief of children, principally in war-devastated countries, will revert to voluntary organisations.

What is important is that the United Nations International Children's Emergency Fund, which received a proportion of the proceeds of the Children's Appeal, should be given adequate funds to carry on and increase the vital work it is already doing. At the moment, with the resources at its disposal it is only able to meet a fraction of the demands made upon it. It plans to provide a meal amounting to about 400 calories for about 4,500,000 children and nursing mothers in twelve European countries and China. The meagreness of this meal, often the only hot meal the children receive, will be realised when it is compared with the 1,900 to 3,000 calories a day which is the dietary allowance for school-children recommended by the National Research Council of the United States. How inadequate is the number of such meals available is illustrated by the story of the Jugoslav schoolmaster with 200 children under his care, 160 of whom needed the 40 extra meals which was all UNICEF could allow him. He solved the problem by calling on the children themselves to name the forty most in need of the meal. The Fund is now extending its work to Germany, and to a number of countries in

the Far East. It is also planning, in co-operation with the Scandinavian Red Cross organisations, an anti-tuberculosis campaign involving 50 million European children.

To carry out its programme UNICEF is principally dependent on governmental contributions. Its provisional budget for 1949 has not been planned to allow any appreciable increase in the numbers receiving supplementary meals, but about $46 million has still to be found to implement even this moderate programme. It is surely time that the British Government was shamed into making a suitable contribution to the Fund, both by the generous response to the Lord Mayor's Appeal, which by the beginning of June was well over £500,000—and by the equally generous response of many other governments. At the end of June the Canadian Government had contributed over $5,000,000, and the Uruguayan $1,000,000, as compared with the $403,000 contributed by the British Government. There can be no pleading that we cannot spare the dollars—non-convertible sterling would do.

* * *

British Council, 1947-48

The British Council's report on its work for 1947-48 begins defensively—a bad tactical mistake by a body which has been exposed to so much ignorant criticism. Having been given quite a good testimonial last March by the Select Committee on Estimates it might have taken a rather tougher line. Funds for the year 1948-49 have been cut by ten per cent to £3,150,000 and the Council has withdrawn from Iceland, Switzerland, French North Africa and three smaller South American countries.

Those who attack the Council most noisily generally question not the quality of its work but the very need of its existence. This report describes valuable activities in the teaching of English, the circulation of books, the financing of chairs and lectureships which no other body could do, particularly under a government which is systematically draining dry the sources of patronage and private enterprise in the arts and sciences. Particularly valuable is the work done in receiving students and organising their studies and experiences in this country. If foreign students are to be encouraged to come—and there are good reasons why they should be—it cannot be seriously argued that they are best left to find their own way around the British educational and social system.

But if it is the Council's object to spread knowledge of the British way of life—there appears to be no statement of basic aims in this year's report—one must have doubts whether all its exports are the best procurable. A little more hard fact about British political and economic achievement could surely be provided without infringing the Council's rules against propaganda. And it is notable that the lecture lists include no references to British newspapers, whose standards and traditions are outstanding, both within and outside Europe. Against these omissions have to be balanced the European tour of the Sadler's Wells Ballet, much spreading of scientific information and the loan of some good pictures and rather pretentious music.

The Council seems to have made little progress with its main problem—to get for its staff the privileges as well as the disadvantages of civil service status. Personal quality is decisive in its work and the Council is not always represented abroad by men and women of the best type. Pay and conditions should be improved, even if it means further reduction in activities. For instance, headquarters staff remains at the figure of 1,271, of whom about a quarter are busy with finance, establishment matters and higher administration. The proportion seems excessive.

* * *

Lambeth Report

The report of the Lambeth Conference together with an encyclical letter has been made available with a speed which many secular bodies might do well to envy. If the rest of Christendom has been expecting some momentous decision to follow upon the deliberations of the 326 bishops of the Anglican communion it will have been disappointed. The Lambeth Conference is in no sense a legislative body, but only a gathering of Anglican bishops to evolve such common policies as can be reached by agreement. Consequently the bulk of the report is confined either to the generalities of established doctrine or to such domestic matters as the ordination of deaconesses in China.

The resolutions contain nevertheless certain definite points of interest. To avoid losing contact with the Eastern Orthodox churches one makes an implicit distinction between Communism as pursued by Christians and Marxian Communism, and in distinction to the Roman Catholic Church it refuses to make common cause with other bodies simply because they are anti-Communist.

It adopts, in so far as a seemingly uncompromising attitude on doctrine will permit, a policy of cautious cordiality towards other Protestant churches, including the recently unified Church of South India.

On the question of divorce the conference has set out the social aim of the Church with great cogency.

> If we could change public opinion and make society recognise that children have a claim to be brought up by both parents; that the most cruel act of parents is to break up the children's home; that to break up the home and destroy the happiness of children is the worst social crime—then a halt might be called to the ever-increasing stream of divorce which is in large measure due to the mean self-pity of parents who are determined to seek their own happiness even at the price of their children's distress.

In one important respect the conference has modified its recent practice and recommends that the distinction made by a civil court concerning the guilty and the innocent party should not be involved in the re-admission of divorced persons to the communion of the Church.

The report is not concerned with affairs of the Church of England except in so far as Lambeth and Canterbury are the hearthstones of the Anglican community throughout the world. But nevertheless there is a flavour of Barchester about the report which makes it hard to believe that the Church has learnt the most important lesson of its history—the danger to its own vitality of recruiting its priesthood from one social class. Despite many excellent individual efforts the Church of England and some of the Anglican churches overseas have yet to prove that they have again become movements with any strong influence upon the future of society.

Shorter Notes

The first general election to be held in Mauritius under the constitution granted last year took place last week. The Indians, who far outnumber the combined French, Coloured, British and Chinese population, won eleven of the nineteen elected seats in a Legislative Council. The remaining eight were won by one white and seven coloured candidates. The new constitution, however, also provides for twelve unofficial members in the Council who are directly nominated by the Governor. He will thus be able to secure that the minority communities are adequately represented.

*

Although Bizonia's exports last month reached the record figure of $55 million they are still well below the monthly rate needed to carry out German undertakings that $730 million worth of exports would be delivered during the first year of ERP. The progress is none the less striking and the value of exports for seven months of this year already exceeds the total for 1947.

*

A "Monthly Survey of Foreign Affairs" produced by the Conservative Parliamentary Secretariat has started well. Its first number, published this month, gives on four pages an interesting, balanced and fair account of Mr Bevin's Western Union policy, in which the only obviously critical passages are quite properly directed at the view favoured by Dr Dalton—that the Western nations can only co-operate on a Socialist basis.

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In future, it is proposed to issue a monthly cumulative index to "Records and Statistics" and no further half-yearly indexes to this Supplement will be published. The monthly index will appear for the first time as part of the issue of September 4th.

Letters to the Editor

The World and the Dollar

SIR,—In *The Economist* of August 7th, Mr Hugh Townshend points out that, if, as you have said, the United States will always tend to sell more abroad than it buys abroad, then a fall in the dollar in terms of other currencies, enabling the American exporters to dispose of more goods in return for a given amount from the rest of the world, would suit both parties.

You say that he is right, "on the assumption that quantities are controlled." As quantities *are* controlled, and are likely to be so for an indefinite period, can I infer that *The Economist* is now a supporter of the up-valuing of the pound? Perhaps not, as the redress of the adverse terms of trade is only a part of the results to be anticipated.

There would be some loss of export trade, but only of the *least profitable* portion. And whereas the improvement in the terms of trade would be clear gain to the country, the diversion of productive resources from this margin of export trade to supplying our home needs directly might well be no loss at all.

You concede Mr Townshend's argument, however, only if "quantities are controlled." But even in your "relatively free market" the tendency of the United States to sell more than it buys obviously will not be such that *no* valuation of the dollar can ever be too high.

The power of a high valuation of the dollar to correct an adverse balance is *limited*, and, once the limit is reached, there is no advantage in raising it higher.

The high valuation works partly by deterring purchases of imports. When that effect comes up against a hard core of indispensable imports, reliance must be placed on the stimulation of exports. The widened gap between foreign prices and British wages enables the British exporters to extend their sales by price concessions. And it is these price concessions which diminish the proceeds in foreign exchange of a given quantity of exports, and cause the unfavourable terms of trade.

But that only lasts so long as the gap is not narrowed by a rise of wages. As soon as the external price level diverges at all far from the British wage level, the rise of wages is sure to occur. And the rise of wages marks both the extinction of the stimulus to exports and the irreversible progress of inflation.

As you recognised in your comment on Miss Curtis's letter in *The Economist* of July 17th, I have been urging an up-valuation of the pound not primarily to improve the terms of trade, but to stave off the contagion of inflation from the United States.—Yours faithfully,

R. G. HAWTREY

29 Argyll Road, W.8

[This is a large matter which cannot be adequately discussed in a footnote. Briefly, our view would be as follows. (a) In the *long* run it is overwhelmingly probable that the pound should be devalued relatively to the dollar—unless the American inflation goes much further, and the inevitable ensuing reaction much less far, than now seems likely. If Mr Hawtrey is arguing against this, we are sure he is wrong. But (b) the time for the devaluation of sterling has not yet come and will not come until the present world-wide inflation is ended. Nevertheless (c), we do not think, on a balance of considerations, that Mr Hawtrey is right to advocate an up-valuation. Is it only the "least profitable" exports that would be lost? And what does "least profitable" mean? Least profitable in sterling to the exporter or least profitable to the country in hard currencies? Surely if the sales of British goods would be affected by a rise in their price nowhere else, they would be in the United States? We share Mr Hawtrey's distrust of arguments that are based solely on the effect they would have on the terms of trade. This statistical device, useful to those who understand it, is now in danger of becoming a menace. After all, if the correction of the terms of trade, statistically defined, is what we are after, let us double the price of all British exports tomorrow. It is not only the relative prices that are of importance, but the volume of trade that can be done at those prices.—EDITOR]

Oder-Neisse Agitation

SIR,—In your last editorial note on the "Oder-Neisse Agitation," when dealing with the revisionist agitation among Germans in the Western zones for the return of former German territory east of the Oder-Neisse line, you express the view that the British and American Governments "should actively discourage such hopes and plans. They provide one of the few really cohesive factors in the East European bloc."

Here you strike the nail on the head, and it is highly desirable that public opinion should be aware of this danger of playing into the hands of Russia and the Communists. The present new Polish frontier along the Oder-Neisse rivers not only has the support of Russia and her puppet Communist regime in Warsaw but is also firmly and unanimously supported by all Poles, in Poland or abroad.

However anti-Russian and anti-Communist the average Pole is, however strongly his hopes are bound up with the West, he remains unyielding on this vital matter. Remembering that Poland was the first country to fight the German aggressor, suffered so much, and stood so unflinchingly by the Allies, he cannot comprehend how the Western Powers, who at Teheran and Yalta supported Russia's seizure of the Eastern half of Poland, now seem to be in favour of cutting away territory from Poland in the West. This appears particularly illogical because the Western Powers agreed at Potsdam to the transfer of the remaining German population and because this transfer is now complete.

It is important that the Western Powers should realise that any attempt to change this state of affairs, any shifting of the present Oder-Neisse frontier, would not only cause a repetition of the appalling sufferings of the Poles already once uprooted, but would be resolutely opposed by all Poles.

The best course for Britain and America is to recognise this provisional Polish Western frontier as final. This would strengthen the confidence of the Polish people in the Western Powers and would knock the bottom out of Communist propaganda presenting Russia as the only champion of Poland.—Yours faithfully,

S. POLANSKI

Polish Press Agency,
11 Drummond Place, Edinburgh 3

Nothing to Live For?

SIR,—Your correspondent Mr Gerard Tallack ("Nothing to Live For?"—*The Economist* of July 31st) advocates a freer use of wine by the inhabitants of this country. May I support this plea with the following considerations?

(i) Beer as manufactured in this country consumes 700,000 tons of barley a year. At this rate the barley for which we went cap-in-hand to Moscow will not keep our beer factories open for more than eight months. Wine, if allowed to compete on an equitable basis with beer, would enable this country to effect a great economy in grain, and this would be of benefit to Europe as a whole.

(ii) In discussions on European co-operation the British Government has repeatedly refused to reduce its requisition for barley on the ground that beer is "indispensable to morale." Anyone who has ever tasted wine can only wonder what sort of morale beer is supposed to sustain. Surely the bitter feeling that is all too evident among our people today would be mollified, and the enjoyment of living increased, if for our prevailing national beverage we were to substitute the sweeter and more colourful potations of southern Europe.

(iii) Increased purchases of wine by this country (using foreign exchange economised on barley) would be good for the economy of viticultural countries.

A lowering of our tariff would thus do good to this country, to producing countries, and to Europe as a whole. I have yet to see any concrete proposal in connection with ECA that promises results more in keeping with the aims of the project.—Yours faithfully,

D. H. R. BARTON

Royal College of Science, South Kensington, London, S.W.7

From *The Economist* of 1848

August 19, 1848

By a parliamentary return which has this week been presented to the House of Commons, we have exhibited at one view a most interesting and instructive history of the results of that great experiment in the social and commercial economy of the country as contained in our postal regulations. The "*penny postage*" is marked as one of the great reforms of the age; not alone, or indeed mainly, because it cheapened the cost of sending a letter from the Scotch to the English metropolis from *thirteen-pence halfpenny* to *one penny*; nor because it enabled two individuals, the one living in Orkney, the other at Penzance, to communicate with each other at no greater cost than two others living in different parts of London; but because it did involve a great principle of increased facilities of communication, and, as such, was equally valuable in a social as in a commercial point of view . . . .

The success of the postal reform—in its way by far the boldest experiment of our time—is fortunately of that nature as to be capable of clear demonstration. A comparison of statistical facts is conclusive on the subject; and the social and commercial advantages which have been derived by the country can be easily understood to be in proportion to the arithmetical increase of communication. There is indeed much room for the most pleasing speculations as to the numerous and indirect consequences of facts brought to light by the array of figures before us, in their influence both upon the private happiness and public prosperity of the country . . . .

It is impossible that the most sanguine can have anticipated more remarkable results from this great experiment; and we do not wonder that other countries are thereby encouraged to follow our example. The United States Government has already presented to Congress a Bill for effecting quite as great a reduction in their present rates of postage as we did in 1839, considering the distances to which their regulations refer.

Rationing by Purse

SIR,—You write in *The Economist* of August 14th, p. 250, that "Any attempt to correlate the distribution of income with the distribution of economic merit is vitiated by the inheritance of property." But the possession of any ability is equally unpredictable for it is also inborn and according to your suggested *argument to reward its use would* also be vitiated by the *fact* that it was inherited. The fact is that property, like any other inherited asset can be developed, neglected or abused. Our need surely is *not* to deplore the inheritance of property as such, but to stimulate its wise use and penalise or prevent its abuse in anti-social ways.—Yours faithfully,

W. N. LEAK

Dingle House, Winsford, Cheshire

Books and Publications

The Arab Legion

"The Story of the Arab Legion." By Brigadier John Bagot Glubb. Hodder & Stoughton. 368 pages. 25s.

NOTHING more annoys one of those modern Britons who have chosen a life-time of service with the Arabs than to be told that they are "second Lawrences." Lawrence was a neurotic with a genius for warfare, and a great writer. All the annoying literary tricks, poses, and mannerisms of the "Seven Pillars" only serve to bring out the greatness of the book. Similarly all the mystery-making and posing and self-mortification of Lawrence's military career in Arabia merely show up what a brilliant *tour de force* his achievement was. There have been since Lawrence, and are today, a few who have looked on themselves as following in his tradition. And they all are surrounded by a faintly second-rate aroma of make-believe. Strictly speaking, there is no Lawrence tradition, and his would-be imitators invariably go for the stylistic trappings. But it was in spite of, not because of, these that he was a unique individual.

Those Britons who do solid work among the Arabs today are of a different, genuinely traditional, and less challenging type. Lawrence's Arabic, there seems every reason to believe, was low-grade, fluent and serviceable, perhaps, but incorrect and unlearned. (From this alone one can measure how subjective some of the episodes and related conversations in the "Seven Pillars" must really have been). Lawrence's Arabic would not do for the modern desert Briton. Brigadier John Bagot Glubb—Glubb Pasha—who has just published the "Story of the Arab Legion," is a more thorough-going, seasoned Arabist. He is also a genuine empire-builder, simple, soldierly though without much regard for the regular Army and painstaking. The course of events which has pushed him into the world's headlines has made him the symbol and spokesman of a British policy which by the outside world is judged solely for its impact on Zionism. But it is much simpler than that. Glubb serves Britain by serving the Arabs. It is a thing such as many Britons are doing in many parts of the world, not seeking and rarely getting recognition. Glubb likes the Arabs, because liking people is in the long run the only way to get them to do what you want.

He and his colleagues had the job of pacifying and imposing orderly government on a wild nomad country, where tribal warfare and the hatred of all government had been for generations the only unchanging facts. They did so, using a technique which is the very opposite of that so far favoured by the United Nations. For laws which were not enforced and authority aloof and hated, Glubb substituted enforcement without much law and friendly personal relations. He lived among the Bedouin and recruited his police force from them one by one. This became the Arab Legion, a modern motorised force. The story of his achievement is well and simply told, with enthusiasm for his Arabs but without gush.

Just because the book is unpretentious and human, even boyish, unspoilt by official phrases, one may forgive it its episodic character. It is not a history, and even as a source-book for historians will be found imperfect though useful. Perhaps it is a foretaste of a longer book which Glubb will one day write. But the British may be grateful for it as it stands, if only in such flashes as the following:

> In England a boy so gentle as Nehhab would have been tormented and mocked. We seem at times to think too much of toughness, and to mistake loudness and bad manners for courage. Amongst the Bedouins, who lived in a world of violence, bloodshed and war, gentleness was not mistaken for cowardice.

Or again:

> In reality the Transjordan deserts had been won by love and not by force.

It is something to have been the agent of a power which in its better moments could compress its statecraft into such a phrase.

"Ordinary Girls"

"Rising Twenty." By Pearl Jephcott. Faber and Faber. 200 pages. 8s. 6d.

"RISING TWENTY" is in a sense a sequel to Miss Jephcott's previous study in adolescence, "Girls Growing Up," and deals with the immediately succeeding age-group, the 17-to-20s. It is a thoroughly human, often pathetic, wholly fascinating study of three groups of "ordinary girls" drawn from three contrasted working-class communities; of their work and leisure and their attitude towards these, their ambitions, interests, tastes and ethical standards. The composite picture which emerges is, from some points of view, one of depressing wastefulness; yet not wholly discouraging. Practically everything the girls learned at school, outside the imperfectly retained three Rs, had been discarded along with their school books; none of them took the slightest interest in public affairs; none—with the outstanding exception of a would-be novelist whose story about a "glamorous debutante," entitled "The Greater Love," is printed as an appendix—had a hobby of any description; hardly one felt any interest in her work, which considering the work which most of them were doing is hardly surprising. Two of the three groups of girls were, or had been, attached to local youth clubs; but the only use they made of these was to sit about listening to dance bands on a radiogram tuned up to roof-lifting pitch. By far the biggest interest in their lives was the cinema, visited, regardless of programme, three, four or five times a week; dance halls, skating rinks and pubs came a long way after as possible alternatives. The impression given is one of automatism both at work and at play, of stultification and commercialisation of the second-hand and the second-rate—a cheap-and-nasty content-porary counterpart of Aldous Huxley's horrible Brave New World.

But this is not the whole story. Underlying all the pseudo-Hollywood froth is an instinctive soundness and purpose, and all

August Books

Bauer, P. T. The Rubber Industry: A Study in Competition and Monopoly. *London School of Economics Publication* ... ...

Myint, H. Theories of Welfare Economics. *London School of Economics Publication* 15/-

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the old kindly patterns of family life. These young things with their brassy perms are shown as dutiful daughters, loving sisters, loyal friends, and, in prospect, self-sacrificing and conscientious housewives. They may reject culture, but not mothercraft; they may shirk active collaboration in the youth club, but they do help their mothers with the housework and mind their married sisters' babies. Their idea of love is crooner-style romance, but their recorded comments on, and ambitions for, family life show both realism and responsibility. There, in the family, lies the true centre of gravity of their lives; a fact which must, as Miss Jephcott convincingly asserts, be the starting point of any effective Youth Service whether educational or social.

Local Government in Crisis

"The Development of Local Government." By William A. Robson. Allen and Unwin. 376 Pages. 18s.

THIS work was first published in 1931, but the author has brought his material up to date and has added a long prologue termed "Local Government in Crisis." The main part of the book has four divisions. The section on structure contains an excellent analysis of the way in which administrative and social needs have outgrown the existing units, and of how the present system makes inevitably for conflicts between urban and rural authorities, and between county boroughs and administrative counties in particular. The section on functions contains a strong plea for encouraging municipal enterprise in the arts, which has been swiftly met by a clause in the Local Government Bill introduced after this book had gone to print. Local authorities now have many of the powers both for controlling the citizens' environment and for promoting his cultural instincts which Professor Robson believes can overcome the present poverty of our provincial life.

He is wise enough to realise, however, that local councils are sometimes as much the destroyers as the defenders of æsthetic values, and this position, with all its dangers, must continue until either a greater number of educated persons become councillors or *vice versa*. The third and fourth sections deal with the local government service and the role of the district auditor. The latter is shown as an interesting example of the tightening hand of central control over the activities of the local authorities, which are cribbed and cabined in far too many directions for the right amount of initiative and variety to exist in English public life. Nevertheless, the author's revelation of the inadequate standards of service and recruitment shows how necessary it is, despite some important recent improvements, for the councils to put their own houses in order before seeking a wider discretionary authority.

The urgent need of the moment, however, according to the author's new prologue, is to overhaul local government structure so as to create larger and better-balanced major units. Professor Robson clearly believes the removal of hospitals, civic airfields, gas and electricity and perhaps road transport undertakings from the local government sphere to have been a grave mistake, which could have been and should still be avoided by structural reform. He castigates Mr Bevan for the evasiveness and duplicity of his attitude towards the problem. The reason for this attitude, no doubt, is that the subject is thorny and politically unrewarding. Unless, however, some Government in the near future has the courage to implement, or preferably to improve on, the Boundary Commission's recent report, local government will go into a decline which will seriously undermine the democratic foundations of society.

Shorter Notice

"A Short History of the British Police." By Charles Reith, Oxford University Press. 117 pages. 3s. 6d.

THIS is an admirable small book. It tells the story of the British Police from earliest times to the present day, but concentrates most on the turbulent years between 1829 and 1833 when the police as we now know them were first established. The account is lucidly and interestingly told, and the success of the police system is convincingly set against the politics and sordid social history of the times in which they started their existence. Most readers will wish, however, that even in so short a history a little more could have been said about the organisation of the police today, and that a chapter could have been devoted to a comparison of British methods with those overseas. As it stands, however, the book is very much worth while, and is an impressive justification of an unarmed force supported and helped by a friendly public.

THE WORLD OVERSEAS

Brazil's Five Year Plan—I

(From Our Correspondent in Latin America)

"GOD is a Brazilian," says Brazil's best-known proverb. And in the average Brazilian's attitude to national problems there is the same tolerant, wryly humorous philosophy that marks his faith in Providence and his distrust of planning. Scepticism of this sort underlies much of the criticism directed at Brazil's Five Year Economic Plan, which now awaits attention by Congress. Yet it is perhaps a more careful attempt than any previously made to see some key problems steadily and to see them whole. Politically it is unique in that it has the support of a committee representing Brazil's two largest parties. This project, championed by President Dutra, is mainly an effort to fill out and co-ordinate existing programmes, and to sink party differences in their execution. It lays understandable emphasis on problems that, in a country so large and undeveloped as Brazil, any progressive Government would be bound to consider. It is likely to be passed by Congress with minor cuts in expenditure and is designed to come into force next January.

Health, food, transport and power, the initials supply the official title, are the *Salte* plan's priorities. President Dutra has spoken of the "valorisation" of labour as its eventual goal. Less comprehensive and not very kindly remembered plans used foreign loans to "valorise" coffee, that is, make it worth more; but it is a long step from the "valorisation" of coffee to the "valorisation" of labour—or, in plain English, higher living standards. Nearer and clearer targets are the replacement, by 1953, of two thirds of Brazil's wheat imports and half its petroleum imports by domestic production. Even the partial achievement of these two aims would do much to put Brazil on its feet by easing its shortage of foreign exchange. Together, wheat and petroleum account for a quarter of all Brazil's imports.

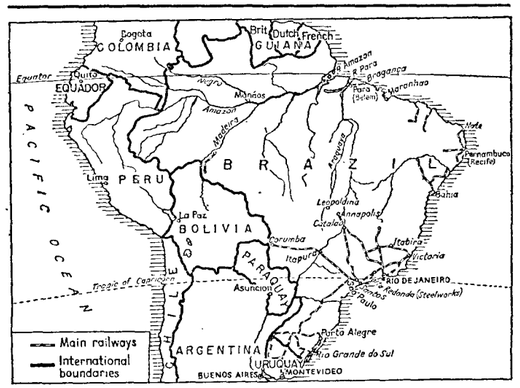
The four sections of the plan are considered in a lengthy official report recently published. Its sober examination of public health reveals how big is the task of raising living standards. This section of the report might equally apply to almost any Latin-American country except Argentina and Uruguay. It is an index to the productive efficiency and man-power shortages of the better part of a continent. In north-eastern Brazil, one reads, infantile mortality is thirteen times higher than in New Zealand, and in Brazil's chief cities the expectation of life of a man of 30 is six times less than in England. Some 8,000,000 Brazilians suffer from malaria, and another 8,000,000 from other pernicious diseases. Over 4,500,000 live in towns with no resident doctors, and in a country of 45 million people there are 547 certified midwives. "If God were not a Brazilian," comments the committee's report on these conditions, "we should have disappeared." Over the five years, from 1949 to 1953, the *Salte* plan provides for the expenditure of 2,620 million cruzeiros (about £35 million) on a public health drive.

Agriculture in general—chiefly the production and distribution of food which is the core of the health problem—fills the bulkiest of the report's four volumes, and is allotted 3,700 million cruzeiros (about £50 million). Most of what has been said about the possibility of Brazil becoming self-supporting in wheat is repeated here. The country imports (in grain and flour) over 90 per cent

of its requirements. That any wheat is grown at all, say the planners, is only "a miracle of tradition." Yet, they claim, Brazil has 150 million acres fit for growing wheat. They calculate that if only a fortieth part of this were sown, annual marketable production, now 120,000 tons, might reached a million tons by 1953, and this has become the *Salte* plan's wheat target. Land obviously exists in abundance, but unless a mechanical revolution takes place it is difficult to see how the target can be reached, for, as regards transport, tractors and silos, the planners are starting almost from scratch. Efforts to turn out tractors have made no headway in a country that still imports its hoes.

The plan provides for the purchase abroad of 5,000 of the 20,000 sets of farm machinery (each with its tractor) which are calculated to be the essential minimum; these are to be resold to farmers on easy terms. Tractor stations are to be set up, and a beginning has already been made with seed farms and agricultural colonies. For the rest, the programme leans heavily on private capital, which is to be encouraged to help in mechanisation and to participate with the Government in "mixed" companies to build the all-important storage space (for which a target of a million tons is set). Private capital is already in the field, in the shape of Mr Nelson Rockefeller's International Basic Economy Corporation, which has introduced hybrid maize and is building silos and bringing in land clearance machinery.

All this is a modest though direct approach to agricultural expansion. It may be doubted whether it heralds a mechanical revolution, for which domestic industry is not yet able to supply the tools. Most, if not all, of the raw materials of heavy industry are present, but the Volta Redonda steelworks—Latin America's



most ambitious experiment in heavy industry—exemplifies the difficulties of bringing them together and processing them economically. Since it was completed in 1946 (at a cost of $100 million, of which an American loan supplied $45 million) a more reliable index than most shows that the country's heavy industrial output has moved from the 1946 average of 100 to 119 for the first quarter of 1948. In spite of a heavy protective tariff, however, American competitors are reported to be underselling its products by as much as 30 per cent.

Volta Redonda is an outstanding example of the distance which separates industrial centres from their raw materials. Translating Brazilian distances into European equivalents, if Volta Redonda (lying between Rio and Sao Paulo) were located in Cologne, its ore would come from Copenhagen and the small proportion of domestic coal it uses from Marseilles. To reach the mills of Sao Paulo, Amazonian jute would have to be shipped over a distance as long as from the North Cape to Paris. Indeed, this might be a cheaper journey than it actually makes, for the *Salte* planners note that taxes and freight double its price by the time it reaches Santos, the Port of Sao Paulo. In this European comparison, Brazil's unexploited petroleum would lie in northern Finland, Manaus (the Amazonian capital) would be somewhere north of Iceland, and Rio Grande do Sul, the country's main larder, would be in Spain.

But no comparison can be made with European transport facilities. One can, of course, fly almost anywhere in Brazil by regular airlines. Without them, travel between one state and another would be unthinkable for most Brazilians. For industry, as for agriculture, roads and railways are patently essential. It is no coincidence that every section of the *Salte* plan touches on transport problems.

Not all the tasks examined in the transport section of the report are so difficult as that of linking Manaus by road with other state capitals. This the planners reject as impossible, because of "the insuperable barrier of the Amazon." But a fully paved road has yet to be built between Rio and Sao Paulo, in the most densely populated part of the country. Roads, airways and radio, says the report, will meet the needs of isolated communities which would formerly have been linked by rail. Yet the needs of rail transport, to which the *Salte* plan allots two-thirds of its transport estimates, totalling 10,130 million cruzeiros (£132 million), are none the less pressing. The central task is to link the northern, central and southern railway systems. This, the planners estimate, involves laying 2,000 miles of track. In addition 6,000 miles of the existing 22,000 route miles are to be overhauled.

(To be concluded)

New Zealand and World Affairs

[BY A NEW ZEALAND CORRESPONDENT]

NEW ZEALAND political leaders speak seldom on the grave international issues of the day, but there will be need for the Prime Minister, Mr Fraser, to speak soon—not so much to the general public as to his own Labour supporters in Parliament and to the union leaders—on a politically unpalatable subject. This is compulsory selective national service. Early in July, Mr Fraser said in Parliament that New Zealand must have national service "anyhow," but he declined pressing Opposition invitations to define "anyhow." Less than a fortnight later, however, the Minister of Defence, Mr Jones, revealed that the Government had in mind the military training of 8,000 youths of the 18-year old group for 14 weeks annually. And, personally, added Mr Jones—a genial man, not much given to risking a decline in his popularity—he favoured compulsion.

Reaction to this "feeler" has been slower to develop than might be imagined, but it is already clear that any talk of conscription will be bitterly attacked in industrial Labour organisations outside Parliament and by some of the Labour "diehards" within Parliament. Nevertheless, there is scarcely any doubt that in the end some form of compulsion will be adopted. Conscription is an issue which has never roused the same large-scale resentment in New Zealand as in Australia.

Between the wars New Zealand allowed compulsory military training to languish; now the Dominion is faced with its re-imposition—with some changes but at a much greater cost. Only those will be trained as soldiers who are certain to be wanted as soldiers in the event of another war, but even so one estimate gives the cost of training a man for 14 weeks as about £160, or a total of £1,280,000 for the 8,000 trainees, a formidable bill for a country like New Zealand. But the very size of the bill may have one good effect at least—awakening New Zealanders to the gravity of the new threat to world peace.

New Zealanders, speaking generally, are an insular people, mentally as well as geographically, and preoccupation with their own immediate problems (mainly relating to wages, the cost of living and safeguarding the five-day week) has made many of them heedless of the significance to their country of the grave situation in Europe. That is not to say that New Zealanders in the mass are unaware of world events, for the typical New Zealand daily newspaper gives a page devoted to what is known here as "cable news," with much background information as well on other pages from overseas correspondents. But a characteristic reaction is to shrug the shoulders with a muttered comment or two to the effect that "this is a bad business in Berlin" and, having skimmed the cable page headlines, to turn to the sporting pages. For Berlin is 12,000 miles away, and this is the height of the rugby football season in New Zealand, with competition just beginning to grow keen for places in the All Black team to tour South Africa next year.

Is the New Zealand public altogether to blame for its complacency? It gets little leadership or instruction from the Government on such a question, for instance, as Western Union. There was an approving but not very informative reference to the subject in the Governor-General's speech from the Throne at the opening of Parliament at the end of June.

It is expected that there will be a debate on foreign affairs before the Prime Minister leaves for London in October, but, although the New Zealand Parliament has advanced somewhat since the pioneering era of the "road and bridges" member, not very many members are well briefed on international subjects

and Mr Fraser is unlikely to be over-burdened with specific advice. Yet the fact that there are some members with an instructed appreciation of international affairs is due to a step taken in September last year—the setting up of a select committee of nine members (five Government, four Opposition) "to consider such matters relating to external and commonwealth affairs which may be referred to it by the House or the Government." This committee meets every Wednesday while the House is in session. Both the Prime Minister, Mr Fraser, and the Leader of the Opposition, Mr Holland, are members and usually attend. But, as the committee's proceedings are private, the public hears little about its work.

New Zealand's representatives overseas include High Commissioners in the United Kingdom, Australia, and Canada and Ministers in the United States and Soviet Russia. It so happened that the two Ministers—Sir Carl Berendsen from Washington and Mr C. W. Boswell from Moscow—were on leave in New Zealand at the same time earlier this year and both appeared before the External Affairs Committee. The Russian Minister to New Zealand returned to Russia last year, and a Charge d'Affaires has since then controlled the Russian legation in Wellington. This would give New Zealand a valid excuse for withdrawing Mr Boswell from Moscow without closing the legation, and while nothing has been said officially on the subject, there is a strong suggestion in quarters usually well-informed that Mr Boswell may be moved to a more congenial post—say, to Paris, to emphasise New Zealand's support of the Western Union principle.

Free Trade in Hongkong

[FROM OUR HONGKONG CORRESPONDENT]

THE contrast between the prosperity of this Colony and the deplorable state of China's economy has led to a series of attacks from Shanghai blaming China's plight on the administration here. A recent article in the American owned *China Economist* drew from the Hongkong authorities a spirited reply showing that nothing had been left undone here to implement the Sino-British Agreement in regard to smuggling. Hongkong has gone to considerable expense in expanding its preventive service by some 30 per cent and has permitted officials of the Chinese Maritime Customs to carry out searches within the waters of the Colony. One British shipping company maintains special guards in its ships to forestall any attempt to load or discharge unmanifested cargo. Apart from shipping, Chinese Customs Examination Officers check all railway freight leaving for China from the terminus at Kowloon and also operate at the air port. It is hardly fair, therefore, to accuse Hongkong of non-co-operation.

It is, of course, well known that a great proportion of the unrecorded imports into China are brought in by Chinese military and naval personnel who are a law unto themselves. Semi-official trading concerns are also responsible for the import and export of a considerable volume of merchandise which is exempt from Customs duties. More recently there have been attacks on isolated customs stations by armed bands; one such incident recently occurred which led to a customs station, a few miles from the British border, being burned down, the surviving officials having to flee for their lives by sea. Until this station is restored there is bound to be a flow of smuggled goods into the surrounding district and it is already reported that a Communist band in the neighbourhood is levying duties on all such goods.

It is perhaps of some significance that a non-British ocean going steamer of about 10,000 tons recently made the round trip to Macao, a Portuguese Colony with no facilities for any ships other than small coasters and river steamboats. Ostensibly the trip was experimental but it has since been learned that 860 tons of Wood Oil were loaded on the vessel from lighters. The Wood Oil was of Chinese origin and would have been loaded in Hongkong if the present Hongkong export regulations did not require a certificate from the Chinese Authorities that the relative exchange had been surrendered to them.

As Sir Stafford Cripps announced in the House of Commons, there has been a general tightening up of exchange control in Hongkong, and it is now becoming evident that the *entrepôt* trade of the Colony is going to suffer. This will mean a shrinkage in the volume of merchandise passing through the port to the detriment of commercial interests generally and with repercussions which may eventually affect the home export drive. Academically there may be good reasons for having a uniform procedure in the Sterling Area, but it may be that the price paid outweighs the advantages. There had undoubtedly been a certain amount of leakage, but in the course of the past year the authorities had already closed most of the leaks, and those still remaining could have been dealt with under the existing regulations. The forcible closure is bound to cause serious dislocation.

Policeman of the Sterling Area

It does not seem to be appreciated in England that Hongkong acts as a warehouse for other territories to a far greater extent than it does for China. In the early 'twenties as much as 70 per cent of Hongkong's entrepôt trade was with China, but since then the trade with the territories of South East Asia has developed enormously. By 1938 the trade with China had shrunk to 40 per cent, while today it is estimated at from 15 to 20 per cent. The Chinese are the traders, *par excellence*, of South-East Asian countries, and as they are mainly Cantonese they have close affiliations with Chinese business concerns in Hongkong. There is, in consequence, a considerable exchange of goods between Hongkong and such centres as Bangkok, Saigon, Singapore, Batavia, and more recently Manila. Much of the trade is on a barter basis involving mere book entries, but, of course, exchange transactions enter into the financing of the greater portion. What has happened hitherto is that Hongkong, in the words of one of our officials, "has played the part of the last policeman on the perimeter of the Sterling Area who has not only prevented commodities leaving the Sterling Area via Hongkong for dollar countries, but has also prevented them going to gold dollar areas via Hongkong after leaking from the Sterling Area into other Far Eastern countries." But no Chinese in Saigon is going to ship rubber to Hongkong for transshipment to the United States if he is only to get sterling from a French bank, as he will under the new regulations. He argues that his produce is worth considerably more than the equivalent of sterling at the official rate of $4.02. If he cannot get his usual profit he will ship on a through bill of lading and Hongkong will lose the profit it has formerly derived from the storage, handling charges, banking commission and insurance premium on such shipments. Furthermore, the Hongkong authorities have so far controlled goods passing through the Colony on through bills of lading, but under the new regulations it will be well-nigh impossible to apply such controls.

Onerous Terms for Merchants

The comparative freedom enjoyed by Hongkong traders has done much to encourage exports to hard currency areas in Europe. For instance, exports of Chinese produce to Belgium have realised francs, which in turn, have been used to finance the import of building material and piece goods. This trade will now be brought to an end, for, although the Hongkong importer can purchase United States dollars in the open market here to pay for his Belgian goods, he will be buying on the most onerous terms and will have no set off in the shape of cheap francs paid for by his exports.

There is no doubt that the fortified system of control will lead to the Chinese trader searching for new methods of circumvention. The Portuguese colony of Macao is obviously one alternative to Hongkong although it involves many inconveniences. But circumvention leads to many undesirable subterfuges and the Chinese trader would far sooner follow the procedure which during the past two years has worked well in practice. The European merchant will probably abide by the law, however irksome it may be, but he will still marvel at the obtuseness of the authorities at home. They, of course, make great play of unrequited exports, but they lose sight of the fact that the apparent loss between the official and the open market cross rates is compensated for by freights carried by British steamers, premiums paid to British insurance companies, profit on exchange accruing to British banks and the hundred and one charges which accumulate through goods being handled in a British Colony.

Before the war Hongkong was outside the sterling area. If this Colony exasperates the other members of that group there will probably be no great distress if it is once again placed beyond the pale. In any case it has been able to hold its own as a participant in the trade of Japan without the privilege of a sterling area country, and as it is almost entirely dependent upon its entrepôt trade it might be in its interests to secure freedom of action. The question which is being posed here is "Shall trade become the handmaiden of finance?" Most people would answer "No" and they would base their decision on the fact that for a century Hongkong has grown to its present position as an international mart by reason of its freedom of trade and absence of peacetime controls.

AMERICAN SURVEY

Remobilisation in Peace

(From Our US Editorial Staff)

THE moment at which a government begins to modify its structure and change the direction of its policy is seldom clear until that time is long gone by. A year has passed since the National Security Act was signed by Mr Truman, and the press still talks of it as the Bill that "unified" the Army and Navy. The fact that it was the National Security Council rather than a special session of the Cabinet to which General Clay reported in July aroused little discussion. Yet as the Act takes its slow way into operation it becomes increasingly clear that in the first place it did not unify the Services and was not meant to; that in the second place, what it did accomplish may mark a milestone as outstanding in America's development as, say, Washington's farewell address, which fed isolationist sentiment for a century and a half. The most important effect of the Act was to set up what amounts to a new Cabinet, prepared to devote its entire attention to the material needs and political implications at home and abroad of an armed foreign policy.

The operation of the new military estate thus set up within the body politic must be sketched in order to show its power. Its prime functions are two:—to take all necessary steps to defend the country, and to keep all other Government Departments informed of its fears, plans, needs and precautions. The capstone of the structure is the new National Security Council on which sit the President, the Secretaries of State, of Defence, of the Army, of the Navy, and of the Air Force, the chairman of the National Security Resources Board (whose job it is to gear the economy into war needs), and others chosen from a selected list by the President. The specified duties of this Council are to "assess and appraise the objectives, commitments and risks of the United States in relation to our actual and potential military power," and to consider appropriate policies. By making its first public appearance to hear General Clay's report on the objectives, commitments and risks of the policy he was carrying out in Germany, the Council underlined the new co-ordination between foreign and military policy which it was created to promote.

Thus the National Security Council is a policy board on the very highest level, in which the disputes between the State Department and the Army which have troubled Washington for at least three years can presumably be thrashed out. A set of eyes and ears for it abroad are provided by the Central Intelligence Agency, described in *The Economist*. The practical aspects of the Council's deliberations, in terms of guns needed to back up the risks accepted, are the business of the National Security Resources Board, which occupies the thorny seat of arbiter between civilian and military demands.

The members of this new Board for mobilising industry, in addition to the full-time Chairman, are the Secretaries of State, of the Treasury, of Defense, of the Interior, of Agriculture, of Commerce and of Labor, thus giving the rest of the regular Cabinet (with the exception of the Postmaster General and the Attorney General) their place in the defence structure at the economic level. Its start was slow. Its chairman was appointed in August, 1947, but the Board did not hold its first meeting until November, its organisation chart was not published until March, and its staff list is not yet complete. The caution with which it is feeling its way is, perhaps, an indication of the degree to which industry has, in the three years since VJ Day, resumed its individualistic and civilian ways. The Board's first recommendation concerned the stock-piling of natural rubber; almost immediately it began enlisting the co-operation of business men and industrialists in the formation of its programme. It has undertaken three studies so far—one on the capacity and requirements of electric power systems, one on the production of heavy power equipment, one on power problems as related to aluminium production.

Under the Act, military operations and their supply are in the hands of the new National Military Establishment. Headed by the Secretary of Defense, containing the three Armed Services each with its civilian Secretary, this includes the Joint Chiefs of Staff, a Munitions Board and a Research and Development Board. The latter, operating in a guarded preserve within the Pentagon, the National Defense Building, is the direct successor to the Office of Scientific Research and Development which played so important a part during the war.

As for the Munitions Board, it gets the Army, Navy and Air Force the supplies they need, but only after the NSRB has surveyed the nation's economy and set aside as untouchable that portion which must supply civilians if they are to live and work—for themselves or for the military. In theory, the NSRB carves up the economic pie between civilian and military, the Munitions Board divides the portion of the military between the three Services. The civilian has no such guardian.

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How badly he may need one is indicated by the difference in approach of the NSRB and the Munitions Board. If the former seems to be starting far behind the goal line in its conversations with industrialists, the latter is already moving into procurement planning. It has inherited both the problems and the experience of the Army-Navy Munitions Board, which was dispersed after the war and reconstituted in 1946. At once it went to work to salvage certain war plants on the verge of being "cannibalised," and to enlist, for voluntary return on a "when needed" basis, others which had been sold to private industry. In March the Board announced that conversations were starting with industry on the ability of 11,000 plants to supply the possible needs of the Army, Navy and Air Force. On the first of June it issued a "Guide for Joint Industry-Military Procurement Planning" in which it undertook to advise industries how to prepare their plants for mobilisation if and when war should come. Meanwhile it has been moving more cautiously in its duties as co-ordinator of requirements and procurement for the three Services, whose differences are such a by-word that even pill bottles for the Army are said to be of a different size, shape and colour from those admitted into Navy medicine chests.

More than a year has passed since the National Security Act was signed. The new edifice is approaching peacetime completion, but it is still untried. How it would work if confronted with the sudden test of war no one knows, nor will guess. It was conceived in an attempt to forestall the waste and confusion which accompanied the improvisations of 1942, and planned against the background of that experience. The

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

operations of the British Committee of Imperial Defence were studied at the same time, and certain similarities are observable.

The powers and obligations of the new military estate go far. They are supposed to stop short of making America into an industrial Sparta by virtue of the fact that in the last analysis policy is under civilian control. Actually, the path between lounge suit and uniform has been proven too short and easy to be a trustworthy barrier. If, as West Point and Annapolis still argue, the Army and the Navy were during the war inflated by civilians to the detriment of the Services, it is also arguable that many of those same civilians were inflated by Army or Navy rank and prerogatives until they now carry several times their former sense of personal destiny. It is not without reason that the Act specifies that any Secretary of Defence shall have been out of the Armed Services for at least ten years, nor that the NSRB has moved from the Pentagon to the old State Department building near the White House.

The serious question which a few Americans are asking is what will be the effect of this co-ordinated military structure on the nation's political and economic future. Will it be beneficent or malign, the neat servant of a civilian foreign policy (no waste, no overlapping, no lost motion) or the creator of a military foreign policy to which civilian production and civilian life, not to mention the pursuit of happiness, are alike sacrificed? Will it prove so much more competent than the sprawling Government of which it forms a part that the new tail will wag the old dog? Or is this merely the forerunner and model for such reorganisation in other Government departments as the Hoover Commission is said to be preparing for the consideration of the new Republican Congress?

So far, the signs are contradictory. In the German theatre General Lucius Clay is both head of the Military Government and Commander-in-Chief of the European Command. The man who advises him on political matters, Mr Robert Murphy, acts in the name of the State Department. In June a civilian Under Secretary of the Army flew over to take a look at the Berlin air-lift. He happened to be still called General Draper, and to have been for years an officer on General Clay's staff. On the other hand there is the affair of the National Guard which the Armed Services wanted transferred from State to Federal control. In that dispute Mr Forrestal stood firm and the civilians won. The issue will not be resolved quickly, but the question mark remains. If, as experience seems to indicate, political and economic, as well as military, victories go to him who "gets there fustest with the mostest" pressures, it should be recognised that the pressures which the military can bring to bear under this new system are heavy.

American Notes

Locking the Barn Door

The pursuit of the red hare started at the special session shows no sign of flagging. The headlines this week on the international tug-of-war over the Samarins and Mrs Kosenkina, now under subpoena to appear before the Committee on Un-American Activities, have tended to obscure the categorical denials by Mr Alger Hiss, Mr Harry White (who died shortly after giving evidence) and Mr Lauchlin Currie of Miss Bentley's charges that they were part of an elaborate Russian spy-ring. Unlike earlier witnesses, who took refuge in the Fifth Amendment and refused to answer questions on the grounds that they might incriminate themselves, these well-known figures presented the Committee with the problem of determining the perjurer; and the Committee, baffled, has ordered a three-week recess. The hearings will be resumed, however, on September 7th, just as President Truman launches his campaign in Detroit.

The chief weakness of the case being built up against the Administration is that the charges, even if fully substantiated, relate chiefly to the years before the war or during the war when Russia was an ally, and that, with one exception, they are laid against men who have long left the Government. It is the Roosevelt, rather than the Truman, Administration which is on trial for criminal negligence, though Senator Ferguson has declared that, despite Mr Truman's loyalty programme, suspicious characters are still retained in important posts, and other Congressmen have professed themselves dissatisfied with the small crop of dismissals and resignations reported by the Loyalty Review Board.

The report that for more than a year the Administration has been considering means of tightening the Espionage Act of 1917 suggests, nevertheless, that, despite his confident charges of "red herring," Mr Truman is alarmed both about the looseness of security provisions and the use the Republicans may make of the spy-scare in the coming campaign. Mr Brownell, the Republican campaign manager, believes that the American people are more intensely interested in the revelations of Communist infiltration than even in the high cost of living, and "shocked" by the refusal of the Administration to open confidential files to Congressional investigators.

Congress will not be easily persuaded into abandoning an issue which holds the promise of turning the tables on Mr Truman, particularly as the most recent Gallup poll shows that the Republicans are running neck and neck with the Democrats in the Congressional races. Governor Dewey, however, is under no such pressure; the polls show that after the conventions he was leading Mr Truman by 48 per cent to 37 per cent. Governor Warren insists that the chief issues are still high prices and "peace with honour." The Republican candidates may not be averse to having the case made overwhelming for a Republican house-cleaning in Washington. But Mr Dewey's earlier stand against outlawing the Communist party shows that he appreciates how dangerous it may be blindly to follow the Committee on Un-American Activities, particularly if, having once tasted blood, the Committee is tempted, as is now reported, to extend its hunt to the universities and the press.

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The Budget and the Boom

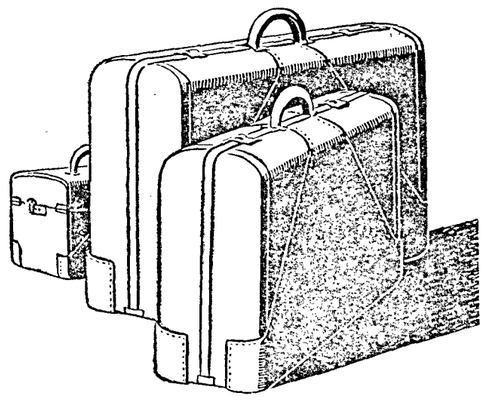
The customary mid-summer revision of Budget estimates has brought another round in the perennial dispute between President and Congress on the accuracy of Treasury forecasts. For the year to June 30, 1949, the revenue estimate has been reduced from $44.5 billion to $40.7 billion, and the expenditure level raised from $39.7 billion to $42.2 billion, leaving a deficit of $1.5 billion to be met by a "paper surplus" of $3 billion arising from the decision by Congress to deduct ERP expenditures of that amount, and to make them nominally chargeable against the $8.4 billion surplus shown for 1947-48.

On the present level of employment and incomes there is justification for the complaint by the Congressional majority that Treasury estimates are too conservative. But Mr Truman, too, stands on solid ground in this respect. The tax reliefs voted this year will reduce revenues by about $5 billion—just at a time when fiscal policy might make an important contribution to stability. Of more immediate importance than the outlook over the whole of 1948-49 is the fact that, in the next six months, the Federal Government and State and local authorities will probably do no more than balance their accounts, on a strictly cash basis, whereas in the first half—or, more accurately, the first quarter—they were together taking as much as $7 billion from the stream of private incomes.

So far as controls against inflation are concerned, the special session of Congress made no major contribution to stability. Republican critics were sometimes loud in their assertion that the Government already possessed adequate powers with which to break the wage-price spiral. But they shied away from any precise steps which would mark their own determination to abandon the cheap money policy and they denied the Federal Reserve Board powers which would raise bank reserve requirements by $10 billion or more, and which could certainly work as a powerful deterrent to the expansion of bank credit.

Instead, they granted new reserve requirements totalling about $3.5 billion for member banks of the Reserve system only. This is a full addition to reserve requirements since the $700 million above the present legal requirements at which the member banks' reserves now stand is probably a working minimum. But its importance is minimised by constant additions to the gold inflow, and by the continuing cheap money policy which ensures that commercial banks may always replenish their reserves by sales of Treasury Bonds at "guaranteed" price levels.

The most that Mr Truman can be said to have gained from the special session is that Mr John Snyder, Secretary of the Treasury, has been persuaded to abandon an almost provocatively inflationary policy, and to harden the rate on short-term Government securities from 1⅛ to 1¼ per cent, with the rediscount rate up from 1½ to 1½ per cent. It may be worth while for Mr Truman to hold a special session in order to demonstrate to his Treasury advisers that other departments can sometimes offer better advice. But the delicate curbs on inflation so far announced will have no perceptible effect, unless the postwar boom is very near its end.



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B5

Oil and Water

Oil tanks in America are full and promise to remain so, whether they are in cars over the Labour Day holiday or in oil-heated homes during the coming winter. At last the petroleum situation is no longer critical, and this week's announcement of the voluntary scheme for the equitable distribution of oil in the event of shortages seems an anti-climax. It was prepared by the industry months ago, under the legislation passed by Congress last year, but has been held up by the Anti-Trust Division of the Department of Justice, traditionally suspicious where oil is concerned. Consumption of petroleum is still increasing, and the improved position is due to better transportation and to the efforts of producers and refiners, whose output is now regularly over 5½ million barrels a day, 10 per cent higher than a year ago. They are confident they can go on meeting the continued increase in demand which is expected, provided their calculations are not upset by any sudden expansion in military needs. But already the Berlin air-lift has required additional supplies of aviation spirit, and sooner or later it is believed that the Services will begin to build up reserves of oil.

This year, for the first time in twenty-five years, the United States will be a net importer of oil and next winter consumers in the Middle West will be using oil from the Middle East. Now that Mr Ickes is in retirement, not so much is heard of the approaching exhaustion of domestic reserves, but it remains true that the United States is becoming increasingly dependent on outside resources. The relationship between underwater oil and the national defence is not so direct as was imagined by the visitor to California who thought that the oil derricks in the sea off Long Beach were there for the convenience of the warships moored nearby at San Pedro, but nevertheless the chief hope of finding new reserves of oil lies in the ocean. Self-sufficiency for the United States would once more be in sight if the oilfields under the Gulf of Mexico are proved to be as rich as those on its shores. The modern "wildcatter" is to be found anywhere between ten and fifty miles out to sea, perched on a double-decker hurricane-proof raft, topped by drilling equipment.

The right of the United States to oil so far from its shores does not seem to have been disputed internationally, and within the United States no decision has yet been reached on the question of whether the oil inside the three-mile limit belongs to the Federal or State Governments. It led to a bitter struggle between the last Congress, inspired by the ideal of States' rights and urged on by the oil companies, and the President, safeguarding his constitutional responsibility for the defence of the United States. The battle was not over when Congress adjourned and it may well be renewed between the new Congress and the new President. Mr Dewey may find that one of the most embarrassing planks in the Republican platform is the pledge to give control of tide-lands oil to the States.

* * *

Behind the Gold Curtain

All is not well behind the great gold curtain of the Metropolitan Opera House in New York. The Opera Association, a non-profit-making organisation, has cancelled the 1948-49 season because the directors will not agree to the wage increases demanded by two (the musicians and the wardrobe attendants) of the twelve unions concerned with the production of grand opera. Last year the opera, in spite of filling most of its 3,400 seats at every performance, lost over £50,000 because of its enormous operating costs. The board feels that this deficit must not be perpetuated and that to raise the price of the tickets (stalls cost 38 shillings) as a means of breaking even would result in reduced attendance. In their announcement the directors express the hope that next year ways will be found to resume the art on a basis which is "economically possible."

Two strangely contrasting proposals have been made in an attempt to solve the problem. Mr Billy Rose, the well-known night club owner, has offered to guarantee the deficit provided he is allowed a free hand to do "a bit of streamlining" and Mr Lauritz Melchior, the famous tenor, has said that he would organise his own opera company. It is unlikely that either of these schemes will materialise, but it is hoped that further negotiations between the management and the unions may result in agreement or that, as in the past, a fairy godparent will be found who will provide the necessary funds for at least a curtailed season. However, it seems probable that a long term reorganisation is due and that new arrangements for financing and running the opera will have to be discovered which are compatible with modern labour conditions and sympathetic to the interest of the musical public.

The decision of the directors (if it stands) will shock and disappoint not only New Yorkers but also the large Saturday radio audience which for a number of years has heard a complete opera on winter afternoons. These broadcasts have done much to stimulate popular interest in music and, under the capable management of Mr Edward Johnson, the Metropolitan has lost some of its reputation for being chiefly a social function. However, the opening night continued to be the Ascot of New York society and the opera box was a stepping stone to position or notoriety for many an ambitious outsider.

The Metropolitan Opera has frequently been the guest of San Francisco, and the Pacific Coast today, in its own opinion at least, rivals the Atlantic as a centre of entertainment and culture. Large civic buildings provide space for audiences of sufficient size to make opera profitable and there is local enthusiasm to overcome the difficulties. Perhaps opera can still find a new frontier in the West.

* * *

Overflowing Breadbasket

Ideal growing weather this summer and relatively high prices at sowing time are now certain to have filled the American breadbasket to overflowing. The estimates of the Department of Agriculture for August 1st put the maize crop this year at 3·5 billion bushels (which is a record) and the wheat harvest, already half gathered in, at 1.3 billion bushels, only fractionally below last year's peak crop. Overall food production will be 6 per cent above all previous highs.

The emergency on the farm is one of storage; many farmers will not be able to qualify for government price support loans because they do not possess sufficient sealed bins and commercial warehouses are full. Consequently, wheat is already selling below the guaranteed price level, and being bought, to the indignation of many farmers, by the very government charged, under the farm parity programme, with keeping prices up. Under the Economic Co-operation Act, however, the Commodity Credit Corporation has no choice; it is obliged to buy for export at or below the market price. For bulk commodities this obligation is now to be assumed by foreign governments, a ruling which is seen as clearing the way for the return of the grain trade to private hands by October 1st.

It begins to appear that Congress twice missed the bus. By postponing downward readjustments in the price support programme until 1950, it may have saddled the government with expensive surpluses of grain and cotton to add to those of the incorrigible potato, which during the past five years have had to be bought and either destroyed or otherwise disposed of at the taxpayers' expense.

The International Wheat Agreement, which would have assured a five-year export market of 185 million bushels a year, was passed by the Foreign Relations Committee by 13 to 0 during the special session, but final decision by the full Senate was postponed until next year. Senator Vandenberg explained that this action would demonstrate approval in principle, but he argued that the withdrawal of five of the original signatories made it impossible, as well as unnecessary, to apply the agreement to this year's wheat crop, and that more time was needed to consider the new type of export subsidy, amounting to between $50 and $100 million, which would be involved if the United States were forced to make up the difference between export prices and a higher price guaranteed to the American farmer.

The disposition of prospective surpluses has set off a sharp debate. Dr Fitzgerald, the director of ECA's food division, has announced that the bumper harvest will make possible "appreciably larger" exports of wheat and coarse grains to ECA countries than last autumn's estimate of 350 million bushels of grain, including 300 million bushels of wheat. The Department of Agriculture has already raised possible export goals of wheat and flour to all countries from 375 to 450 million bushels, and an extra "emergency" allocation of wheat will be shipped next month to the occupied zones of Germany, Japan and Korea. Mr Sawyer, the Secretary of Commerce and a member of the President's Sub-committee on Food, has disputed the desirability of higher exports, in the interest of the housewife's budget (though government supports severely limit any fall in prices). Other critics have insisted that ECA would merely be bailing out the farmers and the Department of Agriculture, to the detriment of the recovery aspects of the Marshall Plan, now just getting under way. On this point, Dr Fitzgerald denied that any pressure would be put on the receiving countries to increase purchases of American foods, aside from the attractions of "bargain counter prices," made possible, in part, from the provision in the ECA Act that export of surpluses may be paid for half by the ECA, half from price support funds of the CCC.

THE BUSINESS WORLD

Sterling Releases

PARLIAMENT, just before the recess, reverberated with the echoes of well-worn platitudes, recriminations and justifications about unrequited exports, sterling releases, hard currency allocations and the familiar array of kindred subjects. This concluding phase of the debate on the adjournment shed little new light on this vexed but nebulous topic—necessarily nebulous, because from their very nature the operations involved defy absolute precision, but nevertheless unnecessarily clouded by avoidable reticence and obscurantism on the part of Government spokesmen.

The question at issue is whether the accumulated sterling balances held here on overseas account are being released too fast. The critics of the Government argue that nothing has been done to implement the undertaking shouldered by the British Government under the Anglo-American Financial agreement of 1945 to secure a writing down of these accumulated sterling balances. But these same critics are also the first to deny any intention of unilateral default. The Government's defence is that, since there can be no question of default, any arrangements reached with Britain's creditors must be the outcome of free negotiation and compromise; that none of the creditors has for a moment countenanced the possibility of voluntary cancellation (though Australia and New Zealand have made generous gifts) and that consequently the best the Government can do is, in the words of the Economic Secretary to the Treasury, "to make sensible, practical arrangements covering an interim period to enable trade and economic life to go on."

What is "sensible" and "practical" and what falls within Britain's capacity to repay are all concepts in the judgment of which no hard and fast criteria can be applied. They depend on the circumstances of each case. These differ enormously. There might have been a possibility immediately after the end of the war of making some overall settlement of these balances, drawing a line through each account, making all prior accumulations available only by *ad hoc* arrangements, and leaving later accumulations free. But the time has long passed—if it ever existed—when so simple and drastic a solution of the problem of the sterling balances was within the realm of practical politics. Now all that can be done is to make the best possible bargain with each creditor and to limit the arrangements to a comparatively short period, seeking to keep the total releases from these accumulated balances, and the corresponding unrequited exports, within what was described in the last "Economic Survey" as "an amount commensurate with the present resources of the United Kingdom."

No attempt has yet been made by a Government spokesman to define what this amount should be. It may be useful, therefore, to present in tabular form the available information about the releases which have been agreed with the more important of Britain's sterling creditors since the end of the war. In the accompanying table these releases are compared with the balances held by each creditor at the end of the war, thus providing a measure of the rate of release. To complete the picture, corresponding data are given of the hard currency allocations agreed with such of these countries as have had their access to the sterling area dollar pool limited in this manner.

In interpreting this information some reservations have to be made. The most important is that sterling released from accumulated balances or—to use the technical terms in which these operations are now couched—"transferred from No. 2 to No. 1 accounts," is not necessarily sterling spent and is not, therefore, tantamount to unrequited exports. It must further be realised that a substantial part of the releases was to provide the countries in question with working balances. The sums so transferred are not intended to be spent and have, in fact, not been encroached on to any appreciable extent. These working balances may be run down over certain periods of the year, but it is the intention that they shall be rebuilt from current receipts at other periods. To that extent, therefore, the "releases" agreed upon and included in the accompanying tabulation overstate the effective amounts made available for unrequited exports.

A true measure of the releases is the net movement in the total of the sterling balances concerned. On this, some information for the years 1946 and 1947 was contained in the "Economic Survey," and some of the figures given there were brought up to date for the period to April 1948 by Mr Jay, the Economic Secretary to the Treasury, in the debate on the adjournment. In 1946 the balances of sterling area countries fell by £36 million but this movement was accompanied by an increase of £76 million in the sterling balances held by countries outside the sterling area. In 1947 the sterling area's balances were run down by £165 million while those of non-sterling area countries rose again—this time by £23 million. Taking these two years, therefore, the sterling area's balances were reduced by £201 million while those of non-sterling countries rose by £99 million, so that there was a net fall of £102 million—or £105 million, according to later and presumably revised figures given in the House of Commons on July 30th. It was then stated by the Economic Secretary that, in the period from January 1946 to April 1948, the net draft on sterling balances, including countries both inside and outside the sterling area, worked out at only £83 million, so that there was actually an increase of £22 million in the total balances during the latest four months. Calculated as a percentage of total UK exports over the two and a third years in question,

STERLING RELEASES
(£ Millions)

Country	Sterling Balances at June 30, 1945	Sterling Releases 1945–7	Hard Currency Allocations 1945–7	Sterling Releases 1948–9	Hard Currency Allocations 1948–9	Sterling Releases 1949 onwards
Argentina	86·0	10·0	...	20·0	...	5·0
Brazil	37·0	1·5	...	7·3*a*	...	1·5
Ceylon	68·0	...	...	7·5*b*	...*g*	...
Eire	178·0	...	14·0	...	...	...
Egypt	402·0	80·2	31·7*c*	32·0	6·3	...
India }	1,138·0	65·0*f*	...	21·0*g*	25·0	80·0
Pakistan }		...	...	26·0	5·0	...
Iraq	70·0	13·3*d*	7·5	6·0	5·3*e*	15·0
Palestine	116·0	...	...	14·0*h*	...	...
	2,095·0	170·0	53·2	133·8	41·6	101·5

(*a*) £4 million cannot be apportioned to any one year but may be drawn before Dec. 31, 1949. (*b*) Additional £1 million may be drawn if wheat prices rise. (*c*) Excluding unspecified sums for special purposes, e.g., purchases of wheat. (*d*) Some further amounts not specified. (*e*) In part available 1947 (*f*) Approximately £63 million carried forward to 1948. (*g*) In addition hard currencies earned made available against sterling. (*h*) Further releases made on application.

the £83 million is equivalent to between 2 and 3 per cent. Mr Jay appears to regard this figure with complete equanimity, implying that its size is an effective refutation of the charge that Britain has allowed unrequited exports to run at a rate more than that commensurate with its resources.

Net figures, however, should be treated with circumspection. They are influenced by recent accumulations of sterling on the part of certain European countries. These new accumulations of course represent freely available sterling which cannot, therefore, legitimately be offset against the release and running down of immobilised "old" balances held by other countries.

The running down of balances by sterling area countries, namely £201 million over the two years 1946/7, provides a truer measure of the extent to which Britain allowed wartime accumulations of sterling to be drawn upon by the countries concerned in order to pay for current imports from the sterling area and for allocation to them of hard currencies from the sterling area pool. There can be no denying that this drain, averaging over £100 million a year, was well in excess of the sums that were in contemplation when the problem of Britain's external liabilities was being discussed immediately after the end of the war.

It will be recalled that in the Anglo-American financial agreement of 1945 some indication of the extent of prospective releases was allowed to crystallise in the clause dealing with the waiver of interest payments on the $3,750 million US line of credit. It was specified that in calculating the balance of current payments of the United Kingdom for purposes of the waiver, releases from sterling balances accumulated by overseas countries before the effective date of that agreement would be allowed to rank as current transactions only up to an amount of £43¾ million. Any release beyond this figure was to be regarded as a capital transaction and would, therefore, be excluded from the calculations of the net income from invisible current operations for that year. This figure was not picked out of a hat. It must have represented a reasonable estimate by British and American experts of the scale on which the repayment of these accumulated balances, which then amounted to just over £3,000 million, could be attempted. In fact the releases to sterling area countries alone have been running at just about twice that level.

One further throwback to the Anglo-American financial agreement must be made in this context of released sterling balances. It is provided in that agreement that the waiver of interest on the US line of credit will not be requested by the United Kingdom unless the aggregate of any releases and payments on sterling balances is reduced proportionately. This intrusion of the Anglo-American financial agreement into the arrangements that may be made with sterling creditors of the United Kingdom will not, of course, take definite shape until the end of 1951, when the first instalment of principal and interest on the American line of credit becomes due. This, apart from any other considerations, sufficiently explains why the arrangements hitherto made between the British Government and its various sterling creditors have been restricted to comparatively short periods and do not look beyond the year 1951.

Fibres For Clothing

IN the past, the clothing ration has depended more on the output from Lancashire and Yorkshire than on the availability of textile fibres. But since the clothing subsidy was abolished at the beginning of the year, price considerations have tended more and more to determine the volume of consumer demand. Hence the cost of raw cotton and raw wool in the world markets is now of direct concern to both manufacturer and consumer alike. Conditions in the cotton and wool markets during and since the war have presented close parallels. In both fibres, trading during the war was virtually monopolised by Governments, and little or no private trade existed until 1946. Output of both was on the whole maintained until the last year of the war and then declined quite sharply. Consumption of both was restricted to cover only essential needs, so that large stocks accumulated. At the end of the 1944-45 season, for instance, world cotton stocks stood at 13,500 million lb. compared with 10,100 million lb. at the end of the 1939-40 season—over a year's supply at the prewar level of consumption. Stocks of wool suitable for apparel became even more cumbersome. In June, 1945, they were estimated at 2,750 million lb. (clean basis) compared with over 900 million lb. six years earlier; most of this huge stock was owned by the British and Dominion Governments and, it was thought, would take some 13 years to absorb alongside current clips. Despite these accumulated surpluses, both the cotton and the wool markets have been very firm since the end of hostilities, and prices have risen to extraordinary heights.

Rayon's experience has been very different. Being a man-made fibre, its production was regulated more or less closely to demand. No problem of stock disposal arose. World output dropped to its minimum in 1945 and since then has recovered sharply. Last year's production was 3 per cent above the prewar level. By contrast with prices of cotton and wool, those of rayon have therefore been fairly stable and relatively low. Rayon is undoubtedly a strong competitor of the other two apparel fibres, but its full competitive power has not yet been unleashed.

The apparent paradox that high prices have ruled for cotton and wool despite the large accumulated stocks, whereas relatively low prices have obtained for rayon although no such surpluses arose, is readily resolved upon analysis of the statistical position of these fibres. The data for such an analysis are presented in the accompanying tables. Table I compares estimated world production of cotton, wool, rayon yarn and staple fibre for the last two seasons, with a prewar average; for rayon a single prewar year (1938) has been taken. With wool it is possible to distinguish statistically between those types (generally the medium and finer qualities) used for apparel purposes and the coarser types used in the manufacture of carpets and other non-apparel goods. Such a distinction, which is in fact based on quality rather than on end-use, has been used in Table I, where the wool figures exclude estimates for carpet wool. No other allowance, however, has been made for industrial uses of the other fibres. Although it is highly probable that an increasing proportion of total output of the fibres concerned is used for industrial manufactures, they remain essentially apparel fibres.

It will be seen that in 1947-48 the combined output of these textile fibres was still fully 6 per cent below its prewar level, despite the fact that rayon output was over 30 per cent larger than in 1938 and continues to expand. Before the war, rayon yarn output accounted for 5½ per cent of the world total of these fibres; last season its proportion had increased to nearly 7¾ per cent. Staple fibre declined from 5 per cent to 4 per cent and cotton from 80 per cent to 79 per cent. The relative position of wool was virtually unchanged. Aggregate consumption of the four fibres since the war has been well above production, and the accumulated stocks of both cotton and wool have been considerably reduced. On August 1st, cotton stocks were estimated at 6,750 million lb., while wool stocks a month previously were believed to amount to only 1,800 million lb. Much of the remaining stock of both fibres consists of low grade material which has little or no ready demand. There is a serious dearth of high quality fibres. Nevertheless, there is at least a sign that output in 1948-49 may be more than adequate to meet consumption requirements.

Hitherto, cotton acreage in many countries has been restricted by the need to grow grain and pulse crops, but the favourable influence of high cotton prices, and the easing of the world food shortage, have led to a general expansion in the acreage sown to cotton. A bumper crop of some 7,500 million lb. is expected in the United States; an increase of 20 per cent over last season is reported from Mexico and one of at least 10 per cent from Brazil. The Egyptian Government has relaxed its restrictions on the cotton acreage and this season's crop is expected to be between 10 and 15 per cent heavier. Substantial increases in acreages under cotton are also reported from India and Pakistan. In all, the world cotton crop is likely to yield some 15,500 million lb.—at least 5 per cent above its prewar level. The current end of season stocks are, however,

TABLE I—WORLD PRODUCTION OF APPAREL FIBRES
Million lb.

	1934-38 Average	1946-47	1947-48	1948-49
Cotton	14,507	11,686	13,400	15,500
Wool*	1,713	1,570	1,580	1,625
Rayon yarn	996†	1,101	1,311	...
Staple fibre	928†	573	680	...
Total	18,144	14,930	16,971	...

TABLE II—WORLD CONSUMPTION OF APPAREL FIBRES
Million lb.

	1934-38 Average	1946-47	1947-48	1948-49
Cotton	12,660	14,950	15,000	...
Wool*	1,600	1,840	2,005	...
Rayon yarn	996†	1,100	1,310	...
Staple fibre	928†	570	680	...
Total	16,184	18,460	18,995	...

TABLE III—APPAREL FIBRE CONSUMPTION IN CERTAIN COUNTRIES
Million lb.

	Cotton		Wool*		Rayon Yarn		Staple Fibre	
	Prewar	1947	Prewar	1947	1938	1947	1938	1947
United States	2,973	4,740	310	520	274	729	55	259
United Kingdom	1,323	851	414	422	95	95	15	60
France	554	526	228	238	45	70	10	30
Belgium	171	203	54	87	8	20	1	15
Italy	353	406	68	136	30	85	120	45
Germany	571	263	230	60	135	23	345	35
Japan	1,631	299	108	70	130	10	355	20
India	1,221	1,649	5	5	20	10	5	5

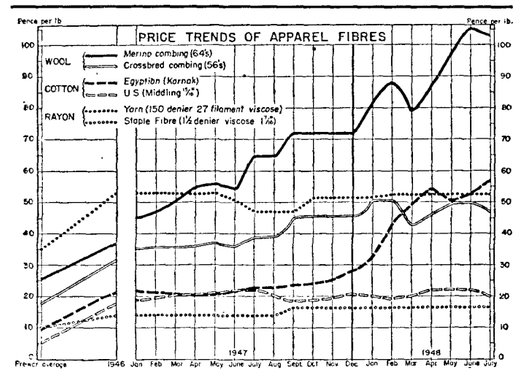
* Apparel wool, clean basis converted from greasy at average yield of 54 per cent. † 1938.
Sources:—Cotton: Commonwealth Economic Committee and International Cotton Advisory Committee; Wool: Commonwealth Economic Committee and International Wool Study group; Rayon: Mainly from *Rayon Organon*.

low, so that no burdensome surplus is likely to arise, at least for the present.

The world wool clip is also expected to increase in 1948-49, but, at the estimated 1,625 million lb., it would still be 5 per cent below the 1934-38 average. Australian output is at last beginning to recover from the effects of the drought in 1944-45 and sheep population is again increasing. In New Zealand, production will show little change from last year, but a recovery is expected in South Africa where output has been declining since 1941. The American clip continues to diminish, although at a declining rate. Little change is expected in Argentina and Uruguay, but there may be a slight increase. Taking the clips as a whole, not only will the quantity of apparel wool be larger than in 1947-48, but there will probably be a higher proportion of merino—say, 45 per cent, compared with 43 per cent. Nevertheless, if demand is maintained, supplies of wool, particularly of the better merino types, will continue to be relatively scarce.

In rayon, the expansion of world production to record levels has occurred despite the fact that two of the largest prewar producers—Germany and Japan—are still producing only a fraction of their prewar output. Elsewhere, the expansion has been fairly general, and new producers are entering the field. The United States, whose output has developed very rapidly since 1938, continues to be the major producer and now accounts for almost half the total. Production of rayon yarn has recovered much more rapidly than that of staple fibre, which is more dependent on the rehabilitation of the German and Japanese plants. Nevertheless, by the end of 1948 world rayon capacity is expected to reach 3,300 million lb. annually; this figure includes the potentially large capacities in Germany and Japan, but the plants there are urgently in need of repairs.

Total rayon output during the current year cannot, therefore, approach capacity level. Moreover, rayon depends on cotton linters and woodpulp for its cellulose base. The supply of cotton linters has been restricted by the smaller cotton crops, and the general shortage of softwood throughout the world needs no emphasis. Other synthetic fibres are being developed which use various raw materials available in much freer supply. Although it is clearly impossible for supplies of rayon to expand so far as to displace cotton and wool—assuming consumers' tastes and manufacturing technique to be such as to make displacement otherwise feasible—rayon is evidently capable of expanding sufficiently to offer significant competition to the older fibres for marginal requirements. In Britain at



any rate, the existence of utility specifications in textiles tends to limit the amount of rayon which may be used with either cotton or wool, but under freer conditions the use of specific proportions of rayon in other textile yarns may prove attractive from the standpoint of both price and quality.

On the demand side, the limiting factor upon all these textile fibres is the mill capacity in the manufacturing countries. The postwar demand for clothing has largely centred in high quality goods, and this in turn has involved a concentration of demand upon Egyptian cotton and merino wool, both in relatively short supply. The cause of this insistence on quality is difficult to determine. To some extent it is a reaction from war conditions, when clothing supplies were scarce; but, as is well known, it has been accentuated by the rationing systems adopted by various countries and by the general inflationary pressure in the world. Re-stocking of pipelines is now virtually complete, so that a fairly definite, although perhaps transitional, pattern of the demand for apparel fibres is emerging. Table II shows estimated world consumption calculated on a similar basis to Table I. Total consumption of the four fibres is over 15 per cent beyond its prewar level, and again the most significant increase has been in rayon yarn, but part of that increase has undoubtedly been due to the rising industrial demand in the United States. Rayon yarn accounted for nearly 7 per cent of total consumption in 1947-48, compared with 6 per cent before the war, while the proportion for staple fibre dropped

from fully 5½ per cent to 3½ per cent. The proportion of wool consumption increased from under 10 per cent prewar to 10½ per cent last season, while cotton consumption rose from 78¼ per cent to nearly 79 per cent.

Consumption in certain countries shows some striking changes, as will be seen from Table III which compares 1947 with a prewar average. The outstanding feature is the remarkable increase in the consumption of apparel fibres in the United States. Cotton has expanded by over 60 per cent and wool by 55 per cent; rayon yarn has nearly trebled, and staple fibre almost quintupled. Of the countries listed in the table, only Germany and Japan have a total current consumption which is generally below prewar level. Britain's consumption of cotton is certainly below that level, but its consumption of wool is higher despite the smaller output of the wool textile industry. Before the war, large quantities of rags and shoddy were used instead of wool. In France, Belgium, Italy and India consumption of textile fibres is also generally higher than before the war.

An analysis by fibres shows that, except in Japan and Germany, the major increase in consumption in almost every country has occurred in rayon yarn and staple fibre. In India the consumption of rayon yarn has declined but that of staple fibre has increased; in Britain rayon yarn consumption has regained its prewar level, and the quantity of staple fibre used has increased fourfold. In Italy, however, rayon yarn consumption is larger than before the war and staple fibre consumption smaller. The inroads made by rayon yarn and staple fibre into the field of apparel fibres are clear—even though the figures quoted may to some extent exaggerate this trend, since part of the increased consumption of the rayon fibres may be for industrial purposes such as strong filament yarn for rubber tyres. Given the present discrepancy in textile fibre prices, rayon consumption could possibly have increased still further had a more rapid expansion in production been possible. Because of the shortage of textile workers, as in Britain, and the lack of modern equipment, as in Europe generally, total consumption of apparel fibres has a limit which cannot be readily raised. Moreover, a large proportion of the demand for textiles is traditionally related to certain fibres. Rayon frocks may compete with cotton frocks, but worsted suits as yet have no competitor. At present, therefore, competition from rayon tends to be restricted to marginal requirements for textiles, and in particular rayon is tending to be substituted for cotton rather than for wool. But before long rayon may be used to a greater extent both in wool and cotton mixtures and in place of them. Relatively to the other fibres, rayon was cheap even before the war, but the disparity has since been greatly widened. In July the price of filament yarn was only 50 per cent above its 1938 level and that of staple fibre 65 per cent higher. Egyptian cotton (Karnak), on the other hand, has increased by 500 per cent since 1938, and US cotton by nearly 300 per cent, whereas merino wool (64s) was over 300 per cent dearer and crossbred (56s) 157 per cent dearer. The chart on page 311 clearly shows the effect of an insistent demand for quality impinged on a short supply of Egyptian cotton and merino wool.

Given the prospect of an increased supply of cotton in 1948-49, it was natural to expect a fall in prices and a consequent stimulus to consumption. But the US Government has fixed its loan rate for the new crop at 92½ per cent of the parity price (calculated on the basis of the farmer's cost), or about 30.74 cents a lb.; for the 1949-50 crop, the rate is still as high as 90 per cent of parity. The current price is 32.13 cents a lb. The main hope of cheaper cotton—and perhaps of wool, too—must rest upon the possibility of some degree of disinflation in the United States. This would reduce the prices which farmers have to pay for those goods necessary for their livelihood and their production—that is, it would reduce the "parity price," and therefore the minimum price guaranteed by the US Government. It would also help to curtail the very large consumption of apparel fibres in America. For merino wool, the high prices depend rather upon the strong European demand than upon American influences. Yet raw wool is purchased largely for manufacture into exports which may well be affected by an industrial recession in America. And any reduction in the export demand would quickly be reflected in lower wool prices. For the time being the wool market may be indirectly supported by the maintenance of an artificially high American cotton price. One thing, however, is certain; dear cotton will only encourage still further substitution by rayon.

Business Notes

Disinflation and Manpower

A number of signs have suggested that the momentum of disinflationary influences, never very strong, has slackened a little in the past few weeks. Such symptoms as the abnormally heavy drafts upon accumulated savings during the height of the workers' holiday season, despite the depressing weather, and the response of clothing sales to the coupon concessions, may have only passing significance; but they do imply that this year's decline in spending is unlikely to be suddenly or sharply accelerated. At the same time, the tax reliefs, rising military expenditure and outlays in Germany, and the increased cost of subsidies, must all be tending to whittle down the projected budget surplus. But if the disinflationary policy has a blunter edge than it exhibited a few months ago, the complaints of those who feel its effects are certainly no less insistent, and the pressure for wage increases is spreading.

Evidently, despite the Chancellor's reaffirmations, firm adherence to the disinflationary policy in the face of growing resistance is by no means assured. Yet the need is at least as great as it was earlier in the year. The proof of this lies in the manpower figures, which month by month show depressingly slow progress towards the all-important recruitment targets of the key industries. The latest return, indeed, actually shows some retrogression; between May and June the manpower engaged on consumers' services, which over the year were expected to release 31,000 workers, rose by 9,000, and those in building and civil engineering, originally expected to release no fewer than 164,000, rose by a further 4,000 to a level 11,000 above the end-1947 level. At least the first of these setbacks partly reflects the seasonal influences upon the holiday and catering trades; yet in agriculture, which presumably was also facing seasonal demands, the expansion was only 1,000, making a net gain during the first six months of the year of 26,000—less than halfway to the target. Coal, too, gained only 1,000 in June, while the 2,000 improvement in textiles brought the year's recruitment to date to only one-fifth of the target.

* * *

Half-year's Recruitment Analysed

Evidently, a great deal of ground will have to be covered if the full targets for the vital industries—coal, agriculture, and textiles—are to be approached by the end of the year. The progress in the first six months is analysed in the accompanying table. It is interesting to note that the decline in the total working population has been less than forecast. Between January and June, the working population fell by only 144,000, compared with the Economic Survey's estimate of 213,000. From this table, it will be seen that, to reach the targets, coal needs another 25,000 men, agriculture another 29,000 and the textile trades, where the gap is most serious, a further 86,000.

Unless disinflationary pressures and specific controls can enforce contraction upon the three principal groups whose labour force is far above its projected level—building, clothing, and consumers' services—it is difficult to see where additional labour for the key industries can be found. The Economic Survey estimated that the total of unemployed would rise to 450,000 by the end of the year, but this does not now seem likely. Even on the revised basis of calculation which followed the introduction of the National Insurance Act on July 5th, there are still only 282,200 unemployed—or only 1½ per cent of the population, and nearly 4,000 less than in June. The extent to which the vital production can be achieved in Development Areas, where unemployment is relatively high, is limited. The importation of foreign workers is being speeded up; 9,000 were recruited in June, compared with 7,000 in May, but even so, there are practical limitations in the lack of housing in mining, textile and agricultural areas. Perhaps continued labour shortage will act as a spur to technical improvement and increases in productivity in the undermanned industries; but it would be idle to hope that gains from this source could suffice to avoid the need for sustained disinflationary pressure.

DISTRIBUTION OF THE INDUSTRIAL POPULATION, 1947-48
(Thousands)

	Mid-1939 Actual	End-1947 Actual	Mid-1948 Actual	End-1948 Estimate
Coal	735	718	725	750
Public utilities	242	270	275	280
Transport and shipping	1,233	1,438	1,472	1,460
Agriculture	910	1,055	1,081	1,110
Building and civil engineering	1,310	1,364	1,375	1,200
Manufactures :—				
Building materials	567	590	583	575
Metals and engineering	2,267	2,876	2,885	2,900
Textiles	793	652	674	760
Clothing	1,005	851	821	800
Food, drink and tobacco	654	623	623	600
Chemicals	266	336	336	335
Other manufactures	1,258	1,343	1,323	1,355
Distribution	2,887	2,351	2,354	2,320
Consumer services	2,225	2,120	2,157	2,123
Public service :—				
Civil Service	408	692	1,082	715
Other National Government	211	375		360
Local Government	846	1,105	1,137	1,075
Unemployed	1,270	300	282	450

* * *

New Zealand at Parity with Sterling

Mr Walter Nash, the New Zealand Minister of Finance, announced at the close of his budget statement that the New Zealand Government had decided to raise the exchange value of the New Zealand pound to parity with sterling. The new rates became immediately effective, and as from last Thursday the New Zealand pound, which had been quoted at £NZ 124-125 to £100, was quoted £NZ 100-101. The move seems to have come as a complete surprise to the highest quarters in London, and does not appear to have been preceded by the process of consultation which normally accompanies such decisions within the Commonwealth family. Since New Zealand is not yet a member of the International Monetary Fund there was no need to consult that institution in Washington. The reasons for New Zealand's decision do not emerge clearly from the recent course of events in the Dominion. New Zealand's agricultural community has in past months pleaded vociferously for higher prices for its exports, virtually the whole of which go to the United Kingdom. They were given some satisfaction as a result of the recently re-negotiated food contracts between Britain and New Zealand which gave them increases of between 15 and 20 per cent in sterling prices on which those contracts are based. Now it would seem the whole of this increase and a little more is to be lost in terms of New Zealand pounds by the appreciation of the New Zealand currency. The decision becomes the more difficult to understand in view of next year's elections in the Dominion.

New Zealand's decision is all the more interesting in view of its inevitable impact on Australia. In the past, the two dominions have tended to move together, though not always simultaneously, in their exchange policy. Australia, as the bigger partner, has led the way. On this occasion Australia's freedom of action is circumscribed by its membership of the International Monetary Fund. It would be idle to pretend, however, that New Zealand's decision can leave Australia's exchange policy entirely unaffected.

For the time being the substantial appreciation in the New Zealand currency will have no effect on the prices of British imports from the Dominion, since the bulk of these is sold under long-term contract at prices fixed in sterling. The new currency move was justified by Mr Nash as an attempt to restore equilibrium between prices in New Zealand and elsewhere, particularly in the dollar area. It should have a most powerful effect in shifting the terms of trade, though the adjustments of the New Zealand economy to this sudden 25 per cent appreciation of its currency are likely to be more painful than the somewhat haphazard and incidental manner in which the move was announced would suggest.

* * *

Commodities and ECA

The implications of the stock-piling provisions of Article V of the ECA Bilateral Agreement are beginning to cause concern in the commodity markets. This and certain other articles of the Agreement were discussed in these columns on July 10th. They relate to Britain's undertaking to help the United States to purchase materials, originating in the United Kingdom and the colonies signatory to the Agreement, for stock-piling and other purposes. The issue now raised is the extent to which colonial production will be expanded—with or without the aid of American capital—to meet this relatively short-term increase in demand. Moreover, when these requirements have been fulfilled, how will the surplus output be marketed? On these points there is the usual official reticence. Even the commodities in which the United States is interested are at the moment conjectural. Those most likely to be concerned are rubber, tin, copper, zinc, lead and oil. For tin and natural rubber the United States is entirely dependent on imported supplies (demand for imported rubber is restricted by the American synthetic rubber production), while domestic production of copper, zinc and lead no longer covers domestic requirements. The Secretary of the Interior told Congress recently that American copper resources would be exhausted in 25 years, zinc in 24 years and lead in 15 years.

The scale of stockpiling purchases is naturally kept secret, but if the accumulated stocks are to be of any strategic importance, it must be large. With industrial demand for all these commodities well above prewar level and output only a little, if at all, above prewar, the strategic requirements can be met only by expanding production. Article V includes the phrase "after due regard for the reasonable requirements of the United Kingdom for domestic use and commercial export of such materials," which presumably implies that strategic purchases will not compete with normal commercial purchases. To what extent can the colonies expand their output of these commodities? An increase in rubber output requires, in the first instance, political stability in Malaya, and, in the second, replanting with high yielding stock. In neither case is American participation essential. Tin production can be expanded in either Malaya or Nigeria. Strategically, the United States preference is likely to be for Nigeria, which is also well situated for shipment to the Texas smelter. Current Nigerian output of tin concentrates is running at 9,200 tons a year; in 1943 it reached 12,666 tons. US tin consumption is over 60,000 tons a year, and over half this quantity is produced at home from imported ores coming almost entirely from Bolivia.

Colonial production of copper, zinc and lead is centred in Northern Rhodesia. Copper output in 1947 amounted to over 190,000 tons, compared with a peak of 250,000 tons in 1943. Yet American consumption is more than 1¼ million tons a year. Although the Rhodesian output is mainly blister copper, the United States has sufficient refinery capacity for converting it into electrolytic. Rhodesian zinc and lead production is on a much smaller scale. Output of zinc last year totalled 21,600 tons and of lead 15,600 tons, compared with an American consumption of 700,000 tons of zinc and 500,000 tons of lead. The probabilities are that America will be primarily interested in extensive development of Rhodesian copper, with a secondary interest in increased lead and zinc production.

An expansion in production of non-ferrous metals would undoubtedly be an important asset to the British dependencies concerned. But the crucial question is whether it will be an asset, reckoned in terms of dollars, to the sterling area. American capital participation naturally implies American participation in dividends. If the resultant output is sold to the United States so that the sterling area's net dollar earnings increase, all would be well. If, however, the increased output can be sold only to sterling or soft-currency countries, then Article V would have converted raw materials which had previously been purchasable for sterling into dollar goods.

* * *

ICI Prospectus

A month has passed since Imperial Chemical Industries first announced the terms of its offer of 10,093,023 new £1 ordinary shares, at 40s. 6d. a share, to ordinary shareholders registered on

July 20, 1948, in the proportion of one new share to five old ordinary shares held. On the eve of that announcement the price of the old shares had touched 44s. 3d. At that time it seemed that international tension might cause a further decline in ordinary share prices, which sufficiently explained the reason to fix the issue price well below the market level, even though the lowness of the price occasioned some surprise, since it had been confidently predicted in June that it would be nearer 45s. But in the past few weeks the decline in stock markets has given way to relative firmness, albeit in conditions of stagnation exceptional even for this time of the year. The price of the old ICI shares has been steady for some time at around 46s., although it weakened to 45s. 6d. on Wednesday, and fell to 44s. 3d., ex rights to the new shares, on Thursday. The issue of the prospectus this week has suggested that in offering the new shares at 5s. 6d. under the market price the company may have to pay dearly for its earlier pessimism; each 1s. on the price represents over £500,000 in premiums to the company. But the sacrifice is such as must be reckoned with in the present condition of markets, especially when the arrangements for the issue must inevitably be spread over several months. Indeed, much can happen in the remaining three and a half weeks to alter the present relationship of prices. But in view of its favourable terms—on the basis of the present 10 per cent dividend the new shares will yield £4 18s. 9d. per cent—and the present paucity of counter-attractions in new issues, the offer should be an assured success. The Bonus Issues Tax will, of course, take 10 per cent of the amount of premiums arising from the issue. Calculated on Thursday's opening bid price of 3s. 7½d. for the new shares, nil paid, plus one-quarter of the jobber's turn amounting to ¾d., the chargeable premiums will, on the Inland Revenue's formula, amount to £1,861,000, so that ICI must pay £186,100 to the Inland Revenue on account of the tax.

The prospectus reminds shareholders of the reasons for the issue—reasons previously explained by Lord McGowan, and, doubtless, now familiar to readers of *The Economist*. The group's programme of future capital expansion can no longer be financed from its own resources, although it has thus financed itself for the past twenty years. In 1947, the total draught on liquid resources for additional fixed and working capital was over £20 million. Capital expenditure for a further £52 million had been sanctioned by the end of last year, and other commitments, particularly the acquisition of further factories from the Government, are being negotiated. The development of petroleum chemicals figures prominently in the new schemes, as does the expansion of non-ferrous metal manufacturing plants in the Midlands and South Wales. Moreover, ICI will require up to £3 million sterling for its subscription to the new issues contemplated by its subsidiaries, Imperial Chemical Industries of Australia and New Zealand, British Nylon Spinners and British Titan Products.

The ICI offer will remain open until September 14th, when a first instalment of £1 per share is due, followed by a final payment of £1 0s. 6d. on or before October 28th. The prospectus states that preference and ordinary shareholders may apply for any balance of the new ordinary shares which remain after the rights of the ordinary stockholders have been satisfied. For this purpose, the special form B enclosed with the prospectus must be completed and forwarded to the company before September 14th, without any remittance. It is expected that certificates for new shares will be issued by the end of the year.

* * *

Anglo-American Differences on Steel Scrap

Anglo-American failure to agree on German steel scrap is not new; in the history of this subject, disagreement has been more common than harmony. The new development is that the necessity of allocating among the consumer countries the proposed German scrap exports for the first Marshall Plan year brought matters once more to a head in the third week in July; and, as the American Commander-in-Chief, General Clay, disclosed on Monday, the question has been referred to the two Governments for settlement. It is a matter of general concern to British industry. As the July *Bulletin* of the British Iron and Steel Federation showed, the British steelmakers have been counting on improved supplies of German scrap following currency reform in the three western zones. If these hopes are to be frustrated by the differences of the occupying powers, the difficulties of maintaining the present high rate of steel production will be made greater.

Exports of commercial scrap from Bizonia were fixed in April at 1,200,000 tons for the twelve months ending June 1949, and this estimate was among those placed before the OEEC at Paris. The British and Americans proceeded to negotiate between themselves the allocation of the first 600,000 tons: Britain, they decided, was to get 300,000 tons, the United States 200,000 tons, and the remaining Marshall Plan countries 100,000 tons between them. The British negotiators agreed to this, but with reluctance; they felt that the United States should take a good deal less. The original General Report of the OEEC had estimated in 1947 a European scrap deficit of 1,000,000 to 1,500,000 tons a year, and remarked: "Such a deficit can only be met, as it was before the war, from United States sources." But things were not going that way; since the General Report was written the American demand for European scrap had become keener, and the Foreign Office had begun to think that a regular system of allocation, involving full consultation with the other European countries concerned, would be better than bipartite negotiation.

The bipartite negotiators next proceeded to a general allocation for the whole year, and the compromise reached was that Britain should take 540,000 tons and the United States 440,000, the remaining 220,000 to be divided among the other participating countries. This was announced, in a press release from Frankfurt, as a settled thing; but the Foreign Office refused its approval. General Clay then placed an embargo (through the machinery of JEIA, on which the Americans have a majority voice) on all new contracts for the export of commercial scrap; while the negotiations continue, both occupying powers are necessarily limited to deliveries under existing contracts. But the British are also taking scrap from Germany as "war booty"; this does not enter into the commercial contracts.

* * *

Need for a Settlement

German commercial scrap has been a persistent disappointment to the British steel industry; in spite of the vast plans that were made, only 86,000 tons was in fact exported to Britain in the first six months of 1948. It was reasonable to suppose that the reform of the mark in June would overcome the reluctance of the German merchants to export scrap. This may still prove to be so, and it could hardly be more unfortunate or more ridiculous that exports should be held up at this moment by Anglo-American differences. Those differences are by no means confined to the division of the available exports. There is a long and absurd history of disagreement about prices. Last autumn American buyers were handsomely outbidding the British, and General Clay was angry with the British for not wanting to pay the world price. But the last British contract before the embargo (it may still not be carried out) was concluded at a price of £7 10s. a ton fob; this outbid the Americans, and was resented by them on that ground.

There is a further difference over British removals of booty scrap, which have greatly exceeded in quantity the commercial scrap exported. The Americans have defined booty scrap more strictly than the British, and their zone (by chance) contained much less than did the British zone. They announced recently their intention of not taking any more scrap as booty, and they would clearly like the British to do the same. This is something the British Government will have to consider. The war has been over for more than three years, and there must come a point at which removals of war booty—however defensible legalistically—will have to come to an end. If this happened the British would then be limited to what they could get through JEIA, and it is no doubt unfortunate that JEIA can be so readily used to impose exclusively American wishes on German foreign trade. But it may still have to be faced. The only hopeful way out of the present deadlock would seem to be to negotiate all these questions together and seek a coherent settlement. If this is attempted it will be best to settle a fourth question at the same time. The allocation of German scrap among the countries anxious to buy it clearly ought not to be handled as an exclusively Anglo-American affair at all; it is a common interest of the ERP countries. Once this point is established, it may become possible to draw American attention to the fact that American insistence on receiving steel scrap from Europe runs counter to the general purpose of ERP.

* * *

World Bank Operations

The International Bank for Reconstruction and Development has issued its financial statement for the year which ended June 30, 1948. During the period covered by the statement the Bank's loans increased from $250 million to $497 million. During the year the subscribed capital stock at the Bank increased by $261,500,000 to a total of $8,286 million. The total income of the Bank for this period amounted to $18,704,000 and the net income to $4,094,000. This is sufficient to eliminate the deficit of $1,064,000 brought forward from the previous financial year. The statement gives details of the various operations of the Bank during the financial year in question. Since the turn of the financial year, the Bank's most interesting operation has been the grant of a loan of $12 million to various Dutch shipping companies. This loan, which is guaranteed by the Netherlands Government, is intended to provide finance for the purchase of six American ships. This operation has taken an unusual form in that it involves the participation of American commercial banks. Ten of these institutions have subscribed for $8,100,000 of the 2½ per cent mortgage notes repayable over the next ten years, which is the form taken by this loan. The balance of the notes is being held by the International Bank.

* * *

Israel Pounds

The provisional Government of Israel have this week announced arrangements for setting up their own monetary system and foreign exchange administration. The Israel pound is to be the unit and will be divided into subsidiary coins expressed in mils. The notes, which are to be issued by a special issue department of the Anglo-Palestine Bank, will be in denominations of 500 mils, £1, £5, £10 and £50. The Israel pound will be equal to the pound sterling and changeable at par with it within the limits of foreign exchange restrictions. The profits of the issue department of the Anglo-Palestine Bank will go to the provisional government. The backing for the new notes will consist of (1) gold, (2) notes of the Palestine currency board which the public will be invited to hand in against the new Israel pound notes, (3) foreign exchange balances, mainly sterling and dollars, (4) Treasury bills and other short-term securities of the State of Israel, (5) re-discounted commercial bills. The amount held in gold, sterling notes and foreign exchange balances must be equivalent to at least half the note circulation.

In preparing these new currency arrangements, negotiations had to take place between the British and Israel authorities, and it is gratifying to be able to record, on the evidence of both sides, that these proceeded in a friendly and helpful atmosphere. Since last February Palestine has been outside the sterling area, although the Palestine Currency Board has continued to function. The operations of the Board will now be wound up, at least so far as the State of Israel is concerned, and new arrangements will have to be made for the provision of currency in Arab Palestine and Transjordan, which are also served by this currency board.

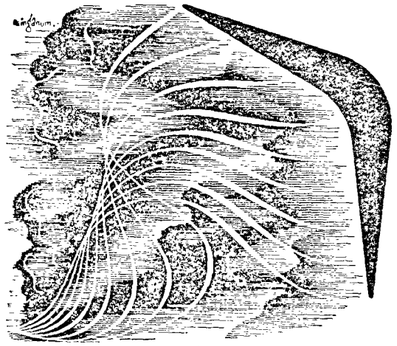
Israel will remain outside the sterling area and therefore the normal restrictions on movement of funds between Great Britain and Palestine will apply. The Government of Israel, however, wish it to be understood that the setting up of a separate monetary system "is not in any way directed against Great Britain or sterling but is a necessity to maintain monetary and economic order in the State of Israel." The Government of Israel have also expressed the hope of re-establishing normal financial arrangements with Britain immediately upon the re-establishment of political contacts. The re-establishment of these financial relations starts with the enormous impetus deriving from the fact that the bulk of the backing behind Israel's currency will be sterling—either sterling balances or notes of the Palestine Currency Board. This fact, plus the dominant part of Palestine trade that is transacted with other sterling countries, ensures that close relations will have to be maintained between sterling and the Israel currency.

* * *

The Royal Ordnance Factories

The report of the Select Committee on Estimates published on Wednesday underlines the urgent need for a reassessment of policy for the Royal Ordnance Factories. Under the policy laid down in the autumn of 1945, 23 of the 44 wartime ordnance factories were to be kept in operation under Ministry of Supply control; one has since been declared surplus, and another put on a care and maintenance basis, so the number is now 21. It was thought necessary to keep a nucleus of about 40,000 essential workers employed at these factories. The primary purpose was military. But ways had to be sought of keeping the factories and the 40,000 workers usefully occupied; it was this necessity that established the Ministry of Supply as a miscellaneous industrial producer in peace-time.

Two things have changed since the policy was laid down, and it is in the light of these changes that the administration of the factories needs to be reconsidered. The international situation



EXPORT BOOMERANG ?

Yes, exports destined for Australia and New Zealand can 'boomerang' if their price or quality is unsuited to the market. For although these Dominions are still eager for British goods and services, their buyers are becoming increasingly selective.
Exporters planning to sell to Australia and New Zealand are invited to consult the Overseas Department of The Bank of Australasia—where they will find up-to-date information from the Bank's branches 'down under' on local markets and conditions.

THE BANK OF AUSTRALASIA
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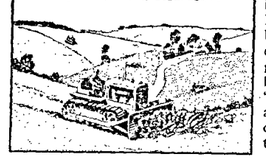
RECLAIMING 30,000 ACRES

1. For 1,000 years the turf of the Sussex Downs lay undisturbed, except by grazing sheep. But war forced the authorities in 1942 to take great stretches for battle training.

2. For four years troops fired thousands of tons of ammunition into the slopes, and covered their surface with wire and concrete, trenches and gun-pits.



3. 'Caterpillar' Diesel Tractors are now speedily clearing the Downs of their dangerous litter, so that the urgent job of food production may begin again.



Before the Sussex Agricultural Committees could begin reclaiming the downland, miles of rough roads had to be cleared by 'Caterpillar' Bulldozers. Before ploughing could begin, innumerable shell and bomb craters had to be filled in, and undergrowth, wire, and defence works had to be uprooted. Once again, 'Caterpillar' equipment, provided and serviced by the Jack Olding organization, has saved precious time, manpower and money.

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has deteriorated; it is no longer possible to be complacent about the fact that—as the Select Committee reports—

> employment on the plant now manufacturing steel furniture does not correspond to munitions work and it would take some twelve months to remove the plant and re-instal the equipment for Service production.

And the economic position of the country has been revealed as so bad that the productive uses to which the factories are put, and the efficiency of their operation, need to be scrutinised far more carefully than they were scrutinised two or three years ago.

It has to be questioned now whether a factory (or part of a factory) which would take twelve months to get back to military production can justify on military grounds alone the cost of operating it and the labour and material which it uses. This particular factory, at the same time, is not making a good showing on civilian standards either:

> Large orders for office furniture have been placed by the Ministry of Works and are on a cost basis. The Ministry stated, however, that they can now buy from private manufacturers at a lower price than that charged by the Ordnance Factory.

To a certain extent the high costs of production are a book-keeping matter; production costs are burdened with 75 per cent of the overheads for a factory which is used productively to the extent of, perhaps, only 30 per cent. A part of this is properly a charge on the Defence Estimates. Unless the charging of overheads is put on a more realistic basis, and unless tests of cost and efficiency can be applied as they would be applied to a commercial undertaking, it is hardly possible to assess whether a factory is being employed usefully or wastefully. The Committee was clearly not satisfied that, if such tests were applied, the results would be reassuring. What is now needed is a military plan to ensure that factories supposedly maintained for war production in case of need are really available, and that in the meantime no ingenuity is spared to make efficient industrial use of them subject to that purpose. As things are, neither condition is being fulfilled.

* * *

Carriage of ECA Cargoes

American shipping policy has a habit of infiltrating into minor clauses of major agreements with foreign countries, and it hardly ever fails to lead to friction. The European Recovery Programme is no exception, and Colonel Arthur Syran, Director of Transportation for the Economic Co-operation Administration, may be expected to hear some criticisms in Paris of his plans for arranging shipments of ECA cargoes. There are two main conditions which have an unpleasant taste for the maritime nations of western Europe—the insistence that 50 per cent of all shipments shall be reserved to American ships, and the fixing of a preferential minimum freight rate for the cargoes reserved.

Clauses in trade agreements which retain 50 per cent of shipments for American ships are not new, but they are not always easy to enforce. A close watch can be kept on the chartering of ships for bulk cargoes such as coal, grain or oil, but miscellaneous liner parcels procured through ordinary commercial channels are not so easy to trace or control. Colonel Syran, however, has stated in New York that the principal function of his office is to "police" the "fifty-fifty" provisions. Whether those provisions are flag discrimination or not, shipowners in Europe take an even more serious view of the preferential rate scheme. The rates fixed by the War Shipping Administration are still used as a standard of comparison, although free freight rates have been well below this level for some time—recently as much as $4.50 below. American ships carrying ECA cargoes are to receive a minimum of $1 below WSA for coal and $1.50 for grain; no upper limit is fixed. For ships of other nationalities a maximum of $3 below WSA for coal and $3.50 for grain will be paid out of ECA funds; here no minimum rate has been announced. All this is obviously designed to protect American shipping from normal economic forces. American ships, with their high operating and manning costs, are uneconomical at rates which are still acceptable to their principal competitors. In recent months the freight market has been falling, and in the first six months of 1948 the number of Liberty ships laid up in the reserve fleet has risen from 800 to nearly 1,200, compared with 510 a year ago.

There can be no disguising the fact that American shipowners have been relying on ECA funds, directly or indirectly, to bolster their inevitably weakening position in the freight market. The fact remains that protected and subsidised American shipping in commercial competition has seriously hindered the European maritime nations from making the best of their dollar-earning shipping services. It is strange, in the circumstances, that the United States Government should now be engaged in proceeding against the U.S. Atlantic-Far East Liner Conference (consisting of six American and 19 other companies) on a charge of conspiring to monopolise that trade. "Such a denial of opportunity to independent shipping lines," the Attorney-General is reported to have said, "does violence to our American ideal of competitive enterprise."

* * *

£220 Million Settlement with India

Those who try to construe the mysteries of the Exchequer Return were confronted this week with a problem almost as intriguing as the unravelling of the book-keeping oddities of the ERP Special Account. The item "Other Debt—Internal," which is, incidentally, the heading under which the nominal borrowing for the purpose of providing the ERP segregated sterling is accounted, suddenly jumped by no less than £176.3 million. At the same time, Miscellaneous Receipts—the customary "above-line" item—rose by £45.8 million. These large transfers enabled the Treasury to show a big reduction in the floating debt, the amount of which declined on the week by £226 million, to £6,282 million. This batch of operations is quite unconnected with the ERP accounting, and though it is much larger than the ERP transactions have been to date, it has no more significance as an immediate factor in British domestic finance. Like the ERP operations, it represents merely book entries within the Government accounts.

The source of these movements is the recent agreements with India and Pakistan whereby Britain assumed liability for the pensions due to Indian civil servants and simultaneously determined the sum due by India to Britain for surplus war stores, after offsetting Britain's outstanding debt to India for war expenditure. Under the first of these arrangements, India was due to pay Britain just over £176 million, the estimated capitalisation of the cost of the pensions; under the second arrangement, the net sum due from India was some £45 million. These Indian debts were to be discharged by a corresponding cancellation of India's accumulated sterling balances. Had these balances been held in cash at London banks, the payment to the Treasury would naturally have enabled it to make a real repayment of floating debt held by the banking system. As it was, the money was already lent to the British Treasury in the form of "tap" Treasury bills. Hence the payment was made simply by surrender of these bills, producing a corresponding reduction in the floating debt, but not affecting either the debt held by the banking system or the credit structure.

Ordinary mortals might reasonably have expected that "money" thus secured might have been described as credits secured by way of cancellation of debt. In fact, as indicated above, the portion representing the pensions appeared in the Exchequer Return as "Money raised by creation of debt"—a new paradox which is explained by the fact that the "money" secured from redemption of the bills was employed to buy from the British Government an annuity calculated to produce the periodical sums required for the pensions. In fact, neither India nor Britain has paid or received any cash, but the nature of the British Government's liability has been shifted from "tap" bills to "other" debt—representing the annuity it has sold. This operation, following so soon after the first ERP accounting, surely drives home the need for a reform of the Exchequer Return so as to separate plainly all internal operations, which have no effect or no immediate effect upon the domestic credit situation, from those of real and immediate economic significance.

* * *

Indian Agreement Postscript

Meanwhile the Indian view of the financial agreement with Britain was given with significant frankness in the course of the debate which preceded approval of that agreement by the Indian Parliament. Sir Shanmukhan Chetty, then Indian Finance Minister, said that all fears of scaling down India's sterling debt could now be dismissed. He was asked in the course of the debate what would happen to the debt in the improbable event of a war between Britain and India. His reassurance to his questioner was to point to the value of British commercial interests in India which could, in case of need, be appropriated and set off against the sterling debt. The Finance Minister thought that the present value of these direct investments amounted to about £600 million, but he added that the compilation and valuation of these interests was now being undertaken by the Reserve Bank of India, which was expected to make its report on this by next March.

The Indian Finance Minister put up a strong defence of those parts of the agreement which covered the sale of military stores to India. He admitted that, without this settlement, India would

have been helpless at the time of the Kashmir crisis last autumn, since it was the stores obtained from Britain that enabled India to defend Kashmir against aggression. In an earlier part of the debate the Finance Minister confirmed the indications given when the agreement was announced in London that India had proved a very cautious and self-restrained user of the sterling balances released to it last year. He pointed out that, of the £83 million of balances released to India over the past twelve months, only £3 million had been utilised.

* * *

Manpower and Effort in Textiles

If Sir Stafford Cripps is the Cassandra of the Labour Government, it may not be unreasonable to regard his economic assistant, Mr Douglas Jay, as its Pangloss. Mr Jay's speech at Huddersfield on Monday contained warnings (it is true) of the need for still greater efforts, but its general tenor was remarkably optimistic. He claimed, for example, that as a result of better organisation of the labour force, national output is now 20 per cent above the 1946 level and 15 per cent higher than in 1939. It would be interesting to have comparable figures of output per head. The labour force in civilian employment, as Ministry of Labour statistics show, is now more than a million higher than in the summer of 1939. The increase in output, taking into consideration this expansion in manpower and the technological improvements of the intervening years, is welcome but not surprising—and not enough.

Mr Jay's remarks were primarily intended for wool textile operatives, and were part of the Government's latest production and recruitment campaign. The state of the industry is improving, but is still none too bright. Output of worsted yarn was running in June at 15.57 million pounds a month, compared with the target for the end of the year of 17 million; output of cloth was only 19.14 million square yards in May, compared with a target of 25 million. Exports of yarn averaged 1.5 million pounds in the first six months of the year, compared with the target of 2.6 million; cloth exports were 8.9 million square yards, against the target of 17 million.

The fulfilment of the targets depends largely on getting more manpower. The situation has been improving, but the labour force of 182,000 at the end of June was still 18,000 short of the 1948 target. The main recruitment drive is directed towards married women, through the provision of more nurseries and the extension of schemes for part-time employment. Further intake of both foreign and home labour is, however, limited by shortage of housing. The wool industry, it is officially recognised, has done less than cotton to encourage schemes for redeployment of labour. It is here, rather than in combing Yorkshire for fresh manpower, that the solution lies.

The cotton industry's labour force was 278,433 at the end of June (an increase of 12,175 in six months) against a target of 325,000. Both recruitment and output have been hampered by the Wakes Weeks holidays, and it is to be hoped that the autumn will bring improvement, for a 22 per cent increase in output is required to reach the 1948 target. It is encouraging to note a reduction in labour wastage since last year, which suggests that the great difficulty in any industry predominantly employing women—stability in the labour force—is to some extent being overcome.

* * *

Cheaper Cotton for Lancashire

The Raw Cotton Commission reduced its home issue prices of American type cottons for the third time within six weeks when it announced on Monday a reduction of 1¼d. a lb., making the new average price 21.50d. In all, American cottons are now 4d. a lb. cheaper than they were at the beginning of July. This downward trend reflects a corresponding movement in the New York market, but British prices now appear to be below the world level. There have also been various reductions in Egyptian cotton prices. Giza varieties are 5d. cheaper at 39.75d. a lb., and Karnak 3½d. cheaper at 53.75d. a lb. Other types of both Egyptian and Sudan growths have been correspondingly reduced. These prices follow similiar declines which have occurred in the Alexandrian market recently.

The Commission adopted in February the policy of keeping British prices in line with world replacement costs; it has since pursued the policy consistently and with reasonable success. The test was whether prices would follow the world trends downwards as quickly as they followed them upwards. Little criticism can as yet be levelled against the Commission on this account. Although the spinners are protected from these sudden changes by the cover scheme, the weavers and merchant converters have not yet evolved a similar scheme for themselves. But if the Commission pursues its present policy, both the New York and Alexandrian markets can be used as satisfactory guides to changes in British cotton prices. And if British prices continue to conform closely to world trends, Lancashire manufacturers will be at little disadvantage as against their foreign competitors. Indeed, the success of the Commission's buying operations may even give them a certain advantage—which they are now beginning to enjoy for certain varieties—by enabling them to buy cotton at prices below those in the world markets. According to the Cotton (Centralised Buying) Act, the Commission must balance its profits against losses over an unspecified period. But if prices are kept at replacement levels, Lancashire will quickly benefit from any profitable transaction. It must, however, be equally willing to pay higher prices when the Commission has not been so fortunate.

* * *

Coupons or Cash?

How far has the purse supplanted the coupon-book as the main instrument of consumer-rationing? Some answer might be expected from the retail trade figures for June which show the full effect of the coupon concessions announced at the end of May. Unfortunately for clarity of interpretation, the concessions were of two kinds. On the one hand the public received a bonus of twelve extra coupons to spend, before October. On the other some goods, notably stockings, required less coupons.

These concessions provided the expected stimulus. Sales of apparel, normally below average in June, rose to a level which was 8 per cent above their value in May and 37 per cent higher than in June, 1947. Coupons, therefore, still matter. But few people hastened to spend their bonus, for coupon takings were actually 6 per cent less than last year. The discriminatory nature of the buying suggests the uncomfortable middle position which much of retail trade has reached, not yet clear of the coupon economy, but with the sellers' market left well behind.

Women's wear benefited most from the concessions, and a rise in sales of stockings was a marked feature. Sales of men's wear rose by 4 per cent over the month, but footwear sales showed a fall from the high level of May. The increased sales of clothing were balanced by a fall in sales of food and perishables, leaving the total retail index unchanged, so that there was not, in fact, more spending. Sales of hardware, though rising by 5 per cent on May, were below the average of the last 12 months. Furniture sales rose by 3 per cent. Among the several regions, Central London showed consistently the least favourable results. Before the war quietness in this area was often a warning of restricted demand elsewhere.

PERCENTAGE CHANGE IN SALES COMPARED WITH A YEAR EARLIER: INDEPENDENT RETAILERS

Trade	June, 1948	Feb.-June, 1948
Drapers*	+ 28	+ 13
Men's wear shops	+ 29	+ 18
Boot and shoe retailers	+ 23	+ 24
Furniture dealers	+ 14	+ 17
Hardware, electrical and radio shops	− 8	+ 9
Booksellers, stationers and newsagents	*Nil*	+ 12
Jewellers, etc.	− 7	+ 9
Chemists	− 2	+ 5
Retailers of toys, sports and leather goods	− 4	+ 9
Motor and cycle dealers, garages, etc.	− 12	+ 2

* Includes women's clothing shops of all kinds

Among the independent dealers most of the trades unaffected by coupon concessions reported sales unchanged or lower than a year ago. The decline in consumer demand was more marked than in any of the 18 months during which these statistics have been collected. In the period February-June, 1948, most trades show increases compared with the corresponding period last year, but, on the assumption that prices have in each case risen by more than 10 per cent in the interval, any rise less than that figure represents a fall in real turnover. In the big stores, comparison with 1947 suggests that it is the vendors of musical goods, sports goods and cycles, hardware, radio and electrical goods, books and stationery who have been most exposed to the draught.

* * *

Readjustment in the Rubber Market

Towards the end of last week the rubber market underwent one of its frequent periods of readjustment. Prices had previously declined from the peak of 1s. 3⅛d. a lb. reached towards the end

of July, but the market had on the whole remained firm. Russia has of late been buying fairly large quantities, and when shipment from Malaya was held up through the lack of credit facilities, it was interpreted in some quarters as proof of the Soviet Union's inability to finance its recent rather heavy purchases. Stocks were accordingly liquidated, and the London spot price fell from 1s. 2¼d. to 1s. 1⅞d. a lb., but on Wednesday rallied to 1s. 1⅞d. Although the interruption of the loading of the Russian ships proved to be temporary, the price recession was protracted by the general belief that up-country stocks in Malaya had become unwieldy.

There should be no difficulty in financing Russian purchases. Although no details of the operation of the Anglo-Russian trade agreement have been published, Britain's balance is undoubtedly "in the red" at the moment. The main question is how long the Russian purchases will continue? Strategically, rubber is still an essential commodity, for all the technical development in synthetic rubbers, and it is reasonable to suppose that in present circumstances both the United States and Russia will wish to go on accumulating stocks. If normal industrial demand persists at its present high level, strategic purchases can only raise the price of natural rubber still further.

The Malayan disorders have not yet affected the supply of rubber. But events of the past week suggest that the unrest may be more deep-rooted than was at first suspected. If this is so, rubber production may well decline, although its effect on the market may not be felt for some time. A high price for natural rubber will not only help the producers and reinforce the central dollar pool, provided that American purchases are not thereby reduced; it will also stimulate the consumption of general purpose synthetic rubber. American synthetic consumption over the first half of 1948 has averaged 37,000 tons a month, which is considerably below the corresponding average of 52,000 tons last year. It is nevertheless higher than the minimum fixed by present American regulations governing the use of synthetic rubber in transportation articles. And any encroachment by synthetic rubber now may have long-term repercussions in the natural rubber market.

* * *

TUC and Productivity

Transport House is certainly not neglecting the production drive. There has been a spate of articles and announcements in recent weeks on the measures which TUC leaders have agreed to take in order to raise productivity. An article in the August issue of the TUC journal, *Labour*, observes that the main barriers to high productivity are suspicion and hostility surviving from the time when the workers were "slump-minded" and regarded such measures as scientific management, the Bedaux system, and time-and-motion studies as devices for keener exploitation by the employers.

While the TUC recognises these psychological barriers, it is critical of the unions for not going sufficiently far in following the General Council's lead. It asks: "Is there any indication that the unions affiliated to Congress are equally interested" in developments to raise productivity and improve efficiency? The Electrical Trades Union is commended for its decision to spend £12,000 a year on technical and economic courses for its officials and members, but there is no evidence of similar initiatives by other unions. The TUC reports a disappointing response to its suggestion that shop stewards should be trained for management in the Ministry of Labour's Training within Industry courses.

A new note was struck last week in its *Industrial News*, which warned the workers that the maintenance of full employment depended on their willingness to take work which might not be in the trade, or in the place, which they wanted. The need for greater mobility—both physical and occupational—of labour had been evident long enough, but the unions have hitherto resisted any breaking-down of the existing barriers. This lead from the TUC is therefore of special significance, and the Margate Congress, if it faces these issues squarely, should be a notable event.

Too often, in the past, difficult and controversial subjects have been evaded. The publication of a set of studies on British trade unionism by PEP, which deals largely with the theme of trade union responsibility in full employment, should help to clarify thinking. It suggests ways and means in which the existing gap between the trade union leadership and the worker at the bench can be bridged, and ways in which good advice from the top might come to be put into practice by the rank and file.

* * *

Five-Month TDRs

The resumption this week of maturities of Treasury deposit receipts, after the seasonal gap of several weeks, gave the authorities an opportunity to experiment further with their new system of issuing TDRs having different periods to run from the six months which was the standard maturity until recently. The new system, which embraces seven-month and five-month maturities, was first employed in the second half of June, when the longer-dated receipts were issued to ensure a flow of maturities next January, at which time the banks will be in the throes of the usual seasonal pressure caused by the peak period for transfers of tax money to the Exchequer. This week, five-month receipts were decided upon for precisely the same purpose, and the whole issue of £70 million was made in this form. The benefits of this arrangement of varying maturities will not, of course, become apparent until next year, but there is no doubt that the innovation is sensible. It should help perceptibly to reduce the disturbance caused in the money market at the foreseeable periods of pressure, and will eliminate in due course the inconvenient gaps in maturities such as occurred in the six-week period just ended. The only reason for regret is that the Treasury, when making one departure from the traditional plan, did not seize the opportunity to take another desirable step to prevent avoidable disturbance—by arranging the life of its floating debt in terms of weeks instead of calendar months, and thereby cutting out the large credit anomalies caused by the uneven lengths of months.

One other point about this week's TDR issue deserves to be noted. The issue exceeded the week's maturities by fully £10 million, so that the Treasury was a net borrower to that extent. This took some members of the money market by surprise, because of a mistaken belief that the credit in the ERP Special Account could, when the Americans gave the word, be used in effect to meet part of the Treasury's current demand for cash. The object lesson of this week's borrowing ought to prevent any recurrence of that particular fallacy. The reasons why it is a fallacy were fully set out in these columns last week.

* * *

Trade with Japan

Although the text of the Anglo-Japanese trade agreement has not yet been published in this country, certain details are trickling through from the Pacific. Japan will sell to the sterling area raw silk, cotton, rayon and wool textiles, industrial machinery, rolling stock, paperware and chemicals. In exchange, Japan will buy from the sterling area raw cotton, raw wool, raw jute, wool waste and rags, hides, skins, cereals, iron and other ores, gums, resins, crude rubber, salt, oilseeds and coconut oil. In fact, the sterling area is bartering raw materials against manufactures, and from a balance of payments standpoint this may appear to be unsound policy. But the raw materials in question are in relatively free supply, and, since Britain's productive capacity is limited, the purchase of lower quality manufactures to satisfy cheaper markets would enable British exporters to concentrate on the higher price markets. The raw materials will come largely from countries fairly near Japan, and Japanese manufactures will presumably be returned to these same areas. This means merely a resumption of the prewar trade pattern in the Far East.

The trade will be on a cash sterling basis; these monetary arrangements were discussed in a Note on July 31st. The total for the twelve months ending July, 1949, is expected to exceed £60 million; this would increase the trade between Japan and the sterling area to more than four times its present level. If Japan accumulates a surplus of sterling, it will be convertible into dollars at the discretion of SCAP. To prevent such a necessity, the trade position between the two countries will be kept under close review.

* * *

British Securities in Holland

Trading in Dutch certificates of British 4 per cent Funding Loan and 3½ per cent War Loan has recently been resumed on the Amsterdam Stock Exchange, without restoring prewar arbitrage facilities with London. Consequently these two securities are quoted in Holland at a discount of approximately 10 per cent, which arbitrage facilities would eliminate. A Dutchman wishing to dispose of his British holdings by sale in London may do so, but in return must accept blocked sterling; thus in effect the would-be seller is restricted to Dutch buyers and a new variety of security sterling is created at Fls. 9.70 to the £, compared with the official rate of Fls. 10.69.

Though more narrow, there is a market for Dutch securities in London. But the London discount on Dutch securities is much heavier than the Dutch discount in Holland on British securities. Netherlands Government 3-3½ per cent stock, 98 in Holland, can be bought for 62½ per cent in London. Here, too, no arbitrage facilities exist with Amsterdam. The heavier London discount indicates that free movement between the two capital markets would hardly suit this country at the moment; Dutchmen being evidently more willing to acquire Funding Loan than British investors are to buy Netherlands 3-3½ per cent. A Dutch proposal suggests as a way out of the present situation that Dutch owners of British securities wishing to sell their holdings in London, and British holders of Dutch securities desirous to sell in Holland, should be matched, each then to receive the full value in his own currency.

* * *

Proposals for Two Development Councils

The Board of Trade, faced with deadlock in its attempt to negotiate with the hosiery, pottery and footwear industries on the setting up of Development Councils, has turned its attention to two trades which present a more hopeful prospect from the Government point of view. Its proposals for Development Councils for furniture and jewellery were published on Thursday. The proposed council for furniture will have seven members "capable of representing" the employers in the industry, seven "capable of representing" the workers, and three independent members (one of whom will be chairman). It will be empowered to raise a levy on turnover not exceeding £25,000 a year to meet its expenses. The Board of Trade points out that no powers of compulsion will attach to the functions of the council; its aim will be "to assist and advise firms in the industry, and the success of its efforts will depend on their willing co-operation."

The Development Council for jewellery will have similar functions except that it will not be empowered to collect statistics—for which, as a smaller industry, it is apparently to rely on the Board of Trade. The council for jewellery is to have four employer members, four worker members and three independents, one of whom will be chairman. The trades concerned have been consulted in drawing up these proposals, and the employers' and workers' organisations in the furniture trade (at least) agreed in principle that a council should be established. But they still have until the end of September to submit their comments. This time the Board of Trade is reasonably confident about the agreement of the furniture industry. The response of the jewellers is still doubtful, as the various sections of the trade have not shown themselves to be entirely agreed among themselves. If all goes well, Mr Wilson will be able to place the orders for these trades before Parliament in the autumn. But if it does not, he may have to draw the conclusion that the opposition of industry to statutory bodies of this kind has become general.

Shorter Note

The latest increases in electricity charges, announced on Thursday by the British Electricity Authority, affects only a minority of electricity users: but the minority is geographically widely spread. In each of the fourteen areas of the country some users have been paying less than ¾d. a unit as their running charge. Their charge is now brought up to ¾d. a unit. Most of the users concerned are domestic users, since the increase does not apply to tariffs which include a coal-price adjustment clause—and such a clause is in most industrial tariffs. The increases are expected to bring in £2,000,000 in a full year. They are a further step in the process of standardising the electricity price structure; the majority of users will now be paying ¾d. a unit on two-part or similar tariffs. Those who are paying more than ¾d., however, get no relief. The Electricity Authority appears to be hopeful that (for the near future at least) further increases can be avoided.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Metal Industries; Wm. Cory; Seager Evans.

Prices, Year 1948 Jan. 1 to Aug. 18 High	Low	Name of Security	Price, Aug. 11, 1948	Price, Aug. 18, 1948	Net Yield, Aug. 18, 1948 (n)	Gross Yield, Aug. 18, 1948
		British Funds			£ s. d.	£ s. d.
101⅝	101	War Bonds 2½% August 1, 1949-51	101¼	101⅛	...	1 7 4
101⅛	100⅜	Exchequer Bonds 1¾% Feb. 15, 1950	100⅝	100⅜	0 8 11	1 4 9
102⅜	100⅜	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 10 5	1 12 4
102⅝	100	War Bonds 2½% March 1, 1952-54	101⅛	101⅛	0 16 10	1 18 11
104¼	101⅜	War Loan 3½% (after Dec. 1, 1952)	103⅛	103⅛	1 5 2	2 17 10
102⅜	99⅞	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	1 0 5	2 2 9
103⅜	100⅛	Funding 2½% June 15, 1952-57	102⅛	102⅛	1 4 0	2 8 11
105⅛	100⅛	National Def. 3% July 15, 1954-58	104⅛	104⅛	1 3 3	2 9 11
105	101⅛	War Loan 3% Oct. 15, 1955-59	104⅝	104⅝	1 3 11	2 11 2
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	105⅛	105⅛	1 9 5	2 16 1
101	99⅞	Funding 2½% April 15, 1956-61	102⅛ xd	102⅛	1 6 8	2 9 10
102⅞	99⅛	Funding 3% April 15, 1959-69	100⅛	100⅛	1 10 4	2 17 7
114⅛	110⅛	Funding 4% May 1, 1960-90	102⅝	102⅛	1 10 9	2 17 6
102⅛	97⅛	Savings Bonds 3% Sept. 1, 1960-70	115⅜	115⅜	1 0 0	2 14 6
96⅛	92⅜	Savings Bonds 3% Aug. 15, 1960-70	101¼ xd	101⅛ xd	1 11 5	2 18 1
115⅜	112⅛	Victory Bonds 4% May 1, 1964-67	96⅝	96⅜	1 12 2	2 15 7
101⅛	96⅝	Savings Bonds 4% Sept. 1, 1970-76	114⅛	114⅛	1 4 2	2 16 10*
111	107⅛	Savings Bonds 3% Aug. 15, 1965-75	100⅛	100⅛	1 12 7	2 15 7
106⅜	102⅛	Consols 4% (after Feb. 1, 1957)	109⅜	109⅜	1 0 5	2 14 10
83⅜	74⅛	Conversion 3½% (after Apr. 1, 1961)	105⅜	105⅛	1 9 7	3 1 3
99	91⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	77⅛	77⅛	1 15 11	3 8 8
100	93⅛	Treas. Stk. 3% (after Apr. 5, 1966)	95⅜	94⅜	1 15 0	3 4 0
83⅛	74⅛	Redemp. Stk. 3% Oct. 1, 1986-96	98⅛	98⅛	1 14 3	3 2 0
101⅛	96	Consols 2½%	76½	77	1 15 10	3 5 2
98⅜	93⅜	British Electricity 3% Gtd. 1968-73	101⅛	101⅛	1 12 4	2 19 10
100⅜	95⅜	British Transport 3% Gtd. 1978-88	97⅛	98⅛	1 14 5	3 1 11
		British Transport 3% Gtd. 1968-73	101⅛	101⅛	1 12 4	2 19 10

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the latest date (these are marked 'c'), and those paying 3 per cent or less will be repaid at the latest date (marked 't'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

Prices, Year 1948 (Jan. 1 to Aug. 18) High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Aug. 11, 1948	Price, Aug. 18, 1948	Yield, Aug. 18, 1948
		%	%	%	**Other Securities**			£ s. d.
104⅞	101⅛	(d)		(d)	Australia 3½% 1965-69	103½	103½	3 0 7
94½	93⅛	(d)		(d)	Birmingham 2½% 1966-71	93	93½	2 17 9†
101⅛	99	(d)		(d)	Argentine 3½%	101	101	3 9 5
8⅛	6⅞	50	c	50	c Anglo-American Corp. 10s.	6⅛	6	4 3 4
10⅛	7⅜	5	a	25	b Anglo-Iranian Oil £1	8	8	3 15 0
76/6	62/4½	£15	c	£15	c Assoc. Port. Cem. Ord. Stk. £1	73/9	73/1½	4 2 0g
38/6	29/6	40	c	40	c Austin Motor 'A' Ord. Stk. 5s.	33/1½	33/1½	6 0 9
84/-	72/9	7	a	7	b Barclays Bank Ord. "D" £1	76/-	76/-	5 13 8
10⅜	8⅛	†20	b	†5	a Bass Ratcliff Ord. £1	8⅛	8⅛	2 15 11†
104/9	85/-	8	a	12	b British Oxygen Ord. £1	97/6	97/6	4 2 1
46/1½	36/-	2½	a	5	b Courtaulds Ord. £1	38/9	38/9	3 17 5
32/6	25/1	20	a	7½	b Distillers Co. Ord. 4s.	26/9xd	26/3	4 3 10
32/10½	27/9	8	c	8	c Dorman Long Ord. £1	29/9	29/9	5 7 7
79/9	68/-	15	c	15	c Dunlop Rubber Ord. £1	70/6	71/-	4 4 6
53/-	44/-	3	a	7	b Imp. Chem. Ind. Ord. Stk. £1	45/7½	45/7½	4 7 8
6⅞	4⅜	19½	b	13½	a Imperial Tobacco £1	5¼xd	5⅛	6 10 4
48/9	40/3	10	c	10	c Lancs. Cotton Ord. Stk. £1	42/6	43/1½	4 12 9
56/6	44/10½	10	c	10	c Lever & Unilever Ord. £1	48/9xd	48/9	4 2 1
61/3	47/6	12½	c	10	c London Brick Ord. Stk. £1	53/9	53/9	3 14 5
66/7½	47/-	25	c	31½	m Pchin Pyson Ord. Stk. 10s.	53/6	53/6	4 13 5
35⅛	30⅛	†7½	c	†7½	c Prudential 'A' £1	32½	32½	2 7 6†
59/3	49/9	12½	c	12½	c Stewarts & Lloyds Def. £1	52/3	52/6	4 15 3
85/7½	73/1½	†2½	a	†5	b "Shell" Transp. Ord. Stk. £1	74/4½	74/4½	2 0 4†
7⅜	5⅛	12½	b	12½	a Tube Invst. Ord. Stk. £1	121/3	121/10½	4 2 2
90/9	73/3	11½	b	3½	a Turner & Newall Ord. Stk. £1	74/6	74/6	4 0 6
95/3	77/-	55	b	15	a Woolworth (F. W.) Ord. 5s.	79/-	79/3	4 8 4

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (g) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (l) To latest redemption date. (m) 15 months. Yield Basis 25%. † Free of tax.

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Statistical Summary

GOVERNMENT RETURNS

For the week ended August 14, 1948, total ordinary revenue was £96,892,000, against ordinary expenditure of £38,957,000 and issues to sinking funds £10,000. Thus, including sinking fund allocations of £4,333,000 the surplus accrued since April 1st is £301,797,948 against £270,846,533 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948–49	Receipts into the Exchequer (£ thousand) April 1 to Aug. 16, 1947	April 1 to Aug. 14, 1948	Week ended Aug. 16, 1947	Week ended Aug. 14, 1948
ORDINARY REVENUE					
Income Tax	1309150	308,881	319,784	22,387	10,105
Sur-tax	90,000	16,030	21,700	450	550
Estate, etc., Duties	160,000	64,509	70,350	2,646	3,250
Stamps	55,000	17,400	21,585	650	750
Profits Tax } E.P.T.	250,000	10,580 / 77,386	37,510 / 47,050	820 / 5,603	4,400 / 550
Other Inland Rev.	1,000	100	90	5	...
Special Contribution	50,000	...	9,350	...	650
Total Inland Rev.	1915150	494,886	527,419	32,561	20,255
Customs	820,600	285,664	299,263	16,016	16,539
Excise	726,550	222,300	289,700	7,609	12,400
Total Customs & Excise	1547150	507,964	588,953	23,616	28,939
Motor Duties	50,000	9,863	8,923	156	...
Surplus War Stores	102,000	64,330	20,891	283	20
Surplus Receipts from Trading	57,000	25,000	826	...	...
P.O. (Net Receipts)	...	1,480	1,860	1,480	1,800
Wireless Licences	11,000	2,640	2,730	...	...
Crown Lands	1,000	410	360	...	...
Receipts from Sundry Loans	14,000	13,657	7,769	60	86
Miscell. Receipts	68,000	155,752	69,081	73	45,792
Total Ord. Rev.	3765300	1275982	1228822	58,229	96,892
SELF-BALANCING					
Post Office	150,200	51,500	55,000	2,120	2,000
Income Tax on E.P.T. Refunds	16,000	7,631	3,019	510	84
Total	3931500	1335113	1286841	60,859	98 976

Expenditure	Estimate, 1948–49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Aug. 16, 1947	April 1 to Aug. 14, 1948	Week ended Aug. 16, 1947	Week ended Aug. 14, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	195,737	152,533	37,739	1,657
Payments to N. Ireland	26,000	7,371	6,807	...	...
Other Cons. Fund Services	8,000	3,296	3,161	37	...
Total	534,000	206,404	162,500	37,775	1,657
Supply Services	2442557	794,320	760,190	32,180	37,300
Total Ord. Expd.	2976657	1000724	922,691	69,955	38,957
Sinking Funds	...	...	4,333	...	10
SELF-BALANCING					
Post Office	150,200	51,500	55,000	2,120	2,000
Income Tax on E.P.T. Refunds	16,000	7,631	3,019	510	84
Total	3172857	1059885	985,043	72,585	41,051

After increasing Exchequer balances by £101,890 to £2,762,412, the other operations for the week decreased the gross National Debt by £52,706,701 to £25,627 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	19

NET ISSUES (£ thousand)

P.O. and Telegraph Acts, 1946 and 1948	425
E.P.T. Refunds	105
Overseas Trade Guarantees Act, 1939, sec. 4(1)	6
Local Authorities Loans Act, 1945, sec. 3(1)	4,100
New Towns Act, 1946, sec. 12(3)	100
Finance Acts 1946 and 1947, Post-war Credits	352
Finance Act, 1935, sec. 30(1): 3% Local Loans Stock	50
	5,136

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Nat. Savings Certs.	550	Treasury Bills	242,814
2½% Def. Bonds	325	3% Def. Bonds	*2,251
Other Debt:—		Tax Reserve Certs.	512
Internal	175,623	Other Debt:—	
Ways & Means Advances	16,425	External	52
	192,923		245,629

* Including £1,697,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947 Aug. 16	2180·0	2428·2	336·7	11·75	1380·5	6337·1
1948 May 1	2180·0	2689·3	322·9	...	1346·5	6538·7
,, 8	2230·0	2643·2	310·2	...	1316·5	6499·9
,, 15	2210·0	2643·5	301·0	20·3	1326·5	6501·3
,, 22	2210·0	2626·6	297·8	14·8	1362·0	6511·1
,, 29	2210·0	2620·2	303·3	...	1377·0	6510·5
June 5	2210·0	2616·7	283·2	3·5	1410·0	6523·5
,, 12	2210·0	2608·9	281·7	1·0	1423·5	6525·2
,, 19	2210·0	2635·1	274·0	11·3	1443·5	6573·8
,, 30	4817·3		270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
,, 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
,, 24	2210·0	2632·8	294·6	13·3	1429·5	6580·1
,, 31	2210·0	2620·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5
,, 14	2210·0	2355·6	287·0	...	1429·5	6282·0

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947 Aug 15	170·0	235·6	170·0	10 2·34	68
1948 May 14	170·0	290·7	170·0	10 1·36	45
,, 21	170·0	294·5	170·0	10 1·26	43
,, 28	170·0	273·6	170·0	10 1·68	50
June 4	170·0	295·8	170·0	10 1·20	40
,, 11	170·0	277·5	170·0	10 1·70	49
,, 18	170·0	259·6	170·0	10 1·89	57
,, 25	170·0	279·7	170·0	10 1·65	48
July 2	170·0	285·8	170·0	10 1·45	45
,, 9	170·0	276·5	170·0	10 1·43	48
,, 16	170·0	279·7	170·0	10 1·58	48
,, 23	170·0	294·3	170·0	10 1·31	45
,, 30	170·0	291·8	170·0	10 1·34	42
Aug 6	170·0	288·1	170·0	10 1·50	44
,, 13	170·0	269·1	170·0	10 1·91	53

On August 13th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 55 per cent of the amount applied for at £99 17s. 8d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for August 20th. For the week ended August 21st the Banks will be asked for Treasury deposits to the amount of £70 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended Aug. 9, 1947	Week Ended Aug. 7, 1948	Totals Apr. 1 to Aug. 7, 1948
Savings Certificates:—			
Receipts	2,500	1,000	41,500
Repayments	3,700	2,300	50,500
Net Savings	*Dr1,200*	*Dr1,300*	*Dr9,000*
Defence Bonds:—			
Receipts	1,055	505	14,840
Repayments	795	1,320	16,351
Net Savings	270	*Dr 815*	*Dr1,511*
P.O. and Trustee Savings Banks:—			
Receipts	13,934	11,634	223,848
Repayments	11,772	12,856	232,095
Net Savings	2,162	*Dr1,222*	*Dr8,247*
Total Net Savings	1,232	*Dr3,337*	*Dr18,758*
Interest on certificates repaid	666	414	8,996
Interest accrued on savings remaining invested	2,222	2,289	42,423

BANK OF ENGLAND RETURNS

AUGUST 18, 1948

ISSUE DEPARTMENT

Notes Issued:—	£		£
In Circulation	1262,965,498	Govt. Debt	11,015,100
In Bankg. Department	37,282,335	Other Govt. Securities	1288,167,422
		Other Secs.	808,121
		Coin (other than gold)	9,357
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	404,124,291
Rest	3,864,105	Other Secs.:—	28,180,563
Public Deps.:—	46,017,523	*Discounts and*	
*Public Accts.**	*12,615,013*	*Advances*	*6,149,655*
H.M. Treas. Special Acct.	*33,402,510*	*Securities*	*22,030,908*
		Notes	37,282,335
Other Deps.:—	406,802,525	Coin	1,049,964
Bankers	*316,676,920*		
Other Accts.	*90,126,505*		
	471,237,153		471,237,153

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

COMPARATIVE ANALYSIS

(£ thousand)

	1947 Aug. 20	1948 Aug. 5	1948 Aug. 12	1948 Aug. 19
Issue Dept.:—				
Notes in circulation	1399·4	1288·3	1277·8	1262·9
Notes in banking department	50·8	11·9	22·4	37·3
Government debt and securities*	1449·4	1299·3	1299·3	1299·2
Other securities	0·6	0·7	0·7	0·8
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	12·7	8·6	20·0	12·6
Treasury Special Account	...	33·4	33·4	33·4
Bankers	301·3	305·4	299·7	316·7
Others	93·8	90·1	83·0	90·1
Total	407·8	437·5	441·2	452·8
Securities:—				
Government	332·7	405·2	402·2	404·1
Discounts, etc.	22·8	10·6	8·3	6·1
Other	17·4	27·4	25·6	22·6
Total	372·9	443·2	436·1	432·8
Banking dept. res.	53·3	12·8	23·4	38·3
	%	%	%	%
"Proportion"	13·0	2·9	5·3	8·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927 = 100)

	Aug. 12, 1947	July 21, 1948	Aug. 10, 1948
Cereals	108·1	120·2	121·9
Other foods	133·7	138·8	138·8
Textiles	141·3	185·0†	184·5*
Minerals	223·8	246·3	246·3
Miscellaneous	147·5	157·7	156·6
	146·4	162·9†	163·3*
1913 = 100	*201·5*	*224·1†*	*224·8**

* Provisional. † Revised.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Aug. 12	45	74⅛	176 4	113 5
,, 13	45	72⅛	176 5	113 1
,, 14	Markets	Closed	175 14	113 8
,, 16	44	73⅛	175 4	112 14
,, 17	44⅛	75⅛	174 12	112 0
,, 18	45	75⅛	176 1	116 9

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Unity in the West

ONCE again, "final talks" at the Kremlin have ended in the expectation of yet another bout of discussions, while in Berlin, Russian pressure on the Western sectors has been intensified by a series of kidnappings and border raids. There is no reason to suppose that the Russians, playing from what is tactically an immensely strong position, are particularly anxious to bring either the dragging talks in Moscow to an end or the deteriorating situation in Berlin to a head. But whether or not agreement is reached in the near future, the Berlin impasse has already had a dangerous and contorting effect upon Western diplomacy. It has centred its attention on a place and an issue which lie on the periphery of the Western World and has diverted the attention both of governments and peoples from what should be the real centre of interest, which is not Berlin but Brussels and Paris.

At no time during the last year has it been more urgent to press forward with the consolidation of Western Europe. If, under pressure of Russia and winter, the Allies have in the end to withdraw from Berlin, *their retreat will be saved from ignominy only if it can be interpreted as* a tactical straightening of the line and not the beginning of the end of all coherent resistance. If at the moment of withdrawal from Berlin, Western Europe were to be no more than a group of divided governments without common strategy or policy, the "retreat" would look like a retreat from all further opposition to Russia. The stigma of Munich would be removed only if a Western withdrawal were preceded by (or coincided with) the extension of the Western Union Defence Pact to the United States and the British Commonwealth, the reintroduction of lend-lease in armaments and the consolidation of the European base by further acts of political and economic union.

If, on the other hand, it is the Russians who finally abandon the contest in Berlin, a coincident strategic and political advance by the Western Powers in the shape of closer association would gain added significance since it would permit them to exploit to the full the diplomatic advantage which a raising of the blockade would confer on them.

There is a further reason why consolidation in the West is more urgent than ever before. Whatever the outcome of the Moscow talks, the Western Powers will shortly have a German state on their hands. It may for the time being include only two thirds of the German people, but it will nevertheless be a state not much smaller than the other major partners in Western Europe and its position will be strengthened by possession of the Ruhr. The French are already apprehensive at the likely impact of this new state upon the European community, and one of the arguments often advanced in favour of postponing the whole experiment of government in Frankfurt has been that it is unsafe to give Western Germany power and status until there is a stronger and more closely united European community in which it can be included and submerged. Today, the deadlock over Berlin—and its possibly unfavourable outcome—make the restoration of a more normal and hopeful political life in the Western zones a matter of the greatest urgency. But the only way in which the Germans' reasonable ambition can be satisfied and France's

equally legitimate fear exorcised is by pressing forward with the building up in Western Europe of a *bloc* of states, economically cohesive enough and politically strong enough to absorb Germany as one partner among many.

Undoubted progress has been made towards closer unity in the last nine months. At present it is being pursued officially by two different but overlapping groups of nations—by Britain, France and Benelux at Brussels with politics and strategy primarily in mind and by the Sixteen Nations at Paris in pursuit of economic aims. At the same time, outside the sphere of official policy, a movement in favour of general European unity has been gathering momentum. Its first important manifestation, the Hague Conference in the spring, was an unofficial gathering, but in the course of the summer both M. Schuman and M. Marie have pledged the French Government's support to the idea of summoning an Assembly for Europe. Nobody, however, appears to have thought out the relationship between the two official systems in Brussels and Paris and the possible harnessing to both of the growing popular enthusiasm for closer union. Britain, the largest partner at Brussels and Paris, is noticeably lukewarm to popular movements in favour of unity. The Brussels Pact Powers have not—in spite of pressure from the French—so far made themselves a spearhead for closer economic co-operation at Paris and indeed the presence there of nations such as Greece and Turkey, whose links with Western Europe would be better expressed by treaties and alliances than by efforts at closer union, must have an inhibiting effect. But in spite of this structural confusion, the Western Powers have in 1948 definitely advanced along the path.

But is the advance proving rapid enough to offset the gathering crisis over Berlin? It can quite properly be argued that any progress towards economic integration must necessarily be slow. There is a tendency, particularly in America, to look for more spectacular economic results from Paris than can be achieved in the short time during which the Sixteen have been working together. It is true that they have not contemplated structural changes, which might be drawn up more rapidly—at least on paper. Steps such as, for instance, the rationalisation of the European steel industry on a continental basis or the internationalisation of transport have not been discussed. But developments as sweeping as these are not strictly economic decisions at all. They are political decisions involving sacrifices of sovereignty and the OEEC has no authority to sponsor them. Economic integration can follow political—and strategic—unification. It is not a substitute for either.

Progress in the political and strategic fields should therefore go forward with all the greater energy and speed. In the first place, it is time that the peoples of the West received more specific information about the state of the Western Defence Pact. Conversations have been continuing ever since the signing of the pact in March, presumably with the aim of establishing a common General Staff, a proper division of function, the standardisation of equipment and the other pre-conditions of successful joint defence. The Americans have let it be known that they regard a serious effort of unification in Western Europe as an essential preliminary to their own full participation in the Pact and its transformation into an Atlantic alliance. But so far, all the outside world knows is that discussions are continuing. It may be that they are moving towards success and that the presence in Europe of senior American staff officers is a first step to American participation, but the Governments concerned must forgive public opinion for being sceptical. The only possible excuse for complete silence about progress in this field would be that there had been no progress. Half the value of the Defence Pact is that the Russians should realise that it is a serious effort and that the peoples of Western Europe should feel its reassuring effect. The total silence that has prevailed since March is calculated to make both friend and enemy conclude that, even in this vital sphere, a pooling of effort has proved impossible. This almost certainly false impression should be offset as soon as possible by a clear statement on the progress of the military talks.

A similar uncertainty hangs over the future of political co-operation. In this field, the signatories of the Brussels Pact are almost exactly where they were in March. Committees are discussing the fringe of national life—social security conventions, cultural co-operation—but there appears to be no machinery and little desire for the close regular political consultation which could draw together all the centrifugal activities of the Western Powers into a sustained and developing political strategy. The scene in Western Europe today is like that series of partial rehearsals of minor characters which often precedes the coming together of the principal actors in the full play. One can see that each discussion has some relation to the central drama, but until the chief actors begin their parts, the whole remains inconsequent and confused. A great many of the stage props have been assembled, but of the great play called Western Union there is still no sign.

*

The French have perhaps this central vacuum in mind in raising officially the proposal for a political assembly for Europe, drawn from the parliaments ready to participate—which means in practice the parliaments of Western Europe. This proposal seeks on the one hand to canalise the aspirations towards closer European unity made apparent by the Hague Conference. At the same time, it seeks to place the political keystone firmly in the European arch. M. Bidault gave notice of his Government's intention to take some such step at the last meeting of the signatories of the Brussels Pact. But at that time Mr Bevin and, after him, M. Spaak expressed the view that the matter should be left to the initiative of private societies. Now, however, M. Marie's government has raised the question of political unity in Western Europe with the specific proposal that the Governments should sponsor the convening of a European Assembly. The matter can no longer be referred to private societies. It lies squarely on Mr Bevin's desk.

It must be said at once that the French have raised this vital issue in a rather unwieldy and impracticable form. Among the various possible methods of expressing Western Europe's readiness to co-operate more closely, this is unfortunately one calculated to create a certain confusion and unlikely to achieve really concrete results. There are few bodies more impotent than official political assemblies who, nevertheless, have no powers and who represent intensely divergent opinions. (If delegations are to be chosen from parliaments on some proportional basis, they must include several Communist contingents.) One is forcibly reminded of that tragi-comic assembly whose centenary falls this year. The German constituent assembly which was convened in Frankfurt in 1848 bore altogether too close a resemblance to the Assembly proposed by the French. Then as now, a group of States had certain aspirations towards closer union. Then as now, the only solution which no one obstructed was a great assembly with political functions and no powers. Is it not all too likely that the outcome would be the same—the collapse of the Assembly under the weight of its own contradictions and ineffectiveness?

Yet Mr Bevin cannot reject the proposal out of hand, as he did at the former meeting of the Brussels signatories. The need for political consolidation in Western Europe is too great for the British Foreign Secretary to cast himself for a completely negative role. Already some blame attaches to Britain as a laggard in European affairs. Much of this blame is unfair, since it represents not so much Britain's own failures as the penalties attached to the position of leadership. All shortcomings from whatever source tend to get pinned upon the only Power influential enough to give impetus to the effort towards greater unity. It is also true, as Mr Attlee pointed out to Mr Churchill in the exchange of letters on the project of a European Assembly, that Britain must move in close step with the Dominions. But if in the sphere of close political and strategic co-operation—the sphere in which rapid and decisive results are much more easy to obtain than in the field of economics—the British response remains entirely negative, the criticisms of British policy will begin to carry more justification than they have hitherto.

Mr Bevin cannot, therefore, simply reject the French proposal. Yet it remains a faulty proposal. The only satisfactory way out of the dilemma is that Britain should formulate and propose a solution of its own designed to reinforce the political unity of Western Europe without putting chief reliance on the dubious and distracting method proposed by the French. A solution might be found in a proposal that the five Powers of the Brussels Pact should form a Prime Ministers' Conference which would meet at regular intervals, would be served by the secretariat which is beginning to grow up round the Pact and could, in appropriate fields, also use the machinery of co-operation set up under OEEC in Paris. Such a body would have authority and prestige. It would be compact enough to discuss the really vital issues and it would possess sufficient weight to carry its conclusions through the various parliaments. Only if a firm centre of political authority had been created would it be useful for some wider body, drawn from the Western parliaments, to meet annually rather in the manner of the General Assembly of the United Nations. Such an assembly would then have concrete issues to discuss and would be able to give the support of public opinion to the measures proposed by the Prime Ministers. Only in some such way could a large popular assembly be saved from futility.

There are undoubtedly other political expedients which might be explored. The chief point today, however, is to achieve the political and strategic consolidation of Western Europe with the least possible waste of time and effort. The Berlin crisis continues to weigh heavily on Western counsels. It is, in its turn, merely one symptom of the profound change in the European balance of power which has brought Russia to the Elbe. Old methods and traditional diplomacy are insufficient to meet this revolutionary change, but all the new efforts made so far remain tentative and confused. What is needed is a clear political lead. The French have thrust into Mr Bevin's hands the means of giving it.

Italy's Colonies

BEHIND locked doors in London the Foreign Ministers' deputies are "jointly" discussing—as instructed in the peace treaty with Italy—the "final disposal" of Italy's former colonies. Very sensibly, they have insisted upon discussion in private. For every conceivable solution is a bitter pill for someone. Even now, the wildest rumours are flying round Rome and Africa. Were these founded on fact, various excitable peoples would no doubt be plunging into premature demonstrations. But nothing final can be done by the present meeting; the deputies can merely hand their views upwards to their principals in the Council of Foreign Ministers. If these are not agreed by September 15, the whole question passes to the United Nations Assembly. Meantime, the territories tick over in a state of security, though not of prosperity, under an efficient but understaffed and unthanked British Military Administration.

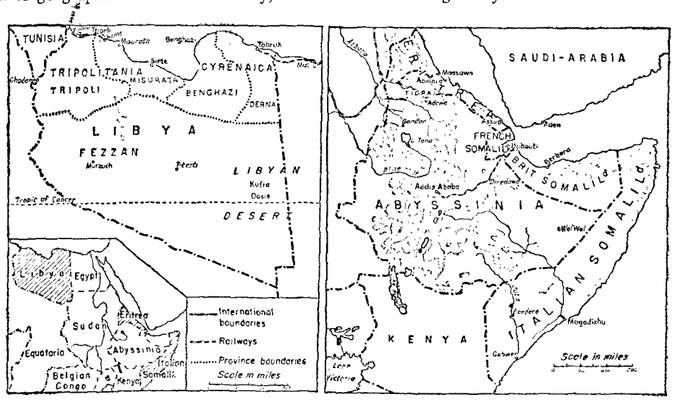
Given the present state of Big Four relations, there is nothing startling in the discovery—to be made from the three reports of the Four Power Commission of Investigation now before the deputies—that the delegates are not agreed on what to do with the territories. The reports are full of square brackets enclosing dissident accounts of fact, as well as different interpretations of agreed facts. Comparison of one and another rendering at once reveals that, broadly speaking, the United States and Great Britain are at one in their estimations of the wishes of local inhabitants; that the Russians are everywhere anxious to read evidence in the light most favourable to Italy; and that the cardinal French concern is to keep the westward march of Arab independence at least one jump away from Tunisia. The reports also reveal, by implication, that at least four considerations are weighing in varying measure with the interested Powers. West European solidarity is one; all have an eye to the wooing of Italy. Strategy is another, particularly in Libya; no one wants to see a potential opponent add to its footholds on the Mediterranean shore. The wishes of the inhabitants are a third. Moral obligations are a fourth. Of these last there are two only: the famous British undertaking to the Senussi of Cyrenaica, originally voiced by Mr Eden in 1942, that they "will in no circumstances fall under Italian domination," and a less specific understanding that Ethiopia, having suffered so greatly at Italian hands, should get sympathetic treatment in the matter of compensation. Many rumours that the Emperor was given specific promise of territorial change have from time to time been started by his foreign sympathisers. They are all unfounded.

Of the three territories visited last winter by the Commission of Investigation, Somalia—the poorest—is not unnaturally the one over which it disagrees least. It ignored or buried the original British proposal for the lumping of all Somali lands into a single trusteeship. It considered ex-Italian Somaliland only. Its stay there was coloured by the riot in Mogadishu in

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which the Somali Youth League, provoked to excess by local Italian hotheads, murdered many members of what was obviously its Italian black list. This affair seems profoundly to have impressed the inhabitants with the virtues of a quiet life. The words "peace and security" punctuated the evidence of witness after witness. The Commission found that a majority of the inhabitants want a trusteeship. It reports that the trustee preferred by most is Great Britain or the United States, but that many people expressed readiness to accept any reputable nominee of the Four Powers. It found no great objection to the Italians as trustees. (Indeed, many Somalis are ex-soldiers with claims to settle, and would welcome a chance to do so.) It found great antipathy to any suggestion of recognising Ethiopia's aspiration to run the territory. All told, there seems to be a chance that the local Italians, sobered by the evidence against them that emerged during the public inquiry into the riots, may before long find themselves turned into trustees.

If account is to be taken of the wishes of the inhabitants, Italy is less likely to get support for its claim to run Eritrea. Even the Russian investigator, consistently anxious though he was to show the Italians in a favourable light, could label as "pro-Italian" only 10.73 per cent of Eritrean witnesses. The main items of evidence about Eritrean wishes are that, in spite of the territory's lack of geographical or cultural unity, all its inhabitants are opposed to its division into two, and that a cleavage of views about its future coincides with the strongly-marked cultural, religious and linguistic line that marks off the highland triangle adjoining the Ethiopian border from the rest of the territory. This triangle is Christian by religion, speaks Tigrinya and is closely akin to the adjoining Tigrai province of Ethiopia. Its inhabitants wish for union with the Ethiopian empire. In Hamasien province, where the capital, Asmara, lies, 95 per cent of the witnesses heard were unionists. In the western provinces and on the coast round the port of Massawa, where the inhabitants are Moslem and speak either Tigre (which is not intelligible to Tigrinya-speakers) or Beja, a majority wishes for independence after a time of trusteeship. Here there is no definite preference for any one trustee; some favour four-power management, in ignorance of its disadvantages and difficulties. No one wants Ethiopia.



If, therefore, Ethiopia is to get the access to the sea that is its goal, the only port that no one will grudge to it is Assab, at the southern tip of the territory. This is poor by comparison with Massawa, and in a bad state of war damage. It is also, strangely, somewhat pro-Italian. This predilection of its very backward inhabitants no doubt helps to account for the investigators' curious remark—it qualifies all their statistics—that the bulk of the opinions uttered to them in Eritrea were "not mature or the result of independent thinking." They leave all the arbiters concerned in a fine quandary about what to decide. At least eighty per cent of the population want either an Italian trusteeship or an Ethiopian one, and both these cannot be satisfied, for neither wants the territory divided. If it remains undivided, a trusteeship is imperative. But who wants the incubus? There are only two candidates eager for the post—Italy, which is unwanted locally, and which in any case misused the territory for one of the flagrant aggressions that led to World War II; and Ethiopia, which could not do the job at the standard to which Eritreans have become accustomed, unless it were to receive foreign help. Since some part of local wishes has to go by the board, surely the best one to jettison is the desire for unity. For need this be the guiding principle in a territory the shape of which is, after all, but the accident of an annexation in the nineteenth century, and has neither racial nor economic foundation? The best way out of an awkward impasse would be a Solomon's judgment that awarded a trusteeship for the Christian Highlands and Assab to Ethiopia, and for the Moslem areas to Egypt or the Sudan.

Many Libyans, also, are against dissection of their territory on the ground that it would be better to become a big than a little Arab state. But their wishes are less likely to be humoured than are those of the Eritreans. For one thing, they are less unanimous. The Cyrenaicans want unity, but only on their own terms, which are that their leader, the Grand Senussi, should rule the whole. The Tripolitanians, who think the Cyrenaicans backward, do not want to see them predominant. The two provinces agree only in wanting independence and in not wanting Italy back. But the main factor militating against a united Libya is the divergence of the Great Powers' wishes. And these, at a point strategically so important, are likely to carry the day. For Libya holds a commanding position in the Eastern Mediterranean. Its ports, of which potentially the best is Tobruk, cannot compare in strategic value with Haifa, or with Egypt's splendid harbours, because they lack water, as well as easy access to fuel and a local labour supply. But Libya is well placed in relation to the Mediterranean narrows, and its airfields are the best available flying route from West to Middle East, offering better weather than their European counterparts for at least half the year. The British caretakers have unhesitatingly used the two northern provinces as a parking place for troops and stores evacuated from Palestine. The Americans, too, have equipped Mellaha airfield, in Tripolitania, as a major stopping place on their supply line to Greece and Turkey. Farther south the French, who conquered the Fezzan province with their army from Chad in 1942-3, have since been running it as their own. A combination of all these ownerships therefore points to a partition. France wants the Fezzan and no one else does. Great Britain is adamant about its promise to the Senussi. Only Russia wants unity, under Italian trusteeship. Three trusteeships are indicated. If France and Britain get the two first, are Tripolitanian wishes to be flouted in favour of placating Italy with the third, or would the United States insert its comfortable bulk into the picture?

When the final decision comes to be taken, some other foreign views must be weighed, in particular those of the remaining neighbours, which are Egypt and Ethiopia, and of the British Dominions. Ethiopia claims the whole of Eritrea and would like Somalia too. Egypt's view is that northern Eritrea is a "natural extension of the Eastern Sudan" and that Libya, if it is to be endowed with a trustee, should be given in tutelage to some member of the Arab League. Its sager thinkers would not object to a British trusteeship for Cyrenaica, for they would like to think, in the present unsettled state of the world, that British troops who are due to leave Egypt would not be too far away. South Africa advocates the establishment of an Italian trusteeship for Somalia and Eritrea, French trusteeship for the Fezzan and British trusteeship for Cyrenaica and Tripolitania. However, if Britain were not chosen as trustee, Italy would be South Africa's second choice. Australia's view is that Somalia must be a trusteeship; that if Eritrea is not divided "Ethiopia should clearly be considered as a possible trustee power"; and that if it is decided to divide Libya, the separate territories should also be under trust. Canada would support the appointment of Italy as trustee for Somalia and, in Eritrea, union of the Highlands with Ethiopia with, elsewhere, a trusteeship providing Ethiopia with free zones at Massawa and Assab. Britain would be its choice as trustee for Libya. New Zealand agrees with this last proviso. Only Russia—supported by the Poles, Czechs and Jugoslavs—favours throughout a restitution to Italy of control in Africa.

The most serious aspect of the intricate problem just ahead is the proviso that, if the Big Four do not agree, the matter shall go to the Assembly. For, except possibly over Somalia, Big Four agreement is out of the question because of Russian insensitiveness to African views. In Africa, more perhaps than in any other continent, a clear cut decision is imperative if common men are not to suffer. Yet experience over Palestine suggests that the Assembly is not good at giving firm or clear verdicts. It is plainly impossible to go back upon the Peace Treaty. An Assembly debate, whatever its repercussions upon unwitting Africans, seems inevitable. How can its hearers be made to weigh the situation upon its African merits?

The East African campaign is seven years old. It is five years since the last fighting in Libya. Even so, the nations that spent themselves at Keren and Alamein and Knightsbridge surely retain a right to speak first. The Assembly should listen to them carefully. They are in the main agreed that African interests must be the paramount factor in the settlement. But if this principle does not carry the day, they have another argument up their sleeve. Unsatisfactory though it may be to introduce into a United Nations debate an element of *tu quoque*, they are, if needs must, in a position to point out to the Russians that, if the West had no say upon the Danube, the Eastern Powers need not expect one in Africa.

The Railway King

A CENTURY ago the Railway King, George Hudson, was at the peak of his power and glory. Of the 5,000 odd miles of railway then existing in the United Kingdom, Hudson controlled 1,450. He was chairman of four companies, the Midland, the York and North Midland, the York, Newcastle and Berwick and the Eastern Counties Line. Hostile newspapers asked how he could properly attend to his Parliamentary duties while "superintending the practical working of half a dozen lines separated a hundred miles or more from each other." But as the files of *The Economist* for 1848 show, it was in this high summer of Hudson's pride that his kingdom began to crumble and his courtiers to desert him. He was unable to attend the funeral of his hero George Stephenson that August because he was defending himself at the half-yearly meeting of the Midland Railway. Railway stocks fell sharply throughout 1848. Revolution had swept Europe, and Britain suffered from dislocation of trade and general uncertainty. To avert disaster, Hudson exerted all the power of his personality, exploited the prestige of his immense earlier successes and engaged in astonishing virtuoso performances in company finance. But all occasions informed against him. His credit was gone. By a series of valiant rearguard actions, Hudson covered his retreat through 1849, and even made an heroic counter-offensive in 1850 when he opened the Sunderland docks, but not all his Yorkshire tenacity and shrewd wits could save him. He, the most resplendent of all Victorian tycoons, was finally ruined and driven into exile. Yet before he died, he was able to point to the prosperity of ventures which had involved him in disaster.

Ceremonies have recently taken place in honour of Hudson's friend, George Stephenson. It would be an act of elementary justice if our nationalised British Railways acknowledged Hudson, too, as a pioneer with a vision of uncommon penetration. In contrast to the get-rich-quick speculators of that age, Hudson comprehended the relationship of the railway system to the country as a whole, to its trade and industry, and to its future growth. What makes this crook of genius so interesting to us today are his ideas of grouping and unification of transport.

It was Hudson's misfortune to be, like the Duke of Wellington, "much exposed to authors." Macaulay fancifully pictured him as a combination of Mammon and Belial. Through the smoke and fury of Carlyle's *Latter Day Pamphlets*, Hudson appears as a colossal idol, a Victorian Calf of Gold before which a money-mad generation abased itself. To the cooler judgment of Mr Gladstone, a judgment given after Hudson's fall, he was "no mere speculator, but a projector of great discernment, courage and rich enterprise . . . a very bold, and not at all an unwise projector." The rapid expansion of the Early Victorian lines had been stimulated by two speculative booms, the minor one of 1836 and the great Railway Mania of 1845-46. The railways, like Stephen Leacock's horseman, began galloping madly off in all directions. Little lines and big lines were projected—what did it matter where they ran, who wanted them, what purpose they served? Any kind of railway was a triumph for Progress, and Progress was the god of the age. Hudson wanted to secure a regulated development of traffic between the industrial North and Midlands and the rural South. He sought to impose order upon anarchy. He was, in modern language, a rationaliser. Naturally he was denounced as a monopolist. He was pictured as an octopus reaching out to grasp all lines and unite them in Hudsonia. It is worth recalling that Government ownership of the railways was a lively issue a century ago. Gladstone's Act of 1844 included a clause making any new line liable to state purchase or control after a period of 21 years, provided it had yielded a dividend of ten per cent for three successive years. The answers Hudson gave to the Select Committee of 1844 showed a remarkable understanding of the part the railways should be expected to play in the development of Britain, and the subsequent grouping of the lines has taken place very much as Hudson forecast. Like latter day capitalists, one suspects he would not have been averse from Government control if he could have been the chief amalgamator.

John Leech drew Hudson for *Punch* as a locomotive with a moon face and a spiky crown. He was, indeed, the Railway Age incarnate. He summed up in himself its vaulting ambitions, its tearing energy, its ruthless enterprise, its unquenchable optimism about the future. And, like all the great Victorians, whether politicians, poets or tycoons, Hudson believed in his Divine mission. He spoke of "the great moral effect of railways on the human race." That he could say this while he was cooking the accounts of his companies by no

means implies that he was a hypocrite. Hudson always believed that noble ends justified romantic book-keeping, and the company law was in a primitive state in his period.

Hudson's energy was fabulous. He sat for years as Conservative MP for Sunderland, and, incidentally, rewarded the loyalty of his constituents by building them fine docks—out of his railway stockholders' money. He developed the seaside town of Whitby, and, after his disgrace, Whitby never faltered in its fidelity to its benefactor. When he was an old, broken man fleeing from his creditors, Whitby would have made him its MP if the Liberals had not unsportingly incited the Sheriff's officer to pop him into York prison on a writ of attachment on the eve of the election. Uneducated, uncouth in manners, and with that explosive Yorkshire bluntness of speech which usually alarms the southron, Hudson came to be adulated by half Debrett. Rank and fashion swarmed at his grand mansion at Albert Gate, they laughed at his solecisms, they quizzed Mrs Hudson's gowns, they ate his magnificent dinners, and they reverently attended his lightest whisper on investments. After the Conservative Party was broken in two by Peel's conversion to Corn Law repeal, Lord George Bentinck, the leader of the Country party, invited Hudson to a seat beside him on the front bench. Disraeli and Hudson, the alien popinjay and the former Yorkshire linen-draper—what a striking combination to lead the forlorn hopes of the gentlemen of England.

Hudson is almost as significant a figure in the social history of Britain as in its industrial development. His triumphs in the forties represented the final capitulation of the aristocracy to big business. Frederick Williams, the Victorian railway historian, quotes the account of King Hudson's appearance at the reception given to the Royal Society in 1846 by the Marquis of Northampton at his house in Carlton Terrace. A wonderful pageant of the age was there presented.

> England's greatest painters, greatest authors, greatest sculptors, greatest inventors, greatest philanthropists, greatest statesmen, greatest physicians, greatest engineers, greatest captains jostled each other in the crowded rooms. Amid the constellation of celebrities, there were two men round whom the crowds circled, let them turn which way they would—bright particular stars each with revolving satellites, and both receiving the deference of the great and noble as their right. One was the late Prince Consort, the other was Geo. Hudson. They looked rival monarchs, each with his obsequious courtiers round him, and divided pretty equally the honours of the evening.

The supreme moment came when a buzz ran round the room—"His Royal Highness has asked to be introduced to Mr Hudson." Before such a dazzling conjunction, the illustrious assembly lowered their heads. Within the circle drawn by the gentlemen-in-waiting, the two Great Personages conversed. Then on a sudden, all that was eminent in the arts and sciences, in statecraft and in war, was astonished to hear a burst of laughter coming from the Prince Consort's lips. Albert the Good seldom laughed. And this was a hearty Teutonic roar. What could have amused him so? The Prince, insatiably curious about science and invention, had asked Hudson what he thought of atmospheric railways (the method of propelling trains by air pressure, which fascinated Brunel and other eminent engineers)—would they replace steam locomotion? Then came the answer which set the Prince in a roar—"It's all 'oombug, your Royal 'Ighness." (It was while visiting another Marquis, Westminster, that Mrs. Hudson, being shown a bust of Marcus Aurelius, enquired: "It ain't the present Markis, is it?")

One pictures Hudson at the end of his days, ruined, discredited, living on the kindness of friends, but still sanguine, still believing in his own vision of railway amalgamation, and, as Williams recounts, saying to a young visitor:

> Sydney Smith, sir, the Reverend Sydney Smith, the great wit, first called me the Railway King. And I remember very well that he made a very pretty speech about it, saying that while some monarchs had won their title to fame by bloodshed, and by the misery they inflicted on their fellow creatures, I had come to my throne by my own peaceful exertions, and by a course of probity and enterprise.

Probity is hardly the word we should use nowadays for the chairman who so sedulously paid dividends out of capital. But as for enterprise, he was the embodiment of it. For many years it has been the fashion to regard such characters as Hudson as pirates and freebooters, whose activities run counter to the social purposes of a civilised society. Nowadays we are beginning to perceive their virtues as well as their crimes. This bold "projector of rich enterprise" certainly advanced the interests of the community while pursuing his own, and in so doing fulfilled Adam Smith's classic conception of a great citizen.

NOTES OF THE WEEK

TUC Account Rendered

The General Council's report to the TUC, which will form the backbone of the forthcoming Margate conference, is mainly remarkable for its length and breadth. Whether it be in the sphere of economic, industrial or even international policy, the TUC has had a finger in every pie during the past year, acting either under the instructions of the 1947 Congress, or on its own initiative. The report tends, in consequence, to be a catalogue of committees and conferences—impressive as a testimonial to the activity of the TUC in national affairs, but not fertile in guidance about future policy.

Since the report is mainly historical, it does not touch the burning question of future policy on wages, prices and profits, and no further discussion can be expected until the Economic Committee has presented its supplementary report to Congress. But it is worth noting that Sir Stafford Cripps told a TUC deputation in April that he believed the level of subsidy of £400 million would be effective in keeping prices stable, in view of the fall in world prices which was expected to follow this year's harvests. He added that, if necessary, he would agree to a temporary increase in the rate. This is a matter which should have been discussed in Parliament and not with a private body.

The most important section of the report deals with the administration of nationalised industries, undoubtedly one of the most controversial topics that will be discussed at Margate. Resisting the possibly more attractive vistas of "workers' control" and "joint management," the TUC firmly adheres to its view, first outlined in 1944, that trade unionists should serve on public boards as individuals, and not as representatives of their union. As the report points out, the unions ought not to lose their independence of action by becoming identified with the machinery of nationalisation, and a trade unionist dually responsible to his union and to the public would be in a hopeless position. It is however surprising, in view of the outcry that greeted the expression of a similar opinion by Sir Stafford Cripps, to find the TUC admitting that a man who is well qualified as a trade union leader may not necessarily have the best qualifications for filling a big executive post in industry.

The General Council, however, is critical of certain aspects of nationalisation. It is concerned at the lack of consultation over certain appointments and at the situation of part-time trade union members, who tend to be treated rather as "labour advisers" than as responsible for policy decisions. The TUC's own remedy to the problem of workers' participation is increased training and education, and for gradual development of responsibilities, through such bodies as Development Councils at the top and joint production committees in the factory.

It is disappointing that so little attention is paid to reforms of the TUC's own machinery, which is still in need of modernisation and overhaul. Little has been done to follow up the promising lines of action envisaged in the 1944 report on the structure of the trade union movement. The whole question of union organisation, the position of the small union and the interests of sectional groups within the big unions, is of immediate moment. It came up sharply in the recent London dock strike and emerged again last week, when railway catering staffs complained that they were not adequately represented in the National Union of Railwaymen, which seemed (they said) to concern itself mainly with ticket collectors and porters. The General Council cannot for ever sit back and say that this is a matter where each union must work out its own salvation.

* * *

The Austin Strike

The strike at the Austin motor works in Birmingham fortunately came to an end after four days on Tuesday, and negotiations between the two sides have been opened. The effects of the dispute were more serious than just the loss of production, which has been estimated at about 1,500 vehicles, since it raises the wider issue of the manner and method of introducing technical improvements.

The men's case, set out in a statement by the shop stewards, was that the firm installed a six-spindle gear cutter, and set a piecework price based on a demonstrator's timing, which would have meant a reduction of from 25s. to 30s. a week in the earnings of some operators. This machine does the work of two or three semi-manual gear cutters and is capable of a maximum of 400 operations a day compared with the 160 of the old machine. The shop stewards' case that they were in favour of increased production through improved technique as long as it did not affect earnings appears to be supported by the fact that the new rate seems to have been fixed at an unduly low figure. It is clear, however, that the old fear of a "speed-up" throughout the works was behind their objections.

The men's complaint seems to have some justification, though in the absence of any statement from the company it is impossible accurately to judge the merits of the case. Where the shop stewards put themselves completely in the wrong was in calling out the entire factory over a dispute which immediately involved only two men, and in failing to invoke the regular negotiating machinery. The situation seems to have been exacerbated by the failure of the management to explain the situation to their workpeople with due care and forethought, and to have shown a failure in elementary works relations, which assumes its greatest importance in questions of rate fixing.

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In and Around Berlin

It becomes increasingly clear that nothing can emerge from the Moscow conversations which will not prove in the long run a gain to the Russians. Whereas the Western envoys are concentrating on the task of making it possible for their garrisons and officials to stay in Berlin, the Russians are concentrating on the task of making their position there untenable. On one side it is the air lift that supplements the diplomatic effort; on the other side it is financial, administrative, and economic action—in fact cold war—directed at the Germans of the western sectors. What happens in Berlin itself is a surer guide to Russian intentions towards the West than any appearance that Mr Stalin is more genial and reasonable than Mr Molotov.

Another letter has been added to the writing on the wall by the Soviet authorities' decision to postpone for a year elections in their zone. At the elections two years ago the Socialist Unity Party (SED) won roughly 50 per cent of the votes. Then it was not clear to Germans as it is now that the Party represented exclusively the Russian and Communist interest. It had still to accept the Oder-Neisse frontier with Poland, the delay in the return of German prisoners of war, a detailed plan of economic exploitation through reparations, and the gradual elimination of all political opposition. If properly conducted elections had been held next week—as intended—the Socialist Unity Party might have seen its vote drop from 50 to 20 per cent. And one of the factors in this defeat would have been the loophole to the West which Berlin provides; British and American controlled newspapers would have commented on the elections, full information about the real sentiments of the Eastern zone would have reached other zones, and the SED would have risked a resounding blow to its prestige at a time when it is Communist policy to secure Berlin as the key-point in an area designed eventually to provide the nucleus of a united Germany.

The next year may mean the end of open opposition in the Eastern zone. Germans who wish to maintain political activity may be forced into the parties prepared for them—the National Democrats and the Farmers' Party. These will nominally maintain a separate existence from the SED while doing nothing to limit its supremacy. This political development should help to convince hesitant opinion that the reuniting of the Eastern zone with the Western zones in the immediate future is as impracticable in fact as it is undesirable from the Russian point of view. It would be better to stop talking about the unification of Germany.

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No French Elections

The French Assembly has voted to postpone the autumn elections in the Departments, and this fact may make smoother the path of M. Marie's coalition. The Government is committed to sweeping action in the economic field to put a stop to the new round of inflation which, since the spring, has wiped out all the advantages of devaluation and now threatens to bring on a new wave of labour dispures. But the Socialist members of the Government team have been so perturbed at the effect a deflationary policy would have on their wavering working class supporters that they brought down the last coalition and might well have proved an utterly unstable element in the new. Now, however, electoral fever can abate a little, and M. Reynaud has taken the further precaution of postponing all action until after the adjournment of the Assembly in the first week of September.

Even so, it seems certain that M. Reynaud's fiscal and financial programme will prove a bitter pill for the Socialists to swallow. He has not announced it in detail and, in his broadcast appeals, he has mentioned little more than the necessity for France to work harder and produce and export more cheaply. But, without proof to the contrary, most men of the Left assume that the appeal presages longer hours and lower wages coupled with an attempt—by cutting state expenditure and "creating confidence"—to tempt the middle classes back to the way of thrift. At the same time, M. Reynaud's promise that farmers would receive higher prices has been interpreted as a threat to the price of bread and milk. The non-Communist unions have already given vent to their suspicions by breaking off negotiations on the stabilisation of wages on which they were engaged with the Government. The truce from elections is also felt by some to be likely to encourage the Communists in new efforts to foment strikes and unrest. With or without the Assembly, M. Reynaud seems to be heading for the usual trouble.

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Land Under Cultivation

The Ministry of Agriculture's returns of acreage for England and Wales at June 4th show no startling advances towards the 1951-52 goal of a 20 per cent increase in production over last year's output. But at least they give evidence that the farmers are responding to the Government's appeal, and that a decided increase in acreage has occurred with 36,000 less workers than in 1947. This decline in the labour force is mainly attributable to the repatriation of prisoners of war, although 11,000 of them are still employed in agriculture.

The total area of arable and grass land (excluding rough grazings) is now 24,372,000 acres, an increase of 45,000 acres since last year and only 215,000 acres below the 1941 war-time peak. Permanent grass accounts for 10,265,000 acres, and of the arable land 3,456,000 acres are under temporary grass and over 75 per cent (10,651,000 acres) is tillage. Grain crops make up 64 per cent of the area of tillage, which shows an increase of 263,000 acres on last year's figure. Although all the grain crops have an increased acreage, wheat, at its new level of 2,188,000 acres, was 152,000 acres short of its official target. The increase in barley and wheat acreage will not be viewed without misgiving by some farming experts. The ominously-named disease of "take-all," which attacks these crops as a result of over-cropping, appears to be gaining ground, and a change in the cropping policy may be necessary to restrict the disease.

Both potatoes and sugar-beet exceeded the official targets, and with 1,116,000 acres of potatoes, as against 941,000 acres last year, there should be no fear of a return to rationing this winter. (Potatoes account for over 10 per cent of the tillage acreage.) Linseed, on the other hand, at 86,000 acres was well below the target of 155,000 acres. Despite the heavy subsidy, this is not a

popular crop with farmers, and considerable effort will be needed to reach the 1951-52 target of 400,000 acres.

Peas for stock-feeding increased by 22 per cent to 44,000 acres, but it is doubtful whether the crop will justify the acreage involved because of adverse weather. Beans, turnips and swedes, also for stock-feeding, decreased by 47,000 acres. The most striking decrease was, not unnaturally, in bare fallow, which, at 237,000 acres, was only 48 per cent of last year's acreage.

The true value of the general increase in acreage can only become apparent when the harvest has been completed. A detailed estimate of losses caused by bad weather is not possible at this stage, but present indications are that no disaster has occurred, except in the Borders. Yields should be reasonable despite the ravages of the weather, but the difficulty of harvesting laid crops will put a strain on the labour resources of the farmers.

At a time when every effort is needed to make full use of the land under cultivation, it is pertinent to ask whether enough is being done to employ crop by-products to the fullest advantage. Waste in this direction cannot be afforded just now.

* * *

The Dean is Aggrieved

In this country we are so accustomed to regard the Dean of Canterbury with the indulgent affection proper to an ecclesiastical oddity in a cathedral city that it is hard for us to appreciate that abroad he sometimes appears as an alarming, and even sinister, figure. When, not long ago, he innocently declared in the capital of Soviet Armenia that the Soviet Union ought to annex a few thousand square miles of Turkish territory, there was a flurry in Ankara, and Turkish officials solemnly argued that, as the Church of England was "by law established" and specially associated with the state, the Dean must be speaking as a mouthpiece of the British Government, which could only mean that perfidious Albion was preparing to "do a Yalta" on Turkey. Even in the United States misunderstandings are possible; few Americans realise that Anglicans are just common or garden Episcopalians, and the Dean of Canterbury is frequently confused with the Archbishop.

The Dean, however, is fond of travelling abroad, and he likes to receive a warm welcome wherever he goes. The American-Soviet Friendship Society had prepared for him an extensive speaking tour in the United States, to culminate in a grand demonstration in Madison Square Gardens, New York, so that he could add his eloquence and respectability to the Society's campaign of denunciation of American foreign policy. But he has been refused a visa to enter the United States, because the Society is listed as a subversive organisation. The Dean's feelings have been greatly hurt by this obstruction. "We always give Americans a cordial welcome to Canterbury Cathedral," he complained to reporters, "but the Dean of the Cathedral is not to be welcomed in the United States. On the other hand, Eastern Europe has opened its arms wide. I fly to-morrow to the Congress of Intellectuals in Defence of Peace at Wroclaw in Poland. . . . I hope to go [to America] when this has blown over and when Mr Wallace is President, as I think he is sure to be within three years."

As Mr Wallace, if not elected President this year, will not constitutionally have another chance until 1952, the Dean's dark saying about his being in the White House in three years may well alarm American russophobes; perhaps Canterbury has advance information of an intended *coup d'etat* in Washington? Meanwhile there is a danger that, despite his Christian charity, the Dean's hospitality to American visitors may lose something of its customary warmth. There appears, however, to be an easy way out of this unhappy situation. It is to form in Moscow an American-Soviet Friendship Society highly critical of the policies of Mr Stalin, and to persuade it to arrange a speaking tour in Russia for Dean Inge. If only Dr Hewlett Johnson would get a Soviet visa for the White Dean to cultivate friendship in the East, the authorities in Washington could hardly continue to bar the Red Dean from the shores of America.

* * *

The Select Committee at the House Party

After all the publicity that was given to the Civil Service Selection Board at the end of May, the report of the Select Committee on Estimates on its activities contains few surprises. In spite of some ill-informed attacks made on the Board during a debate in the House of Lords, the general conclusion on its work was then, and is now, that it is an experiment which is well worth trying, but that it is experimental and its results—the candidates thus selected—should be carefully followed up before it is decided to make it permanent. So far, the follow-up suggests that the Board's methods of selecting candidates are superior to the prewar method of examination and single interview; of the first 147 candidates selected 97 have been subsequently rated as outstanding or very good and only two as poor and not likely to rise above the rank of Principal, whereas over the last forty odd years as many as 13½ per cent of the candidates failed to rise above that rank. But, as the Select Committee points out, the Selection Board's first candidates came from an older, maturer and more experienced group than is normal.

Even if it is granted that the Board's work is valuable enough to justify its continuance, there is still the question of how it can operate economically. The total cost of maintaining it in the present year is estimated at £26,000, of which about £8,000 is for the domestic staff and upkeep of the Manor House, Stoke D'Abernon, where its tests are held. This £8,000 seems unnecessarily costly, and the Select Committee is right in recommending a less elaborate background. But it is more difficult to suggest means of keeping the Board fully occupied once the reconstruction competition ends and the number of candidates presenting themselves for testing falls. Candidates for the Foreign Service, all of whom will be required to take the tests, and the 25 per cent of the Home Civil Service candidates who will be required to, will provide the Board with work for only three or four months of the year. It will be hard to find good enough people to staff the Board on this basis, and if they are not good enough and its standard of accuracy consequently falls, it will not be worth its cost. The outcome of the discussions with the Federation of British Industries on the possibility of using the Board for testing candidates for industrial posts on an agency basis will be awaited with interest.

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Troubles Around Tito

During the last two weeks there have been several signs of disaffection in Jugoslavia. The "Republican" (regional) governments of Montenegro and Bosnia have been reshuffled; the Jugoslav Ambassadors in Bucharest and Teheran have declared for the Cominform and resigned their posts, and the former Chief of General Staff, General Arso Jovanovic, has been shot while trying to cross illegally the Rumanian frontier.

Whether or not the curious movements in Belgrade of Vyshinsky and of Mrs Pauker (Rumania's Foreign Minister and delegate to the Danube Conference) were connected with Jovanovic's flight, there is little doubt that the subversive machinery of Cominform and MVD are working at full steam within Jugoslavia, but the results of their efforts are not yet clearly visible. Montenegro is a sparsely populated outlying province. It has, it is true, a sea coast and a common frontier with recalcitrant Albania. But its land and sea communications are so few and primitive as to deny it any real strategic significance. It is not, as it is sometimes depicted, the stronghold of the truest Communism. Montenegrins are, above all, unruly individualists: they are to Jugoslavia what the Scottish clans were to 18th century England. Montenegro has a long tradition of uncritical Russophile feeling. Before 1914 its national outlook was summed up in the notorious phrase, "We and the Russians are 150 millions" (Montenegro's share then being 200,000). It is this tradition which accounts for the loyalty of some Montenegrin Communists to the Cominform. But Communists are a minority in Montenegro, which is of little importance to the rest of Jugoslavia.

General Jovanovic was a tough, brave, ambitious and boorish Montenegrin, who distinguished himself during the war by insulting British liaison officers and prostrating himself before the great Russian ally. Relieved of his position as Chief of Staff at the end of 1945, he could add personal rancour to ideological indignation as motives for his alleged treason to Tito. But the Jugoslav Army of 1948 is not the same as the insurgent force of 1941-2. The younger generals and colonels are mostly Tito's devoted men. This is still more true of Rankovic's police force, which (like SS and MVD troops) is the favourite child of the leaders.

Nevertheless, Tito's position is increasingly difficult. Blood has flowed. The Soviet Government has its excuses for action if it wants them. "Restoration of order" and "liberation of a friendly people from tyranny" have been used before to justify invasion by Great Powers in the Danube Basin.

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Tito is at present conducting political war on two fronts. On the one side are the Politbureau of the Soviet Union, the Cominform and the hard-steel Stalinists of all lands, including Jugoslavia. The latter, if joined by the careerists, so numerous in Jugoslavia's bureaucracy, can provide a considerable Fifth Column. And the careerists will join if they see Tito waver or if apparently overwhelming Soviet force is brought into play. On the other side are the discontented people of Jugoslavia, who do not want any Communism, orthodox or heretical. No one knows their exact numbers; but they include the Churches, the old-style Nationalists, the exploited professional class and millions of peasants; the villagers, even if the townsfolk think they are doing too well, and the Cominform says they are pampered, are themselves convinced that they have good reason to grumble.

If there should be a Russian invasion of Jugoslavia—and at the moment there is no evidence of such a possibility—the plains and cities would be occupied as in 1941, with or without serious resistance, and once more the people would fight in the hills. But the people would be fighting not for Tito, but for Jugoslavia (or perhaps for Serbia and for Croatia and for Slovenia), not for "heretical Communism" against "Stalinist Communism," but for political, social and national freedom.

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Inquisition in Czech Industry

The course of nationalisation in Czechoslovakia's industries is evidently not running as smoothly as was expected. Until the *coup* of last February, the Communist leaders not only refused to allow the dismissal of incompetent Communist managers of nationalised enterprises, but actually reinstated several who had been dismissed without their approval; now they have at last realised that it is essential to appoint managers who know their job and not those whose only qualification is their political orthodoxy.

A report from our Prague correspondent gives several examples of the managerial purge now being carried out throughout Czechoslovakia. The head of the nationalised textile industry has been dismissed in favour of the manager of the Bata works at Zlin, who is also a Communist but has more industrial experience. The manager of a big nationalised linen factory in Moravia and the deputy manager of a nationalised wool factory in Slovakia have been dismissed, and the manager of an important lead ore mine and the deputy manager of the Stalin Works at Most have been allowed to resign. It also appears that there has been an almost clean sweep of the upper hierarchy of the nationalised chemical industry, although according to the statistics of the Two-Year Plan the industry is exactly fulfilling its targets.

The inquisition into Czech industry has not stopped short at the managers, and the efforts of the workers have received more blame than praise. It is true that Mr Zapotocky, the Prime Minister, recently spoke of the "miracles of production" being achieved by a "united working people." But he did not specify what the miracles were, and the output per head is, in fact, still 12 per cent below prewar. Moreover, the quality of what is produced often leaves much to be desired. *Rude Pravo*, the Communist daily, recently complained that the nationalised Tito works had sent 16,780 foundry products to the nationalised Praga factory during a specified period and that 10,347 had to be returned as useless. The URO, the Trade Union Council, has found it necessary to reintroduce a six-day working week, because of the disastrous effect on production of the five-day week, and Mr Zapotocky has complained in no uncertain terms of the amount of absenteeism.

The Czech worker is in fact becoming thoroughly disillusioned. His outlook on life has not changed in spite of the change-over from private to nationalised enterprise. He still judges the new system by the extent to which it secures to him his comforts, his leisure, and his freedom. But while he has lost his strike weapon and his power of collective bargaining, his new employers are rapidly becoming indistinguishable from the old. For the outlook of the workers has not. Their first care is no longer to champion the workers, but to get results. Mr Zapotocky has indicated that he no longer regards himself as head of the working class, but as leader of the whole nation. But when he tries to help the whole nation he must often offend the workers whose leader he used to be, and whose organised voices put him where he is. Conversely, when he remembers his position as head of the trade unions he must frequently offend the rest of the nation. The result is that the new regime is already very unpopular; but for all that its grip on the nation is complete.

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London Airport

The report of the Select Committee on Estimates upon the progress of construction at London Airport illustrates how very difficult it is, having decided upon the necessity of reducing capital expenditure, to apply the cuts in detail. The aerodrome at Heathrow, originally acquired for, but never used as, an RAF base, has a development plan which was originally intended to be complete by 1953. The first stage was to finish the runways and temporary buildings, the second to develop maximum traffic on six runways, and the third was to divert the main London-Bath road to the north and to complete a nine-runway airport with permanent terminal buildings in the middle reached by a tunnel. At the moment the first stage is nearing completion and the second has begun. The successive contracts to complete the ground work to the end of the second stage were awarded to Messrs Wimpey because on examination it was found that they were the only firm with sufficient resources to complete the job, although they had not submitted the lowest tender.

The effect of the cuts in capital expenditure has been to reduce by about 25 per cent the amount being spent this year, and to reduce by anything up to one-half the amount being spent over the next four years on the development of hangars and buildings. It also postpones the time when the air corporation can establish their maintenance bases at Heathrow, which in the case of the British Overseas Airways Corporation would effect a saving of £900,000 annually, more than half of it in reduced engineering overheads. Finally, the contractors have been forced to reduce their labour force from 2,000 men to 500. The men, mostly Irish, are housed in a special camp and are quite unwilling to take other work, and if no construction jobs are forthcoming will depart to Ireland. Consequently the Select Committee recommend that the cuts in expenditure be revised to allow concentrated work on the second stage, including the necessary developments to permit the Corporation to establish their maintenance bases there.

Apart from such faraway projects as the Severn Bridge, every project involving capital expenditure can present a convincing case for not being pruned. In view of potential saving in the cost of operating the airlines (and not on the grounds of losing some Irish labourers who will always be attracted here if work exists for them) the development of London Airport probably has as good a case as any. But it would be quite wrong if the rule were to be relaxed in this instance and without reference to the overall demands for capital expenditure, simply because the scheme happens to have come within the purview, and to have

IT has been said that there are three kinds of intelligence:

INTELLIGENCE, HUMAN
INTELLIGENCE, ANIMAL
INTELLIGENCE, MILITARY

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received the backing, of so powerful a body as the Select Committee on Estimates.

* * *

Dock Discipline

Mr Arthur Deakin was perhaps wise not to turn last week's dockers' delegate conference into a post-mortem on the London dock strike. It might, however, have been instructive if he had. There are several rumours in circulation about the nature of the backing that the strike leaders received—not all of it by any means from Communist sources—and it would be good for the political health of the community to know how much truth there is in some, or any, of them. In any future trouble in the docks, the Government and the union leaders will no doubt be on the look-out for outside influences, as well as the purely internal dissidents.

The conference concentrated on its immediate business to devise improvements in the dock disciplinary scheme, which had immediately caused the strike. The fact that few concrete amendments were put forward by branches suggests that dissatisfaction with the scheme was not so widespread as has commonly been supposed. The final proposals, which will be taken up with the Dock Labour Board, will not require any fresh legislation, nor do they involve any change in the arrangements for joint responsibility between management and the union for discipline. Their main purpose is to secure a more liberal interpretation of the existing clauses and more decentralisation in the administration. The men want the period for which a docker can be suspended from payment of the guaranteed wage limited to 14 days (the imposition of a penalty of 13 weeks' suspension had led to the strike) and they suggest that joint section committees, covering smaller areas, should be responsible for administering discipline.

Mr Deakin has been holding an inquest of his own into press criticisms that the Transport and General Workers' Union is too big and centralised. As leader of the world's largest labour union, he is naturally a believer in the doctrine that size means strength and argues, in his union's monthly Record, that a big union can cater more efficiently for its membership than a small one, because it is richer (the transport union has funds of over £5,000,000) and can draw on a wider field of administrative talent. Mr Deakin denies charges that his union includes too many different groups to represent the sectional interests adequately, and that the union officials are remote from the rank and file.

Mr Deakin is perfectly right in saying that the question of size is irrelevant, but his defence does not really explain away the hard fact that the London dock strike spread and continued against the authority of the union, and that it was Mr Attlee, the bourgeois politician, who succeeded in getting the men back to work, where he—the supposed champion of the men—had failed. The trouble was the men's misplaced sense of loyalty—they gave their allegiance to the strike committee rather than to the union leaders. However, this was not a prime cause, it was an effect of some deep failure in human relations, which will not be cured by Mr Deakin's airy pretence that nothing is wrong.

* * *

A Salve for Conscience

Some stir has been caused by an allegation appearing in the introduction to the 1948 edition of Crockford's Clerical Directory, to the effect that the atomic bomb was only used on Hiroshima and Nagasaki because of a Japanese threat to massacre all Allied prisoners of war held in Japan if a landing were attempted in any part of the Japanese home islands. The writer did not claim to know whether this story was true or not, but called on the authorities with official knowledge of the facts to disclose them, adding that "if it is true, we think that the tenderest conscience would be relieved permanently of all scruple and doubtfulness."

The American State Department has promptly denied the truth of this version and has repeated President Truman's declaration, that the atomic bomb was used simply in order to shorten the war. But the twinges of conscience are still widespread and it is not only among devout Christians that minds are seeking to be delivered from "scruple and doubtfulness" about the atomic bomb. Not least among the scientists themselves are there searchings of heart such as have never before existed about the uses to which the progress of scientific knowledge is put. The prospect of the ruin and devastation which would be caused by the use of atomic weapons in a future war is indeed the great fear overhanging this generation.

It must nevertheless be pointed out that as a weapon of mass destruction the atomic bomb differs in degree rather than in kind from other means of warfare which have ceased to evoke the same horror and indignation. About 100,000 persons are believed to have perished in the great American air attack on Tokyo on March 9, 1945, when 15 square miles of the city were destroyed with high explosive and fire bombs; the atomic bomb on Hiroshima merely killed a comparable number with one explosion. Yet the divine who seeks a salve for tender consciences about Hiroshima does not seem to think that the area bombing of cities with ordinary bombs requires equal justification. The fundamental division in principle is not between atomic and other bombs, but between the selective war against combatants and military objectives, approved by international law and usage in the eighteenth and nineteenth centuries, and the total war against populations practised by both sides from the air in the last war. *Unfortunately there does not seem to be any ground for hoping that, if there is another war between Great Powers, it will not be total.*

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Arab Moves in Palestine

The reported union under a single command of the Iraqi and Transjordan forces in Palestine suggests yet another shift in the pattern of Arab politics. The difference between Iraq and Transjordan, which appeared in their voting on opposite sides in the Arab League on the truce resolution, was fundamentally that between a Government which had to consider a vocal and hostile public opinion and an absolute monarch who did not. The new development, if confirmed, would mean that the Iraqi Regent, Amir Abdulillah, had been able to assert himself at home and move closer to his Uncle Abdullah. The Arab Legion is known to be very short of ammunition. The Iraqis, who have done less fighting, may have more. However, ammunition is nowhere plentiful in the Arab world. The British have been keeping the truce, while it seems that the Soviet suppliers of Israel have not.

The Iraqi troops were assessed, before May 15th, as among the best the Arabs had, as good as the Arab Legion. During the fighting in Palestine, they did little to justify this opinion, but it does not appear that they were there in any force. The long haul over the desert highway from Baghdad has been a handicap. But Israeli reports this week of "large-scale war preparations" at Mafraq in Transjordan may, if they have any foundation at all, refer to some regrouping which has been going on. Probably there were a certain number of Iraqi troops already based on Transjordan before the second cease-fire came into force.

The merger of forces and any other dispositions which may have been taken are almost certainly defensive in their aim. The Arabs are in no condition to plan an offensive, and the defence of what they hold might well be more than they could manage, if hostilities were to reopen. On the other hand, a joint Transjordan-Iraqi force would be better able to keep an agreed truce than the two acting separately. And the association of the Iraqis with Transjordan would isolate Syria, the only Arab state which still seems to want to go on fighting. Egypt, as the third state with troops in Palestine, has another uncomfortably long line of communications. And the Sinai desert road, though tarred, is in nothing like such good condition as the Haifa-Baghdad highway. It may well be that the Egyptians will find it too expensive to hold on to Gaza and southern Palestine indefinitely, and will become more willing than they have so far been to allow King Abdullah a secondary and precarious outlet to the Mediterranean through the south.

* * *

MacArthur Quotes Roosevelt

One of the principal aims of the original American programme for democratising Japan was to build up a strong trade union movement. In recent months, however, the American authorities in Japan have been looking more and more askance at the actions of certain Japanese unions, particularly those which are under Communist influence—for the Japanese Communists, though they have achieved very little in parliamentary elections, have had considerable success in the field of trade union organisation for which they had plans ready before anyone else. On the economic side American policy has been to get a balanced budget and halt inflation as a prerequisite for industrial recovery; but this has meant a check on increases of salaries and wages of state employees, whose incomes have in any case been lagging far behind the continual rise in the cost of living.

Japanese private capitalism, on the other hand, has proved very adaptable to the new order of things; in order to avoid trouble many industrialists have not only granted substantial wage increases, but have maintained full-time union officials on their payrolls and provided them with office space and printing equipment. As a result, rates of pay and union privileges in private industry have risen well above those in state employment, and the highest rates have been those paid by the American Occupation authorities to their Japanese employees, which are charged to the Japanese budget under Occupation costs. All this has naturally caused much discontent among state employees, which was specially worked up with an anti-Government political emphasis by the Communist-influenced Railwaymen's and Communications Workers' Unions. Go-slow tactics on the railways—which are state-owned—seriously affected the movement of goods and began to impede industrial recovery.

Then on July 22nd came a bombshell from Supreme Allied Headquarters in the form of a letter from General MacArthur to the Japanese Prime Minister declaring that public servants had no right to strike or engage in "struggle tactics" intended to disrupt essential services. The Government treated this message as an order and issued a decree depriving all state and municipal employees of the right to strike. The sudden decision caused something of a crisis, though the effects were less disturbing than was at first expected; the threatened protest strike of the Communications Workers had to be called off owing to lack of support from local branches and the two Left-wing Socialists in the Cabinet—one of whom is Minister of Labour—went back on initial intentions to resign. But Mr James S. Killen, Vice-President of the Pulp and Paper Mill Workers' Union of the American Federation of Labour and head of the Labour Division of Allied Headquarters in Tokyo, resigned in protest at General MacArthur's "denial of the right of collective bargaining to legally constituted unions."

Against this reproach General MacArthur relies on a supramundane authority; he triumphantly quotes the late President Roosevelt as saying that a strike by government employees is "unthinkable and intolerable."

* * *

Korean "Independence"

The independence promised for Korea "in due course" by the Allies at the Cairo Conference has now been formally achieved. But the nation remains split in two by a frontier unknown to Korea's past history—the 38th parallel of latitude which was agreed on during the war as the boundary between American and Russian zones of postwar military occupation, and became the line of division between two opposed political systems. After prolonged negotiations had failed to obtain Russian consent to any political unification of Korea which would not have assured the national ascendency of the Communist-controlled *bloc* administering the Russian zone, the United States decided to hold elections for a constituent assembly in their zone and go ahead with preparations for an independent Korean state, treating North Korea as an area temporarily detached from it. The American military government has now been terminated and the Korean Republic proclaimed in Seoul with Dr Syngman Rhee, the former head of the Provisional Government set up in exile in 1919, as its first President. But though American control has formally come to an end, American troops are to remain to protect the new-born Republic against attack or infiltration from the rival Communist regime north of the demarcation line.

The situation is similar to what it would be in Germany if there were no sectors of occupation in Berlin, the difference being that the Russians would then hold the capital for their *protégés*, whereas in Korea it is the Americans who, by the zonal division of the country, have been in possession of the capital, Seoul. It is hard to overestimate the psychological importance of having the capital city when a country is divided between rival regimes, for the habitual identification of the capital with the source of state authority means that the appearance of secession and rupture of national unity is incurred by the side which has to set up its government in a provincial town. This is one reason why the Russians attach so much importance to gaining complete control of Berlin.

In Korea the advantage of holding the capital rests with Dr Rhee, and the majority of the Korean population—augmented by refugees from the north—lives in the territory controlled by his Government. But the intensive militarisation of North Korea, which was begun as soon as the Communist administration was set up there, has made the North stronger in arms, so that it would probably be victorious in a trial of strength if the American forces were to be withdrawn. There has been some talk of withdrawing them, whatever the consequences, and freeing America from any military commitment on the mainland of Asia; but it now appears that they are to remain, mounting guard on the frontier between two worlds at lat. 38 deg. N.

Shorter Notes

Marshal Tito's troubles have spread to Trieste. The Communist Party of the Free Territory has split into its Italian and Slav groups—the Italians, who form by far the larger faction, siding with the Cominform against Marshal Tito, and the Slavs, who, though small in number, hold the Party's funds and their modern printing press, adhering to their former leaders. Reports show that the clash between the two factions is much more bitter than the attacks on "western imperialism." The pro-Tito faction, for instance, has been able to prevent the Italian Communists from publishing their newspapers as all newsprint for the Communist press in Trieste comes from Jugoslavia. The odds are thus about even on which faction will win, but the clash should result on an easing of Communist pressure on the Anglo-American zone of the Free Territory. If, as has been hinted, the Italian faction joins up with their colleagues in Italy, the moment might also be opportune for bringing up once more the British, American and French request that Trieste should be returned to Italy.

The one man above all others who would welcome any end to the present interregnum is Major-General Airey, the Military Governor of the Anglo-American zone, who has just issued his third quarterly report on his "caretaker" administration. He stresses once again the impossibility of governing the area satisfactorily since long-term plans are forbidden as they might prejudge the wishes of the still undetermined future rulers of Trieste.

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To the tune of Mr Pollitt's condemnation of the "colonial war" in Malaya, the 4th Hussars and the 2nd Guards Brigade are sailing for Singapore. They will bring the strength of British troops operating against the insurgents up to about a division and a half and they should make it possible for Mr Malcolm MacDonald to carry out his promise to sweep the Communist rebels out of Malaya before the end of the year. The decision to send first-line troops has come none too soon. The continued toll of murders and terrorist raids is weakening the confidence of planters and Malayans alike in the Government's power to protect them. More still might have been done to restore this waning confidence if the traditional leisurely progress by sea had been abandoned in favour of air transport.

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American machine tool makers are worried over the lack of orders for their equipment coming through under the European Recovery Programme, and their disappointment has led them to conclude that the programme is becoming a "gigantic relief project." It is true, as noted in *The Economist* last week, that so far most of the purchases authorised by ECA have been for food and raw materials. However, the authorisations to date are only for US grants to the Marshall nations, not loans. A higher percentage of industrial equipment is likely to start appearing on European buying lists when the current negotiations for ERP loans are completed.

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The European edition of the *New York Herald Tribune* fills an important need by its decision to devote one of its six pages every month to a survey of the progress of the European Recovery Programme. There is too little news in the daily press of the details of European production and the changing pattern of trade which is emerging. The first survey last Saturday revealed, for instance, that steel production in all the great steel-producing countries, except Germany, is well above the prewar average, that exports to Eastern Europe (except Russia) had dropped to 44 per cent of what they were in 1938, and that the petroleum needs of the ERP countries will in 1951 be more than twice the amount consumed in 1938. Such figures provide a useful guide of what is happening in Europe; they should also serve to drive home to the lay reader the importance of ERP.

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In *The Economist* of August 14th it was noted, in discussing the report of the Select Committee on Estimates upon the petrol consumption of Government departments, that the National Debt Office had accounted for 7,600 gallons. In fairness to that body it should be pointed out that it controls the Trustee Savings Banks, which have some 900 offices in all, and that these excellent institutions, whose funds now total some £870 million as against £300 million in 1938, are operated on a petrol expenditure of about two-thirds of a gallon each per month.

Letters to the Editor

European Currencies and the Dollar

SIR,—May I suggest that we Europeans are busy buying a dollar deficit, at the cost of our foreign investments, of our gold, and finally at the cost of the American taxpayer.

With a free market for currencies, the European gap would of course result in the appreciation of the dollar, thus making American goods more expensive on our markets and discouraging their import; at the same time the exports of our goods to dollar markets would be more rewarding, hence encouraged. Our Exchange Controls have achieved precisely the reverse. These grant dollars to our importers at prices in European currency which are notably lower than the true market value of the dollar. Thus in effect they make dollar goods cheaper on our markets than they should be. There is but one name for this practice; we subsidise these imports.

On the other hand our Exchange Controls do not allow our exporters the true value of their exports. Our European exporters get less for their dollar sales than their true counterpart in European currency: thus we penalise our exporters. Applying proper incentives to imports and proper disincentives to exports we get a very logical result.

May I further suggest that we discriminate against the European producer? We are unwilling to grant him the benefit of world prices. Take Continental wheat: traditional protection held its price far above the transatlantic level; now price controls depress its price well beneath the transatlantic level. It is surely a disincentive to clap a ceiling on the prices of essential European products which are scarce. To round out the paradox, our American friends at the same time provide price support for American goods which are in surplus, such as potatoes.

While we agreed (in the lapsed Wheat Agreement) to guarantee prices for transatlantic wheat over a number of years, no such incentive has been offered in our zone where it might have restored North Africa to the role it played in Roman days.

Before we even dream of discrimination against the American producer—a most regrettable course—should we not redress our present discrimination against the European producer of essential goods. Whether it is coal or wheat, should we not cease to penalise exports to the dollar area and cease to subsidise imports from across the Ocean?—Yours faithfully,

BERTRAND DE JOUVENEL

6 Avenue du Général Detrie, Paris

From *The Economist* of 1848

August 26, 1848

IN another part of our journal we published two petitions against the Factory Act, growing out of the prosecution lately instituted against Messrs. Jones, Brothers and Co. The petitioners have much to complain of. The girls of losing good wages, the employers of the uncertainty of the law and of being unable to make the most profitable use of their capital. At present the evils may not be so much felt, though now there are a great number of hands out of employment in the manufacturing districts; but when Europe is restored to tranquility, when all the energies that are now directed to the pursuit of political chimeras on the continent, shall be concentrated on the production of wealth, when competition shall be more active and fierce than it has yet been known, it may become a very serious question, whether the fixed capital of this country vested on spinning mills shall produce its owners at the rate of 21 to 16 ounces of yarn per day . . . . The mill being stopped working for three and a half hours, there will be so much less of its produce to exchange for other things, and the girls dismissed from the factory, and losing amongst them £9 18s. 3d. will have so much less to lay out for food, groceries, books etc. Everyone of the trades which supply these articles—the baker, the butcher, the grocer, the sugar planter, the printer, the paper maker—will suffer, to some degree, by the arbitrary limitation placed on the powers of working of Messrs Jones' mill . . . We are as sensible as any of our contemporaries of the evils of excessive labour; but, after all, the factory workers are better off in this respect than most other labourers, and the remedy for excessive toil is something totally different from stopping the motion of those helps to human exertion, which, with a small quantity of labour, do very much increase production and wealth.

Leak in the Dollar Pool

SIR,—The Australian journalist who wrote the enclosed article, which I have clipped from the Singapore *Sunday Times*, has at last put into print a question which many thinking people must have been asking themselves for the last couple of years.

> To a transient from Australia, Malaya's whole gold-dollar position seems—despite Malaya's huge dollar earnings—crazy; to anybody from Britain it must seem more crazy. Australia is so schooled in the rules of the Empire Dollar Pool that, on the whole, she is spending dollars only on articles which either aid Australian development or help Australia to boost food production.
>
> Singapore at first glance—and at second and third glances—is stocked to the roof with gold dollar trinkets and non-essentials which must represent a big gushing leak in the Empire dollar pool. Zany American ties, oversize petrol-eating American cars, American cigarette lighters, fountain pens and shirts.
>
> And to a caller from Australia, well-schooled in the shabby details of English austerity, Singapore's colossal bill for alien firewater is eye-opening. One cannot help wondering whether the kroner that went to buy Danish beer might not have been better spent in such tricky times on Danish butter.

To say that Singapore is stuffed with non-essentials, luxuries and trinkets of hard dollar origin is scarcely to exaggerate the facts. To the few items enumerated anyone could add a list of any length after an hour or so of inspection.

It is probable that Singapore and Malaya are permitted to spend a certain proportion of their hard-dollar earnings upon themselves, yet with an administration under the control of the Colonial Office, and including a Controller of Foreign Exchange and a Controller of Imports and Exports, there is some reason for asking why the expenditure of that proportion is not restricted to essentials.—Yours faithfully,

H. M. SEVERN

Post Box 586, Singapore

Tobacco Shortage

SIR,—Why should we not ration tobacco? Why must we all—including even yourself—assume that the market for coupons which would inevitably develop must be "black"? Is not a black market an illegal market? Why should it be made illegal to sell one's tobacco coupons?

Why cannot the Government issue to every adult of 18 or over coupons entitling him or her to whatever very small amount of tobacco can be made available per head per week, stating clearly on the coupons that they are transferable, negotiable and generally at the absolute disposal of the recipient? With perhaps a footnote to the effect that you are advised to sell them for the highest offer you can get and invest the proceeds in National Savings. The Government would then be handing such tobacco as we can afford to buy to the public to distribute among themselves without any fuss or bother. Those who could not find a better market, but nevertheless wished to sell, could sell the coupons to tobacconists.

This would be rationing through the purse—but applied only to that quantity of this expensive commodity which we may want above our fair share. Everyone will be entitled to a basic ration at the normal price, together with as much more as they could persuade sweethearts and wives to let them have for love. For the rest they must pay—and their demand will govern what they pay.

It may be objected that this will come hard on the poor man who is nevertheless a tobacco addict. But is it reasonable that his troubles should guide our policies? Is it not right that he should be encouraged to take a pull on himself? Almost anyone *can* cut down smoking if he only makes up his mind that he will. Surely this scheme would assist that frame of mind?

Then there is the objection—I suspect the bureaucrat's objection—that all rationing would be brought into contempt if any coupons were freely bought and sold. I have no sympathy with this objection, and don't expect you to; but one might perhaps call it a distribution scheme and label the coupons tickets.

Finally, I am told that if the coupons are saleable, they will inevitably be forged. But clearly we can print coupons which—like pound notes—will be very difficult to forge. This will take months; but does anyone suppose that the tobacco shortage will not be with us for years? Can we not kick off with a spare

page in the food books, and by the time the forgers have got on to this, replace with something that will puzzle them? If the scheme is sound in principle, surely the mechanics are manageable.—Yours faithfully,

A SMOKER

Berlin Generals

SIR,—After reading your paragraph on p. 294 in the issue of August 21st:

> It has taken three weeks of intense thought and careful manœuvring by the professional diplomatists of America, Britain and France to overcome the tactical difficulties created by months of prestige politics practised by the Berlin generals.

May an Air Marshal (retired!) wield his pen in defence of the "Berlin Generals" who assuredly will not be in a position to address you themselves.

Your note paints to me the picture of the generals practising "prestige politics" on their own initiative and without being amenable to guidance from, still less control by, their Governments with the advice of their respective Foreign Departments. This may be the position (I have no other than public sources of information); and, if so, it may be a faulty arrangement to ask for diplomatic duties to be performed by or in the name of commanders trained for military service, though there are, I think, many precedents for such an arrangement.

But is it fair to imply, as to me your wording certainly does, that the generals are to blame for this arrangement? It must have been laid down for them by their Governments. Moreover, each successive move in this "practice of prestige politics" must have been well known to their Governments as, or most likely before, it occurred. These Governments have from the start been in a position to control or change the generals and to determine their "practice" as closely as desired by modern communications.

So that the Governments must bear the responsibility both for the arrangement itself and for its working. In these circumstances the inference of your paragraph seems to me most unfair to our appointed representatives placed in a position of tremendous complexity and responsibility. At such a time and place they need, above all, to feel that they have the confidence and backing of higher authority *and also* of their public opinion at home. This paragraph could only serve to dishearten them.—Yours faithfully,

RICHARD PECK

Grosvenor House, Park Lane, London, W. 1

[The note to which Air Marshal Peck refers was less unsympathetic in intention than he suggests and was intended to refer as much to Marshal Sokolovsky and General Clay as to General Robertson. It is the view of *The Economist* that the Western Governments have allowed their representatives in Berlin to move into tactical positions which offered overwhelming advantages to the Russians. In the course of the Berlin dispute things have been said and done which seemed to weaken rather than strengthen the Western position; for example the demand—never pressed home—that the Russians should leave the Rundfunkhaus, the decision to introduce Western marks into Berlin, and the statements by General Clay suggesting directly or indirectly that only armed attack could dislodge him and his colleagues from the city. Air Marshal Peck is right in pointing out that the responsibility for such happenings lies with the Governments; but there is evidence that the military governors have sometimes been obliged to commit themselves in advance of official instructions. The view of *The Economist* remains as expressed last week that "they should not again have imposed on them such a wide range of responsibilities, especially in economic matters."—EDITOR]

Nothing to Live For

SIR,—Your correspondent Mr D. H. R. Barton wonders what sort of morale beer is supposed to sustain.

If he will consult George Borrow he will find that the Romany Rye has made plain for all time the respective merits of beer and wine in his story of the pusillanimous publican on the verge of apostasy who, by giving up wine-bibbing and taking good ale instead becomes bluff, prosperous and a churchwarden!

If my stevedore customers ever seek to refresh their wearied bodies with "small ports" instead of lashings of beer, I will retire, shuddering, to a milk bar.—Yours faithfully,

"*The George*," *London, E.14.* WALTER SEELEY.

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AMERICAN SURVEY

Mechanising the Grass Roots

(From Our US Editorial Staff)

NO one knows better than the storm-tossed British farmer the difference between crop estimates and harvest realities, but the official forecast of this year's maize and wheat crops in the United States makes it safe to assume that a better than average harvest will be gathered in. If the present promise of plenty is fulfilled, near-record supplies of wheat and record supplies of maize will be on hand this winter.

For wheat the yield in 1948 is estimated at 1,284 million bushels compared to the all-time record of 1,365 million in 1947 and an average yield during the ten-year period 1937-46 of 943 million bushels. For maize, the estimate of 3,506 million bushels is 8 per cent over the previous record, 25 per cent higher than the ten-year average, and 46 per cent above last year's poor crop of 2,401 million bushels. These forecasts probably represent a more fundamental attack on inflation than the credit controls contained in the Bill passed in the special session, to which the Republicans have just obtained Mr Truman's reluctant signature.

Wheat has now reached the state of commodities like potatoes and oranges, whose prices are maintained at government expense. On August 16th, the price of wheat at Kansas City and Minneapolis was $2.18 and $2.19 a bushel, which is just under the support price of $2.20 at Chicago. To the consumer, who is now spending 42 cents for food out of each dollar of his income, compared with 34 cents in normal times, these figures bring some hope. The promise of lower prices does not apply to beefsteak, the cost of which will remain high because heavy marketings, in response to soaring prices for meat, have reduced the herds and to increase them takes time. But there is a real hope for lower prices for poultry and pork, since the supplies can be built up more quickly. Milk, which now costs 20 cents a quart, may be cheaper, and the price of bread is expected to drop as much as a cent a loaf.

To the farmer, out harvesting while the statisticians process the harvest into neat columns of figures, it looks as though the moment were approaching when prices will stop running up hill and when, on their downward journey, they may collide with cost rigidities. But in 1948 the farmer can rely on two buffers. One is the government price support programmes, which will fend off any repetition of the farm disaster of 1920; the other is the reduction of costs through large-scale mechanisation.

On the western prairies, mechanisation has reached fabulous proportions since the end of the war. Trains of huge farm machines clank over endless stretches of wheat. The great plains are probably the most completely mechanised farming area in the world. No one cares, today, whether the farm hand can hitch that anachronism, the horse, or milk that little-known creature, the cow, but he must be a good mechanic. Winters are long, and farm mechanics, owners, and farm hands spend them figuring out how to make bigger machines do more work at a lower cost. Units of standard farm machinery are combined to create mechanical Gargantuas. High power is the chief need, and since 120-horsepower caterpillar tractors have become relatively plentiful, farm geniuses have been able to give their imaginations a loose rein.

For example, on an eastern Colorado farm, a specially built disk plough turns strips of earth 63 feet wide and can prepare 320 acres—half a square mile—in a farmer's working day. One special "rig" works for a few days a year in South Dakota drilling 42 rows of wheat in a strip 35 feet wide. It moves four miles an hour and thus plants more than 160 acres of wheat in less than a farmer's working day; and it is run by one man. This miracle worker is composed of one 120-horsepower tractor and one 35-foot wide Graham Hoeme plough.

This is the new plough now becoming widely popular in the West. It stirs the soil deeply with biting teeth of "chisels," but does not turn it over. Soil thus prepared, with a rough surface of clods, trash, and humus, absorbs all available moisture and resists erosion because there is so little dust for the wind to lift. Behind the first chisels come others set at 10-inch intervals, which furrow the soil, and behind them, hitched in tandem so as to cover a ribbon "only" 35 feet wide, come three smaller Graham Hoeme machines with grain boxes and press wheels added. The grain is dropped into furrows from these automatic hoppers and covered by the press wheels. Necessary repairs are made by a mobile machine kept at the fields' edges, a workshop mounted on a jeep chassis which can weld, drill, or shape parts within a few minutes.

The farmer who uses this equipment says its mechanical costs are only seven cents an acre. The purchase price, including the tractor, is about $13,000. The same man has another such assembled giant which can plant eight rows of maize at once. He says, in spite of the high purchase cost, these innovations never fail to save him the entire purchase price in the first year of their use. The expenditure of time per man to grow either a bushel of maize or wheat is far below the 12 minute American average.

*

Machinery like this requires elaborate machine shop equipment and farms which use it have machine shop inventories worth between $25,000 and $50,000. The reputation of these grass roots mechanics is such that farm machinery companies keep scouts travelling over the great plains watching for new ideas. The main business of the companies is to make standardised equipment to supply the needs of orthodox farmers having fields too small for these trains of machines, but from these agricultural mass production lines flows a steady stream of improvements in farm machinery design, such as, for instance, at least two leading brands of mechanical harvesters for sugar beets.

These large-scale farmers also follow all research in new and improved seeds, as their gains come from increased yields as well as from lowered costs. They are, of course, far ahead of their neighbours, but the consequences of their pioneering are widespread. They buy out adjacent farms and build bigger units. One 40,000 acre farm in the grain country was made up, a decade ago, of nine separate family farms. These inventive agricultural magnates live in the towns, send their mechanical miracle workers out to plant and harvest, and take long vacations. What they have done on the great plains can, of course, be copied only on similar open spaces such as the Ukraine and Argentina. In a period of declining wheat prices they can continue high production and stay in business without fearing bankruptcy. Even in the United States their example can only be followed on a limited scale, because of lack of capital and unsuitability of land.

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

Fight Against Discrimination

[FROM A SPECIAL CORRESPONDENT]

REPUBLICANS and Northern Democrats may vie with one another in Washington to get credit for civil rights legislation without actually passing it, but no such shadow boxing is possible in New York State. The laws enacted by many Northern States in the 1880s to assure Negroes equal access to hotels and restaurants had become dead letters by the early twentieth century. In their place New York State has passed a whole series of laws forbidding "discrimination because of race, creed or colour"—not only in such accommodation (1909), but in public employment (1918), employment by regulated monopolies (1933), in the civil service and public housing (1939), in trade union membership (1940), in munitions factories (1941), and finally in all private employment for profit where there are six or more employees (1945).

This last of the series adds "or national origin" to "race, creed or colour," extending explicitly to all those of foreign birth or ancestry the protection intended for Negroes, Jews, Roman Catholics, and the other "racial" and religious minorities in which America is so rich. It has served as a model for other States and is likely to continue to do so. New York and New Jersey have had three years' experience of anti-discrimination laws based on the same report of a New York commission, Massachusetts has had two, Connecticut one. The cities of Chicago, Milwaukee, Minneapolis, Cincinnati, and Philadelphia have adopted similar ordinances, and Bills based on the New York law are introduced regularly in more than a dozen Northern State legislatures, 16 of them in 1947.

The movement owes much to the unpleasant resemblance between Hitler's racial theories and those historically dominant in the more backward parts of the South, and spreading into Northern areas where migration has made Negroes a significant proportion of the population. The Detroit and Harlem riots of 1943 contributed to the feeling of urgency, as did shooting affrays between whites and Negroes in army camps, and the increasing militancy of a now-literate Negro population. Three million Negroes, out of a total Negro population of over 13 million, now live outside the South, enjoying full political equality and good Northern board schools.

Moreover, by persecuting European Jews, Hitler awakened American Jews to a new consciousness of their position as a minority, and drove their scholars and the leaders of their lay organisations into active championship of the rights of *all* minorities. There were local incidents to dramatise the issue in each of the four States that have adopted legislation: the Harlem riot in New York, Negro soldiers in Trenton, New Jersey, tearing up the cashier's booth in a cinema theatre when told "Balcony only for coloured"; the brutal beating of a beloved Negro preacher from Hartford, Conn., on a Southern railway carriage; gangs of adolescent Boston toughs invading Jewish neighbourhoods to ask small boys if they were Jews, beating them if they said yes.

So when the time came, the new laws were passed with support from both major political parties in all four States. In New York, Governor Dewey, though criticized for delaying the passage of the law for a year, has given its enforcement every support. These new State and city laws against racial and religious "discrimination" in employment differ markedly from the old civil rights laws of the 1880s, in that they are enforced by administrative process instead of by criminal law. Under the old laws, a Negro denied service in a restaurant may, if he is determined enough, get a prosecutor to act; he may even win his case and see a small fine assessed. But his chance of permanently changing the restaurant's practice is very slight.

To assure the much more important new civil right of equality of opportunity in employment, a gentler but more effective device is provided, the threat of publicity. The laws require the use of "conference, conciliation and persuasion" as the first step after investigating a complaint for "probable cause." So far, in not one of the four States has the next legal step been taken of calling a public administrative hearing of all sides of the case, before commissioners specialising in this law. After the hearing the commissioners may issue a "cease-and-desist order," but this has no force of law. If it is not obeyed, the State takes the case to a court of equity and prays for an injunction to enforce the law (not necessarily the order). Some months after successful conciliation, the administrators investigate again to see if the employer—or trade union, or employment agency—is keeping its word about obeying the law.

How effective are the laws proving to be? The bulk of the complaints, from 60 to 80 per cent, come from Negroes, the next largest number from Jews, the rest mostly from Italian-Americans and other recent immigrant stocks. The National Urban League, a Negro social service agency, recently conducted a survey, unpublished as yet, by asking its secretaries in 25 cities (mostly Northern) to enumerate the Negroes they could discover who were employed on January 1st in private enterprise for profit outside wholly coloured areas, and in more than menial jobs. Employment in public service and social welfare agencies was omitted because the Negro secured a foothold in them long before private enterprise let down its bars.

It was found that 7,734 Negroes were employed in the 25 cities as black-coated or professional workers, positions almost entirely out of the reach of Negroes a few years ago. New York, with 2,613 Negro technicians, clerks, and professional workers, and Chicago, with 2,524, led the rest by a wide margin. But in Chicago the figures are deceptive, for almost all the Negroes are employed by Chicago's big mail order houses and never meet the firm's customers.

If Chicago is included, four cities, New York, Boston, Newark, and Hartford, all in States with anti-discrimination laws, are seen to have provided just under half the total of coveted job opportunities. But if Chicago is omitted, the record of the cities in States with fair employment laws is outstanding. Of the 4,850 Negro black-coated workers in the 24 other cities, 77 per cent were found in New York, Hartford, Newark, and Boston.

It is also useful to compare the work of the new State agencies with the achievements of the Federal Fair Employment Practice Commission, which during the war tried to stamp out discrimination in employment by threats of cutting off workers and supplies from firms with war contracts. The FEPC settled an average of 1,000 cases a year for the whole of the United States, leaving 1,400 more unsettled. The four States with new civil rights laws can point to the fact that they are settling 1,200 cases a year on very little more money, combined, than the FEPC commanded.

Perhaps more important than the laws themselves are the public opinion which has called them forth, the public and private research and education that accompany them, and the new habits of working together, on the job and in public affairs, that the movement fosters.

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American Notes

Campaign Plans

Mr Wallace, who, unlike Mr Truman and Governor Dewey, is free to devote all his time to campaigning, is already out beating the Jim Crow bushes. Governor Dewey's statement that he favours Italian trusteeship for the Italian colonies is a reminder that, with the election now only nine weeks away, the major campaigns are about to start in earnest. There are, of course, substantial Italian minorities in New York (which contains a third of the country's 1,600,000 Italian-born) in Pennsylvania, California, and Illinois, all key election States, and Mr Dewey is certainly no more immune to such considerations than Mr Truman showed himself over Palestine.

The chief conclusion, however, to be drawn from Mr Dewey's insistence that he has a "solemn obligation" to discuss foreign policy is that he is determined that, while underwriting the Administration's aims on European recovery and Russian relations, he shall not fight this campaign, like that of 1944, with one hand tied behind his back. A Republican campaign acquiescing in Democratic foreign policy and confined to domestic issues would ideally suit Mr Truman's book. A Gallup poll taken since the end of the special session shows that sentiment for restoring rationing and price control on food and clothing has grown from 39 per cent in April to 56 per cent and Mr Truman's appointment of Mr. Maurice Tobin to be Secretary of Labour brings an able and popular figure into the battle to win labour votes for the Democrats.

If Governor Dewey is content to hunt his political quarry outside the ECA and Russian reservations, emphasising in foreign policy only the relatively minor sins of vacillation and blundering, no such restraint is likely at the lower levels. Mr Halleck's broadside charging that the Administration's foreign policy, by inflating foreign aid and defence costs, has been the chief cause of high prices at home, is one pointer towards the trouble Mr Dewey, if he is elected, may have with his party's unrepentant Congressional leaders. In a speech a fortnight ago the Governor accepted the challenge, in a reference to Republicans who would like to restore the "dim, departed, almost forgotten, and surely never to be recovered past."

The story is that Mr Dewey's campaign will be whirlwind and his speeches largely impromptu. But Republican strategy conferences suggest it will be exhaustively planned in advance: no asset will go unexploited, no threat overlooked, no opportunity missed. Mr Warren, unlike many Vice-Presidential candidates, who are chiefly famous for their obscurity, will be given a prominent national role, with careful liaison arrangements to ensure that no contradictions mar the unity of the team. The big cities, which have been the Republican Achilles heel since Mr Roosevelt came to power, will receive special attention. Of particular interest is the admission that the Republicans take seriously the possibility (discussed in *The Economist* of July 17th) that, even if Mr Dewey wins, the Democrats may recapture the Senate. Every effort will therefore be made to bolster shaky Republican incumbents, to tip the balance in States where the Democrats are vulnerable, and to exploit Democratic divisions in the South.

* * *

Closed Shop and Hiring Hall

Just one year after the Taft-Hartley Labour Act came into force, the National Labour Relations Board announced what is regarded as its most significant decision under the provisions of the Act dealing with unfair labour practices. This decision is likely to bring before the Courts the controversial question of whether Congress was within its constitutional powers when it banned the closed shop or whether, as the trade unions allege, this ban was an unwarranted invasion of the principles of free collective bargaining. If the matter goes as far as the Supreme Court, as it is expected to do, the Act will probably have celebrated its second birthday before a final judgment is given.

The NLRB ruled that the hiring hall for seamen, as operated on the Great Lakes by the National Maritime Union of the Congress of Industrial Organisations, violated the closed shop provisions of the Act. Under the hiring hall system, employers are required to hire men supplied by the union: the NLRB objected not to this, but to the discrimination exercised by the union against non-members when supplying the shipping companies with personnel. This decision applies only to Great Lakes shipping, but similar decisions are anticipated in cases now pending in connection with shipping on the Atlantic and Gulf coasts. On the day the NLRB published its ruling, the NMU reached an agreement with shipping firms on these coasts, which retained the hiring hall until such time as a Court of "competent jurisdiction" should determine its legality. The NLRB has condemned such attempts to get around the ban on the closed shop and the union intends to appeal against the NLRB decision on the hiring hall. Labour could hardly have found more favourable ground on which to fight the closed shop issue, since there is general agreement that the hiring hall brought much-needed order to the chaotic abuses which had previously prevailed in the employment of seamen. The NLRB itself refused to comment on the contention that the peculiar characteristics of maritime employment require regulation of the supply of labour.

This case has obvious bearings on the typographers' disputes which have been going on in a number of cities during the past year. NLRB trial examiners have so far reported on about half of these cases, but the Board itself has not yet given any decision. The most important report was on the charges brought by the Newspaper Publishers' Association against the International Typographers' Union of the American Federation of Labour, in which the union was held to be attempting to maintain closed shop conditions.

A strike amongst dock workers on the Pacific coast is also threatening over hiring hall and wage questions, but the dispute with the longshoremen on the Atlantic coast is over changes in premium pay for night work. The difficulty arises out of a recent Supreme Court decision on the basis on which overtime pay for dock-workers is calculated, which involves a substantial addition to the rates at present prevailing. The strike has been postponed for eighty days by an injunction under the emergency provisions of the Taft-Hartley Act. The injunction against the strike of maritime workers expires on September 2nd but it seems probable that the other unions involved will follow the example of the National Maritime Union in reaching an agreement. The NMU has won wage increases of from $12.50 to $25 a month, similar to those given by other shipping companies to the AFL Seafarers Union while the negotiations were in progress.

* * *

Medicine for Shipping

These wage rises will mean a further increase in the excessively high costs which are the chief complaint of America's permanent invalid, the shipping industry, which is once again sinking back into its chronic depression. It has been apparent for some time that the war was only a temporary, even if a very successful, cure for the illness of this industry and its poor state of health is particularly trying when compared with the rapid recovery of its foreign rivals and the abounding energy of the rest of the American economy.

Obviously it is the duty of the family doctor, the United States Maritime Commission, to provide a tonic. He has been pressing his usual prescription—subsidies—for some time, but the patient complained that the remedy was not strong enough. The subsidies are intended to offset the difference between American and foreign shipbuilding and operating costs, and the USMC has been offering to pay about 30 per cent of the total cost of new passenger ships. Congress at its recent session failed to take a hand in the treatment, and the Secretary of Defense insists that a cure is urgent. Moreover, $84 million, nearly half of the USMC's available funds, will lapse if not pledged within the next five weeks. So the Commission has at last brought itself to agree with the shipping lines that its estimates of foreign shipbuilding costs have been too high and that a subsidy of 45 per cent is justified, although not one of 50 per cent as the companies were demanding. As a result, two passenger vessels, the first built in American yards since the war, are to be constructed for the use of American Export Lines in the Mediterranean; an operational subsidy, as well as the building subsidy, will be paid by the USMC, which will also bear the cost of special defence features in the ships, such as their speed of over 25 knots. Three passenger cargo ships for round the world service have been ordered for the American President Lines and bids have been asked for the largest and fastest passenger liner ever built in America, to be operated by the United States Lines in the North Atlantic.

The Department of Justice has also prescribed some medicine, but not only did it disregard the patient's aversion to free competition, but it offered its advice without being consulted and was implicitly critical of the family doctor. It is not surprising that this drastic purge is being indignantly rejected by the patient. The Department asserts that the Far East shipping conference, dominated by foreign lines since only six of its 25 members are American, is breaking the anti-trust laws by conspiring to monopolise the cargo trade of the Orient. It charges the conference with violating "the American ideal of competitive enterprise" by its system of exclusive patronage contracts, which are also used by many other shipping conferences to avoid rate wars. The Department holds that such contracts are contrary to the 1916 Act which exempted shipping conferences from the anti-trust laws. Under the Act the USMC has the duty of approving such agreements, and it is affronted at the suggestion that it has ever permitted foreign lines to set rates or to dominate American steamship companies. This difference of opinion between the two agencies is no new development, and the USMC probably shares the view of the shipping interests that the indictment menaces the stability of the whole shipping world.

* * *

Peacetime Conscription

Next Monday is R-day, and newly restored draft boards will start taking the names of the younger brothers and even the sons of the men they called up between 1940 and 1946. Under the Selective Service Act of 1948 all civilian males between 18 and 26 must now register for 21 months of military service. Although there are some eight and a-half million in this age group, the new draft law, which expires at the end of two years, provides so many exemptions that only a few of this number will actually put on uniform. It is estimated that there will be about 600,000 eligibles, of which the Army will need 250,000 in the first year. The Air Force and Navy are up to strength, so that, at least for the present, the draftees will not be inducted into either of these Services. After a certain amount of objection from the National Security Resources Board, which deplored the depletion in the ranks of skilled labour, it has been decided to call the eldest men first, though as most of them were in one or the other of the services during the war and are, therefore, exempt, it will be the younger men who will make up the majority of those selected. Politics probably have something to do with the fact that inductions are not expected to begin until after election day in November.

The time since the draft law was passed has not been wasted by those men becoming eligible for service. Some spring courtships have been hastened into summer weddings (married men have been deferred by an Executive Order); many thousands have volunteered for the Navy and Marine Corps, and the Army is also well satisfied with the way recruiting has flourished—in July enlistment figures were around 50,000. The law provides a popular training programme for boys of 18; with the consent of their families they are invited to enlist in any one of the Services for 12 instead of 21 months. Besides serving a shorter time than the older recruits, they are better able to wedge their military service in between school and college or to complete it before taking a job. Such large numbers have taken advantage of this opportunity that many a 17-year-old fears the 161,000 quota for this age bracket will be filled before he reaches his eighteenth birthday. Religious groups, on the other hand, have demonstrated their disapproval of conscription, and they have observed a Sunday for "mourning and repentance." Some Quaker groups favour "civil disobedience" and offer assistance to conscientious objectors.

Three years of demobilisation finds the Army short of the officers who will be needed to train the incoming draftees, and while some reserve officers have volunteered, it is feared that the ablest soldiers think that their war service sufficiently interrupted their civilian pursuits. The problem of doctors in the Service is even more acute than that of line officers, and, as almost none of the medical profession will be found among the recruits or the draftees, the Army will probably ask Congress for powers to draft doctors. If such an amendment is passed at the next session, the first to be called would be those who were given their medical education at Government expense during the war.

* * *

Singing in Minor Political Keys

Since the Civil War only three Presidential candidates, other than those nominated by one of the two major political parties, have managed to carry even a single state and thus collect any votes in the electoral college—James Weaver, the People's candidate in 1892, and two Progressives, Theodore Roosevelt in 1912 and Robert La Follette in 1924. Except in those three years the minor party vote has never been more than six per cent of the total vote cast and it has been declining fairly steadily. Yet there have usually been at least four minor parties running candidates for the Presidency, and this year it looks as if there may be nine of them singing for their suppers in the White House.

Mr Gerald K. Smith, who stood for the America First Party in 1944, has this year been nominated by the Christian Nationalist Crusade, an even more violently isolationist organisation, and the Texas Regulars and Independent Democrats of that year have been replaced by the "Dixiecrats," the rebel Southern Democrats whose candidates are Governors Thurmond and Wright. On the left wing of the Democratic Party there is, of course, Mr Henry Wallace, who is expected to attract the three or four million votes that traditionally go to a Progressive. The Communist Party at its recent convention put its official seal on the support which it has been giving to the Progressive Party and which the Progressive Party could well do without. The readiness of the Communists to work for a candidate who believes in "progressive capitalism" is understandable if it is remembered that in 1940, when they last ran a candidate for the Presidency, he polled only 46,000 votes; even at the height of the depression, in 1932, the party received only 103,000 votes.

In that year, Mr Norman Thomas, the hardy Socialist quadrennial, polled nearly 845,000 votes, a record for him. Mr Thomas reported on the three Philadelphia conventions for the *Denver Post* in order to raise money for his sixth campaign. He sees himself as the alternative to "a Communist peace, Truman's confusion and Republican conservatism." Many independent voters will sympathise with this view but few will express their sympathy in the polling booths; in 1944 the Socialist vote was only 79,000. Mr Thomas is not even the only Socialist competitor. The Socialist Labour Party has run a candidate fairly regularly for over fifty years, longer than the Socialist Party proper; its champion, Mr Edward Teichert, gained 45,000 votes in 1944. He is a follower of Karl Marx as interpreted by Daniel De Leon and stands for "an industrial republic of labour." The Socialist Workers' Party, supporting its own candidate for the Presidency for the first time this year, is apparently a Trotskyite party and intends to "mobilise the masses for a Workers' and Farmers' Government."

The Progressive convention gave the impression that Mr Wallace had collected all the "antis" and "one purpose" groups around him, but not only do the Socialist parties find their solitary point of agreement in their opposition to him, but the American Vegetarian Party is asserting its independence by putting up a candidate for the first time. It complains, however, that Mr Wallace has stolen some of its thunder. It is not so surprising that neither the Greenback Party nor the Prohibition Party have allowed themselves to be absorbed, since both first appeared on the ballot in 1876. The last Greenback candidacy was in 1884, but the Prohibitionists have been running candidates without a break. The Greenbacks take their name from the slang expression for paper currency and they propose to put "100 per cent greenback reserve behind all bank demand deposits to stop the boom-bust cycle." The Prohibition Party collected nearly as many votes as the Socialists in 1944 and this year it has the advantage of the only candidate who was born in a log cabin, a qualification for the Presidency that is becoming very difficult to acquire.

Shorter Notes

The Interstate Commerce Commission has confirmed as permanent charges the three temporary increases in railroad freight rates which have been granted since October, 1946. With adjustments recently announced, these amount to 22.6 per cent. Railway managements had asked for increases totalling 29.2 per cent, and they are expected to seek further relief this year, since costs are still rising and they are faced with new claims for higher wages which seem likely to be granted.

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The sixty-sixth season of the Metropolitan Opera will take place after all. The 1948-49 season was cancelled recently because the management refused to meet union demands. After further negotiation, the employees have decided to sign contracts for another year on the same terms as before.

*

Next month "buying on tick" will become a little more difficult due to the anti-inflation Bill passed at the special session. Congress authorised the Federal Reserve Board to restore the wartime curbs on instalment buying; this will mean stricter terms for the consumer, who will be obliged to make larger initial deposits on purchases costing over $50 (one-third in the case of cars) and to finish payments in 15 or 18 months. But anything from a new roof to a diamond ring can still be bought on the instalment plan.

THE WORLD OVERSEAS

Canada's New Leader

(From Our Canadian Correspondent)

THE Rt. Hon. Louis St. Laurent, who will become Prime Minister of Canada when he takes the place of Mr Mackenzie King this autumn, was born 66 years ago. His father was French-Canadian, his mother Irish-Canadian, and he is, of course, Roman Catholic. Until eight years ago, he was a lawyer in Quebec City, a very able lawyer with a nationwide reputation. He could scarcely be called non-political, because in the Province of Quebec politics pervade everything, but at least he had not previously run for any political office.

In 1940, however, Mr Mackenzie King lost his Minister of Justice and right-hand man, Ernest Lapointe. Mr St. Laurent was brought in to the Cabinet to make good the loss. No doubt there were staunch party men who resented the intrusion of an outsider at that time, but this month, at the Liberal convention called to choose a new leader, Mr St. Laurent got 848 out of the 1,227 votes cast on the first ballot. It was an overwhelming victory for the newcomer.

Mr St. Laurent's political career has been marked by only one incident of outstanding importance. This was in the conscription crisis of 1944, when, after various expedients, Mr Mackenzie King finally decided that conscripted men would have to be sent overseas to reinforce the Canadian Army in Europe. Mr St. Laurent stood firm beside him, and many people said that, considering the unreasoning French-Canadian antagonism to any form of military conscription and, above all, to conscription for overseas service, this was political suicide. But in the general election that came a few months later Mr St. Laurent got the largest majority in the history of his constituency—larger than it had ever given to the great Lapointe.

In spite of this political triumph, Mr St. Laurent is not at his best on a political platform. Quiet, scholarly, even erudite, he is more at home at a meeting of the Bar Association or receiving an honorary degree at a University Convocation. He is most courteous, even courtly. He speaks elegant English—indeed, the linguists say that his pronunciation of English is more pure than his pronunciation of French, which, despite his Irish mother, is his native tongue. The House of Commons listens to him with attention and respect, for he can quickly grasp the essentials of a complicated situation and see the point of an involved argument.

Only once has he seemed to wander from the path of strict political honesty. As Minister of Justice, he was responsible for the secret Royal Commission which investigated the great Canadian spy ring in 1945-46. It happened that, at the end of 1945, he had to tell the House what Orders-in-Council were still outstanding under the War Measures Act, and, perhaps inevitably, he omitted to mention the Order under which the Commission was then secretly working. But it is a pity that, when he was later charged with misleading the House, he did not openly admit that he could not then have made any statement which might have led to a disclosure of the Commission and its work.

Strong Supporter of Western Union

When Mr Mackenzie King decided to divest himself of the responsibility for External Affairs, which had traditionally been the task of the Canadian Prime Minister, Mr St Laurent became the Secretary of State for that department. Since external affairs are largely non-partisan, the position has suited him well, and he has filled it with distinction both at home and abroad. In recent months he has taken a lead both in Ottawa and Washington, in sponsoring North American military guarantees for Western Union. Once again he is taking a line diametrically opposite to the tradition of his native province which has been strongly isolationist. But now that foreign entanglements can be interpreted as alliances against Godless communism there is less opposition than when they could be held up as British imperialism.

On purely domestic issues his views are not widely known. He seems to stand to the right of centre, both within the Liberal Party and also in the country at large where the party occupies a central position between the Socialists on the left and, on the right, various groups that can be broadly classified as Conservatives (the national Progressive-Conservative Party the *Union Nationale* in Quebec, and the Social Credit Party in Alberta). In one speech, given several months ago, he vigorously opposed any subsidies for housing from the federal government. On the other hand, he has supported the recommendations of the Rowell-Sirois Report (1940), which called for an extension of social services based on a redistribution of powers and revenues between the Dominion and the provinces; indeed, as the Commission's Counsel, he may well have had some influence on its conclusions. Moreover, the same Liberal convention which chose him as their leader endorsed proposals, put forward by the Government in 1945, that go even farther along the path of social security.

Liberal Opposition to Provincial Rights

This puts the Liberal Party and its new leader on the side of centralisation of powers and revenues, and against "provincial rights." Strangely enough, it was on exactly the opposite side of the same broad issue that the Liberal Party, led by Wilfrid Laurier, another French-Canadian, came into power in 1896. At that time it was the Conservatives who had been favouring political centralisation together with industrial protection and expansion. For most of the time since then the Liberals have been in power (except for two unsettled periods, 1911-1919 and 1930-35). They have usually stood, both under Laurier and his successor, Mr Mackenzie King, for decentralisation and for provincial rights. This Liberal era was marked by Privy Council decisions regarding the Canadian constitution that have made it a great deal less centralist than (according to most historians) the Fathers of Confederation intended it to be. Now, however, it is the Liberals who favour centralisation (although not with the same violence as the Socialists), while the Conservatives, seeking to stem the tide of social legislation and government regulation, are on the side of provincial rights.

The position of the Conservatives as the champions of provincial rights is being strengthened by developments in the Progressive-Conservative Party. Its leader, Mr John Bracken, has resigned, ostensibly because of ill-health and to admit a younger man. This is the work of an aggressive group, centred in Toronto, who want to get the national leadership for Mr George Drew, Premier of Ontario. Since they have got Mr Bracken out, they will probably get Mr Drew in. Mr Drew, of Ontario, and Mr Duplessis, who got back into power in Quebec in 1944, have together, and perhaps with some measure of collaboration, defeated the centralist overtures of Ottawa arising from the Rowell-Sirois Report. Within the past two months both of them have held provincial elections in which the issue of provincial rights bulked large. Mr Drew was returned with a big but diminished majority; Mr Duplessis with a big and substantially increased one. Interestingly enough, Mr St. Laurent took an active but apparently not very successful part in the Liberal Party's provincial campaign against Mr Duplessis.

People are beginning to speculate on what sort of government Mr Drew might form in Ottawa if he got the opportunity. He would have his own followers labelled Progressive-Conservative from the three Maritime Provinces, from British Columbia and from his home province of Ontario. He would also have some from Quebec, and others from the Duplessis camp labelled *Union Nationale*. On the Prairies, where the name of Drew epitomises the unwillingness of the richest province to "share the wealth," he would have no direct following but would get co-operation from the Social Credit party which has, this month, firmly re-established its hold on the provincial government against the opposition of Liberals and Socialists.

The question that the Liberals were asking at their convention earlier this month was: who can maintain the Liberal tradition of a truly national party, of Canadian unity, against the rise of socialism in various parts of the country and against the unholy alliance that Mr Bracken's successor might piece together? Looking to the next election, in 1950 at the latest, they were wondering how they could keep the held over Quebec which they had maintained since Laurier's success in 1896 and which Mr Duplessis is now challenging. To this problem Mr St. Laurent was the obvious answer. His overwhelming victory will give the party a sense of solidarity and purpose. (The contrast with the antics that accompanied the Republican and Democratic conventions in Philadelphia in July also gave all Canadians a sense of the dignity of Canadian politics.) But he is not the ideal party leader. His inexperience, his firmness which may turn out to be stubbornness, his lack of common touch, and his ignorance of the hurly-burly of ward politics, all count against him. And so, of course, does his age. This factor alone will prevent him being another Laurier or another Mackenzie King who respectively led the party from 1887 to 1919 and from 1919 to the present day. There are a number of exceptionally able Liberal ministers around the age of fifty who would, in the opinion of many Canadians, make better leaders in the long run. But for the moment, and for an election next year, Mr St. Laurent is almost ideal. And he may be counted upon to carry out the duties of Prime Minister with dignity and with honour.

Russian Tactics in Berlin

EVER since the battle over Berlin became fairly joined between East and West, the Russians have made every effort to persuade the 2,500,000 Germans in the western sectors that their salvation lay with Russia and not with the "rather windy air bridge" of the western Allies. After having succeeded, by their blockade of the three western sectors of the city, in depriving the inhabitants of all fresh meat, and practically all fresh fruit, vegetables and milk, in reducing the domestic consumption of electricity to four hours daily, and in forcing all tram and underground services to stop running at six in the evening, the Russians then sought by various offers of food and fuel to show that only they were willing to take practical steps to alleviate the distress of the Berliners. At the same time they have taken every opportunity to insinuate that the western Allies were trying to dismember Berlin just as they were trying to dismember the rest of Germany. While the Russians have tried to assume unilateral control of various aspects of the city's economy, such as currency and food distribution, in order to present the Germans with the *fait accompli* of sole Russian control, the Anglo-American countermeasures which have thus been provoked have lent colour to the charges of Anglo-American "separatist and divisionist measures."

The Soviet offer of July 20th to feed the whole of Berlin was called an "act of unexampled humanity and generosity" by the Soviet-controlled paper *Tägliche Rundschau*. It was made, with careful timing, the day after the western Allies announced that owing to the Russian blockade, the increases in the ration scales agreed to at the last meeting of the Kommandatura could not be introduced in the western sectors. The effect of this offer was somewhat marred by the fact that it happened to coincide with an acute temporary bread shortage in three districts of the Soviet sector, the inhabitants of which were forced to borrow from their friends in the western sectors. However, the Russian offer was made to sound sufficiently alluring. The rations provided would include new potatoes and fresh milk. Those registering at shops in the eastern sectors were offered an extra allowance of one pound of sugar, three pounds of potatoes, and one pound of flour, and the Germans to whom this offer was made were not then to know that it would later be withdrawn without any reasons given. On July 21st the Soviet-controlled German Economic Commission announced that it would consider means of improving communications between the western sectors and the Soviet sector in order to make it easier for people to fetch their food. Last week the Russians announced that every Berliner registering in the eastern sector would receive a hundredweight of coal and two extra pounds of flour, and that next month white rolls would be baked for all ration categories in the eastern sector. These successive bribes reflect the poorness of the response to the Russian offer. Only a bare one per cent of the inhabitants of the three western sectors had registered in the eastern sector by August 1st, which was originally supposed to be the last day for registrations.

The Russians have been quick to make use of the dislocation of trade and industry, and consequent unemployment, which is an inevitable result of their blockade of the city. At the beginning of this month 3,410 firms in the western sectors were forced to stop work because of lack of power, and 4,627 had applied to go on short time. Russian propaganda has been suggesting that all economic problems caused by the blockade could be solved if only the works councils and managements would co-operate with the Russian-controlled German Economic Commission, and several offers have been made by the Russians to supply Western firms with fuel, raw materials and trading facilities. On July 22nd the German Economic Commission issued orders to the city electricity undertakings to supply 10,000 kilowatt hours of current daily to the AEG turbine works in the British sector. Undeterred by the British refusal of this offer, on August 3rd the German Economic Commission offered to bring electric cables to those firms in the western sectors which were ready to work for the Soviet economy, as well as to provide them with raw materials. A few days earlier the formation had been announced of a "Trading Company of Greater Berlin," the object of which was said to be "to restore normal trade relations between Berlin and the Soviet zone and to put an end to the stoppage of work in the western sectors." Firms joining the company were offered a supply of raw materials and fuel and an assured market in the eastern zone. The day after the announcement was made the Soviet controlled press announced that fifty unnamed western firms had opened negotiations with the company.

The Russians have accompanied their claim that the Western Allies have forfeited all right to share in the administration of Berlin by increasingly aggressive moves designed to deprive the Allies of their share in the administration of the city and to supersede the democratically elected German *Magistrat* by the German Economic Commission. The economic dislocation caused by their determined efforts to secure unilateral control over Berlin's currency must have had an unfortunate effect upon their campaign to woo the Germans. They authorised the transference of 25 million marks to the *Magistrat* from its blocked accounts in the eastern sector probably because they realised that the *Magistrat's* unpaid German workers would have the perspicacity to place the blame for their lack of wages in the right quarter. But their offer to unblock part of the accounts of western private firms in the eastern sector was vitiated by the "clearly unacceptable conditions" by which it was accompanied.

The British refused to allow the Russians to disrupt the distribution of food in the city by trying to take over half the staff of the *Magistrat's* food department to run their own scheme for feeding the city. And the move of Herr Fullsack, the legal head of the food department, with about 500 of his staff, from the offices out of which the Russians had turned him to new quarters in the British sector was hailed by the Russian-controlled press as a carefully designed British attempt to split the central food office. The suspension on July 26th of Herr Markgraf, the head of the city police, on the grounds that he was fostering Communist influences in the police force, was also claimed by the Russians as evidence that the Western Allies were trying to split the city's administration, in this case by creating a separate police force of "fascist rowdies" under their own nominee Dr Stumm. However, 60 per cent of the police in the eastern sector were unimpressed by this interpretation of Allied actions, and joined Dr Stumm, even though it meant migrating, bag and baggage, with their families from their homes in the eastern sector.

Brazil's Five Year Plan—II

[FROM OUR CORRESPONDENT IN LATIN AMERICA]

IT is an open question whether the remarkable development of air transport has bypassed or merely postponed Brazil's "railway age." If the country's resources are ever to become the lifeblood of its gigantic frame, then its actual predicament seems to be that it has acquired veins before arteries. Yet aircraft themselves are helping to correct this novel development. Virtually the only links between some population clusters, they are carrying road-building materials into the hinterland for a "Transbrazilian Highway." When a Brazilian can take to the road as he now takes

to the air, the pattern of the country's economy will be very different, especially if his car is running on Brazilian petrol. But the *Salte* plan looks only five years ahead.

The power section of the plan lays down a programme to exploit Brazil's petroleum deposits, and to build 15 tankers and two refineries (for which France may supply the materials) capable of handling a domestic production equal to the country's present consumption of 50,000 barrels a day—all imported. Wells sunk in the State of Bahia are not being worked. Their potential output is estimated to be a mere 2,500 barrels a day, and this is the extent of Brazil's proved reserves. The amount of 1,150 million cruzeiros (£15 million) which the planners propose to spend on new drilling is three times more than the Government's total outlay since it first began to hunt for oil 28 years ago. It remains to be seen whether it will assure a domestic production of 50,000 barrels a day in four years' time, as the planners believe. They estimate that, by then, the country will need 80,000 barrels a day. The vexed question of the terms on which foreign oil interests might participate is left severely alone, but Brazil's oil prospects appear to depend on how this is settled more than on anything else.

Hydro-electric schemes (for which Brazil has ample water-power) and the development of a heavy electrical industry are also contemplated. Here, however, financing is left predominantly to the foreign interests such as the Canadian-owned Brazilian Traction, Light and Power Company, Ltd., and the American and Foreign Power Corporation. Between them, they are to supply 6,822 million cruzeiros (£91 million) of the 8,172 million cruzeiros to be spent. This does not include a loan of $90 million which the Brazilian Traction recently obtained from the World Bank with the Brazilian Government's guarantee, for an electricity supply scheme for Rio and Sao Paulo.

Such are the provisions of the *Salte* plan. Brazil has had plans without end, but the imagination is captured by the way the latest one marshals the development problems of the world's fourth largest country. What of its attempt to relate its task to budgetary possibilities? According to the planners, the Government's outlay would amount to no more than £48 million, or 3 per cent of the national income for 1947, which was 120,000 million cruzeiros. This computation, however, allows for recoveries from development loans that are part of the plan. Even so, the proposed expenditure of 8,200 million cruzeiros in foreign currencies would be a cheap price to pay if, as the planners hope, increased domestic wheat and petroleum output during the last two years of the plan were to save more than all its foreign spending. The following table shows what, in fact, the Government proposes to spend.

(in million cruzeiros)

	Ordinary Budget	Internal Loans	Total
Health	2,240	380	2,620
Food	...	3,700	3,700
Transport	6,060	4,070	10,130
Power	1,900	1,350	3,250
	10,200	9,500	19,700

In round figures, foreign capital is to supply (for electric power) £91 million of the £360 million for which the whole plan calls, and State and Municipal authorities a further £8,000,000, leaving £261 million (the 19,700 million cruzeiros shown above) to be found by the Federal Treasury over five years. Of this, £20 million are budget appropriations which would be made in any case for programmes absorbed by the plan, so that £241 million, or about £48 million a year, is the extra strain to be thrown on the country's budget. On the basis of the 1948 budget, this would increase annual expenditure by a quarter. The planners count on raising half of this increase by internal loans, and another sixth by a 40 per cent increase in Brazilian tariffs (agreed at the ITO Conference in Havana) which came into force this month. The loans are to come from exporters, who would subscribe 5 per cent of their sales over the five years to "*Salte* Plan Bonds"; from the Bank of Brazil, backed by its foreign holdings (mainly Brazil's blocked sterling); and from the "prudent" liquidation of coffee stocks held off the market in order to "valorise" Brazil's most important export crop.

Foreign Trade the Key

Much obviously depends on the course of Brazil's foreign trade, and both the planners and the political committee express understandable concern over its present trend. Foreign trade during the first four months of 1948 showed an import surplus of 1,612 million cruzeiros (against an export surplus of 30 million cruzeiros for the same period last year). Import licences have been introduced, but with the United States alone Brazil had run up an import surplus of $49 million from January to May. And there has recently been a steep decline in cotton exports and a drop in the all-important coffee shipments. These are unpromising signs. They hardly point, either to an effective "forced loan" from exporters or, if import restrictions are enforced, to more lucrative tariffs. Nor do they strengthen the economy of a country where inflationary prices seem to resist every control. Brazil's dollar import surplus is proving equally intractable.

But if foreign trade means much to the *Salte* plan, so does the attitude of Brazil's vested interests. Crop producers, whose wealth comes largely from exports and whose strongholds are Sao Paulo and the south, complain that higher tariffs mean not only still dearer living for Brazilians but dearer tools for farmers. Added to the forced loan on exports this, they argue, would discourage agricultural expansion. Sao Paulo manufacturers may take comfort from the tariff increase, but they also resent the drain of the loan on their exports. The consumer may well continue to be the guinea pig. But the real significance of these arguments, calculated as they are to defend the interests of the richest States, is that they point to the intrinsic problem of all planning on a national scale.

Importance of Sao Paulo

The problem can be simply stated. The Federal Treasury draws the bulk of its income from the few wealthy States. Sao Paulo is said to pay two-thirds of the nation's taxes, and has been described as "a locomotive pulling twenty empty wagons." But many of Brazil's richest natural resources lie in its poorest States, in Amazonia and the north-east, where conditions today prompt the visitor to echo the question of an early Portuguese statesman—"What is this wealth that makes such misery?" The national conscience is with the Federal Government, but the funds are in Sao Paulo. And, not unnaturally, the *Paulistas* put their own problems first.

Less developed States cannot finance their own development (more than 90 per cent of the revenue of Amazonia goes in salaries to state employees). In some cases they cannot pay their richer neighbours for the food they need so badly, cannot grow, and do not get. Until their wealth is commercialised they have nothing to offer the busy and self-centred south. Amazonian jute might well be Brazil's next great crop, in a country whose growth has been marked by cycles of "crop economies." It would be just as rash to deny the possibility as to bet on the certainty that plantation rubber, or cotton, or petroleum, or the nickel and coal deposits on the Tocantins, will one day reach Brazilian or world markets. Only eight tons of jute seed have been produced this year, as an experiment. But next year there is every prospect of 40 tons. Meanwhile, Sao Paulo relies on India. And the Amazon is worlds away.

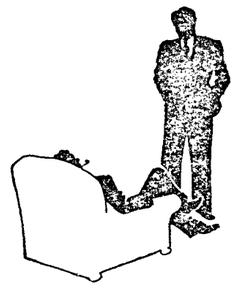
Politically, the federal outlook is today perhaps more truly national—and more nationalistic—than ever. The trend began with President Vargas, and was strengthened by wartime development, which taught Brazilians much about the possibilities of their enormous country. But the economic balance of power is still held by Sao Paulo.

All these circumstances do something to explain why, one after another, schemes to "valorise" the Amazon and other parts of the country find a ready press but no solid backing in the country. The development of such resources has usually fallen almost exclusively to foreign capital. And future development seems likely to follow the same course.

The fact remains that behind the feverish cosmopolitanism of Rio, the industrial fervour of Sao Paulo (which has closer links with the outside world than with the Amazon) and the activities of many ports serving mere pockets in Brazil's 4,000 miles of coast, half a continent waits to be modernised. The statistics embedded in the sesquipedalian report on the *Salte* plan only state the task of opening up this other Brazil, by far the largest, and perhaps the least understood, of all South American countries. Under the hand of President Dutra, however, and in no small part because of the pressure of world shortages, the task has at least acquired a new look.

During the first half of his five-year term, the President has gone some way towards balancing the country's budget. Whether the extra funds for the plan will be forthcoming depends more on the immediate prospects of Brazil's foreign trade than on the planners. But funds are at best only half the battle. Only when the *Salte* plan is actually put in hand will it be seen whether its new look is merely a passing fashion or really a new deal for Brazil.

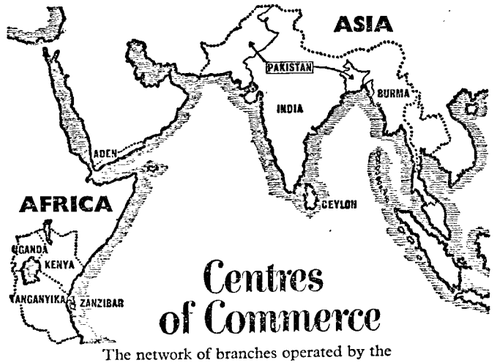
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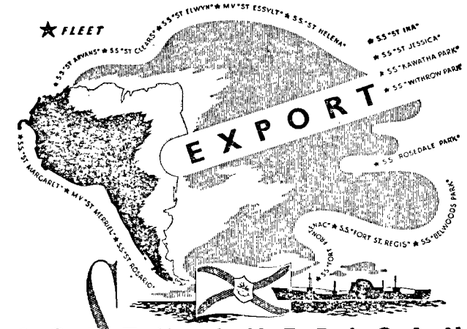
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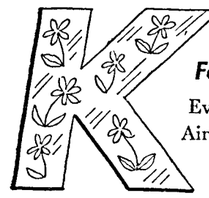
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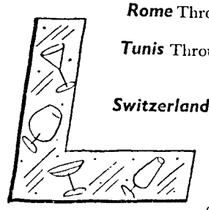
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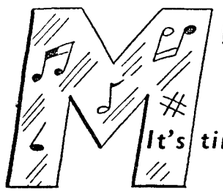
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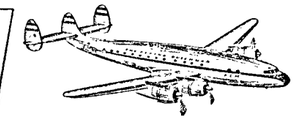
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THE BUSINESS WORLD

The Direction of Britain's Trade

One of the most heartening signs recently has been the progress of the export drive. In the first half of this year the volume of British exports surpassed the (admittedly reduced) target fixed in the "Economic Survey." The extent of the impression which this bigger flow of British goods overseas has made upon the total external deficit has, however, been disappointing. As Sir Stafford Cripps pointed out recently, the visible deficit was running during the half year at an annual rate of £300 million—although the volume of exports was almost one-third larger than before the war and the volume of imports one-fifth smaller. The total external deficit, including invisibles, for the half year was equivalent to an annual rate of perhaps £400 million. Admittedly, this represents a marked improvement upon last year's deficit of £675 million (or, according to alternative official figures, £575 million). Even so, the final deficit for 1948 will certainly be far larger—perhaps by as much as £100 million—than the £250 million upon which the Chancellor's economic planning has been based. External disinvestment on this scale would have been intolerable without American aid and, even with that aid, may still be imposing an undue strain upon the gold and dollar reserves.

The general problem of Britain's balance of payments therefore remains, even though it is yielding to some extent to the efforts of recent months. What of the specific problem of the "hard currency" deficit which, until recently at least, was generally regarded as far transcending, in difficulty and importance, the general problem? Recently, it has been contended that the scheme now being matured for extending trade within Europe, by directly linking intra-European credits with Marshall aid, will lead European countries increasingly to turn their attention from the dollar problem as such towards the problem of achieving external equilibrium as a whole. Certainly, if means could be found to promote a multilateral flow of trade, and to restore convertibility to soft currencies, the distinction between "hard" and "soft" deficits would disappear; and it may be true that any progress towards multilateralism may make that distinction more and more blurred. In these early days of European co-operation, it is easy, perhaps, to take too pessimistic and cynical a view. But at least it should be said that there is little sign yet that the dollar problem as such is receding, and no assurance that it will not still be a source of anxiety when the Marshall period ends.

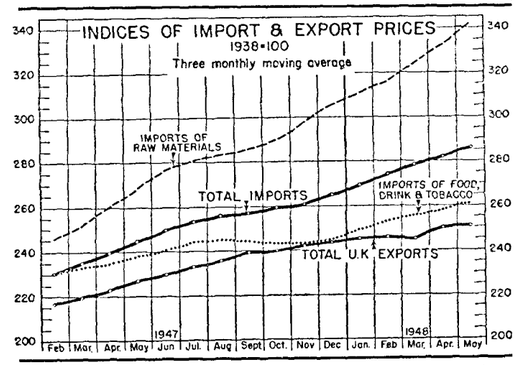
Without prejudice, therefore, to the possibilities which may open out when the OEEC outgrows its teething troubles, it is still important to watch with great care the progress of the efforts to reduce Britain's dollar gap, as distinct from its external deficit as a whole. In the short run, probably the only chance of further narrowing the gap lies in the expansion of British exports to the dollar area; but in the long run such efforts could be strongly supplemented by developing alternative sources of supply within the sterling area. Closer economic co-operation in Western Europe, if it includes some form of multilateral trading, will undoubtedly help, but the measure of relief it can afford is likely to be limited.

Britain's dependence on the Western Hemisphere for imports can be seen from Table I. In 1947, over 45 per cent of total imports came from this area, compared with under a third in 1938. Although no serious steps to rectify the dollar disequilibrium were taken until August, 1947, and although the measures then adopted were not particularly drastic, British imports from the Western Hemisphere declined significantly during the first half of 1948—though not to the extent that the full programme of cuts had led many people to expect. They amounted to £358 million, representing 34 per cent of the total imports, compared with £381 million, or 46 per cent, in the first six months of 1947. This decline has occurred mainly in goods imported direct from the United States. As the value of total imports has increased, there has necessarily been a larger proportional expansion in imports coming from other sources. Thus, between January and June, the sterling area (excluding South Africa) supplied nearly 35 per cent of Britain's total imports, compared with 30 per cent in the similar period of 1947. The proportion of supplies coming from European and other countries also increased significantly; as this trade is largely regulated by bilateral agreements, much of it is equivalent to transactions in sterling.

There has been in the aggregate a switch of imports from dollar to non-dollar sources. To what extent, however, has this been a genuine switch, in the sense of affecting comparable commodities? Imports of grain from the United States have been considerably reduced during the first half of 1948 compared with the corresponding period of 1947. Those from Argentina, however, expanded almost threefold, as can be seen from Table II. Larger quantities were also received from Australia. In total, grain imports from the Western Hemisphere have tended to increase. Supplies of meat from Argentina were 30 per cent smaller, but this reduction was partially offset by increased supplies from Canada and New Zealand, and on balance British meat imports declined by 8 per cent on the year. Imports of American cheese, dried eggs, and processed milk were drastically reduced during the first half of 1948. Although imports of these foodstuffs from the Southern Dominions have tended to increase, the effect of the reductions in dollar expenditure has been to reduce British total imports of these categories. This is equally true of imports of fresh fruit, other foods and tobacco. In general, then, the saving of dollars on food and tobacco—such as it is—has resulted in a net reduction of supplies reaching the United Kingdom. There has been an expansion in supplies from the sterling area, but this expansion has been insufficient to offset the decline in goods coming from the Western Hemisphere.

Raw material purchases have been little affected by the dollar cuts. The United States, Canada, and Argentina supplied £59 million worth between January and June, compared with £61 million a year ago. But total imports of raw materials increased from £245 million to £342 million; in other words, imports from dollar sources have been maintained while those from other areas have increased. For example, purchases of raw cotton from the United States have been reduced, or rather postponed, but bigger purchases have been made from sterling sources. On the other hand, imports of hides and skins from the Western Hemisphere have been considerably reduced without any corresponding increase in purchases from other areas. Imports of manufactures, on a value basis, have increased quite considerably during the year, both from the Western Hemisphere and from other sources.

On the import side, therefore, the authorities have had some success in their efforts to substitute sterling area and European sources of supply for dollar sources. The main cuts in dollar expenditure, however, have had to be borne in a reduction of supplies. The extent to which substitution might be possible within, say, the next five years, is necessarily limited. Large quantities of grain will still have to come from the Western Hemisphere—from Canada, the United States or Argentina. Similarly, Argentina will remain one of Britain's major sources of supply for meat. Britain may be able to do without American dried eggs and American cheese and luxury fruits and perhaps may even be able to reduce the quantity of Canadian cheese, eggs and bacon which it buys; but it will still have to import Cuban sugar, although perhaps not in the same large quantities as at present. So, too, with raw materials; the Western Hemisphere will continue to be an important source of Britain's supplies—Canada for non-ferrous metals, wood pulp and timber; United States for cotton, timber and metals, and Argentina for oilseeds, hides and skins.



This basic level of imports from the Western Hemisphere must in the last analysis be paid for by exports. Unless, therefore, genuine multilateral trading is restored on a scale far surpassing most present hopes, the payment can be made only by expanding the sale of British goods in dollar markets. And certainly that is true at present. The improvement in the re-direction of British exports, however, has not been so marked as that in imports. Although the value of exports to the Western Hemisphere amounted to £125 million in the first half of this year, compared with £92 million in the corresponding period of 1947, it represented under 16 per cent of the total—actually a slightly smaller proportion than in the similar period last year. The decline in the proportion occurred

TABLE I—DIRECTION OF BRITISH TRADE
(£ Million—Actual Prices)

	Imports					Exports and Re-exports				
	1938	1947			1948	1938	1947			1948
	Year	1st Half	2nd Half	Year	1st Half	Year	1st Half	2nd Half	Year	1st Half
United States	118·0	150·6	144·4	295·0	95·4	28·8	33·8	27·6	61·4	34·1
Canada and Newfoundland	81·3	109·2	127·0	236·2	117·2	24·6	20·0	25·8	45·8	33·3
Argentine Republic	38·5	57·2	73·4	130·6	57·3	19·7	15·1	19·9	35·0	19·7
Rest of Western Hemisphere (other than sterling area but including Japan and Philippines)	62·7	63·9	88·4	152·3	78·5	20·8	22·7	28·9	51·6	33·0
Union of South Africa	14·6	10·6	15·0	25·6	15·8	40·1	44·6	47·5	92·1	57·6
Rest of Sterling Area	272·3	243·7	288·3	532·0	356·6	181·7	203·6	266·8	470·4	315·2
European Countries and their possessions, excluding those in Western Hemisphere	293·7	146·0	199·0	345·0	227·3	192·5	169·4	186·1	355·5	223·9
Other Countries	38·4	39·3	32·7	72·0	77·7	24·2	41·5	43·2	84·7	53·0
TOTAL	919·5	820·5	968·3	1,788·8	1,025·8	532·3	550·6	645·8	1,196·4	774·8

TABLE II—PATTERN OF BRITISH IMPORTS

	United States			Canada			Argentina			Total Retained Imports (Valued at 1938 Prices)		
	First Half of Year			First Half of Year			First Half of Year			First Half of Year		
	1938	1947	1948	1938	1947	1948	1938	1947	1948	1938	1947	1948
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	£ Mn.	£ Mn.	£ Mn.
I.—Food, drink and tobacco:	*12·1*	*18·6*	*1·1*	*8·4*	*17·6*	*16·1*	*7·7*	*10·4*	*10·8*	*208·9*	*154·4*	*150·9*
Grain and feeding stuffs	18·5	17·3	0·3	21·7	58·0	41·3	11·9	18·0	29·3	42·1	25·6	31·2
Meat	3·7	3·8	0·1	7·7	16·8	27·8	23·4	35·3	21·3	45·1	35·4	29·8
Dairy produce	0·2	28·3	1·0	3·8	7·3	8·2	0·9	0·7	0·2	39·6	26·9	26·8
Fresh fruit and vegetables	12·1	8·7	...	6·7	6·4	...	0·8	1·6	...	18·2	13·8	15·5
Other food	18·1	24·5	0·8	6·9	3·2	1·1	1·1	1·8	3·1	52·6	42·6	43·0
Tobacco	76·3	70·6	51·3	5·0	10·7	12·3	...	...	...	11·3	10·1	4·6
II.—Raw materials:	*9·2*	*12·0*	*7·7*	*5·9*	*7·3*	*6·3*	*1·9*	*6·6*	*3·2*	*169·0*	*79·5*	*98·9*
Non-ferrous metals	5·0	2·1	1·8	23·9	18·2	14·0	...	...	...	7·7	5·7	7·4
Wood and timber	8·5	15·8	14·8	16·6	42·9	37·0	...	...	...	21·3	9·4	10·8
Raw cotton	33·8	44·0	23·6	...	...	...	0·2	0·9	...	14·2	12·6	12·6
Seeds and nuts for oil	3·3	2·8	1·8	...	...	...	2·2	12·0	9·4	15·0	14·1	16·6
Hides and skins	9·7	12·7	11·0	10·7	7·2	8·2	4·8	30·0	16·7	7·3	6·0	4·5
Paper making materials	2·9	2·5	2·9	4·9	10·9	12·8	...	...	...	8·8	3·9	6·4
III.—Manufactures:	*17·9*	*27·3*	*24·2*	*11·0*	*11·3*	*9·2*	*0·1*	*1·2*	*0·2*	*107·6*	*65·4*	*85·6*
IV.—Other:	*14·9*	*19·7*	*22·9*	*11·2*	*11·9*	*18·5*	*0·1*	*0·2*	*0·2*	*3·1*	*9·1*	*10·7*
TOTAL	12·8	18·3	9·3	8·4	13·1	11·1	4·2	7·0	5·6	429·0	308·4	346·1

mainly in the United States and Argentine markets; in other words, the expansion of exports to those markets has not kept step with the general expansion in the volume of British exports. The major expansion, of course, has taken place in exports to the sterling area; the proportion of total exports sent to South Africa has, however, declined.

In value, exports to the United States in the first half of 1948 showed hardly any increase over 1947, but those to Canada, Argentina and other Western Hemisphere countries were appreciably larger. The major increases in exports to the United States consisted of vehicles, which in value increased fourfold; of machinery, which were almost trebled; and of wool manufactures, which were more than doubled. There was also a large shipment to the United States of non-ferrous metals, which probably consisted of partly worked gold. In the vehicle group, the largest single item was the export of private motor cars amounting to almost £2,000,000; textile machinery was the main item in the machinery group. The increase in exports to Canada has been due to larger shipments of wool manufactures (chiefly tops), which have risen from £4,000,000 in the first six months of 1947 to £9,000,000 in the same period of 1948. Exports of vehicles to Canada have also increased appreciably, from over £1,000,000 to nearly £4,000,000. This was largely due to a large consignment of aircraft, but the number of private cars exported also increased. Exports of manufactured goods to Argentina expanded at a smaller rate than those to either Canada or the United States, the main increases being in machinery, electrical goods, chemicals and vehicles.

By improved design and sales promotion, British exports to the Western Hemisphere can undoubtedly be increased still further, but such an expansion is unlikely to reduce Britain's deficit with that area to less than £250 million a year—unless there is a pronounced change in the terms of trade, which this year have deteriorated still further; that is, import prices have risen much more sharply than export prices, as the accompanying chart shows. So long as ECA is available to meet this deficit, the present standard of living in Britain may be maintained—given the strict limitation of the scale of domestic capital outlays. But, at best, ECA will last only until 1952, and that leaves little time to develop alternative sources of supply.

Capital Formation in Industry

AT this season, with Parliament in recess and political activity cut down for the holidays, the Government planners are working on the programme of capital investment for next year; in the autumn it will be subjected to political scrutiny and revision, and in November or December can be expected to appear before Parliament as the White Paper on Capital Investment in 1949. When the first White Paper on Capital Investment was published last December, its principal novelty lay not in anything tangible in its detailed contents, but in the attempt to formulate a comprehensive investment programme at all.

Such an attempt was new, and the appearances were that the techniques both of drawing it up and of applying it were still embryonic. Its statistical basis did not appear to have got beyond the roundest of round figures. Its attempt, however necessary, to distinguish between net and gross investment would probably not survive detailed examination: by what method, and with what accuracy, was the running down of existing equipment assessed? The programme outlined in the White Paper did, however, give one distinct impression which the intervening months have done nothing to remove. It gave the appearance of treating industry—and especially privately-owned industry—as residuary legatee to an estate which the prior claims of housing, utilities, and Government undertakings would largely consume. Assuming the gross total of physical investment at home planned for 1948 by private and public bodies to have been £1,600 million, it proposed to reduce that total by £180 million over the year. The reduction was to take effect largely in the second half of the year, so that the gross annual rate of investment would have fallen as low as £1,320 million by next December.

Most of this reduction was to come out of private industrial investment—which included, for this purpose, plant, machinery and vehicles as well as building. The Government did not propose to re-introduce "licences to acquire" machinery, but proposed to rely on export quotas to reduce the actual amount of home investment, and on "the good sense of private industry" to reduce the amount of capital work started:

> With this object in view, the Government will discuss the matter with the appropriate industrial organisations, so as to attain the maximum possible postponement of all investment not making a significant contribution to the export drive or to the output of basic industries such as agriculture, coal and steel.

Industrial building was to be cut down, primarily in order to release more steel for the manufacture of engineering goods for export:

> To achieve the necessary diversion of resources, it would not be sufficient merely to restrict the number of new buildings started. It will also be necessary to postpone work on a good many factory building projects which have already been authorised but which have not yet been started or are in the early stages of construction.

Here the necessary physical controls were ready to hand, and a series of measures was enumerated on which Government action would be taken. Allocations of steel for building were to be reduced. For six months no new industrial buildings or extensions would be started, "other than a limited number of projects of exceptional importance by reason of their contribution to exports or import saving." (In fact, as the figures for the issue of licences for factory building show, this was maintained for five months, from November to April.) All factory building already in progress, but which had not yet reached the steel erection stage, would be reviewed "with the object of postponing at least half." And the general principle was laid down that "within the reduced volume of factory building, preferential treatment will continue to be accorded to the development areas."

The second White Paper may attempt an assessment of the working of the policy laid down last December. This, if it is to essay completeness, must be an elaborate task; the forms which "investment" in the sense of the White Paper can take (ranging from a new motor-coach, an isolated machine, or a telephone switchboard to a complete oil refinery) are too various and some of the media of control too tentative and incomplete, for it to be otherwise. This article seeks merely to discuss some of the factors which have influenced industrial investment in the nine months since the programme for this year was laid down.

Government policy makes itself felt by various means—some direct, some circuitous. The bulk of new industrial building in the past three years has been financed not by new issues but from the existing resources of companies. But an industrial project, whether it requires an issue of new capital or not, cannot be realised nowadays without the approval of a Government department. Since the White Paper, "approval" has been hardly a strong enough term; many projects are viewed with benevolence, but only those which can secure active support have a good chance of going ahead. They must have building licences, access to steel and timber, and the assurance of working materials once they are in production. They must also have machines. Where control is not exercised by licensing, the Ministry may still wield a substantial authority simply through its power to divert machines or commodities to other destinations. If the Ministry of Supply causes machines to be exported (as, of necessity, it does) it follows that the home industrialist cannot buy them. If the roller-bearing manufacturers are occupied with huge contracts for the National Coal Board, so many fewer bearings will be available for other customers. Methods of pre-emption favour the official user as against the private user; methods of allocation favour the old customer as against the new entrant into the field. The new entrant cannot get far without positive official backing.

Equally, he cannot get far without finance. In view of the steady depletion of industry's wartime accumulations of liquid assets, a larger proportion of new capital outlays is likely to require finance through the new issue market than in the recent past. But, even though the ostensible method of vetting such outlays will be the mechanism of the Capital Issues Committee, the power of decision will still effectively reside in the controls (mainly physical) which are exercised by the departments. This now familiar arrangement has a simple effect: the Capital Issues Committee is rarely called upon to turn down any application, and it is doubtful whether the proportion of applications turned down this year, measured by cases or by the volume of capital involved, greatly exceeds 5 per cent. This is not to say that the Committee is ineffective: it is extremely effective. Most industrialists, and all issue houses, are perfectly aware that it is useless to go to the Committee with a scheme for which departmental approval has not first been obtained. If they should do so, they would merely have to wait while departmental reports were obtained. And the departmental reports concern themselves not merely with the merits of the scheme, but with the hopes of fitting into the department's investment budget the expenditure of physical resources which the scheme would involve. The departments mainly concerned with private industrial building are the Board of Trade, the Ministry of Supply, and the Ministry of Food; each has a maximum labour force assigned to it, and is enjoined not to support projects which together would employ more than the maximum. Each is also restricted as to the steel which it can cause to be put into new building. That these budgets may be exceeded does not imply disregard of the restrictions; it implies inability to control completely the speed at which new projects, once approved, make their call upon the constructional resources.

Substantially, then, the Capital Issues Committee does not itself restrict investment, but seeks to ensure that new issues are in line with the real investment possibilities as seen by the Government. An apparent exception is the project which involves foreign capital, or which may require large purchases of plant or patent rights from foreign sources, or which may enlarge a foreign-owned undertaking and thus create a future drain on sterling. On these the Treasury itself has the last word; the mere usefulness of the project, and even the readiness of a Ministry to divert the labour, the timber and the steel from other work, have to be set against the possible monetary burden involved, and have to weigh heavily in order to prevail.

Any new industrial project must therefore, to be translated into fact, enjoy the conjuncture of a set of favourable circumstances. It must conform with Government economic policy; merely not to conflict with Government policy is not enough—it must be met not with acquiescence, but with something approaching enthusiasm. It must also, still, have the support of industrialists prepared to undertake it and able to see it through. A good example is the new refinery programme of the Shell group. The White Paper on Capital Investment on



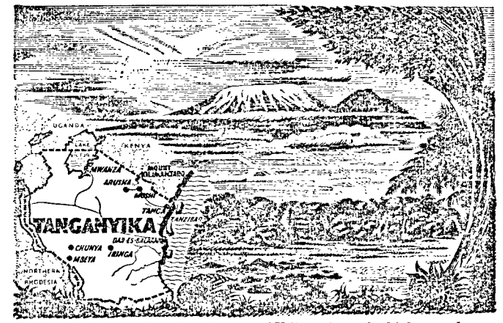
Under Charles II

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(DOMINION, COLONIAL AND OVERSEAS)
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the one hand, and the successive statements of the Shell chairman on the other, show how the Government and the commercial undertaking each arrived by independent routes at the conclusion that complete oil refineries would have to be built in this country. The coincidence is an indispensable one. To fulfil the further necessary condition of finding the capital is not the simple matter that it appeared two years, or even one year, ago. That it is not may be attributed to the fall in the value of money, which (as company boards have lately begun to perceive) has rendered inadequate reserves which used to be thought ample. Or it may be attributed to yet another Government control over industry—control by budgetary and fiscal policy. Chairmen of companies have given attention to both points in a number of recent annual meetings.

The chairman of Courtaulds observed in June that " this whole problem of plant replacement is perhaps the greatest problem facing industry today." He pointed out that the production and earning capacity of the company's former American subsidiary, the American Viscose Corporation, could not now be bought for twice the sum which the parent company received in compensation for its forced sale during the war. Courtaulds had reserves of £26,000,000 of which £24,000,000 represented capital and revenue profits accumulated in the main for the purpose of development and expansion of the business:

> We must regard a large part of this amount of £24,095,842 at the present time as likely to be required ultimately for additional costs of replacement of our fixed assets, and we might even find it necessary to add further substantial sums. While your directors are concerned that we should have to eat into these reserves to meet what, to my mind, should be regarded as current depreciation costs, the additional annual amounts involved are so large that there appears to be no reasonable alternative at present to taking this course.

He mentioned also that many of the projects which the company had been considering a year before had since had to be modified or postponed, and that the Government had drawn attention to the necessity of cutting down capital expenditure: the country (he observed) had come down nearer to earth.

*

Other heads of companies have been speaking with concern of the problem of preserving real capital value in inflationary times. The chairman of Patons and Baldwins pointed out that profits calculated on a basis which ignored the higher replacement value both of the stocks expended and of the fixed assets used were not really profits at all. The effect of taxing them as if they were, he clearly implied, was to drain off the sources from which capital for new development ought to come. Patons and Baldwins has undertaken large plans of expansion, and the chairman explained that its capital requirements to complete those plans had risen with the rise in costs of construction. In this case, short-term arrangements had been made to finance the more immediate of these commitments, the directors " considering it prudent to postpone the initiation of any permanent funding operations until more stable conditions prevail."

The problem of maintaining real capital in inflationary conditions, and its connection with the problem of capital formation, were discussed even more forthrightly at the Unilever meeting on Thursday, when Sir Geoffrey Heyworth illustrated them on a huge scale in Unilever values (but the elements are the same for many smaller concerns):

> The cost value of our fixed assets at the end of 1947 was £82,000,000, and depreciation is being charged in the normal way, which will lead to an accumulation in due course of this sum for replacements as and when they are required. To-day, however, we estimate that to replace our existing fixed assets would cost £148,000,000, so that at present price-levels our depreciation fund would be about £66,000,000 short of our requirements.
>
> Thus, if it relied on the normal depreciation provision, the company would eventually find itself with fewer machines, fewer employees, and a reduced scale of operations. It could avoid this only by the introduction of new capital. But this would not be an acceptable solution.
>
> The purpose of new capital is to provide facilities for making new products, to increase facilities for making the greater volume of existing products necessitated by extra demand and to purchase more expensive plant if it will do existing jobs more efficiently.
>
> The idea that the depletion of capital, due to inadequate depreciation allowances and under-valuation of materials, can be met from new capital is perhaps a natural confusion. One reason is that the replacement of a used-up appliance and the expansion of a company's capacity by substituting a different, better and more expensive appliance often occur simultaneously. There is confusion, too, because current profits are an important source of new capital—indeed, in the past, the most important source.

It remained true that savings used for one of these purposes could not also be used for another, and that if they continued to be depleted by being taxed as profits the share remaining for expansion of the business would be even smaller. Sir Geoffrey added that the same point could be stated in terms of the national economy:

> In England, as in most parts of the world, the available capital is inadequate to meet the many legitimate demands that are made upon it. It is essential to ensure that new capital is used for proper purposes and not applied to make good failures to maintain existing capital. Otherwise we shall find that our capital resources are being gradually dissipated in current expenditure.

The cases quoted here are in no way exceptional. Most of the major enterprises in most fields of British industry are conscious of ground lost during the war, or of new fields of activity which await the technical innovator, of expansion needing to be undertaken or re-equipment which would make possible the essential improvement of productivity. Many of them have embarked on plans from which they hope to see splendid results. The new oil refineries, the great undertaking of Imperial Chemicals at Wilton, the youthful petroleum chemicals industry, the innovations in plastics, nylon, and rayon, the new steelworks which are already beginning to give results—these are projects which have contrived to push their way past some of the obstacles of the economic crisis and the pitfalls of inflation. But they have still some distance to go—many of them a great distance—before they yield the full results which their authors expect from them. And the costs of construction and equipment rise while the planning and the building are in progress. In the immediate post-war scramble, one project after another was frustrated or delayed until it became clear that the economy as a whole was taking on more capital effort than the resources of manpower and material would permit. Some of the capital effort was diverted to consumer goods industries which, at the end of the war, were given a higher place in the scale of priorities than they could hope to have today. When the Government took action last autumn to bring capital enterprise into a more realistic relation to the possibilities of execution, it was taking a step in itself reasonable and necessary. Unfortunately the division of capital effort in the White Paper gave industry a smaller share of the resources available for new investment than industry could reasonably claim. The next investment White Paper may correct this error—and will, indeed, be judged largely by the extent to which it does so. But the further obstacles interposed by the fallen value of money have been present throughout the postwar period. They were concealed for a time, largely by the impossibility (for the other reasons outlined) of getting large undertakings carried through. In the past few weeks they have been more and more openly recognised ; it appears likely that, if the physical and administrative restrictions on investment could be relaxed, the difficulties of forming and preserving capital in present conditions would require, all the more urgently, to be solved.

Business Notes

Record Trade Figures

Exports from the United Kingdom during July reached the highest value ever recorded and the highest quantity since July, 1929. At £146 million, the value was £8,000,000 above the previous peak attained in July, 1920, and the margin would no doubt have been greater but for the London dock strike at the end of June. This " record," however, may easily be misunderstood. A seasonal peak tends to be reached in both exports and imports in July, both because it has the maximum number of Customs working days—27 instead of 26—and because of the tendency to clear documents to the Customs before the holidays. Yet the daily rate of exports last month was only very little above that for June ; indeed, the difference was almost entirely accounted for by the extra working days. Nevertheless, the general upward trend in exports was continued, though at a slower rate, as the accompanying table reveals. Recalculated on the basis of a standard month of 26 working days, the export figures show a very marked pattern. At the turn of each quarter the increase in exports is very small ; between the intervening months it is, however, large. Is this quarterly cycle due to the incidence of holidays and the methods of compiling the trade returns or is it merely a statistical freak ?

BRITISH EXPORTS

(Values Recalculated on Basis of Standard Month of 26 Working Days)

	£ Mn.		£ Mn.		£ Mn.
November ..	106½	February.	122½	May.....	135
December ..	114½	March ...	126	June	139½
January	115	April	126½	July.....	140

But it is not only the value of exports which has increased. The volume for July has been provisionally estimated at 49 per cent above the 1938 level—just short of the target rate projected for the year-end. In these volume figures, too, the rise since the beginning of the year has been continuous ; but, if past experience is any guide, this month's volume index is likely to show a decline.

By value, imports in July also attained a new high level, at £186 million. Much larger shipments of grain were received, mainly from Australia, and more meat and dairy produce from both Australia and New Zealand. Imports of raw materials, in particular raw cotton, were much smaller than in June, but arrivals of refined petroleum and jute manufactures showed an appreciable increase. Notwithstanding this heavy cost of imports, the adverse visible balance of trade was reduced to £33½ million, compared with £38 million in June ; in both cases import value includes insurance and freight.

The vital question is whether the export drive can maintain its current progress throughout the remainder of the year. Machinery and vehicles are still the main export groups. Machinery exports in July established new records for both quantity and value ; nevertheless, the main markets continue to be India and Pakistan, followed by South Africa. Exports in the vehicle group, taken as a whole, have not increased to the same extent as machinery, and the expansion last month was mainly due to larger shipments of main-line locomotives. But the export of private cars continued to expand, totalling 18,600 units, of which 3,715 went to the United States, 2,326 to Canada, and 1,820 to Belgium. It is encouraging to find these three " hard currency " countries as the three leading markets for British motor cars. And a further bright spot has been the increase in the exports of cotton manufactures, which in July were 29 per cent larger than in June ; their value at £13 million was the highest attained since 1929. Larger quantities were sent to the United States and Canada, but the main expansion was in sterling markets. Nevertheless, it will be no easy matter to maintain the current rate of total exports until December.

* * *

Steel Prices

Whenever steel prices rise, as they did last Monday, the whole economy feels an inflationary shudder. They form the backbone of the cost structure of every mechanised industry. But examination of the list of increases permitted by the Ministry of Supply reveals them as milder than they appear at first glance. The recent Coal Board shuffle of coal prices has meant on balance dearer coal for the blast furnaces, and has driven up the price of pig iron by 2s. 6d. or 3s. per ton. This is the latest of three increases. Basic pig iron cost £8 14s. 6d. in January and is now at £9 14s. A rise of 17s. on February 1st was the result of increased coal prices. The further increase of 8s. on June 21st followed the government's decision to change the subsidy on freight of imported ore. The steel industry, instead of being charged 150 per cent of the prewar freight, is now charged 200 per cent, while the actual freight is around 340 per cent. The additional 8s. for pig iron meant 5s. extra for billets. In conformity with the government's price stabilisation policy, the industry agreed to absorb all this extra cost itself and the price of finished products remained unchanged. Now the cost of billets has again gone up without an increase in price, and once more the industry has absorbed the difference. There must be a limit to this process whereby the government subsidises the steel industry and the steel industry subsidises its consumers. In one direction the end has already been reached. Increases in cost of heavy products formed direct from ingots, including heavy steel bars, sections and plates, colliery arches, pit props and rails, have been passed on to the consumer at 3s. 6d. a ton. Scaffold lashings will cost 3d. more a dozen. Main consumers of these heavy steel products are the National Coal Board, the railways, and the building and civil engineering trades. Possibly the Chancellor is less unwilling that prices should rise in these sectors than in the general run of industry. In the one case expansion is not regarded as being in the public interest ; in the other the inflationary impact can be softened by the policy of the nationalised boards.

Advantage has been taken at the same time to correct some anomalies between costs and prices. Prices and costs of silico-manganese products (especially used in the manufacture of springs) had got particularly out of line: increases range from 20s. a ton for billets to 27s. 6d. a ton for wire. Alloy steel billets are raised by 5s. a ton to parallel similar rises in the prices of other billets in June.

These changes have left finished steel prices still only 60 per cent higher than in 1938 while coal prices have risen 140 per cent in the same period. They also leave Britain still the world's cheapest producer next to Australia. The comparable American prices have recently risen and are generally higher than British or Belgian prices. Accurate figures are not yet available, but the gap between British and American prices—except for tin plate—is now considerable.

The Treasury announced on Saturday its sanction of the purchase of 100,000 tons of steel from Belgium and Luxemburg as part of the 500,000-ton import programme. More than half of the Belgian steel is expected to be in billets, sheet bars and wire rods Semis are more welcome imports than finished goods from the point of view both of the British steel industry and of the Treasury ; finished goods cost more in hard currency, and the cost of finishing is higher in Belgium.

* * *

Belgian Steel and European Payments

The deliveries of the Belgian steel are to take place over the next three months. In making the announcement the Treasury stated that the main purpose of the operation was " the easing of barriers to trade between the participating countries of the Organisation for European Economic Co-operation." This steel is additional to the amount being purchased under the current trade arrangements between Britain and these two countries—though not to the total imports planned for the United Kingdom this year. Since Belgium is still reputed to hold close to its £27 million ceiling of sterling, it is probable that this additional purchase of steel will cause Belgium's holding of sterling to rise above the ceiling and thus bring into play the convertibility clause. This steel may, in other words, have to be paid for in gold. This marks the operation as being in a special category ; the Treasury has announced that a continuation of purchases on a similar scale must depend upon the institution of a payments scheme between the participating countries which will facilitate trade exchanges and remove, or at least postpone, the convertibility threat which is inherent in the existing payments arrangements. The gesture, however, has not been a British one alone. Belgium is understood to have somewhat reduced its prices for this special deal and has also abandoned its customary technique of linking exports that are essential with exports of inessentials. The advantages of this purchase of 100,000 tons of steel will not be diluted by the compulsion to purchase, also, azaleas or hot-house grapes.

Anglo-American Film Relations

Mr Eric Johnston, president of the Motion Picture Association of America, is in England again at the beginning of a short European tour. He is to meet the President of the Board of Trade, who is on holiday, at Oxford this weekend. The meeting is to be informal with no agenda, and there is evident a strict—almost ostentatious—lack of intention to discuss the British 45 per cent film quota, which has supplanted the remittance of earnings as the principal matter of contention between London and the American film industry. In days of dollar shortage, the preservation of European markets for American films—and particularly their preservation in a remunerative state—requires activity on more than one front, and there are plenty of problems to occupy Mr Johnston without any frontal attack on the British quota. He will be visiting France, Germany and Czechoslovakia: in Western Germany, with the reformed currency and the approach of a federal government, the organisation of the market for films is clearly an urgent matter for Hollywood, and attempts to arrange for the remittance of film earnings may follow at only a short interval.

Mr Johnston held lengthy meetings during the week with the London representatives of the American film companies, to whom the quota has presented difficult problems of distribution policy and strong temptations to return to bellicose methods of trading. There have already been signs of a tendency for American renters to offer their first releases less to the big British circuits which are linked with the major British film producers, and more to smaller circuits which themselves resent the quota and are uneasy about their prospects of getting a good supply of films under it. There are suggestions, too, of a reversal of the American intention of three months ago to undertake film production in England on a substantial scale. As an answer to the higher quota, such a reversal is wildly illogical. It merely expresses the deterioration of feeling between the British and American film traders. The corollary (no less logical, since it cuts down the total of American film earnings remittable from Britain) is the collapse of the market for British films in the United States; for this the Sons of Liberty have been getting too much credit, and the American film trade too little.

It appears unlikely that Mr Johnston will waste further energy at the moment on a direct attack on the quota. But he may suggest ways in which its effects might be mitigated. Such suggestions would probably include the appointment of an American distributor member to the Films Council; the Americans have not concealed their resentment at the loss of the seat on the Council which they had come to regard as theirs by established custom. They might also suggest the abandonment of extravagant attempts to exceed the quota on big British circuits, and even the admission of American producers operating in England to the *British Film Producers'* Association. These are largely, though not entirely, matters which could best be settled by direct accommodation with the British film industry, and it may be relevant that Mr Johnston has seen British producers and exhibitors during the week. The American film industry has still one bargaining counter in its hand; it could offer a more helpful attitude towards the distribution of British films in the United States, and co-operation (instead of the present sharpening hostility) in the other markets of the world.

* * *

Unilever on Capital Maintenance

Sir Geoffrey Heyworth's exposition on the subject of replacement of capital, which formed the basis of his speech at the annual meeting of Lever Brothers and Unilever on Thursday, represents a challenge to both industry and Government. The dangers and fallacies involved in dressing capital up as income, which have often been the subject of discussion in *The Economist*, were most lucidly expounded and exposed, as is shown in a leading article on page 344 of this issue. Sir Geoffrey has not minced his words; they are tantamount to a condemnation not only of the present method of fixing depreciation allowances for the purpose of income tax but also of the whole Government attitude towards price control. Moreover, he makes it quite clear that, although it is not easy to define methods that will preserve true values of current assets in all circumstances, industry itself has not really got to grips with the problem of the replacement of fixed assets. His plea for a more enlightened approach to the problem is timely, and in the final analysis all sections of industry are concerned. He states that "The proper provisions to allow for replacements must be calculated. . . . Distributions of profit, however desirable, must not be made unless the maintenance of true capital is first assured. Selling prices must be so fixed as to bear relation to real cost." As he rightly points out, a partial alternative lies in a sufficient increase in efficiency, but efficiency itself depends on the use of new and better plant which in turn is dependent on adequate provisions being made to acquire it. The implications for taxation policy are not new, but they have been made a little clearer.

* * *

Holiday Dis-saving

The passing of the peak of the holiday season has been accompanied not only by the customary steep fall in the note circulation—its decline has been even steeper than it was twelve months ago—but by a welcome improvement in the trend of the "small" savings figures. The latest return, which relates to the week following the Bank-holiday week, actually showed a modest amount (£788,000) of "net" saving. Except for an insignificant sum in a single week in June, this is the first weekly credit since early May, and is the more striking in that the middle two weeks of August last year both showed small net debits. The improvement was mainly due to a decline in gross repayments, although encashments of Defence Bonds, despite the continuing stream of maturities (not included in the official figures) were still running above last year's level. In the four weeks to August 6th, in which net dis-saving, as officially computed, totalled no less than £15¾ million, encashments and withdrawals of past savings amounted to nearly £73 million, and for two weeks were running at roughly £19 million, the highest weekly figure since the eve of last Christmas. In the latest week, however, they dropped to £13.8 million, the lowest since the first week of this financial year. During the early part of the year, as the National Savings Committee pointed out recently, withdrawals were running noticeably below their 1947 level; in the twenty weeks to date, they have averaged virtually £1,000,000 per week less—a difference which may, perhaps, be associated with the more rapid redemptions of maturing Defence Bonds. During the four weeks strongly influenced by the holidays, however, the margin was sharply reduced. It will be particularly interesting, now that the holiday influence is waning, to see whether the former relationship to the 1947 trend will be restored, for the stream of Defence Bond maturities, which may be regarded as supplementing the repayments as officially defined, will shortly dry up.

In the financial year to date, "small" savers have imposed heavy demands upon the Exchequer. On the official figures, there has been a net dis-saving of £16.4 million, in contrast with net saving of £54½ million in the corresponding period of 1947-48. But this official figure measures only a fraction of the true net disbursements which the Exchequer has had to make to holders of savings securities and deposits. Including £44 million of bonds repaid at maturity and £9,500,000 of interest paid out on encashment of savings certificates, the total is almost £70 million.

* * *

New Zealand's Exchange Policy

Second thoughts on the decision of New Zealand to bring its pound up to parity with sterling still leaves a good deal of uncertainty on the motives for this sudden move. Later information does not alter the first impression that this was an essentially unilateral act which had not been preceded by the usual consultation with Britain or with Australia, the countries most directly affected by the decision. A few individuals in Britain and Australia knew that the question of a revaluation of the New Zealand pound was under serious discussion; but they apparently knew no more than that.

The reasons for the decision appear to be the usual mixture of economic and political arguments. The Government faces elections next year and it would profit it nothing to woo the agricultural vote, which is lost anyhow. Politically, therefore, the exchange gesture is an appeal to the urban vote. As such, it is of considerable importance. Even the farmers will for a time be protected from the impact of revaluation. They have in hand the recent substantial increase in prices obtained in the renegotiation of the food contracts with Great Britain. In addition the New Zealand Dairy Commission has at its disposal the substantial buffer pool accumulated in recent years of agricultural prosperity and will be able to pay the farmers the guaranteed prices for some time to come. The farming community, moreover, is in a favourable position to withstand a slight breath of adversity. Seldom have agricultural mortgage loans been lower and never before have the liquid assets of the farming community been so large.

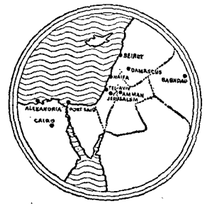
One important factor in the situation is that the revaluation of the New Zealand pound will produce an annual interest saving of £NZ800,000 on the overseas debt. This matter has already been raised in the New Zealand Parliament and has led to a demand that a new budget be introduced to take account of the fundamental change in the situation brought about in this and other ways by the exchange move.

* * *

Australia Drops Subsidies

The Australian authorities are adhering to their first and immediate reactions to the New Zealand move, namely to assert that it will have no effect on their own exchange policy. To allow the slightest hint of doubt or qualification to intrude in these assertions would inevitably ensure their defeat. As it is, Australia will encounter some difficulty in resisting the effects of the New Zealand move, which has created the belief that sooner or later Australia will have to follow suit. Already every trader who can so arrange his affairs as to be short of sterling and long of Australian pounds is endeavouring to be in that safe position. For the time being, however, the determination of the Australian authorities to hold the present rate of exchange cannot be in doubt and must be reinforced, if ever it had been in danger of wavering, by the angry protests that have come from Australian interests, industrial and agricultural, against the initiative just taken by the neighbouring Dominion.

An important development in Australia which is not without relevance in the exchange situation was this week's announcement by Mr Chiffley to the State Premiers that the Commonwealth Government could not continue subsidy payments on certain basic commodities. All Federal subsidies are being abolished except those on butter, tea and super-phosphates. The effect of this move, which follows inevitably the result of last May's referendum supporting the discontinuation of central control of prices, will be to raise the cost of living and, consequently, to increase by about 4s. 6d. per week the basic wage which is anchored to the cost of living index. This adjustment in Australian prices and costs must provide an additional argument for resisting the pull of New Zealand's exchange revaluation.



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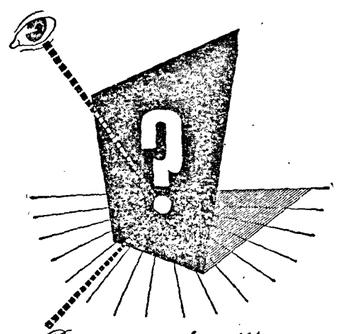
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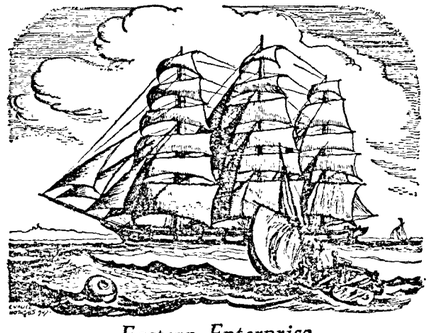
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Italy and Sterling

The "free and easy" economy in which Italy is now evolving is having certain adverse effects on other countries, notably Britain. The multiple currency and exchange systems allied to Italian native wit and the ingenuity of the commercial fraternity are beginning to cause some interesting contradictions in the financial situation. The Italian authorities have recently been complaining to the British that they are still acquiring sterling, and that this is having a certain inflationary effect on their economy. At the same time, it has been evident that Italian traders and financial houses have been using every possible device to borrow sterling. The paradox is readily explained. A part of the sterling facilities in question has been used to finance deals in commodities involving arbitrage between the various layers maintained in the Italian exchange system. The British authorities have become painfully aware of this abuse of sterling credits, and recently instructed British banks to reduce to a minimum the availability of sterling for Italian banks. The inevitable howl of protest has gone up from Italy. It need not be taken too seriously. Facilities will be made available in London for all genuine commercial operations. For the others, the Italian interests concerned should shift their accounts elsewhere—somewhere, perhaps, where multiple currency practices are also the order of the day, and where little irregularities are better understood and more readily forgiven.

* * *

Commodity "Shunting"

Evidence is accumulating that the regime of differential rates of exchange, which has been spreading over Europe and Latin America despite all that the International Monetary Fund may say against it, is having increasingly distorting effects on international trade. The latest revelations on this subject come from Australia, where it was announced last week-end that a special Government investigator is to be sent to Europe this year to secure proof of the resale of Australian wool which has recently resulted in a loss of direct wool sales to the United States by Australia and thus has cost the Commonwealth valuable dollars. Four countries have been named by the Federal Government as indulging in such practices. They are France, Holland, Belgium and Italy. These countries have been informed that their purchases from Australia will in future be subjected to far closer scrutiny than in the past; so as to ensure that the amounts they purchase are sufficient for their domestic requirements only, and include no surplus which can be profitably "shunted" by re-exports to hard currency countries. The most important commodity involved is wool, but rabbit skins have apparently also entered into this type of transaction.

These Australian accusations have been answered by the French Foreign Office with denials that any such direct operations have taken place. These denials admitted that purchases of wool had been made in Australia by French buyers acting as representatives of American firms and that payment had been made in dollars.

There is a decidedly unconvincing air about this explanation. It would, indeed, be strange if American importers of wool were using the services of French firms purely in the capacity of brokers or agents. French official spokesmen must, in any case, be regarded as inadequately informed about operations which, in large part, must circumvent their own regulations. Their reassurances on this subject cannot, therefore, be conceded very great weight.

* * *

China Tries Again

China is making one more attempt to establish order amid the chaos which uncontrolled inflation has wrought. This time the Government is formally introducing a new currency unit as part of a programme of economic and fiscal reforms which would be really impressive were there any solid grounds for hoping they could and would be successfully carried through in the turbulent political and social conditions which are a primary source of China's present troubles. The extent to which the money economy has collapsed is well demonstrated by the terms of the currency exchange. The new unit, the so-called "gold" yuan, has conversion rates assigned to it in terms of gold and silver bullion, silver dollars and US dollars, the rate for the last being 4 yuan per $; and a one-yuan note will be given in exchange for 3,000,000 units of the existing currency, the Chinese National dollar. It has been officially stated that an issue of only 200 million yuan will suffice to convert the whole existing currency; but even that modest sum implies that the total circulation of the old currency is astronomical—amounting to CN$600 million millions (fourteen noughts in all). It is hard to credit even the physical possibility of withdrawing this whole mass of paper in the two months to November 20, which is the present intention.

It is scarcely less difficult to envisage the means by which the Government hopes to avoid currency excesses in the future, for note-printing has been its principal instrument of finance, given the void in the budget and the absence of any effective machinery for tax collection. The new programme takes due note of these not inconsiderable deficiencies, and proposes, among other things, an overhaul of the fiscal mechanism, tax "adjustments," an effort to end the losses of State enterprises, and cuts in the bureaucracy and functionaries. But, even supposing a sufficient respite from political turmoil to enable a determined Government to pursue these praiseworthy ends, it would surely be optimistic to expect enough progress to be made in time to stop the drain before the Government coffers are empty—though there are hopes that American aid will bring some grist to the mill. The objective now declared is not, in any case, a balancing of the budget; it is to reduce the deficit to one-third of expenditure. Other measures include cuts in imports, compulsion to surrender bullion and foreign exchange, prohibition of hoarding, registration of overseas assets, a freezing of prices and wages, and a discontinuance of all cost-of-living contract clauses.

The "gold" yuan is stated to have a "100 per cent reserve," but it appears that 60 per cent of the cover will be in negotiable securities and assets of Government enterprises; the remaining 40 per cent is to comprise gold, silver or foreign exchange. The hard cover available at present is stated to be equivalent to US$200 million—sufficient to back an issue of 2,000 million yuan, which is declared to be the maximum circulation. It is a pity to denigrate a plan which, ostensibly, is cast on such sound principles. But doubts about the determination and ability of the Government to carry it through in such difficult circumstances are hardly allayed by reports that the whole plan was drawn up, but shelved, two years ago, and has only been brought forth now because the sheer weight of the existing mass of paper has virtually destroyed the money economy and is paralysing business.

* * *

Richard Crittall Receivership

Since the passing of the interim dividend on the 5 per cent cumulative preference shares of Richard Crittall on June 12th this year, the board have had a stern tussle with the company's auditors to determine the treatment in the accounts of the item for development expenditure. The vital question whether the accounts would show a profit or a loss for the year ending December 31, 1947, apparently hinged on the outcome of this debate. Now the company states that a loss will be shown. Moreover, it is announced that the old board has resigned in favour of a new set of directors and that a receiver and manager has been appointed by the principal bankers to the group of companies.

This is a sorry series of admissions for the company to make less than eight months after a notable approach to the public for new finance—450,000 5 per cent cumulative £1 preference shares at par were successfully issued to the public in December last, through the Whitehead Industrial Trust. The heavy oversubscription to that issue was, of course, partly attributable to the undiscriminating attitude of stags in the particularly favourable market conditions at the time. But it was noticed then that some of the more discerning fought shy of the issue on the grounds that the balance sheet at December 31, 1946—reproduced in the prospectus and still the latest available—included amongst current assets an item of £99,746 for "expenditure in connection with development and expansion of export trade and newly-formed subsidiary and associated subsidiary and associated companies." However, neither the intangible character of this item nor the existence of a bank overdraft of £391,194 deterred investors from upholding the judgment of the stags. In the first few weeks of dealings the shares were a firm market at around 2s. premium. In the prospectus the directors estimated that net profits less profits tax would be not less than £100,000 for 1947 and £150,000 for 1948. Yet in the light of the controversy on the treatment of development expenditure—on which the auditors have apparently had their way—it seems that these estimates were based on the assumption that it would be permissible for the company to capitalise at least part of the development expenditure incurred during the period. The full accounts must be awaited before the amount of the loss for 1947, and the extent to which it has been due to the auditors' requirements of writing off development expenditure out of the year's profits, will be revealed.

Machine Tool Stocktaking

The exhibition of machine tools which opened at Olympia this week is the first of its kind in London for fourteen years. During these years the British machine tool industry has greatly extended the variety of its products, and notably its ability to provide high-speed machines for single processes. Recent developments to be seen at the exhibition include machines for a new gear grinding process and for centreless thread spinning.

The exhibition is the shop window of an industry which is exporting 60 per cent of its production. It affects the machine tool makers little, but the development of the British economy a great deal, whether their product is sold at home or abroad. In 1947 close on 40,000 metal-working machine tools valued at £26 million were made in this country. Production this year is running at an annual rate of £30 million (the figures exclude tools priced below £30). There has, in fact, been only a moderate increase in units completed compared with the immediate pre-war production. But the working capacity of the product has gone up with the increasing number of special-purpose tools made. There has been no fall in demand for machine tools since the war. Both the home and export markets have absorbed machine tools auctioned by the Ministry of Supply without difficulty; about one-tenth of exports has come from the auctions. Despite the auctions, orders in hand for new metal-working machines exceed 40,000 and represent 15 months' work, or more, for the industry as a whole. There are indications that this accumulation of orders is shrinking.

It is no doubt unavoidable that the machine tool industry, like other branches of industry, should be called upon to make export its primary concern, but the cost to the home economy has to be borne in mind. In so far as these exports keep home industry starved of the necessary tools for replacement, they mean that home industry has to live on its physical capital. It has been estimated that approximately 750,000 to 850,000 machine tools are in use in this country. Last year 31,138 units were delivered to the home market, all but 2,138 from home production; this provides for only an inadequate rate of replacement, rather less than 3 per cent.

It is difficult to be certain that the machine tool industry could in present conditions expand its output greatly. At one time the shortages of roller bearings and electrical motors were major obstacles. They appear to have been overcome, but delays through shortages of castings continue. The results of the partial census of production of the machine tool industry in 1946 suggest that productivity is too low. From 1937 to 1946 employment in the industry increased by half (from 28,000 workers to 42,000), yet in 1937 81,000 tons of machine tools were produced against 78,000 in 1946. The increasing complexity of machine tools can hardly account for the whole of this discrepancy. Symptomatic of the fall in productivity has been a sharp increase in non-productive workers employed.

* * *

Petrochemicals Finance

Proposals for the reorganisation of the capital structure of the Petrochemicals group have been announced in conjunction with the news that the group has formally applied to the Treasury for permission to raise an additional £2,500,000 capital. The group's desire to raise more capital, for the completion of the new works at Partington, near Manchester, for manufacturing chemicals from oil by the "Catarole" process, was made known some months ago. At present the capital of the group is mainly vested in Petrocarbon Ltd., whose principal operative role since the inception of the enterprise in 1945 has related to the provision of plant, technicians and research personnel. Now it is proposed that it should shed its major capital responsibilities. These would be assumed by Petrochemicals.

It is proposed, as a first step, that Petrochemicals should take over the entire preferred ordinary capital of Petrocarbon in exchange for 90,000 5 per cent £1 preference shares and 35,500 £1 ordinary shares in Petrochemicals, while 45 per cent of the ordinary shares of Petrocarbon would be exchanged for 75,000 £1 ordinary shares in Petrochemicals. A similar exchange would be effected in respect of the outstanding "A" and "B" notes of Petrocarbon. The £900,000 of 4 per cent "A" notes at present held by Finance Corporation of Industry would be exchanged for an equivalent nominal amount of 4 per cent secured loan stock of Petrochemicals. The £900,000 of 4 per cent "B" notes of Petrocarbon, which carry the right of conversion into ordinary shares in Petrochemicals, would also be converted at par.

It was indicated in *The Economist* on May 29th that the Finance Corporation for Industry would provide the major part of the new capital required by the group and the remainder would be subscribed privately. This arrangement has now been confirmed. The Finance Corporation for Industry would subscribe an additional £900,000 of loan capital and £548,998 ordinary capital. A further £1,050,000 capital would be furnished privately.

* * *

Canadian Eagle's Bumper Year

The release of the Canadian Eagle report and accounts for 1947 on the eve of the final day for applying for the new shares provided the perfect bait for any wavering warrant holders. The preliminary profits statement showing a rise in group net profit from £1,742,917 to £2,481,305 was satisfactory enough to give the right background for the new issue, but the revelation this week that group trading profit had increased from £2,506,998 to £4,453,488 went one better. With trading profits in such a buoyant state that a total sum of £1,750,000 can be placed to reserve for exploration and general purposes, it is evident that Canadian Eagle are looking internally as well as externally for the means to finance their schemes of expansion. As a result the price of the warrants on Wednesday, in the last day of dealings, shot up to a record level of 5s. 7½d. after their decline to 3s. 9d. last week. On the same day the old shares rose to 31s. 7½d. which is the highest price since the new issue was announced some weeks ago. With the success of the new issue thus underwritten by the group's own profit record, it is perhaps less necessary to dwell on the company's acute need of new capital as revealed in the balance sheet at December 31st last. In a group of this kind, with inter-locking interests with Royal Dutch-Shell and other international oil concerns, it is difficult to measure the correct significance of assets items which would otherwise be interpreted as intangibles. For instance, the total investment in exploration and oilfield expenditure of £9,325,936 includes not only the cost of shares in subsidiaries operating in Ecuador, Venezuela, Guatemala and elsewhere in the Caribbean area in conjunction with the Royal Dutch-Shell group, but represents an unstated amount of capitalised development expenditure. Yet the group's capital requirements are clearly illustrated by the excess of £1,607,933 of current liabilities over a total of nearly £6,000,000 current assets.

Moreover, the present note of expansion in the activities of the Canadian Eagle is audible even alongside the great development schemes now being undertaken by Royal Dutch-Shell and Anglo-Iranian Oil. The finance required will be considerably beyond the group's resources at December 31, 1947. It is expected that the increase in its crude oil supplies will be carried much further than the expansion from 6,505,774 barrels in 1946 to 7,674,938 barrels in 1947. The principal additions to output will be obtained from the Dificil and Casabe fields in Columbia and from new fields in Venezuela. Further extensions of the marketing operations of the group are contemplated. These are to be undertaken by Eagle Oil and Shipping, whose oil sales rose from 25.2 million barrels in 1946 to 26.5 million barrels in 1947. The ocean-going fleet of this company, which now consists of 21 tankers of 244,438 d.w. tons, is to receive additions of four new tankers, although only one of these is at present under construction.

* * *

Central Uruguay Compensation Revised

The new proposals to be submitted to stockholders by the Central Uruguay Railway of Monte Video for the payment of compensation were announced by the company at the end of last week. The revised scheme, which is tentative and must be embodied in legal form before being submitted to the vote of stockholders, is the result of discussions between the company and the dissentient second debenture stockholders. The second debenture holders had vetoed the original scheme on the grounds that their rights as holders of a prior charge had been unduly sacrificed to satisfy the nuisance value of the ordinary stockholders.

The main difference between the two schemes lies in the transfer from the ordinary shareholders to the second debenture holders of the right to any surplus remaining after stockholders have been paid the fixed rate of compensation under the scheme and after meeting all outstanding liabilities of the company. But although the capital repayment to be made on the second debenture has been increased only from 85 per cent to 86 per cent, one per cent on the second debenture stock is equivalent to some £37,400. The compensation of the ordinary stock is unchanged at 12½ per cent. To assist in making up the additional sum required for the second debenture, the amount of compensation

earmarked for the directors under the original scheme is to be reduced by 20 per cent.

As they stand at present, the new compensation terms do not specify clearly whether the transfer of the right to the "sweepings" also carries with it the obligation to bear any deficiency which might arise after the payment set out for the various stocks. It might be presumed that any such amount would be deducted from the payment of 12½ per cent due to the ordinary stock. It is considered unlikely, however, that such a contingency would arise. Although some second debenture holders will obviously cavil at the meagreness of the concessions obtained by their representatives, at least it appears that the principal objectors to the first proposals have now been appeased. With the object of ensuring that the scheme as a whole goes through—it would be foolish at this stage to tempt revocation by the Uruguayan authorities—it is believed that the various interested parties will accept the compromise represented by the new proposals. At any rate, the firmness of the Uruguayan Railway stocks this week indicates that the chances of confirmation of the general scheme are regarded as having improved.

* * *

Quotas for Sugar?

Sugar is the first of the food crops to be faced with a post-war surplus. The restricted demand, however, is due to monetary causes rather than to the saturation of the market. The chief exporters are Cuba, St. Domingo and other countries within the US dollar area, so that sugar purchases by European countries are conditioned by the availability of dollars. ECA will afford only a partial relief from this particular dollar stringency. Details of sugar allocations to Western Europe are not expected to be published until next month, but it is generally believed that the scale of imports will be no greater than last year. The International Sugar Council estimated at their recent meeting in London that in the season just ending supplies to the free market have totalled 4,835,000 tons, compared with estimated requirements of 4,675,000 tons. Forecasts for the coming season are necessarily tentative, as much will depend on the out-turn of the Cuban crop. If the Cuban crop yields over 5,400,000 tons (or nearly 600,000 tons less than this year's), then prospective supplies for the free market should total 4,715,000 tons—substantially more than the requirements of 4,135,000 tons.

In these circumstances, it was natural for the Cuban delegation to propose at the meeting a revision of the existing sugar agreement and reimposition of production quotas. Their case did not rest entirely on economic arguments; it was concerned rather with the social unrest which might be caused in Cuba by any sharp fall in the world sugar price. Britain, however, led the opposition, because of the need to develop sugar production within the sterling area. The British West Indies are no less dependent on sugar than Cuba, but since their entire output is purchased by Britain, the vagaries of the world sugar market have little political significance for them. Moreover, it would be difficult, if not impossible, to expand production in sterling countries—as alternative sources to Cuba and other dollar producers—if output were strictly regulated by quotas.

The general opinion of the Council was that a new Agreement would not be advisable at present, but it was decided to set up a Committee to study "the changing sugar situation as it relates to the need or desirability for negotiating a new agreement," and to report to the Council its findings and recommendations. Meanwhile, a further protocol was signed prolonging the existing agreement until August 31, 1949. By then, at least, the effect of ECA on the world sugar market will be known. Perhaps, too, the significance of the Havana charter to commodity agreements in general will then be more fully appreciated.

* * *

The Nationalised Industries

It is generally agreed that the time has come for the creators of nationalised boards to behold their work and see whether it is good. Mr Chester's survey of the statutory origin of each of these new leviathans* is only a beginning to the study which is needed on this subject, but it is a thorough beginning. He compares, point by point, the constitution, degree of decentralisation, financial organisation and Ministerial and advisory relationships imposed by statute on the eight corporations formed since 1945—BBC, Bank of England, Coal Board, Airways Corporations, Electricity Authority, Gas, Raw Cotton Commission and British Transport Commission. Then he has repeated the process for the three pre-1939 corporations, the Central Electricity Board (1926, now replaced), the LPTB (1936) and the Port of London Authority (1908). One interesting organisation, the North of Scotland Hydro-Electric Board, is omitted, and there is no reference to the oldest of all nationalised enterprises, the Post Office.

What emerges is the contrast between the statutory provisions before and after August, 1945. "There has been a considerable increase in the powers of the Minister to control and to interfere in the working of the corporations. There is, for example, no instance in the pre-1939 corporations of a Minister having the power to issue general directions." Since 1945, regulations normally permit the Minister to dismiss a member of a corporation if, in his opinion, he becomes "unfit to continue in office." Finally, the later corporations have less financial independence.

A study of this kind can only describe the mould in which each of these corporations was cast. In British experience, environment is as important as formal origin in influencing the character of organisations. A full comparative study of nationalised industries would include the development of their organisations both within and without the statutory framework. However, changes in the shape of the matrix since 1945 do give some indication of the trend of official thought—goaded by unofficial criticism—in the last three years. There is a perceptible tendency towards greater decentralisation. The latest nationalisation Act (the Gas Act), gives the area boards a considerable responsibility for policy, especially financial policy. In transport, by contrast, the revenue accounts not only of Area Boards but of executives were merged in the undertaking as a whole. The temptation to allow the economically efficient department to carry the rest is common to every financial unit, but the greater the financial unit, the more widespread its possible effects. A second development is the increased accountability of the Minister to Parliament, especially for the gas and electricity industries.

* * *

Hongkong Entrepot Trade

Trade returns from Hongkong support the necessity for the local import and exchange restrictions recently introduced. Hongkong as a major centre of exchange between east and west can perhaps do no more than reflect the economic relationship between the continents. Thus inevitably dollar imports have increased since the war. But since the colony is in the sterling area, any foreign exchange losses are made good from the central reserves. When a local trader buys from the United States against dollars but receives payment for his re-exports in a soft currency, the sterling area has, in effect, provided another country's dollar needs.

Such considerations, quite apart from a number of activities which by their nature defy statistical investigation, explain the need for imposing a measure of control. To some extent the colony's trade balance will inevitably be adverse, because the two million inhabitants have to live largely from imports. While considerable entrepot business is done in foodstuffs, food has to be retained for consumption, and raw materials are needed for the local manufacturing industries. The restrictions are therefore not so much intended to reduce the trade deficit as the dollar losses, which are largely invisible.

* "The Nationalised Industries." By D. N. Chester. Institute of Public Administration. 2s. 6d.

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In future, it is proposed to issue a monthly cumulative index to "Records and Statistics" and no further half-yearly indexes to this Supplement will be published. The monthly index will appear for the first time as part of the issue of September 4th.

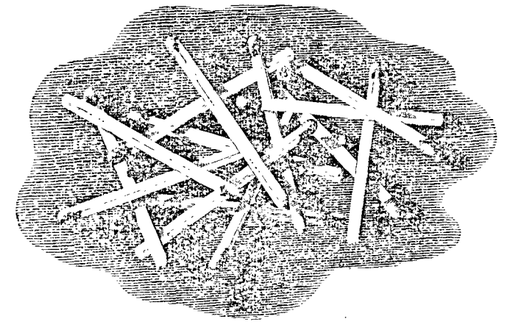


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New facts about the under

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your most vital customers

The 1948 edition of the independent Hulton Survey has just been published. Based on this year's research, it shows that the Daily Mirror is read each day by 8,730,000 adults of whom 4,310,000 are aged under 35, and that it now has 1,130,000 more adult readers under 35 than any other daily paper. These under-35's, whose growth to maturity as consumers was hampered by war service and shortages, are now rapidly forming buying habits that will remain with them for life. They amount to over a third of our adult population and the most important potential market in the country. To safeguard your future prosperity sell now to the under-35's through the advertisement columns of the Daily Mirror

Daily Mirror

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The extent of local industrial activity should not be underestimated. Textile exports, for instance, during the first six months of this year were valued at 144 million Hongkong dollars and exceeded textile imports fivefold. The expansion in Hongkong's textile industry is due largely to the arrival from China of rich Chinese textile manufacturers, complete with machinery and labour.

HONGKONG FOREIGN TRADE

First Half of 1947 and 1948, in Million Hongkong Dollars

	Imports				Exports			
	1947		1948		1947		1948	
	$ Million	%	$ Million	%	$ Million	%	$ Million	%
All countries	659	100	981	100	559	100	698	100
Sterling area	185	28·1	253	25·8	170	30·4	183	26·3
China	192	29·2	177	18·0	157	28·1	109	15·6
U.S.A.	141	21·4	201	20·7	75	13·4	75	10·7
Other hard currency areas	38	5·7	68	6·7	31	5·5	79	11·3
Other countries	103	15·6	282	28·8	126	22·6	252	36·1
U.S.A. deficit	...	...	...	...	− 76	...	−126	...
Total deficit	...	...	...	...	−100	...	−193	...

Trade with China still heads the list; the published figures are an understatement on account of the smuggling which continues despite increasing watchfulness. Furthermore, to escape the Hongkong restrictions on exports to China, goods destined for China are first sent to Macao and shipped on from there by devious routes; significantly, exports from the colony to Macao have trebled in one year.

★

The value of Hongkong's foreign trade has been over £100 million (£1=16 Hongkong dollars) in the first half of this year and, as has been stressed here before, the new foreign exchange and import controls must not be applied to do in the long run more damage than good. It is the less visible exchange losses from the Hongkong leak that call for action.

Three measures of control recently anounced were discussed in *The Economist* of July 24th. Hongkong merchants who had hitherto been allowed to retain three-quarters of their dollar earnings had, in future, to hand over all their dollar earnings. The import of goods from the sterling area (some of which have been re-exported to the United States and the dollar proceeds not surrendered) was tightened, and all monetary transfers from Britain involving more than £500, unless *bona fide* trade transactions, required the approval of the Hongkong authorities. This latest regulation was extended last week, when it was announced that as a further measure of stopping the Hongkong leak, monetary transfers from the whole sterling area and not only Britain in excess of £500 would require local approval.

Shorter Notes

Mr. C. E. Simkins, trading as C. E. Simpkins brokers, was declared a defaulter on the Stock Exchange on Wednesday afternoon. The member concerned was admitted to membership of the Stock Exchange in 1945 and is the first to be "hammered" since 1941.

★

Net profit of The International Nickel Company of Canada for the six months ended June 30, 1948 in terms of US dollars was $20,235,066 ($16,460,339 for the corresponding period of 1947). This is equivalent to $1.32 ($1.06) a share on the common stock. Net profit for the quarter ended June 30, 1948 was $9,819,301 equal to 64 cents a share compared with $10,415,705 or 68 cents a share for the first quarter of 1948.

★

The latest calculations made by the London and Cambridge Economic Service put the provisional production index for June for all industrial groups at 122, against 117, 123, 115, 122 and 115 for the months January to May, 1948. Metal production has risen from 111 in May to 118 in June, and the output of motor cycles and aircraft from 133 to 143. Further data having become available, the authors of the index have adjusted a number of earlier calculations, in particular the comparison of the base year 1946 with 1935. More improvements of this kind will be made as results of the 1946 partial census of production are published. A comparison of production and exports made in the *Bulletin* of the service shows a directly related expansion in both figures until the end of 1947. In 1948, however, exports have been taking an increasing share "of a production which is probably still rising slowly."

★

It is reported from Calcutta that local jute mills are to stop buying raw jute for the time being owing to excessively high prices. Current quotations stand at about Rs 210 a bale (equivalent to £15 15s. per bale) and the Calcutta mills do not want to pay more than Rs 200 a bale (£15). The American demand for jute manufactures has declined appreciably owing to the use of substitute materials which high jute prices have lately encouraged.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Canadian Eagle Oil; Tunnel Portland Cement; Vaux.

Prices, Year 1948 Jan. 1 to Aug. 25 High	Low	Name of Security	Price, Aug. 18, 1948	Price, Aug. 25, 1948	Net Yield, Aug. 25, 1948 (n) £ s. d.	Gross Yield, Aug. 25, 1948 £ s. d.
		British Funds				
101⅞	101	War Bonds 2½% August 1, 1949-51	101⅛	101⅛	...	1 6 11 *e*
101½	100⅝	Exchequer Bonds 1¾% Feb. 15, 1950	100⅛	100⅛	0 8 7	1 4 7
102⅝	100⅝	War Bonds 2½% March 1, 1951-53.	102⅛	102⅛	0 10 1	1 12 3 *e*
102⅛	100	War Bonds 2½% March 1, 1952-54.	101⅛xd	101⅛xd	0 16 11	1 19 1 *e*
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	103⅛	103⅛	1 3 6	2 16 3
102⅛	99⅛	War Bonds 2½% Aug. 15, 1954-56.	102⅛	102	1 0 9	2 3 1 *e*
103⅛	100⅛	Funding 2½% June 15, 1952-57.....	102⅛	102⅛	1 3 11	2 8 11 *f*
105⅛	100⅛	National Def. 3% July 15, 1954-58	104⅛	104⅛	1 3 6	2 10 2 *f*
105	101⅛	War Loan 3% Oct. 15, 1955-59....	105⅛	105⅛	1 3 11	2 11 3 *f*
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	102⅛	102⅛	1 9 4	2 15 11 *f*
101	96⅛	Funding 2½% April 15, 1956-61....	100⅛	100⅛	1 6 10	2 10 1 *f*
102⅛	98⅛	Funding 3% April 15, 1959-69.....	102⅛	103	1 10 3	2 17 6 *f*
114⅛	110⅛	Funding 4% May 1, 1960-90.....	113⅞	114⅛	0 19 7	2 14 2 *e*
102⅛	97⅞	Savings Bonds 3% Sept. 1, 1960-70	101⅞xd	101⅞xd	1 11 4	2 18 0 *f*
96⅞	92⅛	Savings Bonds 2½% May 1, 1964-67	96⅛	97⅛	1 11 8	2 15 2 *f*
115⅛	112⅛	Victory Bonds 4% Sept. 1, 1920-76	114⅛xd	1 4 0	2 16 8*	53/- 44/- 3 *a* 7 *b*
101⅛	98⅛	Savings Bonds 3% Aug. 15, 1965-75	100⅞	100⅞	1 12 6	2 19 6 *f*
111	107⅛	Consols 4% (after Feb. 1, 1957)....	109⅛	109⅛	1 0 4	2 14 10 *f*
106⅛	102⅛	Conversion 3½% (after Apr. 1, 1961)	105⅛xd	104⅛xd	1 10 0	3 0 4 *f*
83⅞	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	77⅛	76⅛xd	1 16 0	3 5 4 *f*
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966).	94½	95	1 15 0	3 3 11 *f*
100	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96..	98⅛	98xd	1 14 2	3 1 5 *f*
83⅞	74⅛	Consols 2½%	77	77⅛	1 15 9	3 5 2
101⅛	96	British Electricity 3% Gtd. 1968-73	101⅛	100⅞xd	1 12 6	2 19 3 *f*
98⅛	93⅞	British Transport 3% Gtd. 1978-88	98⅛	98⅛	1 14 3	3 1 9 *f*
100⅛	95⅛	British Transport 3% Gtd. 1968-73	101⅛	100⅛xd	1 12 9	2 19 6 *f*

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

Prices, Year 1948 (Jan. 1 to Aug. 25) High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Aug. 18, 1948	Price, Aug. 25, 1948	Yield, Aug. 25, 1948 £ s. d.
					Other Securities			
104½	101½	% (d)	% (d)		Australia 3½% 1965-69.....	103½	103½	3 0 7
94½	91¾	(d)	(d)		Birmingham 2½% 1966-71..	93½	93½	2 17 9 *l*
101½	99	(d)	(d)		Argentine 3½%.....	101	101	3 9 5
8⅜	6⅛	50	*c*	50 *c*	Anglo-American Corp. 10s...	6	6⅛	4 2 5
10⅛	7⅜	5	*a*	25 *b*	Anglo-Iranian Oil £1.....	8	8⅜	3 12 9
76/6	62/4½	£15	*c*	£15 *c*	Assoc. Port. Cem. Ord. Stk. £1	73/1½	73/3	4 1 11*g*
38/6	29/6	40	*c*	40 *c*	Austin Motor 'A' Ord. Stk. 5s.	33/1½	33/1½	6 0 9
84/-	72/9	7	*a*	7 *b*	Barclays Bank Ord. 'B' £1..	76/-	75/-	3 14 8
10⅜	8⅜	†20	*b*	†5 *a*	Bass Ratcliff Ord. £1.....	8⅜	9	2 15 7†
104/9	85/-	8	*a*	12 *b*	British Oxygen Ord. £1....	97/6	97/6	4 2 1
46/1½	36/-	2½	*a*	5 *b*	Courtaulds Ord. £1.....	38/9	39/-	3 16 11
32/6	25/3	20	*a*	7½ *b*	Distillers Co. Ord. 4s.....	26/3	26/3	4 3 10
32/10½	27/9	8	*c*	8 *c*	Dorman Long Ord. £1.....	29/9	30/-	5 6 8
79/9	68/-	15	*c*	15 *c*	Dunlop Rubber Ord. £1.....	71/-	72/6	4 2 9
53/-	44/-	3	*a*	7 *b*	Imp. Chem. Ind. Ord. Stk. £1	45/7½	44/3	4 10 5
6⅜	4⅜	19½	*b*	13½ *a*	Imperial Tobacco £1.....	5⅜	5⅜	6 7 3
48/9	40/3	10	*c*	10 *c*	Lancs. Cotton Ord. Stk. £1..	43/1½	43/9	4 11 5
56/6	44/10½	10	*c*	10 *c*	Lever & Unilever Ord. £1...	48/9	48/9	4 2 1
61/5	47/6	12½	*c*	10 *c*	London Brick Ord. Stk. £1..	53/9	53/9	3 14 5
66/1½	47/-	25	*c*	31¼ *m*	P'chin J'nson Ord. Stk. 10s.	53/6	53/6	4 13 5
35⅜	30⅛	†7½	*c*	†7½ *c*	Prudential 'A' £1.....	32½	32½	2 7 6†
59/3	49/9	12½	*c*	12½ *c*	Stewarts & Lloyds Def. £1..	52/6	52/6	4 15 3
85/7½	73/11½	†2½	*a*	†5 *b*	"Shell" Transpt. Ord. Stk. £1	74/4½	74/4½	2 0 4†
7⅞	5⅜	12½	*b*	12½ *a*	Tube Invst. Ord. Stk. £1...	121/10½	121/10½	4 2 2
90/9	73/3	11½	*b*	3½ *a*	Turner & Newall Ord. Stk. £1	74/6	74/6	4 0 6
93/3	77/-	55	*b*	15 *a*	Woolworth (F. W.) Ord. 5s..	79/3	80/-	4 7 6

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (g) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (l) To latest redemption date. (m) 15 months. Yield Basis 25%. † Free of tax.

COMPANY MEETINGS

GERRARD INDUSTRIES, LIMITED

TENSIONAL STEEL STRAPPING
EXPORT SALES PROGRESS
MR KAY HARRISON'S REVIEW

The twenty-fourth annual general meeting of Gerrard Industries, Limited, was held, on the 18th instant, at Winchester House, Old Broad Street, London, E.C., Mr Kay Harrison, the chairman, presiding.

The following is the chairman's circulated statement:—

I present the following statement on the annual accounts of the company and on the consolidated annual accounts of the company and its subsidiary, Gerrard Safe Seal (Overseas), Limited, for the year ended March 31, 1948.

Dealing with the balance sheet and taking the liabilities side first, the issued share capital is unchanged at £73,350. General and dividend equalisation reserve at £37,000 compares with £35,000 and this increase is explained by the transfer by your directors to this reserve of £2,000 from the profit and loss appropriation account for the year now under review. Trade and sundry creditors, returnable deposits and accrued charges at £49,147 as against £57,835 show a reduction of £8,688 compared with the previous year.

Turning to the assets side of the balance sheet, freehold land and buildings after taking into account the additions and depreciation stand at £14,722 as against £12,040, which is an increase of £2,682. As you will observe there is, under the heading of additions, the sum of £3,240 and this relates to the cost of house property situated in close proximity to the company's premises in Brentford and acquired for occupation by a member of the executive staff to ensure improved supervision of the factory and offices.

Machinery, plant, motor vehicles, factory and office equipment and furniture stand at £15,443 as against £10,287. This is an increase of £5,156 and is mainly accounted for by the acquisition of new machinery and plant for enlargement of the scope of our manufacturing facilities.

The item of shareholding in subsidiary company at £28,000 is unchanged and refers to Gerrard Safe Seal (Overseas), Limited. In this respect I might mention that whereas in the previous year's accounts a consolidated balance sheet only was included the accounts now before you are in the form prescribed by the Companies Act, 1948, and thus also include a consolidated profit and loss account; I am reverting later to these consolidated statements.

TECHNICOLOR INVESTMENT

Investment in Technicolor Limited, at £29,087 is the same figure as in the previous year's accounts. The Technicolor company in respect of its last financial year paid a dividend of 7 per cent. the gross amount of which, namely £3,172, is included in the present accounts. This is the fourth successive annual dividend from this investment and I am happy to say that having regard to the sound financial position of the Technicolor company there is every reason to expect a continuation of dividends at a rate not less than is now reported.

Adverting now to the profit and loss account forming part of the directors' report you will note that the trading profit is £34,056 as against £28,960, showing an increase of £5,096. The turnover both in value and volume was substantially in excess of that of the previous year, but the cost of sales, particularly that of raw materials, was higher and this factor in view of our policy of stabilisation of prices resulted in a lower margin of profit. In the light of these circumstances you will, I feel sure, regard the trading results as satisfactory.

ALLOCATION OF PROFIT

The net profit for the year after provision for income tax is £12,933, compared with the previous year's figure of £14,903, and after including the balance of £7,778 brought forward and the reserve for taxation no longer required of £3,500 there is a total sum of £24,211 of which £10,086 has been distributed as interim dividends. Thus there is left for appropriation the sum of £14,125 of which £2,000 has been transferred to general and dividend equalisation reserve and £3,000 transferred to reserve for future taxation, and as your directors do not recommend the payment of a final distribution there is a balance of £9,125 to be carried forward to the current year as against £7,778 brought in.

As I have previously mentioned the present accounts include consolidated statements in the form of a combined balance sheet and profit and loss account of the company and its wholly owned subsidiary. This picture of the group shows that reserves and surplus stand at £72,170 (being the figure of £145,520 the total of capital, reserves and undistributed profits less £73,350 the amount of the issued capital) an increase of £15,881 over the previous year and that the combined trading profits for the year under review amounted to £48,571 which is an increase of £13,998 over that of the previous year. In this context I would like to point out that a substantial part of this increase in trading profit is attributable to the export trading results of the subsidiary company.

On the subject of the dividend policy of your Board which is and always has been a prudent one the larger earnings of the company would have permitted—and in fact it was your directors' intention to recommend—an increased distribution of not less than 15 per cent. for the year which would have made a total distribution of 40 per cent.: but in deference to the wishes of the Chancellor of the Exchequer for voluntary limitation of dividends and in conformity with the recommendation in that regard of the Federation of British Industries no final distribution is recommended seeing that the interim dividends for the year under review amount to 25 per cent. less income tax which was the total distribution for the previous year.

I would like to refer to the practice of some people who regard dividend distributions in terms of rate of dividend only without taking into consideration the actual capital employed. It is pertinent to point out that a total distribution of 25 per cent. gross on the issued stock is approximately 7 per cent. on the actual capital employed in the group. It is this latter percentage which denotes the true return to stockholders and it is, to put it mildly, not excessive; and this calculation takes no account of the relatively low values at which the majority of the assets appear in our books and at anything approaching present-day market values the percentage of dividend return would be still lower.

ANALYSIS OF EXPENDITURE

Before leaving the subject of accounts and having in mind the Government White Paper "Economic Survey for 1948" I am sure you will be interested in the following analysis of the company's expenditure in terms of percentages of its income for the year now under review:—

	Per cent.
Raw materials	56
Wages and salaries including staff bonus and staff pension and life assurance contributions	18
Operating expenses	12
Taxation	6
Dividends, net	4
Depreciation	2
Profits retained in business	2

I think these figures, broadly representative of industrial concerns in general, clearly show that investors have received, in comparison with other income recipients, a financial return on their stockholdings which does not adequately reflect their true economic value.

THE COMPANY'S PRODUCTS

The accounts having now been dealt with I wish to refer to our principal business of manufacturers and distributors of tensional steel strapping and ancillary equipment for use therewith. Our products are applied for the exterior closure and reinforcement of boxes, cases and like containers and all other types of packages and provide a highly efficient means of security and deterrent against pilferage: and the "Gerrard" service available to all customers includes a free supplementary advisory service for the solution by technical experts of any and all packing problems and we are entering into arrangements with other organisations abroad to supply an expert inspection of cargoes service.

The demands of users have continued unabated and under the existing limitations of supplies of raw materials our greatest difficulty has been to cater for all the demands made upon us, but I am glad to say that due, in part, to the sympathetic co-operation of suppliers and of the appropriate Government Department responsible for the steel allocation to meet the requirements of the tensional steel strapping industry—and which co-operation I gratefully acknowledge—our supply difficulties were somewhat less severe than in the previous year.

DIRECT EXPORTS

Regarding direct export business, which is exclusively handled by the subsidiary, Gerrard Safe Seal (Overseas), Limited, I am happy to be able to report that substantial sales progress was made in the year under review and in comparison with the previous year sales in value increased by 135 per cent. and in volume by 101 per cent. But this does not reflect our total contribution in the field of export business. It is calculated that of the parent company's sales of strapping more than 50 per cent. is employed by customers on containers shipped to overseas markets and thus represents indirect exports.

So you will see that we are very actively participating in the national export drive, and given an improvement in availability of raw materials we are confident of our ability to make in the immediate future still further substantial progress.

HEAVY TAXATION

Taxation claims at present, in my opinion, are unreasonably heavy, and I would particularly make reference to the profits tax levied on undistributed profits which I think is entirely unwarranted. This denudes a business of funds which are normally ploughed back and employed on capital account for replacements, re-equipment and new developments; and as the costs under these heads have greatly increased it is to be hoped that the Government will alleviate these burdens and thus enable a company to retain a larger proportion of its profits and so encourage business expansion and the attainment of the objectives of research, development work and plant modernisation unquestionably essential for increased production and lower costs.

Stockholders, I feel sure, will, especially in view of the results of the year, wish me to express their appreciation of the service rendered to the company by the managing director, Mr Stanley Parkes, and also their appreciation of the zeal and enthusiasm displayed by the officials and all employees of the company in all departments. We all realise that the satisfactory results which we have been able to show, despite the many and varied difficulties during the year's trading, are very largely due to the loyal support and devoted service they have given to your company.

The report and accounts were unanimously adopted; the other formal business was duly transacted, and the proceedings terminated with a cordial vote of thanks to the chairman, directors and staff.

LEVER BROTHERS & UNILEVER, LIMITED

NEED TO PRESERVE CAPITAL

SUPREME IMPORTANCE OF RESERVES

EFFECTS OF POSTWAR CHANGES IN VALUES

DEFECTS IN GOVERNMENT'S ATTITUDE

PRODUCTION, DEPRECIATION AND TAXATION

SIR GEOFFREY HEYWORTH'S SURVEY

The annual general meeting of the members of Lever Brothers and Unilever, Limited, was held, on the 26th instant, at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2.

Sir Geoffrey Heyworth presided.

Addressing the meeting, he said:—My Lord, Ladies and Gentlemen, I propose to take this opportunity of discussing the purpose of the two large reserves which we have made before arriving at our 1947 results; one of about £3,600,000 for replacement of fixed assests; the other of about £4,200,000 in respect of stocks.

The reserve for replacement of fixed assets in effect represents the additional loss in value of our fixed assets during the year over and above the depreciation based on original cost values. This reserve is necessary to preserve intact at the end of the year the effective capital which we had at the beginning of the year; in other words, it relates to 1947 only and it does not cover real losses of capital suffered in earlier years.

The stock value reserve is a contribution towards the loss of real worth which we have suffered in respect of our current assets since the beginning of the war.

As we shall see in the subsequent discussion, both these reserves have a common origin—namely, the need to preserve capital intact — an elementary and universally accepted principle of economics. Beset as the world is at the present time by so many economic problems, there is a danger that this fundamental principle may be overlooked. In fact, it is more than ever necessary today that it should be in the forefront of our minds and be properly applied. Furthermore, under our democratic system it is vital indeed that this principle should be understood by all elements of the community.

FIXED ASSETS

First, let us examine the preservation of the capital invested in fixed assets. To produce output we require buildings and plant. As these fixed assets wear out in producing the goods we sell to the public, it follows that the selling price of the goods must contain an element equal to the wastage of these fixed assets, in other words a charge for depreciation. If depreciation is based on the original cost of the asset and price levels of plant and buildings remain unchanged, then the amount of reserve which we should accumulate during the life of the asset will be sufficient to buy a new fixed asset when the old one becomes worn out or obsolete. If, however, when replacement becomes necessary there has been a complete change of values—for instance the doubling of the original price level of plant and buildings, then it is clear that a company can purchase only half its replacement requirements of buildings and plant.

To take a simple example—that of a road Transport Company. Imagine that it originally had fixed assets of four trucks and that these cost £500 each, and that at the end of 5 years these trucks were worn out, fully depreciated, and had to be replaced. If by that time new trucks of the same capacity cost £1,000 each, the money accumulated through the depreciation fund would buy only two trucks instead of the previous four and the operations of the company would be reduced to a half.

COST OF REPLACEMENTS

To turn to our own business, the cost value of our fixed assets at the end of 1947 was £82,000,000 and depreciation is being charged in the normal way, which will lead to the accumulation in due course of this sum for replacements as and when they are required. Today, however, we estimate that to replace our existing fixed assets would cost £148,000,000, so that at present price levels our depreciation fund would be about £66,000,000 short of our requirements. In other words, if we were to rely only on our normal depreciation provision we should fail, by this amount, to maintain the fixed assets necessary to continue our present scale of operations. We should have fewer machines and would have to throw people out of employment. We could avoid reducing the scale of our operations only by the introduction of new capital, but what follows will show that this is not an acceptable solution of the problem. If the price level of buildings and machinery rises further, the deficiency will be greater, and if the price level falls, it will be less. But in any event it is quite unlikely that prices will fall to such an extent that depreciation reserves on the basis of the original cost values will be adequate.

The only way, then, in which we can maintain that part of our capital which is invested in fixed assets is to recover in the price of our products an amount which truly represents the wastage in value of our fixed assets at present day prices. If we cannot do this, then we shall be fixing our selling prices on a basis below real cost, and if the business community as a whole does the same thing, then the country will be consuming a part of its capital instead of paying its way.

CURRENT ASSETS

Let us now consider the preservation of capital in current assets. Current assets consist in the main of stocks of raw materials, goods in process and finished goods. For a given flow of production there is a minimum level of stocks which must be maintained, otherwise interruptions occur and output falls. This minimum can only be properly expressed in physical units, i.e. tons of oils and fats, cases of finished products and so on—and not in money value which depends on the ruling price level.

It will be sufficient if we consider what happens when stocks of raw materials are consumed. The difference between the consumption of raw materials and the wastage of fixed assets is merely in the element of time. If industry wore out its plant several times a year in making its product, there would be no difference; but normally, industry consumes its fixed assets over many years whereas it consumes and replaces its raw materials several times in a single year. If, however, it is to retain its normal productive capacity, in charging its raw material it must apply the same principles which I have indicated should be applied to fixed assets; namely, it must recover in its selling prices the value of the materials it has consumed. This value must be the replacement cost, for if there were a continuous rise in the price level, a recovery of the original cost price would only permit replacement by ever-diminishing quantities. The flow of production would be progressively hampered until ultimately the business could no longer be carried on.

PROBLEM ACCENTUATED SINCE WAR

The problem has become accentuated since the recent war because today inflationary pressure is widespread. Since 1939 there has been a vast change in the value of money and a consequent permanent rise in the mean price level. As a result, there has been a severe depletion of real working capital. We can take it for granted that industry will, unless prevented by Government, fix its selling prices so as to recover the cost of replacing materials consumed; but this will not suffice because for taxation purposes profits have to be calculated on the basis of the original money cost of materials used. Thus, in a period of rising prices profits for taxation purposes are inflated by the lower cost at which materials were bought; these profits are taxed, and because of this taxation the business is left without the means to replace the materials used in the same volume.

Again to give an example: a manufacturer buys 100 tons of raw material for £1,000. This he converts into finished products. The market value of this raw material rises to £1,400. He then, using replacement as the appropriate basis, fixes the selling price for his finished goods so as to recover the £1,400 for the raw material element of his cost. He has thus made an apparent profit of £400 on the raw material element, in addition to any true profit he may have made on the manufacturing operation. This apparent profit will be taxed to a varying extent in different countries. In the United Kingdom the tax would be about £200, which would leave him with £1,200 to replenish his stock; he can buy only 85 tons with this £1,200, and thus his real capital has been depleted. In other words, under these principles of taxation, Governments are obtaining part of their revenue by consuming the capital of industry.

GOVERNMENT CONTROLS

It is necessary to mention here that in a number of cases where Government controls have been applied the losses have not been limited to the amount of tax collected on the apparent profit. What has happened in the seed-crushing, oil refining, hydrogenation and margarine industries in the United Kingdom will serve as an example. In these industries the Government at the beginning of the war took over at the then market prices the whole of the stocks so that there has been no opportunity to get back in higher prices even a part of the rise in price that will ultimately have to be paid for new stocks. When these industries are again freed they will probably be able to buy with the compensation received only a quarter or a third of the volume of the stocks taken over.

In our own business it is extremely difficult to calculate the real loss in capital invested in current assets which arises from the change in values between 1939 and today, for unlike the fixed assets which are still in existence and can be identified individually, these current assets have changed many times and today may not even be similar in description. Moreover, until free markets are restored it is not possible to establish the limits within which postwar raw material prices will fluctuate. It is certain, however, that the loss amounts to a formidable sum.

THE BOARD'S METHOD

How then have we dealt with it? It has been our practice to retain profits in the business in the main to provide for natural expansion without having recourse to new

capital. During the war years we increased the proportion of these retentions to meet in part these real losses in current assets. The amount of £4,200,000 put to stock reserve this year is another expression in a more precise form of the same practice. It may be that most people will regard this particular appropriation as something which is required in case there should be a fall in prices, i.e., to cushion the losses that would then occur. That is one way of looking at it. It will be clear, however, from what I have been saying that the reserve is required equally certainly if price levels remain high, i.e., to ensure that we have the amount of capital necessary to maintain intact the volume of our current assets.

The impairment of capital invested in current assets is an accomplished fact and there is little that we can do about it. It took place when our stocks were cleared out at low 1939 prices, and the profits arising from sales at higher prices were either retained by the Government or creamed off by Excess Profits Tax and Income Tax so that they are not available for re-stocking at higher current prices. We can only hope that the large amounts of profits put to reserve during the war period, and the specific allocations to stock reserve that we have made since, will prove adequate. If the price level continues to rise, we shall have to make further provisions.

FUNCTION OF NEW CAPITAL

Now let us consider briefly the function of new capital because it is important to distinguish between it and the maintenance of existing capital. The purpose of new capital is to provide facilities for making new products, to increase facilities for making the greater volume of existing products necessitated by extra demand and to purchase more expensive plant if it will do existing jobs more efficiently.

The idea that the depletion of capital, due to inadequate depreciation allowances and under-valuation of materials, can be met from new capital is perhaps a natural confusion. One reason is that the replacement of a used-up appliance and the expansion of a company's capacity by substituting a different, better and more expensive appliance often occur simultaneously. There is confusion, too, because current profits are an important source of new capital. Indeed in the past the most important source. But the fact that current profits serve as the source both of additions to real capital and of replacement of existing assets, does not alter the fact that the same savings cannot be used for both purposes. If we have to use savings to meet the need for reconstituting stocks and replacing fixed assets at a higher price level, they will not be available for expanding the physical volume of production and trade. And if these savings continue to be depleted by being taxed as if they were true profits, more still will have to be used for replacing materials at higher prices, leaving still less available (even if dividends are restricted) for expansion of the business. In such circumstances to resort to new capital issues would be to risk incurring additional capital liabilities without the assurance that the new money would provide any net increase of earnings.

THE NATIONAL ANGLE

Let us look at the problem from the national angle. In England as in most parts of the world the available capital is inadequate to meet the many legitimate demands that are made upon it. It is essential to ensure that new capital is used for proper purposes and not applied to make good failures to maintain existing capital. Otherwise we shall find that our capital resources are being gradually dissipated in current expenditure. This will mean that it will be impossible for us to improve our standard of living or indeed to keep it at its present level. From the national point of view, therefore, the importance of maintaining industry's capital intact cannot be over-emphasised.

What then must be done to maintain capital invested in industry? Our discussion has shown that, however desirable, it is not easy to define methods that will preserve true values of current assets in all circumstances. Action, however, is practicable in the case of fixed assets and for this reason I will now deal mainly with this aspect.

A PROBLEM FOR INDUSTRY

The maintenance intact of capital invested in fixed assets is in the first place a problem for industry itself. The main essential is that the problem should be fully understood by all concerned—shareholders, management and workers. The proper provisions to allow for replacements must be calculated. Distributions of profit, however desirable, must not be made unless the maintenance of true capital is first assured. Selling prices must be so fixed as to bear relation to real cost. It would be highly desirable if the maintenance of capital could be achieved without raising selling prices, i.e., by finding the means for the extra provisions from increased efficiency. But to a large extent, increased efficiency depends on the acquisition of new and better plant, so that the setting of a selling price that will allow a proper provision for it must have priority.

But it is equally important that the problem should be appreciated by Government. Unfortunately there are many signs that this is not the case. In industries which are still operating under Government controls, prices as a rule only allow a depreciation charge based upon prewar costs of plant and machinery. In Holland we have an example in point. Measured by traditional methods which are enforced upon us by Government price controls, we have made a profit there. This profit, however, is wholly fictitious. When we calculate our results in the right way, making provision for maintaining real value, practically the whole of the profit disappears.

GOVERNMENT'S FAILURE

Equally serious is Government's failure to recognise for tax purposes a proper basis for provision for depreciation. Briefly, the Government method is to treat as adequate and not liable to taxation depreciation of fixed assets only sufficient to replace their original money cost. They also allow expenditure on materials sufficient only to cover the cost of supplies taken from stock acquired when prices were lower. In both cases Government completely disregards the contemporary values (and therefore the cost of replacement) of the equipment and materials used. Such an attitude is logical only on the assumption, which common observation and everyday experience contradict, that values of fixed assets and materials never change between the time of purchase and the time when they have to be replaced. In both cases it is the value today that matters: the charges necessary to replace that value without reducing the quantity either of fixed assets or stocks of materials must be made against receipts before taxable profit is struck.

AN UNDESIRABLE POSITION

It follows that the Government's current tax revenues are made up in part of taxation of something that is not a profit at all but is capital, and it is using this capital for current expenditure. Such a position is undesirable at any time, but it is doubly so at a time when strenuous efforts are being made to curb inflation. Unless industries are able, out of their taxed profits, to augment their depreciation reserves, they will slowly but inevitably lose their power of production. So far as the United Kingdom is concerned it follows from what a Government spokesman recently said in the House of Commons, that current tax revenues include between 100 and 150 millions annually, due to depreciation allowances not being calculated on present-day values of fixed assets. The nation is using up capital to this extent each year for revenue purposes.

In some countries the problem has been recognised by Government and limited action has been taken to deal with it. In France, for instance, even before the recent devaluation of the franc, the authorities permitted a revaluation of fixed assets for the calculation of depreciation, and in Belgium, where the change in the value of the franc between 1939 and today is not very different from the change in value of the pound or guilder, similar provisions have been incorporated in the tax law. It is vitally necessary, in the interests of all classes of the community, that appropriate steps should be taken here. Administrative difficulties in the assessment of tax on a replacement basis are surmountable and it would enable industry in due course to maintain its existing capacity. If this reform is not made then the country will be slowly consuming its real capital, the result of which would be as disastrous as it would be for an individual.

POSITION SUMMARISED

To conclude—our discussion of the problem of maintenance of capital invested in fixed assets and current assets amounts to this:—

(i) Very real losses have already been sustained under both heads.

(ii) These losses have been incurred, because the Government, both in fixing prices and margins, as well as in its taxation policy, has ignored the change in value of money.

It is inevitable for a country to have to draw on its capital to wage a major war, but to continue to do so in peacetime is to invite disaster. In peace there must be a reversal of policy, for if the scale of production is to be maintained—let alone increased—it is essential to replace as quickly as possible capital which has been lost.

ESSENTIAL CONDITIONS

This can only be done if there is a realisation of the fact by all concerned. There must be:—

(i) A recognition of what true profits are.

(ii) An acceptance that the maintenance of a reasonable level of true profits is necessary to the life of the nation.

(iii) The corollary—that taxation methods must be revised so that true profits only are taxed.

The problem does not merely touch shareholders as a class, or even shareholders plus employees; it is national in its scope, for if the loss of capital in industry is allowed to continue, the productive capacity, and therefore the well-being of the country, will be gravely affected. Among the many difficulties of the moment, the importance of this problem is such as to call for urgent consideration by Government, industry and labour. (Applause.)

The Chairman concluded by moving the adoption of the report and accounts.

LORD LEVERHULME'S TRIBUTE

In seconding the resolution, The Viscount Leverhulme (Governor of the Company) said: My Lord, Ladies and Gentlemen,—Before formally seconding the resolution, I would like to take this opportunity of expressing the pleasure which we all felt—and I am sure it was shared by the stockholders—when H.M. The King recently conferred upon our chairman the honour of Knighthood. (Applause.)

It was a tribute to Geoffrey Heyworth's great services both to this world-wide business, of which he is chairman, and to the public and industrial life of the nation generally. He has always been ready to give freely of his talents and ripe experience wherever he felt he could help his country in a special problem at a difficult time. His member-hip of the Company Law Committee and his chairmanship of the committee which reported upon the gas industry

are only two of many examples which might be quoted. We congratulate him most warmly, and hope that he and Lady Heyworth may long be spared to enjoy this distinction. (Hear, hear.) And now I have pleasure in seconding the resolution which the Chairman has just moved.

The resolution was put to the meeting and carried unanimously.

The proposed dividends of 10 per cent. on the ordinary stock and 6 per cent. on the deferred stock payable on September 3, 1948, were approved, the retiring directors were re-appointed and the remuneration of the auditors, Messrs Cooper Brothers & Co., and Messrs Price, Waterhouse & Co., who had been re-appointed under the provisions of the Companies Act, 1948, was fixed.

LEVER BROTHERS & UNILEVER N.V.

The annual general meeting of the members of Lever Brothers & Unilever N.V. was held, on the 26th instant, at Museumpark, Rotterdam. Mr P. Rykens presided and made a speech in similar terms to that delivered by Sir Geoffrey Heyworth at the annual meeting of Lever Brothers & Unilever Limited, reported previously.

The report and accounts for the year 1947 were adopted. The proposed dividend of 8.9 per cent. (being the equivalent of the dividend for the same year to be paid by Lever Brothers & Unilever Ltd., to its ordinary stockholders calculated in accordance with the provisions of the equalisation agreement and converted at a rate of exchange of Fl. 10.691 to the £ Sterling) was approved, the retiring directors were re-appointed and the auditors, Messrs Cooper Brothers & Co., and Messrs Price, Waterhouse & Co., were reappointed.

NOTICES

GOVERNMENT OF SOUTHERN RHODESIA
FOUR AND A HALF PER CENT INSCRIBED STOCK 1953/68
CITY OF JOHANNESBURG
FIVE PER CENT INSCRIBED STOCK 1950/60

NOTICE is hereby given that in order to prepare the Warrants for Interest due October 1st next the BALANCES of the several Accounts in the above mentioned Stocks will be STRUCK on the night of September 1st and that on and after September 2nd the Stocks will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas),
(London Registrars of the above Stocks)
ROWLAND SMITH, Manager.

Circus Place, London Wall, E.C.2. 9th August 1948.

OXFORD UNIVERSITY INSTITUTE OF STATISTICS

Applications are invited for research posts at the above Institute. The basic salary will be not less than £350 per annum. Candidates are expected to have qualifications in Statistics and Economics. Application forms may be obtained from the Secretary, Institute of Statistics, 91, Banbury Road, Oxford.

UNIVERSITY COLLEGE OF SWANSEA

The Council of the College invites applications for the post of Lecturer in Social Science and Supervisor of Studies for the Diploma Course in Social Science. Starting salary, within the scale £500-£25-£750 per annum, will be determined by the experience and qualifications of the successful candidate. The appointment will date from January 1, 1949. Further particulars may be obtained from the Registrar, University College, Singleton Park, Swansea, by whom applications must be received *on or before Saturday, September* 11, 1948.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE
(UNIVERSITY OF LONDON)

Applications are invited for the post of Assistant to the Secretary. Salary scale £500 per annum rising to £700 with superannuation benefits and family allowances. Starting salary according to qualifications. The Assistant will be responsible for the School's official publications. Preference will be given to graduates (between the ages of 25 and 35) with appropriate experience. Applications with the names of two referees to be forwarded not later than September 6th to the Secretary, London School of Economics, Houghton Street Aldwych, London, W.C.2, from whom further information may be obtained.

DERBY TECHNICAL COLLEGE

The Governors invite applications for the post of Senior Assistant in the Department of Commerce and Economics, to commence duties on January 1, 1949. Candidates should possess a Degree in Commerce or Economics, and preferably have had some teaching experience. Industrial or commercial experience will be an additional qualification.

Candidates should be prepared to teach Accountancy, Business Administration, or Economics to Final Degree standard.

Salary in accordance with the Burnham Technical Scale for Senior Assistants, £700-£800, with additions for graduate qualifications and training, if applicable.

Further particulars and forms of application, which should be returned not later than September 20, 1948, may be obtained from the undersigned.

W. ALFRED RICHARDSON, Principal.

URWICK, ORR & PARTNERS seek additional staff for the Control Division of their professional work as Consulting Specialists in Organisation and Management. Applicants must satisfy the following requirements:—

1. Professional qualifications in accountancy.

2. Some years in responsible appointments, with particular reference to costing. Older candidates should have had 5-6 years as Senior Executives.

3. Sound basic general education and wide interest in contemporary affairs.

Service in H.M. Forces will be taken into consideration. Applications should be addressed IN WRITING to the Company's offices at 7, Park Lane, London, W.1, quoting reference No. 1016.

AN Assistant Secretary to specialise on the Export Trade side of its work is required by The Association of British Chambers of Commerce, 14, Queen Anne's Gate, London, S.W.1. Essential qualifications include first-class secretarial ability, appropriate education and experience. Practical experience in overseas trade would be an advantage. Applicants should state salary required; remuneration will take experience into account. Applications, marked "Confidential," should reach the Secretary within two weeks of this announcement.

LABOUR PARTY RESEARCH DEPARTMENT. Applications invited for post Research Assistant, edit. *Labour Party Bulletin*; run information service. Knowledge economics, Labour Movement; writing ability essential. Salary £475 rising annual instalments £25 to £550. Closing date applications September 20th. Forms from Secretary, Labour Party, Transport House, Smith Square, S.W.1.

"COTTON INFORMATION," weekly trade service, and "Monthly Cotton Trade Review," published by Frederick W. Tattersall, Ltd., 17, St. Ann's Square, Manchester, 2. Specimen copies and subscription terms on application.

EAST SUFFOLK COUNTY COUNCIL
COUNTY PLANNING DEPARTMENT

Applications are invited for the appointment of a SURVEY OFFICER to take charge of the Survey & Research Section of the County Planning Department.

Applicants should have received a University training and preference will be given to those who have specialised in either geography, sociology, or economics.

The appointment will be on the Council's established staff A.P.T. Grade V. Salary £520-£570 per annum, in accordance with the National Scheme of Conditions of Service, and subject to the Local Government Superannuation Act, 1937.

The successful candidate will be expected to maintain a motor car for which an allowance will be paid according to the National Joint Council's scales.

Applications endorsed "Survey Officer," stating age, experience, qualifications, present and past appointments, and giving names and addresses of two persons to whom reference may be made, to be delivered to the undersigned not later than the first post Saturday morning, September 11, 1948. Canvassing is prohibited and will disqualify an applicant.

G. C. LIGHTFOOT, Clerk of the County Council.

County Hall, Ipswich.

HEMEL HEMPSTEAD DEVELOPMENT CORPORATION
ADMINISTRATIVE AND LEGAL DEPARTMENT

The Hemel Hempstead Development Corporation will shortly appoint a person to organise and maintain a centrally controlled section having responsibility for filing and indexing all current papers, and for arranging for the orderly preservation of documents relating to the growth of the New Town.

The work calls for a person, preferably with University training, with experience in registry or library work, and with ability to follow with interest all branches of the Corporation's work.

The salary will be on a scale £450/£25/£525, and the post will be superannuable.

Applications, stating age, qualifications and experience, and giving the names of three referees to whom reference may be made, should be addressed to the General Manager (R), Hemel Hempstead Development Corporation, Westbrook Hay, Hemel Hempstead, Herts., to reach him not later than September 13, 1948.

W. O. HART, General Manager.

August 20, 1948.

SUDAN GOVERNMENT

SUDAN RAILWAYS require an ACCOUNTANT for service in the Sudan.

Duties: Cost Accountancy.

Qualifications: Candidates should be conversant with modern costing methods and have had sound practical experience with reputable business firm. Knowledge of punched card accounting would be an advantage. Preference will be given to candidates holding recognised professional qualifications.

Age Limits: 25-35 years.

Terms of Service: Appointment on short-term contract for four years, subject to satisfactory completion of probationary period, at a starting salary between £E375-£E510 per annum, according to age, experience and qualifications. Bonus of one month's pay for each year's service payable, subject to a maximum of six months' pay.

Cost-of-living allowance from £E180 to £E399 per annum, according to number of dependants, is at present payable.

Outfit allowance of £E10 is payable when contract is signed.

There is at present no Income Tax in the Sudan. Free passage on appointment. Strict medical examination. (£E1=£1 0s. 6d.)

Papers containing fuller information for candidates are obtainable from the Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1. Please mark envelopes "Accountant—Railways."

THE Civil Service Commissioners invite applications for the situation of PRINCIPAL (ADMINISTRATIVE CLASS) in the pensionable establishment of the Home Civil Service on the scale (in London) of £900 x 30—1080 x 35—1220 (men) and £900 x 30—1050 (women). Applicants must have been born after December 31, 1897, and before August 2, 1913. The duties of the Administrative Class are primarily to give advice on the formation of policy and the preparation of legislation and to organise and administer the work of Departments. The standard of the previous Open Competition for Principals was the possession of a degree with at least 2nd Class Honours, but candidates in this competition, though they must be persons of high intellectual quality, will not be required to hold a degree. The Commissioners hope to secure a field of candidates who possess high academic qualification or show evidence of exceptional ability and experience in responsible administrative or managerial work. They particularly wish to obtain older candidates of good quality. They will select a certain number of those candidates who appear to be most fitted for appointment and will summon them for preliminary interview in London; they will select from these a certain number for further interview by the Final Selection Board. The Commissioners' decision in all matters will be final. The number of vacancies to be filled will be about 50. Candidates should write for an application form and memorandum to the Secretary, 6, Burlington Gardens, London, W.1, marking the envelope "Pria 2275" in the top left-hand corner. The completed application form must reach the Commissioners before October 31, 1948.

Statistical Summary

GOVERNMENT RETURNS

For the week ended August 21, 1948, total ordinary revenue was £58,929,000, against ordinary expenditure of £100,141,000 and issues to sinking funds £30,000. Thus, including sinking fund allocations of £4,363,000 the surplus accrued since April 1st is £260,555,837, against £251,530,227 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand) April 1 to Aug. 23, 1947	April 1 to Aug. 21, 1948	Week ended Aug. 23, 1947	Week ended Aug. 21, 1948
ORDINARY REVENUE					
Income Tax	1309150	319,023	341,690	10,142	21,912
Sur-tax	90,000	16,380	22,100	350	400
Estate, etc., Duties	160,000	67,079	73,750	2,570	3,400
Stamps	55,000	18,430	22,685	1,030	1,100
Profits Tax	260,000	11,130	40,910	550	3,400
E.P.T.		82,586	48,400	5,200	1,550
Other Inland Rev.	1,000	100	90	...	...
Special Contribution	50,000	...	9,900	...	550
Total Inland Rev.	1915150	514,728	559,531	19,812	32,112
Customs	820,600	299,676	314,700	14,012	15,445
Excise	726,550	231,300	296,700	9,000	7,000
Total Customs & Excise	1547150	530,976	611,400	23,012	22,445
Motor Duties	50,000	9,863	8,925	...	...
Surplus War Stores	102,000	65,161	20,891	831	...
Surplus Receipts from Trading	57,000	25,000	836	...	...
P.O. (Net Receipts)	...	2,380	2,360	900	500
Wireless Licences	11,000	2,640	2,730	...	...
Crown Lands	1,000	410	360	...	...
Receipts from Sundry Loans	14,000	13,657	9,035	...	1,266
Miscell. Receipts	68,000	156,570	71,687	818	2,606
Total Ord. Rev.	3765300	1321386	1287751	45,403	58,929
SELF-BALANCING					
Post Office	150,200	54,100	58,000	2,600	3,000
Income Tax on E.P.T. Refunds	16,000	10,769	3,146	3,138	127
Total	3931500	1386255	1348897	51,141	62,056

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Aug. 23, 1947	April 1 to Aug. 21, 1948	Week ended Aug. 23, 1947	Week ended Aug. 21, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	200,876	193,580	5,140	41,047
Payments to N. Ireland	26,000	7,371	6,807	...	...
Other Cons. Fund Services	8,000	3,296	3,195	...	34
Total	534,000	211,544	203,581	5,140	41,081
Supply Services	2442657	853,900	819,250	59,580	59,060
Total Ord. Expd.	2976657	1065444	1022832	64,720	100141
Sinking Funds	...	...	4,363	...	30
SELF-BALANCING					
Post Office	150,200	54,100	58,000	2,600	3,000
Income Tax on E.P.T. Refunds	16,000	10,769	3,146	3,138	127
Total	3172857	1130313	1088341	70,458	103298

After decreasing Exchequer balances by £137,325 to £2,625,087, the other operations for the week increased the gross National Debt by £51,374,257 to £25,679 million.

NET RECEIPTS (£ thousand)

Cotton (Centralised Buying) Act, 1947, sec. 21(3)	5,000

NET ISSUES (£ thousand)

P.O. and Telegraph Acts, 1946 and 1948	425
E.P.T. Refunds	155
Overseas Trade Guarantees Act, 1939, sec. 4(1)	141
Local Authorities Loans Act, 1945, sec. 3(1)	5,300
Coal Industry Nationalisation Act, 1946, sec. 34(1)	5,000
War Damage: War Damage Commission	4,000
Finance Acts, 1946 and 1947, Post-war Credits	248
	15,269

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	42,400	3% Def. Bonds	*2,249
Nat. Savings Certs.	300	3% Ter. Annuities	1,317
2½% Def. Bonds	401	Other Debt:—	
Tax Reserve Certs.	726	Internal	292
Treasury Deposits	11,500	Ways & Means Advances	95
	55,327		3,953

* Including £1,663,000 paid off on maturity.

FLOATING DEBT
£ million

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts	Ways and Means Advances: Bank of England	Treasury Deposits by Bank	Total Floating Debt
1947 Aug. 23	2180·0	2467·9	336·9	9·8	1350·5	6345·1
1948 May 8	2200·0	2643·2	310·2	...	1346·5	6499·9
,, 15	2210·0	2643·5	301·0	20·3	1326·5	6501·5
,, 22	2210·0	2626·6	297·8	14·8	1362·0	6511·1
,, 29	2210·0	2620·2	303·3	...	1377·0	6510·5
June 5	2210·0	2616·1	283·2	3·5	1410·0	6523·5
,, 12	2210·0	2608·9	281·7	1·0	1423·5	6525·2
,, 19	2210·0	2635·1	274·0	11·3	1443·5	6573·8
,, 30	4817·3		270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
,, 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
,, 24	2210·0	2632·8	294·6	13·3	1429·5	6580·1
,, 31	2210·0	2620·5	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5
,, 14	2210·0	2588·8	287·0	...	1429·5	6582·0
,, 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9

TREASURY BILLS
£ million

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947 Aug. 22	170·0	258·4	170·0	10 1·58	55
1948 May 21	170·0	294·5	170·0	10 1·26	43
,, 28	170·0	278·6	170·0	10 1·68	50
June 4	170·0	295·8	170·0	10 1·20	40
,, 11	170·0	277·5	170·0	10 1·70	49
,, 18	170·0	259·6	170·0	10 1·89	57
,, 25	170·0	279·7	170·0	10 1·65	48
July 2	170·0	286·8	170·0	10 1·45	45
,, 9	170·0	276·5	170·0	10 1·48	48
,, 16	170·0	279·1	170·0	10 1·55	48
,, 23	170·0	294·5	170·0	10 1·31	43
,, 30	170·0	291·5	170·0	10 1·34	42
Aug. 6	170·0	288·1	170·0	10 1·50	44
,, 13	170·0	269·1	170·0	10 1·91	53
,, 20	170·0	272·7	170·0	10 1·87	52

On August 20th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 52 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for August 27th. For the week ended August 28th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Week Ended Aug. 16, 1947	Week Ended Aug. 14, 1948	Totals Apr. 1 to Aug. 14, 1948
Savings Certificates:—			
Receipts	3,250	2,350	43,850
Repayments	2,300	1,800	52,300
Net Savings	950	550	*Dr 8,450*
Defence Bonds:—			
Receipts	1,110	790	15,630
Repayments	755	1,019	17,370
Net Savings	355	*Dr 229*	*Dr 1,740*
P.O. and Trustee Savings Banks:—			
Receipts	11,238	11,480	235,328
Repayments	12,663	11,013	243,108
Net Savings	*Dr1,425*	467	*Dr 7,780*
Total Net Savings	*Dr 120*	788	*Dr17,970*
Interest on certificates repaid	414	324	9,320
Interest accrued on savings remaining invested	2,242	2,276	44,704

BANK OF ENGLAND RETURNS

AUGUST 25, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1253,324,486	Other Govt. Securities	1288,175,997
In Banking Department	46,923,347	Other Secs.	799,468
		Coin (other than gold)	9,435
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	383,744,291
Rest	3,882,391	Other Secs.:—	27,420,233
Public Deps.:—	50,351,950	*Discounts and Advances*	*5,399,957*
*Public Accts.**	*16,949,440*	*Securities*	*22,020,276*
H.M. Treas. Special Acct.	*33,402,510*	Notes	46,923,347
Other Deps.:—	390,383,411	Coin	1,082,881
Bankers	*200,268,808*		
Other Accts.	*90,114,603*		
	459,170,752		459,170,752

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

COMPARATIVE ANALYSIS
(£ million)

	1947 Aug. 27	1948 Aug. 12	1948 Aug. 19	1948 Aug. 26
Issue Dept.:—				
Notes in circulation	1393·4	1277·8	1262·9	1253·3
Notes in banking department	56·8	22·4	37·3	46·9
Government debt and securities*	1449·4	1299·3	1299·2	1299·2
Other securities	0·6	0·7	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	14·0	20·0	12·6	16·9
Treasury Special Account	...	33·4	33·4	33·4
Bankers	282·0	299·7	316·7	300·3
Others	93·4	88·6	89·1	89·1
Total	389·4	441·1	452·8	440·7
Securities:—				
Government	308·1	402·2	404·1	383·7
Discounts, etc.	16·6	8·3	6·1	5·4
Other	25·9	25·6	22·6	22·0
Total	349·6	436·1	432·8	411·1
Banking dept. res.	59·3	23·4	38·3	48·0
	%	%	%	%
"Proportion"	15·2	5·3	8·4	10·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Aug. 19..	44¼	73¼	Markets	Closed
,, 20..	44¼	72¼	176 4	115 8
,, 21..	Markets	Closed	177 13	115 12
,, 23..	44	72¼	174 5	114 12
,, 24..	44	72¼	175 12	115 5
,, 25..	44	72¼	176 12	115 0

WE INVITE YOU

to make use of the services of this Bank's Travel, Commercial Intelligence and other departments if you intend visiting Australia or New Zealand.

Advices from a network of branches enable us to give practical and up-to-date information on all aspects of industrial, commercial and social conditions throughout Australia and New Zealand.

Established 1837

The
UNION BANK OF AUSTRALIA
LIMITED

Branches throughout Australia and New Zealand.

Head Office:
71, CORNHILL, LONDON, E.C.3.

BANK OF SCOTLAND

Constituted by Act of Parliament 1695

AUTHORISED CAPITAL	£4,500,000
CAPITAL FULLY PAID	£2,400,000
RESERVE FUND & BALANCE carried forward	£2,768,759
DEPOSITS & CREDIT BALANCES as at 28th February, 1948	£87,927,503

Head Office: THE MOUND, EDINBURGH

Over 200 Branches and Sub-Branches throughout Scotland

London Offices:
CITY OFFICE, 30, BISHOPSGATE, E.C.
PICCADILLY CIRCUS BRANCH, 16/18 PICCADILLY, W.

The West Indies

We can assist you to investigate trade possibilities in this expanding field where we have been established since 1899. Correspondents the world over.

London Offices—6 Lothbury, E.C.2. E. B. McInerney, Mgr.
2-4 Cockspur St., S.W.1. L. R. Newman, Mgr.

THE ROYAL BANK OF CANADA

Head Office: Montreal
Offices in New York and Paris

Over 690 branches in Canada, Newfoundland, the West Indies, Central and South America.

Incorporated in Canada in 1869 with Limited Liability.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong)

CAPITAL ISSUED AND FULLY PAID UP	$20,000,000
RESERVE FUNDS STERLING	£6,000,000
RESERVE LIABILITY OF MEMBERS	$20,000,000

Head Office: HONGKONG
Chief Manager: THE HONOURABLE A. MORSE, C.B.E.

BRANCHES

BURMA	CHINA (Con.	INDO-CHINA	MALAYA (Con.	NORTH
Rangoon	Peiping	Haiphong	Johore Bahru	BORNEO (Con.)
CEYLON	Shanghai	Saigon	Kuala	Sandakan
Colombo	Swatow	JAPAN	Lumpur	Tawau
CHINA	Tientsin	Kobe	Malacca	PHILIPPINES
Amoy	Tsingtao	Kure	Muar	Iloilo
Chefoo	EUROPE	Tokyo	Penang	Manila
*Chefoo	*Hamburg	*Yokohama	Singapore	SIAM
Chungking	Lyons	JAVA	Sungei Patani	Bangkok
*Dairen	HONGKONG	Batavia	Telok Anson	UNITED
Foochow	Hongkong	Sourabaya	NORTH	KINGDOM
Hankow	Kowloon	MALAYA	BORNEO	London
*Harbin	INDIA	Cameron	Brunei Town	U.S.A.
Mukden	Bombay	Highlands	Jesselton	New York
Nanking	Calcutta	Ipoh	Kuala Belait	San Francisco

*Branches not yet reopened.

London Office: 9, GRACECHURCH STREET, E.C.3.
BANKING BUSINESS OF EVERY KIND TRANSACTED
A comprehensive service as Trustee and Executor is also undertaken by the Bank's Trustee Companies in
HONGKONG LONDON SINGAPORE

B. W. BLYDENSTEIN & CO.

Established 1858

BANKERS

54, 55 & 56, Threadneedle Street, London, E.C.2

THE ENGLISH, SCOTTISH & AUSTRALIAN BANK, LTD.

Head Office: 5 Gracechurch Street, London, E.C.3

Subscribed Capital	£5,000,000
Paid-up Capital	3,000,000
Further Liability of Proprietors	2,000,000
Reserve Fund	1,815,000

Chief Office in Australia:
Collins Street, Melbourne,
and many Branches and Agencies throughout Australia.

With its widespread connections, this Bank offers every facility for the conduct of all classes of Banking and Exchange business with Australia.
J. A. CLEZY, London Manager and Secretary.

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability.)
Established 1832.
General Office: Toronto, Canada.

Paid-up Capital	$12,000,000
Reserve Fund	$21,000,000
Total Assets over	$700,000,000

Special facilities are available to the public through the Branches of this Bank for the transaction of business with Canada, Newfoundland, Cuba, Puerto Rico, Dominican Republic, Jamaica and the United States at New York.

Address enquiries to London Branch:
108, OLD BROAD STREET, E.C.2.
C. G. WEBSTER, Manager.

REFUGE ASSURANCE COMPANY, LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS	£17,500,000
ASSETS EXCEED	£102,000,000
CLAIMS PAID EXCEED	£189,000,000
(1947 Accounts)	

HIS MAJESTY'S COLONIAL SERVICE

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DECEMBER 1948 EXAMINATIONS

The next examinations of the Association of Certified and Corporate Accountants will be held on Tuesday, Wednesday and Thursday, December 7, 8 and 9, 1948, at the following centres: Aberdeen, Belfast, Birmingham, Bournemouth, Bristol, Cardiff, Cork, Dublin, Edinburgh, Glasgow, Hull, Leeds, Liverpool, London, Manchester, Newcastle, Nottingham, Plymouth and Sheffield.

The last date for entries is October 1, 1948, at the office of the Association, 22, Bedford Square, London, E.C.1. Candidates should give early notification of their intention to sit, and it should be noted that late applications cannot be entertained.

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Breathing Space in Germany?

THE Four Power struggle for Germany has become—temporarily at least—less sharp. After weeks of negotiation in Moscow, agreement has been reached upon a possible procedure for ending the blockade of Berlin and agreed instructions have been sent to the four Commanders-in-Chief in Berlin, requiring them to work out a formula whereby, under Four Power control, the Soviet mark could become Berlin's currency. If agreement is reached, the blockade will presumably be raised and this in turn may pave the way for a new meeting of the Foreign Ministers to discuss the whole future of Germany.

The negotiations in Berlin will be involved and may not be conclusive. The Russians wish to raise the question not only of the issue of currency but of the control of credit and it will tax the Western Powers' ingenuity to the utmost to discover methods of making their control effective and of preventing discrimination against the Western Sectors of Berlin. The Russians are probably in no hurry to conclude an agreement since each day's delay brings them nearer to the completion of harvesting in the Eastern zone while to the Allies it only brings the threat of November weather to the airlift. Agreement may be reached in Berlin, but it may be followed by weeks of further negotiation in Moscow.

What then? Suppose that the blockade were lifted, would the underlying Four Power struggle be resolved? Are the Allies on the verge of a solid settlement or are they witnessing no more than a change of handhold as the Russian wrestlers prepare a new move? Berlin itself gives no answer to this question, since Berlin is only one element in the wider struggle for Germany and it must be confessed that if the Four Power dispute is examined in its wider context, the latest developments in Berlin look more like a change of manoeuvre than a change of heart.

The basic fact of the German situation is that the Powers are locked—inevitably—in a struggle to secure the allegiance of the German people. As this contest has developed, it has become increasingly clear that in Germany as a whole, the Western Allies hold all the cards. Quite apart from such issues as the Oder-Neisse frontier and the expulsion of the Germans from the Eastern lands, conditions in the Soviet zone have made nonsense of any Russian claim to be friend and liberator. Politically, the imposition of Communist rule has proved so unpopular that this year the Russians dare not risk elections, even faked elections. Economically, the systematic stripping of the Soviet zone has led to an acute food shortage and to a lack of consumer goods that no propaganda can cover. Even if the Western Allies had done nothing to improve conditions in their zones, they could hardly have failed to profit by the contrast with Soviet policy.

In fact, they are doing a certain amount to rebuild the West. The economic situation in Western Germany is precarious and unstable enough, but American credits are coming in; Germany's participation in the Marshall Plan has begun; above all, the currency reform has brought back elements of normality to lift the nightmare of German existence. Politically, there can now be no doubt that in spite of their hesitations, the Germans welcome the offer of self-government.

During their deliberations on the Allied proposals for a German government in the West which began at Coblenz in July and were carried on at a later conference at Chiemsee, they have continued to stress the provisional character of any statutes they may approve and to insist again and again that no final step can be taken except by a reunited Germany. But their first fear that they would lose popular support by appearing to "split the Reich" has been largely dispelled.

They have, it appears, been strongly influenced in their decision to accept responsibility by the intervention of the democratic leaders from Berlin. Dr Reuther, in particular, has impressed on them that Eastern Germany looks to them to establish a strong, democratic and self-governing community in the Western Zones as a rallying point for Eastern hopes. Western Germany can be the Piedmont of a united Germany provided that the Western Government speaks for Germany as a whole. It is in this spirit that the West German leaders have assembled at Bonn this week to accept—with their own emendations—the Allied proposals for self-government and to initiate the process which will lead first to the drafting of a constitutional document for Western Germany and then to the election of a government by popular vote.

This is the general picture—one of steady Allied advance and of steady Russian falling away. There is, however, one exception to it and that is Berlin. Weak in Germany as a whole, in Berlin the Russians remain overwhelmingly strong and the pattern of the struggle for Germany thus resembles a wrestling match in which one wrestler has almost got his opponent to the floor but is handicapped by the agonising grip the man has on his right elbow. Everything that has happened since the blockade was imposed has underlined the strength of Russia's local position. Outside the Western Sectors, Soviet and Communist control is being imposed. The police force has been taken over. Food distribution is in Communist hands and it is now no longer possible for the freely elected city government to meet in the Stadthaus since it suffers organised invasion by Communist crowds.

The German people have certainly shown opposition to the Russians. Sixty per cent of the police in the Soviet Sector moved into the Western Sectors and only a tiny proportion of families sought to re-register in the Soviet Sector to secure some of the extra food offered as a bribe. But the blockade limits the capacity of the Western Sectors to live as a self-contained unit. There is growing unemployment. The small ration depends upon an uninterrupted airlift. Public utilities only operate intermittently. So far, German morale has remained high, but it may be that in the long run the position will prove untenable.

The Russians have attempted to use their two instruments of pressure in Berlin—the blockade and Communist control—to prevent the organisation of Western Germany. Like Dr Reuther, they clearly regard a free Frankfurt as a possible magnet for the enslaved East. But in this they have failed. The meeting at Bonn this week is the West's answer to Russian tactics in Berlin. In the major struggle for Germany, Russia has lost the round. But it is also true that its grip on Berlin is as complete as ever. And in the circumstances, is it conceivable that the Russians should agree to any permanent relaxation? It is surely more likely that they will make the Allied position in Berlin more and more untenable with each advance in Western Germany towards political and economic stability. To abandon, in a losing game, one's only trump card would be the tactics of a fool, and as tacticians the Russians are not foolish, however unwise their grand strategy may be.

It is therefore possible that the shift of the discussions from Moscow to Berlin and from principle to technicalities may be no more than a new turn in Russia's game of delay—delay until Eastern barns are full and November weather brings fog to the Western airfields. Even if a currency agreement is reached and the blockade is lifted, the Soviet mark can be used as one more instrument in establishing *de facto* Communist control throughout the city and the Russians could then choose their own time and their own pretext for reimposing the blockade. If in return for the concession over currency, the Allies could secure a land corridor to their own sectors, then, indeed, a new situation would arise. Short of that, the Allies will remain as exposed as they are today to Russian ill-will.

An agreement on currency and a lifting of the blockade—however temporary—are, naturally, to be sought. They offer no permanent solution, but they can give the Allies the opportunity of thinking out their position in Berlin in conditions of relative calm and of taking action without seeming to act under immediate Russian pressure. Now as at any time since the blockade was imposed and Communist control began to spread through the city, there are really only four choices open to the Allies in Berlin. The first is to fight. The second is to maintain the Western sectors by means of the airlift. This is very costly and may prove impossible. It can certainly only be done at the cost to the Germans in Western Berlin of unemployment and minimum rations. The third course is to abandon control of the sectors but to maintain Allied garrisons by air. The fourth is to move out. There are no other possibilities; any other policies would depend on a Russian choice; and any time and any elbow room gained by agreement on the currency issue and by a lifting of the blockade should be used, not to sink back into a complacent belief that after all the Russians will play the game, but to take a firm decision on the Allies' future policy in Berlin and its relation to their policy for Germany and, indeed, for Western Europe as a whole.

Labour and the Nation—I

The Limitations of the TUC

ON Monday next the Trades Union Congress resumes for one week the powers which for the rest of the year it delegates to its General Council. Even if it were held in some sleepy inland town and not in the brisk air of Margate, it would be obvious from the agenda that the General Council and its officers face a week of turbulent debate and criticism. Nothing could better illustrate the separate pressures that are exerted upon the high command of the TUC, lodged within the heart of Westminster, and upon the leadership of the individual unions in all parts of the country, than the difference between the annual report and the agenda for the Conference. The report is concerned with the work of committees, co-operative bodies, and advisory councils—in short, the somewhat uninteresting record of a responsible public body. The items on the agenda, on the other hand, contain much radical fire, some of them the more fiery (such as the demand for the reversal of allied policy in Greece) because they are not likely to form the spearhead of trade union demands. But the crux of the business at Margate is to be found in ten resolutions dealing with wages, prices and profits, and nine with workers' control or participation in the control of industry. On these two subjects the main interest of the conference will assuredly be focused.

These are, of course, the traditional subjects of trade union pressure; their importance today lies in the extent to which the unions are prepared to move from a policy of single-minded self interest towards non-sectarian and positive endeavour. Shaken by the seriousness with which Sir Stafford Cripps has treated Britain's economic problem, the unions have at last

begun to feel the need to justify their pressure for higher wages. The response of the General Council to the Government's White Paper on Personal Incomes was, it is true, equivocal in the extreme; it left individual unions free to press outstanding wage claims and it defined, in its own terms, the conditions under which claims would be regarded as reasonable. But at least the TUC recognised a principle of responsibility to the nation in demanding higher wages, which shakily though it was upheld went very much further than some of the individual unions were and are prepared to go. The argument for slowing down wages increases was related by the Government to the stabilising of prices and the curbing of profits; in the hands of the unions it has been twisted to become conditional upon their reduction. Prices have risen, largely because imports have cost more since February—though Sir Stafford has been finding £70 million a year more for food subsidies than he expected four months ago. Distributed profits have not increased, save for a small percentage of firms most of which could justify them quite reasonably. Yet many unions which diffidently supported the TUC on its wages policy seem on the point of withdrawing their support. They had expected lower prices, and therefore increased real wages. They have found instead (unless their money wages have been raised since February, as some have) that their pay packet buys less. And the moral they draw is, not that there is less to buy, because Britain is poorer, but that a further rise in wages will enable them to maintain their standard of living.

★

Consequently the debate at Margate will generate a strong head of pressure for reversing the General Council's policy, weak and illogical though it was. One faction, encouraged by the success of the engineers' wage claims, will press strongly for the abrogation of any principle of slowing down wage demands: the other, more loyal to the General Council, will press for the fulfilment of the other half of the bargain—a drastic reduction of prices and profits.

This controversy will raise in its most acute form the issue whether the trade union movement can fairly claim to be a responsible element within the nation. In its own eyes, the TUC is not merely a vehicle for canalising the demands of its various unions. Its General Council has, or would like to think that it had, the dual responsibility of representing the interests of eight and a half million workers to the Government and the nation and also of representing the Government's viewpoint to the workers. It has a sense—by no means unfounded—of proprietorship over the Labour Government, and it is equally anxious to demonstrate to the world that the workers will follow its guidance. Next week's conference and the decisions that flow from it will show to what extent these pretensions are true, more particularly because the General Council has two further unpalatable recommendations to lay before the Congress. First, it proposes that trades unionists appointed to the boards of nationalised industries should function as individuals and not as delegates of their unions. It is obvious that a man bound by loyalty to two organisations would be reduced to a state of complete incapacity to play a useful part in the direction of a nationalised industry. But it is a blow aimed at the lingering attachment to syndicalism which persists in some unions and some parts of all unions. It means that the general staff of labour has rejected the tempting notion of taking a direct part in the government of the nationalised industries in favour of maintaining the independence of trade unionism.

The second message which the General Council will attempt to impress upon the delegates at Margate, is that higher productivity and full employment go hand in hand. It has at last realised that full employment does not depend upon the complexion of the Government in power; that a Tory government would honour its pledge to maintain it and that a Labour government, owing to the rising cost of raw materials and wages or to a failure to compete effectively in foreign markets, might itself be unable to maintain it. Full employment is in fact an aspiration, and it is perhaps the realisation of this that has goaded the TUC to take a stand on productivity, rather than gaze into the future to discern whether in the next round it is to be the doughty opponent of a Tory government or the trusted henchman of a Socialist regime. It now demands that its members should abandon their attitude of suspicion towards industrial efficiency, accept mobility as a condition of full employment, and justify the load of the new social services by higher output.

The effect which this change of heart will have upon the workman at his bench must be determined by the extent to which the TUC can move the minds of the working people of this country. A recent analysis by PEP* of the Trade Union movement suggests that the TUC cannot do very much in this direction. The study shows that there are three levels within the structure of the unions. At the top are to be found members of the national executives and the permanent officials, most of them middle-aged men who have risen by their intelligence and energy, who are in touch with the higher reaches of national and industrial policy making and who, once elected, are seldom turned out of office. Below them comes the active membership of the branches, including the modestly remunerated voluntary officials. Research has shown that the average percentage of union members voting at branches is between 15 and 25, and though pressure on the national executive comes from these branches, attendance at branch meetings is limited to the politically conscious and not always responsible minority. Finally there is the 80 per

*British Trades Unionism: Six studies by PEP: London, 1948: 15s.



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cent who, lacking either the energy or the enduring interest in the affairs of trade unionism, will accept the advice of the minority in the branches on some issues but on others prefers to listen to shop stewards or even to unofficial leaders. The radical pressure is strongest at the lower level and becomes progressively diluted as it approaches Transport House. Thus, it is not surprising that the latter possesses no power to bind the unions or even frequently enough to sway their views. The Government likes to treat the TUC as if it were a sovereign, federal body. For its part, Transport House must often wish that it were, for in fact it wields only the lowest common denominator of sovereignty which the unions are grudgingly prepared to give it in the interests of solidarity.

The more closely the structure of the trade union movement is examined the more apparent it becomes that it is not, as some observers have supposed, a fourth estate of the realm, but is a pressure group, devoted to safeguarding and extending the political rights and economic privileges of the British worker. There is nothing shameful about a pressure group unless its aims or methods be shameful; the repeal of the corn laws, the abolition of slavery, and the enfranchisement of women were achieved by such groups and the social achievements of the trade unions have been very great. But the awkward question remains of how such an organisation can—as it were—reverse the pressure, presenting the demands of the community to the worker instead of (as in the past) presenting those of the worker to the community. Will the docker or the miner accept unpalatable truths or unwelcome decisions from an organisation which in his view exists simply to further his own interest and does that job none too well? Will the shop steward listen with any greater attentiveness to talk of productivity from Transport House than from his own production manager? Does not the tendency of a trade union official to adopt the tone of a mentor rather than the manners of a delegate stamp him in the eyes of the worker as untrustworthy?

The truth is that in the urgent task of changing the workman's attitude to technological progress and of evoking a spirit of industrial enthusiasm, the nation cannot rely upon Transport House to fight its battles for it. Even if it were absolutely certain that the TUC was committed without reserve to a crusade for higher productivity, it is doubtful how much it would achieve without radical reform of its whole organisation and powers. The admission of some breath of common sense in the councils of TUC is welcome to a public weary of the timid attitude of the past, but that does not alter the fact that the problem of raising productivity is fundamentally one of works relations through shop stewards or the machinery of joint consultation (a fact recognised by American management many years ago). It may be galling that while the unions, ably abetted by the prewar Labour party, helped to create the problem of low productivity, they cannot do more than help to solve it. But industry should examine its own deficiencies in industrial relations over many decades before deciding to put the responsibility solely upon the TUC.

Students of British trade unionism (including PEP) have emphasised that the attitude of the British worker depends upon his confidence in the future, in the recognition of his standing as an individual, in the improvement of his standard of living, and in his security of employment. But it is too often thought that lack of confidence is a disease peculiar to the working man. Confidence implies a mutual relationship, and the British worker cannot expect to acquire confidence if his qualities of perception and adaptability do not inspire it. But confidence is not something which can be advanced by fine words, for it involves two difficult and controversial questions—the wage structure of British industry and the real possibilities of joint consultation—which will be dealt with in later articles.

Efficiency in Uno

THE seventh session of the Economic and Social Council has come to an end at Geneva leaving behind a disagreeable impression of confusion and wasted effort. Everything seemed to conspire to lay bare the gap between the vital aims and purposes of the organisation and its actual achievement. There was something infinitely discouraging about the agenda of 50 items arranged without any sense of priority, the futile, day-long arguments on points of procedure and the comparatively inconclusive results. Some things, it is true, were achieved. The past work of the Economic Commission for Europe was approved and its future scope enlarged. A number of reports from the specialised agencies which are active in the economic and social field were received and approved. The Economic Commission for Asia and the Far East received its terms of reference. Minor points of jurisdiction were clarified. But the achievement was painfully small, measured against the expenditure of time and effort.

Such a situation is little short of tragic. The Economic and Social Council was intended to stimulate international action and co-operation in fields where human needs obviously transcend national boundaries, and offer a clear opportunity for genuine international effort. Starvation, disease, underdeveloped resources, over-population—these are fundamental factors of human misery in which no nation seeks to maintain a monopoly and which few governments can overcome single-handed. Economic and social reconstruction could also be the one achievement most likely to rally genuinely peaceful and creative enthusiasm behind the work of the United Nations. In Goethe's great allegory, Faust discovered the moment of time he longed to perpetuate only when, after experiencing every pleasure that love, power and philosophy could offer, he found a marsh that he could drain and land he could reclaim. Today, some of the greatest national symbols—the Dneipestroi Dam, the Tennessee Valley Authority—have the same quality, and nothing could so quickly rescue the United Nations from its arid paper-bound existence than the achievement, under its aegis, of visible economic and social results. But the record of the Economic and Social Council so far has been on the whole the contrary one of damping hopes and hastening cynical discouragement.

Some of the reasons for the Council's disappointing record are temporary and some, in the present state of the world, cannot be helped. Before useful action can be launched, a great deal of preliminary study and reporting must be done. Not all the vast documentation is redundant. Some of it is necessary factual preparation for international action; it is natural that preliminary studies should be more in evidence than completed plans in the first two years of an organisation with such wide scope as the Economic and Social Council. Moreover, the Council cannot avoid the reality of a divided world. The tasks of economic and social reconstruction ought to transcend national frontiers, but it is a harder job for any kind of action to cross the Iron Curtain. The endless debates at the Council Meeting in Geneva—with Russia, Poland and Jugoslavia in a perpetual minority—simply reflected the growing inability of East and West to agree about anything.

Yet the East-West split is not the whole explanation. In certain fields where a clear sphere of action exists or an obvious and important service is being performed, the polemics of Mr Aroutinian and his colleagues were not a serious obstacle to the Council's work. The Economic Commission for Europe has been able, against all expectations, to provide a link between the Marshall Plan and the "Molotov" Plan. Some bodies, such as the International Emergency Fund for Children, are able to operate freely, supported by both sides.

The fundamental difficulty is that the organisation of the economic and social activities of the United Nations is in such a state of chaos that it is extremely difficult for defined areas of action, unconfused purposes and clear authority to emerge. In the first place, the United Nations is confused and divided within itself. Whether by intent or inertia, the functions of the eight Assistant Secretaries-General have tended to develop towards eight separate jealously guarded departmental kingdoms with no authority below that of the Secretary-General to solve their jurisdictional conflicts—and the Secretary-General would be fantastically overworked even if he had nothing else to attend to. The consequences for the Economic and Social Council of this structure of entirely separate departments are particularly unfortunate since two departments—for Economic Affairs and for Social Affairs—are responsible for the organisation of the single Council.

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The rivalry and potential overlapping within the United Nations itself is repeated in the relations between Uno and all the independent specialised agencies which are primarily concerned with economic and social policy. The Monetary Fund, the World Bank, the Food and Agriculture Authority, the World Health Organisation, the United Nations Educational, Scientific and Cultural Organisation—to name only five of the dozen agencies—are independent of the United Nations. They may limit themselves by sovereign agreement; or they can, in a great variety of ways, invade each other's fields, engage in overlapping activities and duplicate work at a time when the resources available internationally are so stretched that the utmost economy and concentration of effort are essential. A number of these agencies have signed conventions with each other, delimiting their spheres of responsibility, but much more co-ordination is needed, and confusion is increased because there exists under the direct responsibility of the United Nations another set of institutions—the various Commissions, on Employment, on Economic Development, on Population, on Transport—which introduce a further element of duplication. There is no escaping the conclusion that the confused agenda, the endless debates and the sterile conclusion of the Economic and Social Council's meeting in Geneva in large measure reflect this administrative confusion.

This weakness has, fortunately, become increasingly apparent in the last eighteen months and the British and American Governments have taken up with some vigour the question of what can be done to create a more efficient machine. The General Assembly in 1947 instructed the Secretary-General to act energetically in co-ordinating international activity and the progress he has achieved will be one of the most important matters on the agenda at the next meeting of the Assembly in Paris.

Some critics have felt that the responsibility for bringing into proper perspective international activities in the economic and social field should belong to individual governments and should not be laid on the Secretary-General. It is true that the governments are the final source of authority and in most cases they are also Uno's executive agents, since much of the work of Uno and of the specialised agencies lies in urging governments to take action rather than in taking action directly through their own officials. It is also true that governments themselves are in great part responsible for the present confusion. Not only did they originally establish the independence of the specialised agencies from Uno: they continue, conference by conference, to make new contributions to administrative chaos. One of the most disturbing features of any conference held either by Uno or by the specialised agencies is the string of resolutions for fresh activity with which the agency then becomes saddled. These resolutions themselves are not co-ordinated in any way; one put forward, say, by a country's Ministry of Agriculture may directly contradict another put forward by the Treasury of the same country. In the past year, governments on the Budgetary Advisory Committee have proposed cuts and economies while the same governments, represented by health officials or agricultural officials or transport officials at specialised conferences, have forced resolutions on the UN involving millions of dollars of fresh expenditure. There is thus some justification for the plea that governments, as the real centres of authority, as the habitual executives and also as one of the chief sources of trouble, should be given the task of pulling the economic and social activities of the United Nations and of the agencies into better shape.

Ideally, this might be the solution. In practice—as the recent proceedings of the Economic and Social Council have proved beyond doubt—governments are neither ready nor really able to carry out this task. They are much too divided between themselves to hammer out a comprehensive and detailed programme of co-ordination. They are insufficiently organised both internally—between government departments—and externally—between governments—to agree upon a list of priorities such as food production, land reclamation or migration which could be accepted as the main goals of effort throughout the international field and in relation to which each agency might be allotted its appropriate sphere of activity. For the same reason, the Economic and Social Council cannot become the co-ordinating centre. The Council is merely the governments meeting together once a year and it is no more capable than they of producing a genuine plan of co-ordination. If there is to be an end to the present frustration and chaos, it can come only from the United Nations and the specialised agencies themselves.

*

Happily, they recognise this situation. A co-ordinating committee of the United Nations and the specialised agencies under the Secretary-General has been set up; it has presented the Economic and Social Council with a first tentative survey of all international economic and social activities with the aim of eliminating duplication of effort and of establishing the five or six broad questions on which the whole international machine should concentrate as a matter of urgency. The establishment of this co-ordinating committee has been followed by another important step. In the early summer a new post was created within the Secretariat of the United Nations with the special responsibility of co-ordinating the internal departmental activity of the United Nations and the external activities of the different agencies. The appointment of this new Assistant Secretary-General to the Secretary-General's own executive office clearly strengthened the structure of Uno at its weakest point—its capacity to co-ordinate, supervise and direct its vast activities; it has begun, slowly perhaps, but with some degree of hope, the long task of bringing order out of chaos.

The Secretary-General has thus shown himself sensitive to what was becoming the gravest criticism that could be made of the present machinery of international co-operation—that, over and above all the frustrations and difficulties thrown up by the division of the world, the machine itself was appallingly incompetent. Now a new start has been made and new hopes have been aroused both within and without the United Nations. The General Assembly will have no more fruitful task in economic and social matters than to see that this initiative of co-ordination and constructive planning is developed to its fullest extent.

Industrious Designers

ALTHOUGH the practice of industrial design in this country is by no means as recent as many designers would have industrialists believe, it is still an inexact study, and industrial designers, with very few exceptions, are still largely inexpert practitioners. This is reflected in the persistently poor design, both functionally and aesthetically, of many British goods, especially among the factory-made products of the newer industries. It is commonly recognised that the situation can only be improved by training better designers and of extending the confidence of industry to them. Recent changes, therefore, in the methods of instruction at the Royal College of Art may, however, help to change this sorry situation during the next twenty years, and thus merit the attention of everyone concerned with the competition of British goods in overseas markets.

Changes have long been overdue at the Royal College of Art. Instruction, as in a majority of art schools in this country, has been anachronistic, unsuited to the conditions of employment and the industrial problems awaiting students. Too often the Royal College and the art schools have been seminaries in which teachers have taught students to be teachers, an inbred and unhealthy round. Art teachers were fearful of industry, which they did not know, and castigated businessmen they had not met. Artists who broke from this round and began to design successfully for industry soon forgot their art schools, and commercial salaries and fees were apt to make them scornful of the inadequate teaching fees offered by educational authorities, especially in the provinces. There were honourable exceptions to this lamentable story, but extremely few. The majority of art teachers probably saw themselves as potential Constables, subsisting during the harsher years of apprenticeship by teaching at two or three guineas a day. Then, with little or more usually no recognition of genius, cynicism set in, the existing system was blamed and part of that system was industry. The chances for any art in any industry were thus minimised and neglected. Industrialists were blamed, of course, and often rightly. For them, the commercial artist was too often a long-haired bohemian who knew nothing of industry's problems—somebody to bring in, via the publicity manager, when a design for a label or an advertisement in the trade press was required. Yet, often enough, artists have also been to blame. For a hundred years they have been too keen to take shelter in their own art-for-art's sake studios. When they were offered commissions for labels they accepted the commissions but thought that they could still design the labels without leaving their studios. For every William Morris there have been a hundred Tonks.

The rise of the advertising agencies changed this picture, but not impressively. The agent employed the artist, on behalf of the manufacturer, but at the same time kept the manufacturer and the artist more firmly apart than ever before—and the artist's work was still that of a decorator. Advertising agents dealt mainly with posters, press advertisements, booklets and so on. The artist was required to soften the stark injunctions of the salesman, in colour or black-and-white, and in two dimensions. All problems concerning the design of the product itself, or the machines that produced the product, were almost exclusively the concern of engineers, and engineers are more usually concerned with how or why things work than with how things look. An engineer's work on a knife-sharpener rarely includes suggestions concerning the colour of the enamelled finish, the design of the pack or the label; his work on an airplane rarely includes the selection of fabrics for seats, the design of luncheon baskets or of uniforms. For such jobs some kind of artist was again necessary, but he was still called in almost as a decorator or toucher-up. Yet if the engineer were more of an artist or the artist more of an engineer, many disadvantages of the existing procedure would disappear. Product, package, label, advertisement would have a desirable and marketable unity. The knife-sharpener or airplane might be a planned whole and not a series of parts.

So, at least it seemed to a few artists (or designers as they now termed themselves), and they began to try to train themselves for such tasks, but their training was self-imposed, their curricula too hazy and too easy. Engineers might have seemed the logical technicians to take on these tasks, but engineers are usually too busy engineering and their training does not include the study of aesthetics or the applied arts. Architects were more suitably trained than most other designers for such tasks, but were often weak on the fundamental facts of engineering. The brothers Adam in an earlier age, Voysey in a later age, pointed the way, but architects, with few exceptions, were slow to see it or thought the job beneath them.

Many efforts have been made to bring industry and art (or design as the more chilly protagonists of art in industry prefer) into a closer working partnership, but Wedgwoods are rare in industry, Frank Picks are equally rare in management, and designers who are both competent and persuasively articulate are perhaps even rarer.

The success of the first and most persistent of these efforts, the Design and Industries Association, an association of manufacturers, designers and well-meaning citizens, founded in 1915, has been pervasive rather than spectacular. It has been fonder of gentle precepts such as "fitness for purpose" rather than frontal attacks upon ill-designed objects. During recent years the Society of Industrial Artists has been formed, and has fought a good fight to establish itself, but it has far to go before it can exercise a power over industrial design comparable with that of the Royal Institute of British Architects, its obvious model, over architectural design. Other organisations representing artists and designers have made their modest contributions. The Royal Academy and the Royal Society of Arts (which was founded in part to encourage a closer union between art and industry) have been apathetic and over-genteel in their endeavours. Lectures, committees, and cosy gatherings of the converted are rarely effective substitutes for action, and meantime bad design flourishes more strongly than ever. There is also the Royal Fine Arts Commission; but, here again, the interest of the Commission in questions of industrial design is dim, although the subject is often linked with the Commission's tasks.

The most important attempt which has yet been made to bring some sense of order into these well-meant but too-divergent efforts was the formation of the Council of Industrial Design by the Coalition Government in 1944. This new body, under an able industrial designer, is making strenuous attempts to educate both manufacturer and consumer in the virtues of sound design. The problem is immense, for sound design, like good taste, is an intangible but recognisable quality, which cannot be demonstrated by statistics or diagrams. Manufacturers are thus apt to remain antipathetic towards something as nebulous as a quality; they desire convincing proof in the form of cost sheets and rising sales curves before they can be convinced that sound design pays dividends. The "Britain Can Make It" Exhibition in 1947 and the projected Festival of Britain in 1951 have awakened the interest of industrialists, but less in design than in the new markets which have grown up during the war. The industrialist is not yet certain that it is design which has brought in the crowds and not the novelty of a colourful exhibition.

In a planned economy, sound industrial design is often at a discount. The manufacturer who is dealing with the home market is under no imperative urge to make beyond his quotas, often in no hurry to make unwelcome changes and by no means anxious to open up his production methods to the inquisitive gaze of an industrial designer. In the export industries, however, British manufacturers are increasingly aware that sound design is important. This intangible quality may reduce costs and will probably sell more goods. British manufacturers, under continual prodding from Sir Stafford Cripps (who has no illusions concerning the design of much that Britain exports, and who was chiefly responsible for starting the Council of Industrial Design), are gradually learning that although a Rolls Royce aero engine can be sold overseas on its performance alone, other goods—automobiles, textiles, cutlery, pottery, glassware and most consumer products—are sold on their performance and appearance.

The new principal of the Royal College of Art has made a number of changes, salutary but not revolutionary, in the more traditional schools of painting, engraving, sculpture and architecture, but in the Design School his changes have been more emphatic and controversial. In place of one professor for the Design School, six professors have been appointed to direct six divisions of design—publicity; furniture and engineering; silversmithing, metal engraving and jewellery; fashion; pottery and glass; and textiles. These professors are to be encouraged to carry on with their own work as designers within the college, a characteristic of its instructional system which has not been widely practised of recent years.

Practising designers will find fault with these divisions. It is questionable whether it is desirable or practicable that designing in metals and precious stones should be carried out in South Kensington, so far from the indigenous homes of those crafts, but perhaps the college will establish a closer union with the industries and art schools of the industries than has existed until now. It is questionable whether any engineering worthy of the title can be satisfactorily carried out in South Kensington. And what manner of engineering in any case? Constructional, electrical, mechanical? And what is a Professor of Publicity? Surely this is a dubious title, more reminiscent of the bad old days of advertisement touts and shady postal university courses than of the Royal College of Art. "Professor of Graphic Design" would have been a better and more accurate title. And will the Professor of Publicity deal with photography, a weak division of graphic design in this country? (One of the two leading fashion magazines in this country finds it necessary to use a French photographer for its more important fashion commissions.) Should not the School of Architecture have been dropped, or handed over to the Architectural Association? The amount of architecture (or even architectural draughtsmanship) which can be taught in the time available to students at the college is not impressive. The most competent architectural draughtsmen are invariably architects. Certainly an appreciation of architecture is necessary for most students, but does this require a Professor?

These are minor criticisms. The main thing is that at long last a move seems to have been made in this country to train industrial designers along sound lines, and British industry should be watchful of the experiment if it intends to hold its own against the competition of American, Scandinavian and Swiss firms.

NOTES OF THE WEEK

Engineers' Wages

The findings of the Court of Inquiry on the engineers' wages claim will almost certainly open the floodgates to other claims. Although the Court found "special circumstances" unrelated to the White Paper on Personal Incomes, to justify its recommendation for a 5s. weekly increase, and although it specifically stressed that this must not be regarded as a precedent, its findings will undoubtedly have an inflationary effect. Some of the shop stewards are already up in arms against the "meagreness" of the amount, but there seems no reason to suppose that it will not be accepted by the unions when they meet next week. It is customary for the awards of Industrial Courts to be honoured by both sides, and the engineers would have nothing to gain by refusing this one, even though it is lower than the 13s. a week they claimed. But the increase is bound to have wide repercussions throughout industry and to influence the course of the debates on wages, prices and profits at next week's Trades Union Congress. For though the Court argued that the increase could not be justified within the strict terms of the White Paper, it was disposed in the circumstances of the claim, to admit it for consideration.

Even more encouragement will be given to the opponents of the White Paper by the Treasury's astonishing decision (which leaked out several days before the main award) to raise the wages of the engineers employed in Government establishments. These 70,000 engineers have in fact done better than the 1,600,000 who are likely to be covered by the decision of the Industrial Court. The Government engineers now have an unskilled minimum of £5 and a skilled minimum of £5 15s., compared with the unskilled minimum of £4 12s. and skilled minimum of £5 7s. for those in industry. It is being argued that there were "special circumstances" in this case—the Government engineers' claim was formulated before the White Paper was published and their earnings (as distinct from their basic wages) are below the level of those in private employment. Nevertheless the Treasury's decision has been widely interpreted as a direct violation of the Chancellor's policy.

The Court was in a dilemma. To have granted the whole increase would have been quite out of the question. To have upheld the employers' view and granted nothing would certainly have given rise to widespread industrial unrest, which might have resulted in a greater loss to the national economy than the cost of allowing an increase. Instead the Court decided on a traditional British compromise, and decided on 5s.—without giving any reason for its choice. It had generally been expected that the decision would favour the lower paid sections, and pass over the more highly paid men, to whom 5s. a week would make little difference. By awarding a flat rate of increase, the Court has dodged the crucial issue of incentives to higher output. Owing to the complex wage structure of the industry, it is impossible to estimate the final cost. It will probably be of the order of £30 million a year, when shipbuilders, women, apprentices and pieceworkers have their rates adjusted to the new scale.

The Court agrees with the unions that the whole structure of engineering wages urgently needs revision and simplification, and that, as a long term policy, consolidation of the national bonus with the basic rates is "highly desirable," though impracticable at this stage. It is very much to be hoped that the two sides of the industry will reach a satisfactory agreement on a revised wage structure, and bring to an end a long series of negotiations. The crucial test for both sides, however, will be whether they can carry out the final recommendation of the report—that an increase in output should follow the adoption of their findings. Unless this does become a reality, the cost to the nation will indeed be heavy.

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Another French Crisis

The reason why French Cabinet succeeds French Cabinet after a series of identical upheavals is that each new governmental reshuffle is simply a reflection of an unchanged and continuing economic and social crisis. For the last nine months the condition of the organised workers has grown steadily less favourable. Wages have failed to keep pace with the constantly increasing cost of living and the pressure for higher wages—which would give one spin more to the inflationary spiral—has grown steadily more insistent.

This intensification of economic pressure has, inevitably, played into the hands of the Communists. Last November, general disgust at their political antics drove a mass of workers into the independent *Force Ouvrière*, which began to look to the Socialists for parliamentary support. Discontent also strengthened the position of the Catholic trade unions, who look to the MRP. But as the summer has advanced, this split has begun to be tided over by the growing sense of grievance and unity on the wage issue. Even in the Reynaud works, the starting-point of *Force Ouvrière*, the workers have made common cause with the Communists to press for increased pay.

The Socialists, and to a lesser extent the MRP, have thus been faced with the fact that if, in the process of balancing the French budget, the Government demands further sacrifices from the working-class, the Coalition parties may lose a mass of their working-class support to the vigorous and, on the wage issue, uncompromising Communist leadership. Yet the Radicals—the third pillar of the Coalition and the dominant force in economic policy—see no means of achieving stability save by freezing wages, encouraging the "confidence" of the middle-classes, slashing state expenditure and wooing the farmers. To the worker, these policies simply mean more for the rich and less for the poor.

The Socialists, therefore, would not go along with M. Reynaud, since he would increase wages only by 10 per cent. The Marie Government fell, and now M. Schuman has acquired once again the ungrateful task of governing France with a Cabinet at loggerheads on the basic issue of economic reconstruction. M. Schuman's first statement of policy to the Chamber differed little from that of M. Reynaud. One can only ask whether his chances of survival are as small.

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OEEC Begins to Ration

The full Council of the OEEC which is meeting in Paris this week faces two crucial problems. Both are tests of the ability of the seventeen nations to develop their co-operation further and both have roused considerable misgivings. Details have not yet been made available of the plan to increase multilateral trading in Europe by making available credits to the debtor nations out of local currency funds set aside by the creditors as the equivalent of their dollar aid. Comment, therefore, must be postponed, but it is known that the creditor countries of Europe, with Belgium and Britain at their head, have serious reservations to make about the scheme in its present form.

The other problem—the allocation between the seventeen nations of the $4,875,000,000 available under the Marshall Plan until June 30, 1949—is not essentially so intractable. Two weeks ago, a special OEEC working party produced a draft allocation which was acceptable to all save three of the member Governments. One of these, the officials of Bizonia, are merely the Americans and the British wearing other hats, and it is reasonable to assume that ways and means can be found either of offsetting the scaling down of Bizonia's share by $100 million or of reconciling the Bizone authorities to the cut. But the other two—Greece and Turkey—are fully sovereign, independent nations, and their disagreement could be enough to destroy the whole proposed system of allocation, since, within OEEC, agreement must be unanimous.

The failure of Greece and Turkey, alone among the independent nations, to agree raises in an acute form a query that has been hanging over the European Recovery Plan since its beginning. It is quite clear that if the OEEC is to be, as the Americans demand and press, the kernel of greater economic integration in Western Europe, the presence of two Eastern and Mediterranean countries is even in theory a source of embarrassment. In practice, as is common knowledge, the perpetual carping of both nations at their "insufficient" allocations and their natural but stultifying obsession with tobacco have been among the heaviest of the many heavy crosses borne by the officials of OEEC. Would it not be both more reasonable and more practicable to give Greece and Turkey the special status of "strategic commitments"—which they are—to allot them aid directly as has been done in the past, possibly as part of the American military budget, and to give them observer and adviser status at Paris?

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Zhdanov's Death

Few people in the West will regret Comrade Zhdanov—whose sudden death in Moscow was announced this week—but many will miss him. His rowdy attacks on the decadent imperialists, his heresy hunting among the literary men and historians of Russia, his excursions into the finesses of musical orthodoxy, above all, his glorious blunder over Tito, have provided the Western Powers for the last year with a continuous undercurrent of amused surprise in a world in which such opportunities for mild diversion are growing more and more rare.

Now the wry jester is dead. Such is the nature of the Soviet regime that the extinction there of any high official instantly suggests the possibility of "liquidation." Speculation will be rampant. Was he murdered as a scapegoat for the Tito fiasco, for which as a Secretary of the Central Committee of the Communist Party in Russia and as initiator and chief instigator of the Cominform he was apparently responsible? Or is his disappearance simply one move in the dark struggle for succession which must already encompass the throne of the ageing Stalin? However, the nature of the Soviet regime also makes it certain that speculation will remain speculation. Nothing is likely to be known about the succession to Stalin until someone has actually managed to succeed.

The facts are less tantalising. Zhdanov was the prototype of Soviet Russia's "new men." He fought through the Revolution and the Civil War as a junior and belonged to the generation who were ready to take power when Stalin had liquidated his own contemporaries. Zhdanov succeeded the murdered Kirov at Leningrad in 1934 and was distinguished—even during the brutal period of the Purges—for his brutality. But the force behind it enabled him to lead the people of Leningrad through the long German siege, and it has been said that his efforts there produced a physical exhaustion to which he has now succumbed. Since the war, he has been recognised as one of the three or four men on the inner ring of power in Moscow and one of the deeply disturbing features of his fanatical attacks upon the West in the last year is the likelihood that his picture of a war-hungry ring of capitalist states represents the deeply ignorant world view of the Soviet leaders. The very fact that he is so completely representative makes his disappearance a matter only of internal political significance. There are many men, of exactly the same type, to take his place.

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Collecting Union Dues

The miners, it is now clear, are determined to set up what would virtually amount to a closed shop in the coal industry. Their decision to press the National Coal Board to apply in every Division the system which now operates in certain coalfields, under which union contributions are deducted by the colliery management from the miner's weekly pay packet, was originally forecast at the Union's conference. It has now been carried a step further by the setting up of a joint working party with the Board, to work out the lines of a national agreement. The Board is understood to be opposed to establishing a closed shop as such, but it is difficult to see what other consequences can emerge from such an agreement. It is true there would be a theoretical safeguard in that each prospective employee will be asked to sign his agreement to this procedure, but it is improbable—to say the least—that a man who refused to agree would be taken on, and membership of the union would thus in fact, if not in theory, become a condition of employment.

The issue, as far as the mines are concerned, is to some extent academic. The practice of deduction is already applied in South Wales, Yorkshire and parts of Northumberland, the proportion of miners outside the union is very small in any case, and foreign recruits are already obliged to give this undertaking. Difficulties, however, may arise in the case of men who wish to join another union, such as the Winding Enginemen's Union, where the majority are catered for in a special section of the NUM. If the Board and the union agree to an arrangement which they believe will lead to greater stability in the labour force and which is administratively the most convenient, that is largely their affair, although it is difficult to see that it is really in the interests of the union members to place themselves so unreservedly in the hands of their employer.

Nevertheless, once adopted, the principle of compulsory deduction of dues may have serious repercussions. The railway unions and other unions in nationalised industries may well press their national Boards to make similar arrangements and there is no reason why the demand should not spread to private industries, such as journalism. The TUC has always differentiated between the closed shop and 100 per cent trade unionism, and the former has never been a feature of British industrial life, as it has in America. It goes a long way to destroy the voluntary nature of trades unionism and is in fact a concealed demand that any dislike of paying union dues which may result from a discontent with inefficiency in the union shall be transferred to the employers.

Closed Shops

If there is one shopping advantage that the suburbs and the provinces have over the West End of London it is the ability to shop on Saturday afternoon. Now this is threatened. Later this month the Union of Shop, Distributive and Allied Workers is to launch a campaign for the closing of all food shops at midday on Saturday. If it is successful, legislation will be sought to make the dissident minority come into line.

This is a preposterous campaign which shows how badly the virus of shorter working hours has infected the national life. The union claims that "tests have proved [sic] that only 2 per cent of the week's food shopping is done on Saturday afternoon." The public is to be told: You have your Saturday afternoon free, why should not shop assistants have theirs? This, in fact, is the answer of the shop assistants' union to the Gowers Committee, which last year recommended a general closing hour of 7 p.m. with a weekly extension to 8 p.m. So far from serving the convenience of the consumer by agreeing to this recommendation, the union is now attempting to make shopping more difficult than ever, since it can be taken for granted that the campaign to close food shops would, if successful, sooner or later be extended to all shops.

It does not matter whether the amount of food bought on Saturday afternoon is 2 per cent of the weekly total or less than 1 per cent. But it does matter very much that this tiny minority of purchases, which may, however, represent a very large number of purchasers, should continue if those affected so desire. If there is a shopkeeper enterprising and energetic enough to stay open on Saturday afternoon to suit the convenience of some of his customers, why should he be compelled to close earlier? The answer is that otherwise he might steal customers from his less industrious competitors. Hard work, in fact, is synonymous with "cut-throat competition." By these arguments—a particularly glaring example of restrictionism—the union will hope to win the support of the shopkeepers for their campaign.

It must be strenuously resisted. Nowhere perhaps is the interest of the consumer so clearly apparent as in the retail trade. If ground is given here, there will be small hope of making a stand anywhere else.

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Progress of the Health Service

It would be difficult for a foreigner, reading the press of this country, to decide whether the national health service was being a success or not, and it is not easy for a native to ascertain the facts. The Ministry of Health has contented itself with giving the number of general practitioners who have agreed to serve, and the number of people who have registered with them. Over 18,500 general practitioner principals in England and Wales out of a total of 21,500 principals and assistants and over 7,000 dentists out of a total of about 10,000 have joined the service, and over 39,000,000 people have placed themselves on doctors' lists. The number of cases in which people have had to be allocated to a doctor because they could not find one to accept them is very few.

What other items of news are available are used by Conservative and Labour propagandists to serve their own ends. There has evidently been an enormous demand for spectacles. This, say the Conservatives, shows how people will abuse the right to free treatment and appliances. On the contrary, say the Socialists, it shows how many people in the past were prevented by poverty from having the spectacles they undoubtedly needed. Both may be right, and it is too soon to say how far they are right.

It is the same with dispensing. The *Pharmaceutical Journal* reports a big increase in the amount of dispensing during the first month of the national health service, compared with the same period of 1947. For the Middlesex pharmaceutical committee alone it is estimated, on the figure for July—a summer month it should be noted—that the number of prescriptions dispensed annually will be over 6,700,000. Even if all the prescriptions dispensed carry the ordinary fee of 1s., the cost of this one item in the health service in only one local health authority will be high. And the same journal also reports a considerable amount of prescribing of the more expensive drugs and appliances.

Once the decision to have a free national health service was taken, it would be wrong to start any cheeseparing economies which would merely exasperate doctors and patients. It would introduce a utility medical service that would have an inferior status in the eyes of the general public who, judged by the statistics, are at present prepared to regard the service favourably. Nevertheless, its cost, both in money and manpower, should be carefully watched. If, as now seems likely, the estimates will be far exceeded, people should be warned what the consequences of abusing the service may be—that they may have to choose between better education for their children and better medical treatment for themselves.

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British Justice on Trial

The Government's sudden decision to try the four German generals who have been held in captivity in this country for the past three years comes as a severe shock. All the relevant evidence of war crimes—the shooting of prisoners, the waging of aggressive war—in which the German General Staff was implicated was collected for the trials of Keitel and Jodl at Nuremberg in November, 1945. There is apparently no question of additional evidence implicating these four generals in particular, and, like the trial of Admiral Schniewind, Raeder's Chief of Staff, they will presumably be charged with carrying out orders which were contrary to the common precepts of humanity, and for which their superior officers have already been imprisoned or executed.

What is particularly odious about the decision to try these four men—Field-Marshals von Brauchitsch, von Rundstedt, von Manstein, and Colonel-General Strauss—is not so much the fact that they are to be tried at all—though that, too, is a debatable question—but that they should have been held in captivity for three years without trial and without even the promise of a trial. Does the Government think that its rights as a victor entitle it to flout what has been one of the most cherished principles of British justice? If these men were to be tried at all, if indeed there were ever any *prima facie* case against them, they should have been tried in 1945 with their superior officers. They were taken into custody at the same time; the documents which they signed were examined at the same time; the witnesses were available at the same time; the charges, too, must be the same. What possible reason can the Government have had for delaying their trial from November, 1945, until January, 1949?

The complete inability of any unbiased observer to produce a valid reason for the trial inevitably opens the door to every kind of unsavoury speculation. At a time when standards of international behaviour are touching new low levels the world over, it is all the more tragic that the British Government should have laid itself open to the charge of callousness.

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The Facts of East-West Trade

The economic future of Western Europe depends in the long run upon two factors—its ability to export large quantities of manufactured goods, particularly the products of heavy industry, and its success in finding or stimulating supplies of food and raw materials in other than dollar areas. There is thus a *prima facie* case for examining with the greatest attention the possibilities of increasing trade between Eastern and Western Europe. For decades to come, Eastern Europe will need industrial imports to increase its own industrialisation and to modernise its agriculture. In return, surpluses of food, timber and minerals could, it is believed, be made available in increasing quantities for export. What, then, would be more natural than that Western Europe should use its industrial exports, first to stimulate and then to buy back the agricultural and mineral surpluses of Eastern Europe?

The Economic Commission for Europe has devoted its attention recently to this precise problem and a conference is to be called shortly to discuss both the interests involved and the existing opportunities for increased East-West trade. Some of the data upon which the Conference's deliberations will be based have been released to the press by the ECE, although any conclusions and proposals it may have seen fit to formulate will be reserved for private discussion at the conference. The Commission's report will be discussed in greater detail in an article in next week's issue of *The Economist*. Here it is sufficient to say that the ECE believes a substantial increase in trade could be secured, provided more Western industrial goods could be made available to the East.

This proposition, desirable in itself, must however be qualified by two questions, neither of which are within the competence of the ECE. Given the fact that the amount of industrial exports from Western Europe are at present limited, will the West gain the speediest return on its outlay if those industrial exports go not to Africa or the Southern Dominions or Argentina, but to the countries of Eastern Europe? The second query is political:

is it a wise policy to assist in the economic strengthening of the police state regimes in the Soviet sphere? It may be that in both cases the right answer is in fact to stimulate East-West trade, but a reply to both questions is needed before the undoubted possibilities of expansion are accepted and exploited.

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Bread and Bahrein

In a parliamentary statement, the Persian government has again brought up the subject of Bahrein. Ever since 1820 they have been making periodical assertions of Persian sovereignty over this strategic island in the Persian Gulf. It was held by Persia intermittently during the seventeenth and eighteenth centuries, but since 1783 it has been occupied, independently of Persia, by Arabs from the Arabian mainland. Since 1816 it has been ruled by the Khalifa family of the Utubi tribe, and the Sheikh of Bahrein has been since 1820 in treaty relations first with the East India Company, then with the British Government. The effect of these treaties and other documents is to give Britain control of the Sheikh's foreign policy and the right to veto economic concessions to non-British interests, but to leave him otherwise autonomous. The oil concession, held since 1930 by an American company registered in Canada, could not be granted until the British Government had given its permission. It was the occasion of fresh protests from Persia to the British and US governments. In earlier protests they had referred to a British Note of April 29, 1859, in which Lord Clarendon was said to have recognised Persian sovereignty.

This is the background of the Persian government's new initiative, but Bahrein and its one million tons of oil a year are not at stake in this latest developments. It is the outcome of an interpellation last week by the leading pro-Soviet deputy in the Majlis, Abbas Eskandari, who made a speech lasting five hours and dealt at length with the other stock red herring of Persian politics, the Anglo-Iranian Oil Company's concession in Persia. In the Majlis the government is bound to reply to each interpellation and then to ask for a vote of confidence. Interpellations are thus used as a form of obstruction to wear down the government and were the means of overthrowing the last (Hakimi) government. The government of Abdulhussein Hajir got its vote of confidence by a handsome majority, but only after the Foreign Minister, Nuri Esfandiari, had stated that the government considered all pacts and understandings between two or more foreign Powers concerning Bahrein or its oil null and void.

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One reason why the attack was launched at this moment was probably to counteract the goodwill created by the Shah's visit to England; the fact that the visit was non-political and on the personal invitation of King George was favourably noticed in the press. But issues more immediately important to the mass of Persians than Bahrein or Anglo-Persia relations were involved. A left-wing daily wrote on the Shah's journey: "His visit to Britain, where food is still rationed and where King and beggar enjoy equal justice, will show him the true meaning of democracy and freedom." And the Shah's own parting words were: "I particularly wish to draw the Deputies' attention to the need for legislation to establish a just relationship between employers and workers, and between landlords and peasants. I sincerely hope that such laws will be passed in the near future."

Instead, he has returned from his first journey abroad to find his government struggling with a bread crisis. (It was a bread crisis in Iraq which overthrew Saleh Jabr and the Portsmouth Treaty.) A Cabinet decree has given the Finance Minister wide powers to control the transport of wheat throughout the country. The landowners, amply represented in Majlis and government, have been reluctant to hand over their prescribed quantities of grain to the government. A letter to the Teheran press has thus summed up the central problem of all Middle Eastern countries:

> Two things make the bread situation a source of anxiety, the weakness of the Government in the provinces and the smuggling of wheat. The only way to dispel this anxiety is to use force in collecting grain without regard to the hue and cry which will be raised by the Deputies, who are either landowners themselves, or the patrons of landowners.

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The Roving Forties

Full employment has done little to break down the prejudice against employing the over-forties. The impression is still current that any new employee, if middle-aged, is either infirm, insipid, or intractable, or that the problem of adapting his fellow-workers or his pension is insuperable. Ask any employer over forty if he himself suffers from any of these disabilities and he will be affronted: suggest he takes on a new member of his staff of equal age and ten to one he will raise every conceivable objection. Such at least has been the experience of the Ministry of Labour in their campaign to persuade business men to take on a proportion of the older age groups—men and women who are stable and experienced, but who fail to come within the absurdly low ages which are demanded in advertisements in the press—and demanded in conjunction with a quite impossible range of qualifications and experience.

In this matter the Civil Service is becoming enlightened, and it is now inviting applications for appointments for the administrative grade from men and women born between 1897 and 1915. The object of this new recruitment campaign is to even up the sides of the existing pyramid of promotion; at present there is an exceptionally large number of administrative staff approaching retiring age, and to replace these only by young recruits under 30 at the base of the pyramid would be to court discontent and unhappiness in ten to twenty years, when all these younger groups would be competing simultaneously for promotion.

Not only will this intake of older men and women adjust the present distortion of age groups, but it will also have the valuable effect of broadening the range of experience of the administrative grade itself, which tends to an inbreeding and exclusiveness inappropriate to its postwar functions. Industry and commerce would do well to take this example to heart. A population whose health and longevity are increasing while its supply of young workers falls must seriously consider the better use of those who are still in their prime, but no longer can be described as "young Achilles, on the threshold of youth, gloriously unprepared."

* * *

Not Enough Ballast

Giving evidence to the Select Committee on Estimates, Sir Thomas Lloyd, Permanent Under Secretary of the Colonial Office, said that to speed up the work of his department he would "rather have 30 typists than two or three more Assistant Secretaries." One of the greatest causes of delay in coming to a decision, he said, was the difficulty in getting anything typed. If another Government Department had to be consulted, it might take two or three weeks to get the letter copied.

This shortage of typists to underpin the administrative staff is not confined to the Colonial Office. There are at the moment about 500 vacancies for shorthand-typists in the Civil Service in London and 400 for typists alone. It is not confined to the Civil Service. Nor is it confined to this country, for a shortage is also reported from other capital cities. But here it is confined, at least so far as the Civil Service is concerned, to London; there is no shortage of typists in the provinces, and to relieve the pressure of work in London work is sent off to pools of typists either at a regional office of a Department or at the headquarters of a Department, like the Ministry of National Insurance, which is established out of London. The old lure of the big city, which drew so many young women from the provinces into London, is apparently not so strong as it was.

In pay and conditions of work, the Civil Service ranks as favourably as other big employers. A junior shorthand-typist of 15 years of age begins at £2 17s. a week and can reach a maximum of £5 16s. a week, plus 10s. a week proficiency allowance even if she is not singled out for promotion to the secretarial grade. What the Civil Service cannot offer, however, is a five-day week; and the difficulties, for a woman, of just living in this postwar world are so great that she will often prefer a worse-paid job, with no prospects but with Saturday mornings off, to a Civil Service "career."

The decline in the number of women of working age, the greater variety of jobs available for them, and the competing demands of other forms of public service, such as regional hospital boards, for those who do go in for shorthand and typing all point to increasing difficulties for the Civil Service in finding its shorthand-typists. But it is a sad thought that the Government of the country may break down because, in the words of the chairman of the Select Committee, it has "a lot of top hamper and not enough ballast." Mechanisation may be one answer. But dictaphones cost dollars, and, according to Sir Thomas Lloyd, make a person long-winded and therefore defeat their own ends. Probably the right answer is that Departments should be fewer and should do less work—or have less work thrust upon them.

Failure to Register

The Ministry of Labour, announcing the date of the next registration of young men for military service, says that at the last registration in June a considerable number failed to turn up on the appointed day. The Ministry of National Insurance announces that since the appointed day for the social security scheme, 367,799 self-employed and non-employed persons have applied for insurance cards, making a total of 1,167,410 in these two classes who have now complied with the regulations, but leaving over a million and a half still unrecorded.

There is not the slightest evidence that this failure to turn up on the appointed day is, in either case, a deliberate attempt to evade an obligation. The Ministry of Labour found that most of the missing eighteen-year-olds came to register in the following weeks, and that it was carelessness or ignorance that caused their failure to show up at the proper time. The space which the daily press can give to the announcement of the date of registration is very small, and there is no obvious reason why anyone should listen to the BBC announcements at the right time. There is less excuse for the national insurance failures, for there must be very few of the self-employed and non-employed who do not know of their obligation to stamp a card. In their case, it is probably apathy, an irrational but understandable wish to put off the evil day when another tax has to be paid, or often sheer laziness that is responsible for their failure to collect their cards.

But even if the most charitable interpretation is placed upon the action, or rather inaction, of both sets of people, their failure to do what is expected of them creates some difficulties for the administration. The machinery of conscription, with all its medical boards, conscientious objection tribunals and the like, is held up when an age group does not register on the right day and at the right time. The gigantic task of insuring virtually the whole adult population cannot be carried on smoothly if there are a million or more stragglers to be chased. The Government is often charged with inability to explain its policy to the people. The failure to register shows that it will have to pay more attention to the minutiæ of administration as well. But it may well be that a large number of stragglers will prove to be a danger signal that the country is being over-administered—it is also significant that people were much more dilatory this year than previously in collecting their new ration books. The Government cannot prosecute a million stragglers; if it cannot secure the co-operation of the people, its administration will break down.

* * *

The Queen of Holland

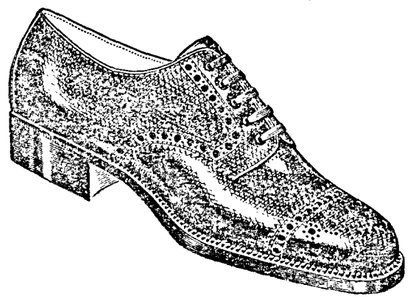
Today, Queen Wilhelmina ends her fifty years' reign on the Dutch throne. It has been a week of nostalgia and of rejoicing in Holland. Queen Wilhelmina was a great monarch who has guided her people safely through two of the biggest crises in modern history; there can be nothing but regret that she should now feel herself no longer able to carry out the onerous duties of a Prince. She is to be succeeded by her daughter who has established herself high in the affections of the Dutch, so that while the crowds in Amsterdam and at The Hague may lament the abdication of Queen Wilhelmina, they must at the same time rejoice in the accession of Queen Juliana.

Holland has now had 58 years of feminine rule—for the eight years before Queen Wilhelmina's accession it was governed by the Princess Regent—and it is likely to have many years more. Princess Juliana's children are all girls, and though she herself may regret the absence of a male heir, the Dutch people have come to prefer Queens rather than Kings. The monarchy in Holland is not so limited as in England; the Queen can and does satisfy herself that what her government is doing is both according to the will of the people and for the good of the country. She is therefore more than a figurehead and her responsibilities are correspondingly greater. A king with such powers conjures up an atmosphere of oppression; a queen conjures up an atmosphere of chivalry and becomes a rallying point for the people. For this reason the Dutch feel that the monarchy is best left in a woman's hands. Their predilection has been greatly strengthened by the immense skill with which Queen Wilhelmina has conducted the affairs of their country for half a century.

Queen Juliana comes to the throne at another crisis in Holland's history. Like Britain, Holland is having the utmost difficulty in establishing its balance of trade. It has suffered heavily both at the hands of Germany and, paradoxically, because Germany too was damaged, for a major part of its prewar trade was with

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Germany, and the great port of Rotterdam is still not working to full capacity. Abroad, the prolonged unrest in Indonesia has cut Holland's overseas assets and brought the Dutch hard up against as difficult a political problem as any country has had to face. Queen Juliana will need all the skill and patience which she has inherited.

* * *

Tension in Finland

Communists are increasing their pressure on the new Finnish Cabinet. Their protestations could be dismissed as routine, if they did not in various ways receive support from their foreign friends. The Cominform journal, for instance, has denounced as reactionary a Government consisting, except for a non-party Foreign Minister, entirely of Social Democrats, and Russian diplomats in Helsinki are showing signs of disfavour with the Fagerholm regime.

The occasion for the present tension was the publication of the report of a committee of inquiry into the activities of the state police under the former Communist Minister of the Interior. The report justifies the grim jibes about the "Stapo"—the abbreviation of the Swedish name of this force—and the Gestapo. The force has been staffed since its reorganisation in 1945 almost entirely by men of the extreme left. Nearly half its members have criminal records, treason being a common offence. Over 85 per cent of the force are considered by the committee to be incompetent and unsuited for police duties.

To obtain a true picture of the state of public security in Finland, however, this legacy of a Communist Minister of the Interior must be set against the other two police forces which the country has—the municipal police and the mobile police. The municipal police, the ordinary policemen, number many thousand, are scattered about the country, hold anti-Communist opinions and take their orders from the local chief of police. The mobile police, of whom there are about 1,500, are an armed and uniformed flying-squad, most of whose members are based in Helsinki. The state police, who are controlled directly by the Minister of Interior, are a small secret force of about 400 plain-clothes political police. Attempts to increase their numbers and thus their influence have been persistently thwarted, and it is probable that the force will now be disbanded. Certainly it will be radically reorganised.

The revelation of the calibre of their nominees has infuriated the Communists. The very fact that the report has been published rubs in their continual failures, and the possibility of support from their powerful friends abroad cannot be ruled out. Finland is most vulnerable in its obligation to deliver heavy reparations to Russia. The Peace Treaty, too, gives Russia the right to interfere to change a "reactionary government." But the fact remains that to be successful, any pressure would have to be sustained and heavy. This is the essential weakness of the Russian position. The Finnish Communists alone are not strong enough to achieve their ends, whereas the provision of the requisite force by Russia would have to be so obvious that it would have undesirable repercussions in Sweden and the other Scandinavian countries. The Finnish Government knows this well. It knows also that, although it is a Social Democrat minority regime, it can count on the support of all non-Communist parties in the basic issue of Finnish politics—the struggle to retain freedom of action as Russia's neighbour.

* * *

Wooing the Chinese Peasant

While military news from China continues to be generally confused and to reveal no spectacular decisions, an important event has taken place on the political front with the establishment of the Sino-American Rural Reconstruction Commission. This body is to dispose of funds up to 10 per cent of the allocation made by the United States Congress in the China Aid Act of 1948, and will consist of two American and three Chinese members. It will operate in the parts of China under the control of the Nanking Government, and will undertake a co-ordinated programme of agricultural improvement, including "the multiplication and distribution of improved seeds, the control of rinderpest of cattle, the construction of irrigation and drainage facilities and the introduction of health and sanitation measures." Without directly intervening in questions of land tenure, the Commission is to advise on marketing, credit and rural education—topics which cannot fail to affect the social order in the countryside. The Americans are paying the piper, and their representatives on the Commission will be able to some extent to call the tune, provided they have full backing from Washington. There are strong indications that this will be given them.

American official opinion has been greatly agitated by recent Communist successes in China, and has been largely converted to the view that the struggle in China cannot be decided by military means alone, but depends on economic factors—above all, on the relative attractions of the rival ideologies for the Chinese peasant. The new Rural Reconstruction Commission is primarily a device for counteracting the influence of Communism over the Chinese peasant, by bringing direct to his village, under American supervision, the equivalent of Marshall Aid. The directness of approach is essential to the scheme, for, given the political composition of the Kuomintang ruling group, no real benefits for the peasants were to be expected from mere American financing of Chinese Government projects.

The task of the American members of the Commission will be to see that the peasant gets what is intended for him instead of the gain going to landlords and officials. It will not be easy to ensure this, but in the long run the success of the programme offers the only alternative to the victory of Communism in a country of extreme agrarian poverty and discontent.

Shorter Notes

Last Saturday, anticipating the meeting this week of the United Nations committee on "non-self-governing" territories, the British Government categorically rejected the suggestions that Uno should control or supervise the British Empire. The Colonial Office memorandum, which sets out the British case, puts the position clearly. The Government stands by the Charter of the United Nations. The relevant sections of the Charter call only for information from members about their colonies and nowhere is there any claim for rights of supervision over them. The Colonial Office memorandum shows how Britain has complied with this demand for information as fully as possible, but, by long quotations from the proceedings of the General Assembly at Lake Success last year, it also shows the sort of trouble which the British delegation can expect in Paris this year. No one in Britain will question the Government's attitude, but it is far more important that the Government should make its case clear in the colonies rather than in Britain. It can rely on almost unanimous support at home; it should not be deceived into thinking that similar sentiments will be equally strong in Africa or the West Indies. It would also make the British case far stronger before the United Nations if it could be genuinely shown that the colonial subjects themselves prefer the single-headed, though occasionally obtuse, control of Britain to what would be a hydra-like and impotent control by 57 different and quarrelling nations.

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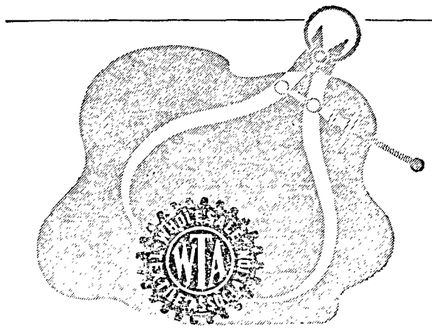
The delegates assembled at Interlaken to carry forward plans for the federation of Europe will have been very heartened in their work by the emphatic support which Mr Marshall has given to the idea of closer union in Europe and to the summoning of a European Assembly. It has often been said that no nations have found unity save as a result of pressure from a stronger outside Power, but in the past that pressure has invariably been hostile. America's strong and friendly concern is a new factor in international relations and, provided it is steered clear of impractical projects, it can prove a constructive and creative force.

*

The reduction in the price of cigarettes, sold outside territorial waters upon the steamers belonging to British Railways, suggests that it may have suffered a twinge of conscience over the profiteering it has inherited from the railway companies. It buys the cigarettes in bulk for 24s. a thousand, which suggests a retail price of about 6d. for 20. After the 1947 Budget the existing price, 2s. 6d. for 20, was increased to 3s. 4d. This has now been reduced to 2s. 6d. again, or only five times their wholesale cost and two and a half times as much as that charged on other steamers. It is apparently considered immoral to permit cheap pleasures to the traveller even when the law does so.

*

Correction.—On page 324 of *The Economist* last week, there was a misprint in the article "Italy's Colonies." The article stated that "at least eighty per cent of the population (of Eritrea) want either an Italian trusteeship or an Ethiopian one." This should have read: ". . . the population want either an *international* trusteeship or an Ethiopian one."



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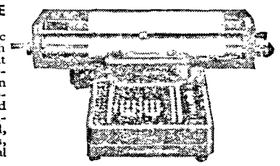
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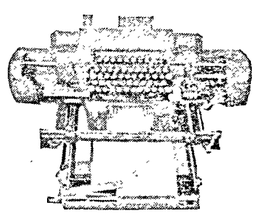
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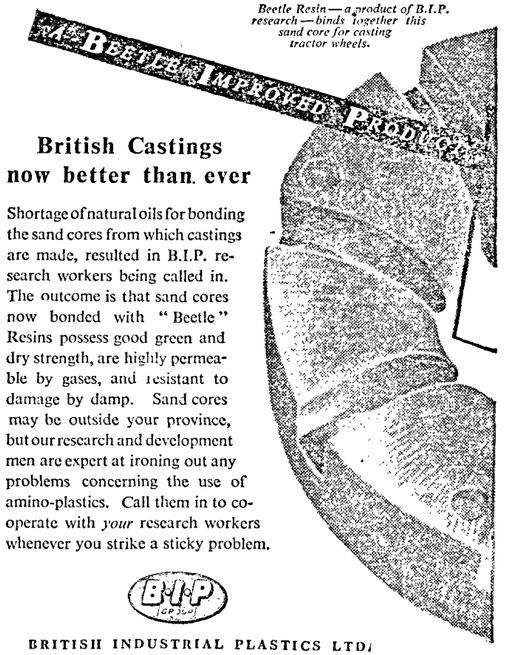
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Letters to the Editor

Distribution of Exports

SIR,—Your articles repeatedly emphasise the importance to our export trade of increasing our output per head. I have recently established figures for the proportionate costs attributable to different factors for a class of engineering product which South Africa imports from this country at the rate of about £100,000 a month.

Taking the cost to the ultimate user in South Africa as £100, the c.i.f. price is .61 per cent—the distribution costs, including profits, being no less than 39 per cent. In contrast, the direct labour cost is only 4.3 per cent, and the total factory cost only 40.5 per cent. If the efficiency of production were doubled, the direct labour cost could be assumed to fall to about 2 per cent, which would be less than half as important as reducing the costs of distribution in South Africa by one-eighth.

It is true that if productivity over all were to rise, the cost of material and bought out parts (which represents 24.5 per cent of the price to the South African user) would also fall; but in general I think these figures show that overhaul of the distribution system for UK exports is at least as important as any increase in productivity in this country.

As a matter of interest, I should say that freight and insurance account for 1.7 per cent and landing charges, plus customs, for 5.5 per cent.

It would be interesting if any other of your readers could supply similar figures for different classes of goods.—Yours faithfully,

BOSWORTH MONCK

26a Canonbury Square, London, N.1.

The Uses of Uno

SIR,—May I be permitted to say that I and many other of my countrymen do not at all agree with your statement in the above article that "The mere fact of achieving a cease-fire in the Netherlands East Indies has probably already saved the world in absolute terms more than the $30 million odd it has spent on the United Nations."

On the contrary, if the United Nations had not intervened in a purely internal affair of the Kingdom of the Netherlands—as they did not intervene in the internal affairs of the British in Malaya or of the French in Indo-China—and the Dutch police action of last year in Java had been completed, several million dollars' worth of raw materials and equipment would have been saved to the world, which were now destroyed by irresponsible people after the cease-fire, proclaimed by the United Nations.

Oosterdninweg 248, Aerdenhout, Holland G. LULOF

Industrial Productivity

SIR,—The above article in *The Economist* of August 14th asks why it was that the output of tin cans per man hour in 1937 was seven times higher in the USA than in Great Britain.

The short answer to your question is that it was not. Dr Rostas, in comparing the British and American tin box industries, has compared industries producing substantially different articles and catering for very different markets.

The output of tin box industry in the USA consists very largely of standard "tin cans," i.e. mass-produced food cans. The technique for producing these cans was studied by British industrialists more than a decade ago. American high-speed machinery was installed in this country and American manufacturing techniques adopted. As a result, where identical articles are being produced in the two countries, the relative efficiencies are in every way comparable. In fact, the lower labour costs in this country tends to give to the British article a slight bias in its favour.

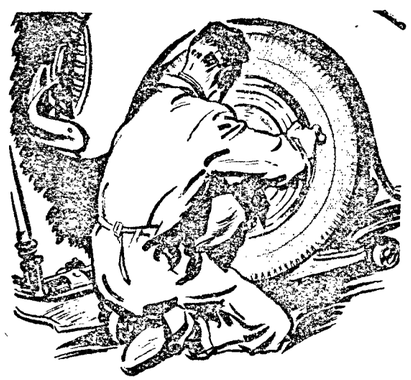
But the British tin box industry still devotes a great amount of its capacity to the production of highly decorated non-standard containers, to meet the varied demands of the British manufacturers. The production of such containers must necessarily show up adversely in terms of output per man hour. But so far as manufacturing techniques are concerned, comparisons still reflect in favour of the British article. In fact, British containers are selling today for their decorative value alone in many parts of the United States and Canada.

Dr Rostas's figures are therefore misleading. They are made particularly so by the necessity which compels him to compare figures from the 1935 British Census of Production with those derived from the 1939 American Census of Manufactures.

For it was during that period that Anglo-American co-operation in this industry reached its maturity. The success with which the results of this co-operation were applied for the improvement of British industrial efficiency is surely encouraging for similar endeavours in the future.—Yours faithfully,

JOHN RYAN,
The Metal Box Company, Ltd.

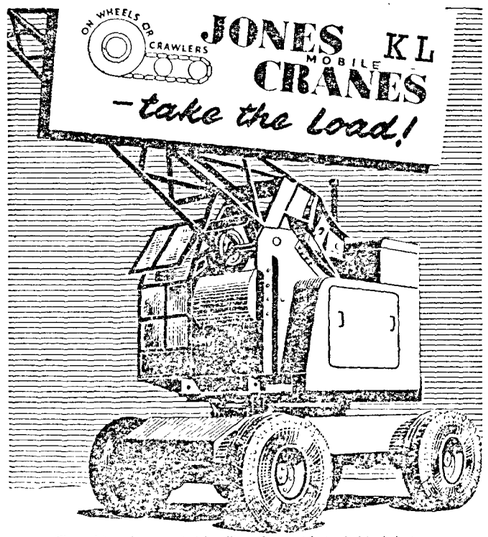
The Langham, Portland Place, London, W.1



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SIR,—Although most people are aware that mechanical handling equipment is a big factor in the cost and output of coal, perhaps few realise the increase in "productivity" that has been achieved in the handling of coal in power stations during the last thirty years. Due to mechanical equipment, productivity has been increased as much as 150 times, wage rates having been raised five times and the cost of labour per ton of coal reduced to one-thirtieth.

From an engineering angle, the problem of moving coal from A to B in the most economical way is not so vastly different, whether it be in a power station or in a mine. In the former case, the equipment is put to the best possible use, whereas in the mines it appears that this is by no means so, otherwise results might be considerably different.

In the case of our power stations, the number of electrical units generated has been increased by twenty times during the period in question, whereas the output of coal has decreased. Does this not have some bearing on the general question of resistance to labour-saving devices? Where increased output is absorbed and the labour is not displaced, machinery is welcomed. Contrariwise, where labour is displaced, machinery is resisted; which simply indicates that, until economic policy is geared to maintain full production, maximum productivity will never be achieved.—Yours faithfully,

ANTONY VICKERS

Worton Road, Isleworth, Middx.

Dilemma of the Atomists

SIR,—In your Editorial of July 24th you comment on the recent memorandum by the Atomic Scientists' Association and you disagree with our views on contacts between scientists in different countries.

You suggest that we may actually do harm by giving away more information than we receive. No doubt this would be true if those of us who know official secrets about atom bombs or other military matters were to talk freely. However, we are under an obligation to guard these secrets and, whether we like it or not, we are well accustomed to observe the rules in talking to those of our colleagues here, or in western Europe, or in America, to whom we have not been instructed to reveal our secrets. If scientists could not be trusted to draw the line between basic science, which is free, and military secrets, no secret Government project would be possible, since we live in democratic countries and, therefore, anything known to the general public will sooner or later be known abroad.

In this respect the distinction you draw between the academic freedom of the British or American scientist and the position of a "scientist in a totalitarian state" is not real; as regards these problems, both are servants of the state and for both it would be treason to divulge their knowledge.

But these official secrets are of small intrinsic interest, and most scientists would in any case much rather talk about the more fundamental and academic problems. It is in the nature of discussions on such topics that you cannot give information without gaining at the same time. Even if I talk to a colleague on a matter of which he has no knowledge whatever, the process of explaining my thoughts to him, and his questions, will help me in my own understanding of the problem, and for that reason, when military secrets are not involved, discussions are always of advantage to all sides. Since the end of the war we have had practically no opportunity of talking to our colleagues in Russia, but we have met scientists from Poland, Jugoslavia, Hungary and many other "eastern European" countries and we have certainly found such contacts stimulating and useful, as well as enjoyable. It is interesting to note that these people have seen or heard as little of the Russians as we have; for them, the "iron curtain" is the border of the USSR.—Yours faithfully,

R. E. PEIERLS,
President, Atomic Scientists' Association

The University, Birmingham, 15.

Books and Publications

Land of Milk and Honey

"The Americans." By Geoffrey Gorer. The Cresset Press. 211 pages. 10s. 6d.

"THE American conscience is predominantly feminine," says Mr Gorer, and pays a well-deserved tribute to the conscientious and energetic idealism of the portly clubwomen immortalised in the *New Yorker* and in the heart of many a visiting lecturer. In the family of the immigrant, authority rests with the mother, the home maker, and with the school mistress, the source of the knowledge that creates real Americans, not with the father, who is as aware as are his children that in a strange country he no longer knows best. The child who rejects the authority of his father becomes the man who is unwilling to accept the authority of his Government. The United States is ruled, not by Uncle Sam but by the Goddess of Liberty, according to Mr Gorer. His study of the habits and emotions of Americans is logical and gay, and only the occasional intrusion of such words as "ambivalence" remind the reader that this is the result of detailed psychological and anthropological research.

The thesis is not new but it is used to explain, not some but all, the problems of American behaviour that baffle foreigners—and many Americans too: the contempt for the professions of politician and soldier, the pathological hatred of Franklin Roosevelt, the force of anti-Semitism at home and Zionism abroad, the materialism and the generosity, the desire to be loved and the fear of being a sucker, the belief in equality and the importance of the social symbols of inequality. Everything fits into Mr Gorer's pattern, but occasionally a suspicion arises that the pattern is unnecessarily complicated. Perhaps American men do drink milk and call their girl friends "honey" because, as babies, they were brought up on strict schedules that kept them waiting for their feeds and rewarded them for good conduct with candy; but perhaps they find milk a cheap and strengthening beverage and their girl friend sweet in a non-gastronomic sense.

Americans may not be flattered by this frank discussion of their national character, but they will prefer it to the unintentional insults of those Europeans who explain their contradictions by their inexperience and immaturity and imply that, once the young nation grows up to be like Europe, all will be well. That, as Mr Gorer makes very clear, is the last thing either that Americans want or that is likely to happen, and Europe must realise that a new type of civilisation is being created in America. If other countries want to share the benefits of the American way of life they must at least try to understand it.

The Indian Inheritance

"A Survey of Indian History." By K. M. Panikkar. National Information and Publications. Bombay. Rs. 7/8.

"The British Achievement in India." By H. G. Rawlinson. William Hodge and Company. 248 pages. 15s.

SINCE August 15th of last year the age of British rule in India has become a part of the past history of India, a completed chapter of a story reaching back 5,000 years—to go no further into pre-history than the founding of the first brick-built towns in the Indus valley. In such a perspective it is interesting to compare two recently published books—one by an eminent Indian scholar and statesman who is now his country's Ambassador to China and the other by a former British member of the Indian Education Service and of the Indian and Historical Records Commission. Sardar Panikkar covers the whole of Indian history, including the British period, whereas Mr Rawlinson deals with the British period only, but the great theme of its relation to the new era of independence is common to both writers, and though they differ on many points, there is a quite remarkable measure of agreement in their estimates of the British achievement.

Mr Rawlinson's book is frankly an apologia; he is proud of our national record in India and seeks to defend it from the accusa-

tions which have been made against it by Indian nationalists. He claims that "England cannot be charged with depriving India of a nationhood which she never possessed or of a political freedom which she never enjoyed under her indigenous rulers." These things, he holds, India learnt from England. On the count of economic exploitation, he admits the injustice of early British policies towards Indian textile competition, but finds the causes of contemporary Indian poverty to lie, not in any British extraction of wealth from India, but in "the inherent social structure" of India, in population increase which keeps on running ahead of production, and in popular habits such as that of hoarding instead of investing money.

Mr Rawlinson's attitude to these phenomena seems, however, to be marked by a certain fatalism and helplessness which, as typical of the former British administrative outlook, are the features of the British Raj most condemned by leading Indians of the present generation who, like Dr Panikkar, are intensely concerned with economic and social problems. "From the point of actual administrative work," writes Dr Panikkar, "the British Government was one of the best in the world; but from the point of view of organisation for national welfare its work fell far short of what could have been legitimately expected." He finds a restriction of state activities to the "minimum essentials of government" and a lack of positive policy for increasing the wealth of the country or raising the standard of living. But he concedes that "the growth of popular political institutions, though tardy, may be credited to the British Government" and that "the most notable achievement of British rule was the unification of India." His most wholehearted praise, however, is reserved for the part played by British scholars in the reconstruction of Indian history and in the recovery for Indians of India's own cultural heritage. "When the viceroys and governors, whose statues adorn public places, are forgotten," he writes, "India will remember Fergusson and Havell, 'Hindu Stuart' and Marshall."

Third Force Economics

"Economic Security and Individual Freedom." By Albert Lauterbach. Cornell University Press. 166 Pages. $2.50.

MR LAUTERBACH is a liberal—it would be tactless, in view of his nationality, to call him a radical—with an attractively firm grasp on first principles, a laudable disinclination to mistake words for things, and an eclectic willingness to learn from any quarter which has valuable experience or information to offer. His book is a study, from the American standpoint, of the way in which society may hope to free itself from its two besetting fears of oppression and depression; it surveys the *laisser faire* solution with only a little less distaste than the totalitarian solution, and plumps for a liberalised planning—"purposeful action by a democratically organised society." Such planning should combine three principles: control of the development and fluctuations of economic life (by methods including "substantial changes in property relations"); the preservation of individual initiative in carrying out plans, with substantial use of money incentives; and international co-ordination of national controls as "an effective and indispensable step towards a gradual elimination of outmoded concepts of national sovereignty."

There is a great deal of good sense and sound logic in Mr Lauterbach's book. He has looked at American society with a realist's eye, and he has read widely of what has been done elsewhere. But it is painfully obvious that distance has lent enchantment to his view of liberal socialism. He sees it very much as Mr Herbert Morrison, say, would like it to be; flexible and realistic, harmonising private initiative and public spirit, respectful of the individual whether as worker or as consumer, impatient of vested interests of all kinds, and, almost by definition, firmly on top of those economic forces whose insusceptibility to control by the automatic devices of capitalism have so thoroughly discredited the latter in his eyes. He sees nothing of the stodgy rigidity of the mechanism of planning and control, of the withering or distortion of incentives, of the selfrighteous paternalism of bureaucracy, of its tenderness towards any and every vested interest that can express itself in the appropriate class-war terms. No doubt some of these traits are not inevitable attributes of planning—though Professor Hayek would of course maintain that they, and a large number of vastly more unpleasant characteristics, are inborn in any form of Socialism whatever; some of them, notably the stodginess, are probably peculiarly British, others are a hangover from wartime. On the other hand other countries in other circumstances might develop other unforeseen complications. (The riotous development of the American black market during the war, and the American susceptibility to the disease of graft, are pointers to the forms which they might take there.)

Mr Lauterbach really ought to come and spend a few months in Great Britain to get the full flavour of democratic planning at close quarters. He would probably be a sadder and a wiser man at the end of his stay; but so intelligent and sympathetic an observer would not only be able to turn his observations to good account for his next book, but to give some really valuable advice on what he saw.

From *The Economist* of 1848

September 2, 1848

THERE is always some one panacea popular at the moment, which is to cure all the evils of humanity, and convert earth into paradise. At one time it is co-operation, at another the charter, at another communism, and now it is emigration. Societies are formed to promote it, and gentlemen of birth and station travel about the country to enlighten the people on its advantages. Almost every journal has something to say in its favour, or some particular colony to recommend. All parties require a grand and comprehensive scheme, something that shall at once relieve society from pauperism, and remove from amongst us that excessive competition, which at once stimulates exertion and makes employment scarce. While journalists are writing about it, however, and societies seek to promote it, in fact to a very considerable extent it has been for some time going on greatly to the increase of population in some of our colonies. . . . In seven years . . . 854,000 persons have left the country, or nearly one-thirtieth of the whole number of the population, without lessening pauperism, or apparently making it more easy for those who remain to procure a comfortable subsistence. . . . . It is self-evident that, selecting as emigrants the young, the vigorous, the enterprising, and the skilful—and not removing a fair and equal specimen of the whole society—not taking away the aged and the imbecile, as well as the youthful and the strong, the bad as well as the good, the vicious with the virtuous, the criminal with the right minded, the idle and the industrious in equal proportions, but only the better parts, must increase the predominancy and influence of the classes left behind, and can only hasten the demoralisation and deterioration of the whole.

Shorter Notices

"Letters of an Economic Father." By W. S. Hill-Reid. Falcon Press. 140 pages. 8s. 6d.

THE idea of this book, designed for young people just reaching the age of economic responsibility, is excellent. It is a commonsense guide, in the form of letters to a boy in his last term at school, to the business side of ordinary life; bank accounts (with or without overdraft) and investments, income tax, life and other insurance, house purchase and rent, and wills. It provides a framework of legal knowledge, a bare minimum of economics in the narrower sense, and a maximum of useful practical information such as no textbook dreams of giving. Its message is lightly, chattily and often vividly imparted, with a seasoning of anecdotes faintly (but, alas, only faintly) reminiscent of that masterpiece, the "Letters of a Self-Made Merchant to His Son."

It is a pity that Mr Hill-Reid loves clichés so dearly, and surprising that his grammar should be so shaky; also nowadays an Economic Father really ought to tell his son something about his financial rights and obligations under the National Insurance Act.

"Kaffirs are Lively." By Oliver Walker. Gollancz. 248 pages. 7s. 6d.

MR WALKER was given a rare opportunity by the South African Government in 1944 to investigate the conditions of the natives throughout the length and breadth of the Union and its protectorates. That he now bites the hand that fed him was not perhaps entirely unexpected. Mr Walker is a South African journalist, and his swing from pro-White to pro-Black has been violent. The result is a highly emotional treatment of a subject which is emotional enough already. This is a pity, for it spoils what must otherwise have been an invaluable study. The extravagant presentation of facts leads the reader to doubt those facts rather than to accept them more readily. But underneath the mass of irresponsible nonsense which clutters up the book, there is much real information about how the Bantu live and work in modern South Africa.

"The South African Financial Year Book, 1947-48." R. Beerman, Publishers (Pty.) Ltd. Cape Town. 1128 pages. 45s.

THE first edition of this comprehensive annual review fills a gap in present information available on the growing field of investment in South Africa and Rhodesia. Apart from its fairly complete record and appreciation of companies it provides useful data on taxation and finance.

AMERICAN SURVEY

The Coming Campaign

(From Our US Editorial Staff)

IN the United States the period between the two public holidays, Independence Day on July 4th and Labour Day on the first Monday of September, is the official holiday period. During that time shops and offices are shut on Saturday mornings, only urgent work is done and, even in an election year, it is considered a waste of time to make political speeches to a people deep in the pursuit of pleasure. Polling day being the first Tuesday after the first Monday in November, this time-table mercifully leaves a bare two months for campaigning—not a long time for a candidate who wants to cover forty-eight States and, perhaps, a hundred cities.

Mr Dewey and Mr Warren, the Republican nominees, have had many meetings and laid their plans with great care. Governor Warren will start from San Francisco on September 15th for a ten-day trip ending in Detroit, with stops in Nevada, Utah, Colorado, New Mexico, Texas, Oklahoma, Missouri, Indiana, Kentucky, and Ohio. Governor Dewey will leave Albany for the West a few days later. The President will begin his campaign at the earliest possible moment. A joint rally to be held by the American Federation of Labour and the Congress of Industrial Organisations on Labour Day in Detroit gives him an excellent opportunity, which he is taking, for an important opening speech, and he will make four others in Michigan on the same day. He had intended to go south after that in an attempt to limit the effectiveness of the States Rights party. But the danger from that quarter is declining, so he will speak in Iowa on September 18th and then go on to California, where he will probably find himself face to face with Mr Dewey at the end of the month.

The two candidates, it appears, are in no hurry to get at each other's throats too soon. Mr Truman, as he made clear in his acceptance speech, will fight Congress; Congress will fight the Communists; the Communists, through their control of the Progressive Party, will fight the Dixiecrats (among whom they include, as Mr Henry Wallace explained in Louisville last week, Messrs Truman and Dewey as "sophisticated versions" of the States Rights candidate); and the Dixiecrats will fight the President. The circle is complete without Mr Dewey who can, and will no doubt be delighted to, sit in the middle picking off his warring opponents one by one. The ethics of party politics in the United States will, however, unfortunately for him, prevent him shooting at what may well prove in the end his most dangerous enemy—Congress. If there were some way in which he could ensure the defeat in November of a few party leaders and Committee Chairmen (Representatives Joseph Martin, Charles Halleck, Leo Allen, John Taber, Leslie Arends and Dewey Short, for example), the Republican majority would be little affected and he could look forward to the next four years with more certainty that the kind of legislation he has sponsored in New York will not be greeted as subversive and un-American.

The strategy of each—except the Dixiecrats—seems to be working well. The President's decision to call a Special Session of Congress has proved the successful political stroke which his enemies feared it would be. It was not successful enough to give him a chance of being elected, but it may well have saved a number of Congressional seats in industrial districts and it will have its effect on the vital battles for the Senate. The polls show, at the moment, that, although Mr Dewey is running comfortably ahead of the President, many of his supporters would prefer Democratic Congressmen. This fact, in a country which likes to vote for one party's candidates for all the offices at stake, is a sufficient indication of the low opinion generally held of the Eightieth Congress, an opinion brought even lower by the cynicism of the Special Session. The American people have long been resigned to seeing their representatives forget the programme on which they campaigned as soon as the elections are over. This is the first time they have seen it perfunctorily pushed aside before the campaign has even begun.

The Congressional idea of fighting Communism is also having some effect. When Mr Carroll Reece opened the Republican Convention by saying that there were only two forces in the world today—the Republican Party in the United States and the Communist Party—it was believed that he was dismissing the Democrats as a spent force and declaring that the election would be fought against Russia. It has since transpired that the Communist enemy he was preparing to disembowel was within the Democratic Party. Thanks to the Un-American Activities Committee, the people have been given the circuses of public hearings rather than the bread of public housing; the Committee allowed witnesses to spread accusations and suspicion with the same inconsequence with which the wind spreads thistledown. But it succeeded in diverting a great deal of public attention from the failure of Congress to legislate. The publicity given to its activities has certainly had, as intended, political value and for that reason there are some who think the President would have been better advised to let Congress stay at home. It is doubtful, however, whether he could have escaped their attack so easily. The words of a leading Republican suggests that he would not: "Truman has got only himself to blame for this. If he hadn't called the Special Session it wouldn't have happened until October."

*

Mr Wallace is now embarked on a grand tour of the South where he is behaving more as an agitator than a candidate. He arrived in Louisville, ostentatiously accompanied by a Negro, tried to register his companion at a hotel and, meeting the refusal which, unless he is a dunderhead, he must have expected, made the appropriate public scene and retired to the private house at which, it is to be presumed, he had always intended to stay. He repeated this device in North Carolina when he met a barrage of eggs and tomatoes as well and had to give up the attempt to speak in town after town. In his speech to a negro audience in Louisville, he referred mysteriously to "a number of lynchings" in New York State, incidents which have escaped the attention of the press, police and public of that state and then made an appeal to the 15,000,000 American Negroes to fight for their lives, an appeal which it is kinder to assume was not intended as an incitement to revolution. The tragedy of Mr Wallace's candidature is that it will leave behind greater mistrust and unrest among Southern Negroes and a fear among Southern Whites (which will lead to more repressive measures).

The Southern Whites themselves—the Dixiecrats or States Rights Party—are making little headway. Two Senators, Mr McKellar of Tennessee and Mr Robertson of Virginia, have

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

announced that they will not leave the Democratic fold for such doubtful adventures. The defection of Senator McKellar, at least, must have been a bitter and unexpected blow; that aged servant of the Crump machine has always been a solid supporter of Southern "ideals." But perhaps the staggering defeat of the machine, when Representative Estes Kefauver—one of the best of the young Southern liberals—won the Senatorial nomination against the frantic efforts of Boss Crump, made Mr McKellar cautious about cutting party ties.

But the real fight, when it begins, will be between Mr Truman and Mr Dewey and it will be concentrated in the ten states where the crucial Senate battles will be fought. Even in the face of a big majority for the Republican Presidential candidate, the Democrats have reasonable hopes of winning Oklahoma, Kentucky, West Virginia, Wyoming and Minnesota, victories in four out of five of which would give them control of the Senate, unless seats are lost in other States. There are equally five where this could happen—Montana, Colorado, New Mexico, Tennessee and Rhode Island—and the Republicans will make as great an effort to win them as to keep the other doubtful five. Confident of victory in the Presidential race, Governor Dewey will be able to allot much of his and Governor Warren's time to an intensive campaign in these States, four of which Governor Warren will visit. On his first trip Mr Truman will then be forced to do the same, because the Republicans can, thanks to Mr Wallace, set the pace. If there were no Progressive Party, their position would be by no means as happy. The latest polls do not show that Mr Dewey is overwhelmingly popular, even in his own State. In 1944 he got 47 per cent of New York's votes and in 1948 he seems likely to get the same percentage. But the opposition, which four years ago went to Mr Roosevelt in its entirety, is now split 37 per cent for Mr Truman and 16 per cent for Mr Wallace, who is expected to get one-third of his national vote in New York City alone.

The Democrats' position has been improving steadily since their Convention. They are no longer the depressed and disunited party which went to Philadelphia. Mr Truman's stubborn courage has had much to do with this change and his mood is beginning to infect local organisations throughout the country and may yet destroy the threat of the Dixiecrats. That Mr Dewey is aware of this and its potential danger—should the unpredictable Mr Wallace suddenly retire or die—was shown by his statement to an Italian-American group that he believed Italy should be given the trusteeship of her old colonies. Mr Truman reacted strongly to this breach of the bi-partisan front, and the press was obviously unhappy. Mr Walter Lippmann's view that Mr Dewey had a perfect right to disagree with the Administration, but that his views would have been better given to the American people rather than to a delegation of Americans of Italian descent, is probably representative of general opinion. A former missionary to Ethiopia wrote a bitter letter to the *New York Times* saying: "Instead of a platform of civil rights, are we now adopting a platform of giving men back into slavery?" All in all, Mr Dewey's sally out of the bi-partisan field was not successful enough to encourage many more. There is every reason to hope, in fact, that the battle, as far as it concerns the two principal candidates, will be fought on a higher level during the important part of the campaign.

American Notes

The Dilemma of the Red Herring

When and how did Mr Alger Hiss dispose of his Ford car? Was Mr Whittaker Chambers ever known as George Crosley? In the hearings before the Un-American Activities Committee on Mr Chambers' allegation that Mr Hiss was a Communist, the two men gave exactly contradictory replies to these two questions and the correct answers, if they can be proved, will probably decide whether it is Mr Hiss, late of the State Department and now of the Carnegie Endowment for International Peace, or Mr Chambers, late of the Communist underground and now of *Time* magazine, who has perjured himself. The Committee's present attempt to prove that there has been Communist infiltration into the Government depends on the reliability of Mr Chambers' evidence, and therefore the answers to these questions will also show whether the present investigations are only, as President Truman insists, a political red herring, or, for the first time in the Committee's history, a genuine service to democracy.

The Committee conducted the Hiss-Chambers hearings with a courtesy almost worthy of its new respectability, but it found it hard to maintain this unaccustomed moderation through six hours of careful testimony from the handsome Mr Hiss, who introduced a legal exactness into the far from judicial atmosphere of the Committee room. Mr Chambers, on the other hand, had no difficulty in telling the Committee exactly what it wanted to hear about events which took place twelve years ago. The hearings were a prosecution of Mr Hiss, rather than an investigation, and provided good examples of the procedure by which the Committee endangers the basic rights of American citizens—the sacrifice of the innocent on the altar of publicity—the readiness to believe anyone, except a reformed Communist, guilty until proved innocent, the disregard of established legal practices.

* * *

The same faults reappear in the interim report with which the Committee is defending itself and ensuring that it will not be forgotten before it resumes its hearings next week, when a new spy-scare, involving industrialists and the atom, is expected to bring it back into the headlines. The Committee, evidently having realised that its discoveries relate to the Roosevelt, rather than the Truman, Administration, makes its political capital out of the present Administration's lack of vigour and diligence in dealing with the "Communist conspiracy" and out of the President's refusal to give the Committee access to the employment records of the individuals concerned, a long-standing bone of contention. It claims that its responsibility to the American people forced it to act and that the remedy for the Communist espionage revealed by its investigations can be found almost entirely in the Anti-Communist Bill passed by the House last May. Since the Committee drafted this Bill, this attempt to show that Congress was more aware of the Communist menace than the President is not altogether surprising.

Even though the Administration is probably right when it says that the Committee's precipitancy had hampered its efforts to get to the root of the question, it looks as if Mr Truman might have been well-advised to adopt a more co-operative attitude towards the Committee's investigations, in the interests not only of his party's electoral chances but of the national welfare. It takes smoke to a make a herring red, and the Committee has shown that the rule that there is no smoke without fire still applies. There are few in Washington who commend the Committee's way of smoking the herring, but there are many who feel that the present system of investigation by the Federal Bureau of Investigation and a Federal Grand Jury produces almost as unsatisfactory a fish. A new way out of the dilemma is now being suggested, an independent commission, composed of men of the calibre of General Eisenhower and Mr Justice Roberts, to establish the facts and make the recommendations it considers necessary.

* * *

Farm Surpluses Again

Candidates in the election campaign may hear a new version of the old chicken-and-egg conundrum, one which is also concerned with the farm; their answer will depend on whether they are facing a rural or an urban audience. The question is whether the high cost of living, and therefore the high cost of production, in the cities results from the high levels at which farm prices are supported by the Government, or whether the high "parity" prices for farm products, which bear a fixed relationship to the cost of the things the farmer buys, result from the high cost of producing those things in the cities. The town dweller, who sees as yet little or no decline in his food bill, although his newspapers are full of reports of bumper crops and the danger of agricultural surpluses, naturally takes the former view. The farmer argues that the cost of the things he needs has been increasing steadily, and that the support price of 90 per cent of "parity," which he is guaranteed for his major crops, was fixed to ensure maximum output of farm products and has thus prevented a scarcity that would have driven food prices still higher. To the suggestion that he should make the first move to break the circle, the farmers, or rather their representatives, reply that a collapse in agricultural prices is the traditional forerunner of a depression and, in any case, why should they make the first sacrifice?

It had already been expected that the new Congress would reconsider the farm price legislation passed by its predecessor in June, which extends the present price supports until the end of 1949, after which a more flexible system is to take their place. This new system will probably mean a substantial reduction in support prices for many commodities, and it has been suggested that it may be brought in sooner, in order to relieve the Government of the heavy financial commitments which the present prices may involve during the current crop year. It is unlikely, however, that the farm bloc will permit Congress to break its promise to the farmers, however anxious the economy bloc may be to do so.

The price support programme is usually operated by means of loans through the Commodity Credit Corporation. The farmer is given a loan, equal to the support price of the commodity which he offers as collateral and if it is not repaid by a fixed date, usually the end of April, the CCC takes over the commodity. The farmer will obviously repay the loan if he can sell his crop at a price above the loan rate, but he must provide satisfactory storage during the interim period. It is shortage of storage space which explains why wheat has been selling below the support price and why maize for December delivery has been offered at $1.38, when the support price will probably be $1.45. But this is a purely temporary development, which does not mean that the price support system has broken down.

Nevertheless, the total outlay on loans this year may reach $2 billion. The CCC is not likely to have to take over anything like this value of commodities from the farmers, but the time is almost certainly approaching when it will once more have large stocks of wheat, maize and cotton on its hands. These surpluses will inevitably depress the markets, even though the CCC can only sell them for feed, for seed, for industrial purposes and for export. The temptation to force them on reluctant buyers overseas will be great and the farmers' organisations at home will do nothing to lessen it. Already grain export quotas for September have been stepped up in order to get rid of the temporary glut. Already oats, flaxseed and linseed oil and meal have been declared surplus, which means that Economic Co-operation Administration funds cannot be used to procure them outside the United States.

* * *

Freedom on the Air

Brooklyn boasts a professional "quiz queen," who has been in regular attendance at "audience participation" broadcasts for ten years; the first "get-rich-quick" radio programme, "Pot of Gold," was on the air in the late 1930s. To find the automobile, the permanent wave and the pile of other free gifts at the end of the rainbow, it may only be necessary to say, with the help of the question master, "George Washington" when asked who was the first President of the United States. These "give-away" programmes have recently increased greatly in popularity; there are now about forty of them on the schedules of the major networks and many others on those of individual stations. Prizes are being given at the rate of at least $150,000 a month; one listener won $20,000 worth of saleable merchandise, although the reward for identifying Mr Bernard Baruch's "phantom voice" was only $3,000. The final judge of an American radio programme is the advertiser who finances it, and to the ears of these sponsors "give-away" programmes became quite unbeatable when one of them, *Stop the Music*, stole his hitherto devoted audience from Mr Fred Allen, one of America's most popular radio comedians.

This was the result of a new development in the field of listener appeal, which explains why these programmes have suddenly risen to what may prove to be their zenith. Nowadays the listener does not usually have to make a fool of himself in the studio; he sits at home and waits for the telephone to ask him a question which, if he has been listening to the programme, he should be able to answer correctly. This formula guarantees a maximum audience and is obviously worth the cost of the refrigerators, the Shetland ponies, the honeymoon trips and the dollar bills which provide the financial incentive to listen, regardless of the merit of the programme.

Mr Fred Allen is, however, not the only member of the radio industry who feels that the long-term interests of broadcasting are endangered by this disregard for its original function of providing entertainment and instruction. The National Association of Broadcasters recently approved a new code for the guidance of the industry and it recommends, among many other things, the avoidance of programmes designed to buy an audience. But the main purpose of this code is to forestall government interference with programming and the NAB is therefore unlikely to welcome the Federal Communications Commission's proposed ban on "give-away" programmes.

Listeners will be more interested in this interference with radio's attempt to establish freedom from want than they were

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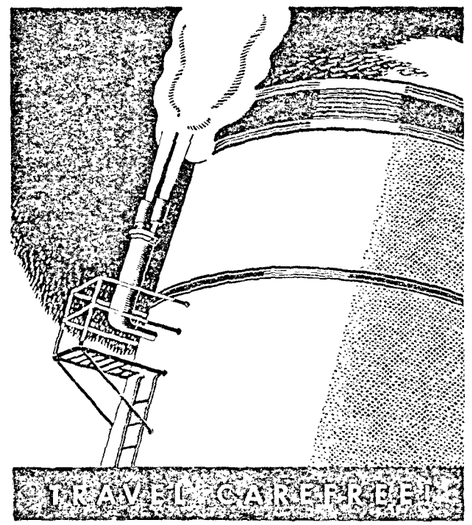
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in the recent controversy over freedom of speech on the air. Here, too, the industry's opposition to the FCC, it has been suggested, is inspired more by the desire to remove all control of programmes from the Commission than by devotion to liberty. The question arose in connection with the FCC's review hearings last spring on its so-called Mayflower decision of several years ago, when it ruled that a station licensee who broadcast "editorials," taking sides on political and other subjects, had not carried out his duty of presenting important public questions fairly and objectively. The industry insists that this amounts to the abrogation of the licensee's right of free speech, but the FCC contends that the decision safeguards the broader aspects of this right by ensuring that listeners hear all sides of any controversial question. However, now that it is becoming hard to find a community of any size that has not one or more radio stations, there is at least an argument for giving station owners the same freedom of expression that is allowed to newspaper proprietors.

* * *

Plight of the Airlines

Air-minded America has let its domestic airlines down. After a loss of $20 million in 1947, summer traffic this year, usually counted upon to build up fat to see the lines through the leaner winter months, has dipped again. Not only did the airlines, in the rosy days after the war, grievously overestimate the growth of air travel; they are, like the railroads, and even the city taxi-cabs, suffering from a new disposition to count the cost of transport in terms of long-distance bus fares or petrol for the family car.

The meeting with the 15 scheduled airlines called by the Civil Aeronautics Board last month prescribed for the airlines' ailing finances the 10 per cent fare increase already favoured by three of the big five lines. But there is no assurance, even at CAB, that this will turn the tide, and the smaller operators, though they probably will follow suit, are more than doubtful whether the increase may not further discourage air travel and increase the attractiveness of the cut-rate unscheduled "wild-cat" airlines which have already raided many profitable runs. Other schemes were discussed. The cherished free lunch in the air may vanish; it cost the airlines $11 million in 1947, over half their combined deficit. Promotion schemes, like mid-week cheap family rates, may also come. More brutal diagnosticians prophesy that the industry needs stronger medicine: the reduction of excessive competition through the withdrawal of some route authorisations, mergers, and bankruptcies, and vigorous cutting of costs on the model of Eastern Airlines, which alone has maintained its profits.

Congressional attention in the next session seems assured if only because the airlines, hounded by their deficits, keep pressing for higher airmail payments and thus forcing the Post Office to request larger appropriations from an economy-minded Congress. President Truman has also asked the Reconstruction Finance Corporation to study the type of financing required to meet the long-term, as well as the emergency, requirements of the lines. It is thought this may lead to Government purchase of the latest transports, which would be leased to the airlines. This plan conveys more than an echo of a Bill passed by the House during the Eightieth Congress, but blocked in the Senate, which would have used Air Force funds to develop new types of commercial transport planes on the ground that, in the hands of the airlines, they would constitute a national defence reserve. The aircraft manufacturers stoutly opposed such Government control, but the Bill is likely to be revived as part of the urgent review of national air policy.

* * *

Scramble for Steel

A battle royal over the disposal by the War Assets Administration of a lease to operate one of the world's largest blast furnaces and coke ovens underlines the continuing acute shortage of steel and iron. The Cleveland plant, built by the Republic Steel Corporation for the Government in 1943, has been operated by the company on a short-term lease. When negotiations over the terms of a long lease failed to produce agreement and Republic proposed to discontinue operations, WAA speedily—critics say clandestinely—found a new lessee in the Kaiser-Frazer Corporation.

The automobile industry's major worry is the steel shortage, and Mr Kaiser, whose latest coup did not make him any more popular with his fellow-industrialists, hoped, it is thought, to use the plant's pig iron production as a lever to extract more steel for his cars. Republic Steel, waking up to find the plant being snatched from under its very nose, found vocal and politically powerful allies in the Cleveland and New England foundries it had supplied in the past. The case was at once taken up by the friends of small business in Congress, and the WAA official, who at first callously declared that allocation of pig iron was no concern of his, has learned the wisdom of singing a different tune. Under the final agreement, Republic will operate the plant for Kaiser-Frazer until May 1st, retaining all its rights to bid for permanent possession.

Production of finished steel, at an expected 65 million tons in 1948, a peacetime record, still fails to match demand, though some companies are reported to be over-buying. The steel shortage is the villain in the oil industry, housing, farm machinery, and even, according to Governor Warren, responsible for depriving California of essential water supplies. Nevertheless, the National Security Resources Board, while ostentatiously hugging the power of mandatory allocations smuggled through at the end of the last session of Congress, finds the voluntary allocation schemes working satisfactorily at present.

These slow-starting steel allocations (authorised under an Act which, unless renewed, expires next February) will channel over 5,000,000 tons of finished steel a year into housing, defence contracting, freight cars, and the oil industry. With ECA exports, the amount of steel thus set aside becomes substantial, and *Iron Age*, the magazine of the steel industry, is resigned to a renewed assault upon the failure to expand capacity more rapidly. The industry not only suspects that present demand is abnormal, but points out that full use even of its present facilities is limited by shortage of supplies. But the Government and labour economists, who have long urged that the demand for steel has reached a permanently higher level, are now vigorously supported by industrial consumers like the automobile and washing machine industries. The continuous casting process for steel developed by the Republic Steel Corporation and the Babcock and Wilcox Tube Company will, its sponsors believe, cheapen, simplify, and increase steel production, but this revolutionary relief is still far in the future.

* * *

Printers Under Fire

The general council of the National Labour Relations Board moved last week to bring new pressure on the International Typographical Union, still obstinately sustaining its Chicago local in a nine-month old strike against five Chicago daily newspapers. In March an injunction was granted restraining the union from making demands in pursuit of the closed shop, banned by the Taft-Hartley Act, but of long standing in the printing trades. Mr Denham, the NLRB's counsel, is now bringing a civil contempt charge against the union, charging that the International's payment of strike benefits in Chicago violates the injunction by sustaining an illegal strike, and asking that the union's "competency hiring" clauses be condemned as discriminating against non-union printers. The hearing takes place on September 15th; although the Chicago printers hope to receive outside aid, the loss of $434,000 in monthly benefits would make it almost impossible for them to hold out. It is not known whether the contempt action, if it is upheld, would affect agreements already reached on "competency" clauses in New York and Philadelphia.

The ITU convention in Milwaukee, while expressing a defiant support of Mr Randolph, the union president, showed every awareness that when the Chicago printers walked out in November they unleashed a printing revolution whose effects will be much more lasting that any court action. The Chicago dailies, by using the Vari-typer, which produces an even right-hand margin, and photographing and engraving the result, disappointed the union's hope that resistance would be short and ineffectual. Instead, as the months have gone by, improvements have steadily made the process faster, and the printed result more conventional in appearance.

In Chicago the substitute has proved expensive, but this need not always be so. A Vari-typer costs $700; a new automatic composing machine $4,000 to $10,000, and the typist who operates a Vari-typer charges a third the wage of a linotype operator. And behind the Vari-typer stand even more breathtaking inventions which compose by photography, setting no type at all, and "print," not by pressure, but by utilising a stream of electrons to make the impression.

The resolutions passed by the ITU note that the menace of these substitute printing processes cannot be ignored or belittled, and urge that the union hasten to organise its new competitors. The convention also authorised the executive council to establish competing enterprises to bring pressure on firms where strikes exist or are threatened; and opened the way to extending a strike against one paper of a chain to the rest of the chain. Publishers of three Chicago dailies have newspaper interests in other cities.

THE WORLD OVERSEAS

Prospects of Japanese Recovery

THE fourth year of the Allied occupation of Japan opens this month with most of the basic problems which faced the Japanese economy at the end of the war still unsolved. The transition from defeat to recovery is even slower and more painful than in Japan's European counterpart, Western Germany.

Today, Japanese industrial production is less than 40 per cent of the 1930-34 level. Note circulation has increased fifteen-fold from 16 billion yen in 1946 to 240 billion at the present time. Foreign trade has reached less than 20 per cent of its pre-war volume, and the pattern of trade is even more lopsided than that of the other defeated nations. Last year, for instance, Japan took 90 per cent of its imports from the United States, but return exports were sufficient to cover a mere 4 per cent of these imports. In short, there is still an enormous gap between hard reality and the dream cherished in some US quarters that Japan can be turned into the "workshop of Asia."

This lack of progress is due to a combination of war, Allied policy and Japanese officialdom. War deprived Japan of its overseas empire in Manchuria, Korea and Formosa on which it relied heavily for food and raw materials paid for out of income from investments in these areas. By itself this loss of empire posed a critical problem for the inhabitants of a group of islands whose arable land is a bare 16 per cent of the whole and whose population is 78 million and growing at the rate of a million yearly.

In addition, the occupation authorities were confronted with large-scale physical damage and with the disruption of Japan's normal trade channels. A chaotic China has made a hopeless trading partner, South-East Asia has failed to produce its prewar food surplus for export, and the Indian sub-continent has contributed very reduced supplies of such vital raw materials as cotton. Japan has not been able to trade further afield because of its lack of shipping resources and because in some markets wartime memories are still potent. The upshot of this devastation and dislocation has been to throw Japan even more abjectly than Western Europe on the mercy of the United States for supplies of food, raw materials and capital equipment.

General MacArthur, therefore, as Supreme Commander of the Allied Powers, has had two long-term economic tasks before him: to see that domestic production increased and to ensure that Japan was eased back as fast as possible into its old trading relationships.

The Search for Stability

American-inspired efforts to increase production have taken several forms. The first was an attempt to put domestic finances in order by means of sound budgeting and strict controls over wages, prices and the allocation of scarce raw materials. Accordingly, regulations have poured from MacArthur's headquarters; but the Japanese officials, whose job it is to enforce them, have seldom done so. In part, this is due to high occupation costs—they absorb one-third of the national budget—and in part it is the result of Japanese flaccidity.

The heads of Ministries have fought each other for the purchase of materials in short supply, while the diversion of such materials from essential uses into the black market has gone virtually unchecked. Again, Japanese officials, like some of their counterparts in the West, hesitate to unleash the political storm which would follow rigid wage controls. This timidity explains why the Japanese Government was forced to carry on for three months last spring without a national budget. No budget could be drawn up until a wage-level was fixed for government workers, but these workers claimed that their wages should be raised to the level prevailing in private industry. Meanwhile, the Japanese trade unions were demanding higher wages in the private sector of industry. With no end to inflation in sight, the Japanese Government, and especially its Socialist members, refused to back a policy of wage freezing.

The second—and less unsuccessful—attempt to expand production took the form of a drive to pare down the level of reparations. In this policy the General had ample support from Washington which has become increasingly anxious to lighten for the American taxpayer the burden of subsidising Japan. On paper, reparations remain at the fairly punishing level recommended in 1946 by President Truman's adviser, Edwin Pauley. In practice, however, reparations are likely to amount to little more than primary war plants and the contents of Japanese arsenals. Mr Pauley was followed by the Strike Commission and then the Johnston Commission which successively slashed the estimates of what should be made available for reparations.

Coupled with the campaign to reduce reparations is the current slowing-down of MacArthur's original drive to break up the Zaibatsu, the old family monopolies in industry. It is now argued that the over-zealous application of this policy, as in Germany, is depriving Japanese industry of its best brains and technicians. The defenders of the Zaibatsu deplore in particular what they call the "atomisation" of Japanese industry.

The third assault on the problem of production sought to extract sufficient funds from Congress to cover not only relief but also to finance Japanese recovery. This met with only limited success. Together the US Export-Import Bank and various US commercial banks recently gave Japan a $60 million credit for the purchase of American raw cotton. In June, Congress set up an $150 million revolving credit fund to be used by all occupied areas for buying American agricultural commodities and raw materials. Congress, however, rejected the $150 million recovery programme for 1948-49 recommended last April by William Draper, Under-Secretary of the Army.

Need for Foreign Investment

Now it is apparently clear to General MacArthur's headquarters—though not to the Japanese themselves—that Japan must rely for industrial reconstruction almost entirely on private foreign investment. For their part, the Japanese are still dealing with the crisis by wishful thinking. In a dutiful attempt to attract foreign investors, they have recently produced a rash of stabilisation plans—6-point, 8-point, and 10-point. An alternative nomenclature popular with Japanese planners is in terms of two, three and five years. None of these plans is any more substantial than that recently announced by the President of Japan's Economic Stabilisation Board. This 10-point programme called, among other things, for the prompt collection of taxes, the cessation of currency speculation by civil servants, the stabilisation of wages "with flexibility" (or alternatively, the flexibility of wages with provision for freezing them).

In spite of all these measures, declarations and plans, industrial production has shown no real signs of recovery. Today it is little more than ten per cent above the level of January, 1947. Meanwhile, however, efforts to deal with the external trade problem are somewhat more promising.

When he first took over, General MacArthur showed himself little aware of the impracticability of the insistence from certain quarters in Washington that Japan should operate as part of the dollar area. US cotton growers were, of course, eager to sell their product to Japan, and US Government agencies such as the Commodity Credit Corporation were anxious to get a dollar return for their dollar loans. Hence the American occupation authorities were under constant pressure to see that Japanese exports, principally textiles, were sold only to those who could pay in dollars or currency convertible into dollars. But the piling up of unsold textiles in Japanese warehouses soon convinced MacArthur and his officials that this proposition was unworkable. As a result, there has been a gradual improvement in arrangements for trade between Japan and its traditional customers in the non-dollar area. Japanese textiles can now be sold for sterling or on the basis of 50 per cent dollars, 50 per cent barter. A new and improved payments agreement was signed in May with certain parts of the sterling area, and a large-scale conference has recently met in Tokyo to implement the agreement.

What is emerging is a series of bilateral trade pacts. While

these have little in common with the multilateral theories of the sponsors of ITO, yet they may help very materially in providing Japanese industry both with raw materials and with customers. In the process it is hoped that Japan may reduce its dependence on the American dollar and at the same time help to rehabilitate itself and the rest of Asia. Latest reports suggest that the current trade negotiations in Tokyo will result in a total trade of £67 million beween Japan and the sterling area, an increase over last year of some 400 per cent.

For the moment there is clearly much to be said in favour of these bilateral arrangements. As long-term instruments, however, they may, in the opinion of some American experts, prove dangerous. The bilateral pacts now work through a system of multiple exchange rates, and if these are retained too long, the Japanese economy may get clogged in a system of hidden subsidies and concealed taxes. Hence a great deal of discussion has recently centred on the fixing of a single exchange rate. The advocates of this move have a strong hankering for Adam Smith's "invisible economic hand," and are convinced that its operations through such agencies as the big private banks of the China coast and points further east would soon establish the true value of the yen. The opponents of a single exchange rate argue that, although it is desirable in the long run, such a move carried out now would introduce a fresh series of shocks into Japanese industry. It would be idle, they claim, to risk new disturbances merely for the sake of making obeisance to the doctrines of a *laisser-faire* economy.

The immediate economic prospect for Japan does not make a cheerful picture. Japanese political leaders will have to convince the population that for some time to come their standard of living is likely to be much lower than before the war. Indeed, if the Japanese themselves were to bear the full economic consequences of the war, there would be mass starvation in the cities. Something less than this austerity will be called for. But, even so, there can only be a real break in the present *impasse* when Japan produces a government prepared to face the facts—and the unpopularity.

South Africa Under the Nationalists

[BY OUR JOHANNESBURG CORRESPONDENT]

THOUGH South Africa's new Nationalist Government has been in office only three months, it has done enough to show that it means business. Its first act was to set free the wartime saboteurs and convicted traitors; its second to lift the ban on the semi-military Fascist organisation the *Ossewa Brandwag*, and on the Afrikaner secret society, the *Broederbond*. The army is being reorganised to give more scope to Afrikaans-speaking officers. General Poole, who was to have been the next Chief of the Military Staff, has been "given a bowler hat" and sent to Berlin. The chief of Military Intelligence was dismissed, and the new Minister of Defence, Mr Erasmus, authorised a lightning raid on MI headquarters and the seizure of files. The "rifle associations" which General Smuts disbanded during the war are being reconstituted as a "platteland army." Immigration from Britain has been curtailed, "to ensure the maintenance of the existing composition of the white population"; meanwhile the Germans whom the Smuts Government intended to deport are to stay in the country.

The trade unions are to be investigated for "Communist" influence, and the Government says it will not continue to "tolerate the Michael Scotts and the Basners who take South Africa's domestic affairs abroad and use them for propaganda." Churches which "undermine the policy of *apartheid*" will be "opposed." The English-speaking Press has been warned that it must be "more responsible." In the House of Assembly, the Government has already developed a habit of naming individuals against whom action is threatened; they include a Jewish trade union secretary.

The Asiatic Act is to be amended. Under this Act, passed by the Smuts Government, the Indians had their property rights further restricted, but were promised a limited franchise in return. The Nationalists intend to continue, and perhaps tighten, the restrictions, but to withdraw the franchise provisions. The present representation of Natives and Europeans in Parliament is to be entirely abolished; and the Cape Coloureds are to be taken off the common roll.

These measures and proposals are extremely drastic. Yet so far the Nationalists have managed to adhere to their election programme—for they said beforehand that they would do all these things—without rousing very much active opposition in the country. It is quite possible that if another election were held tomorrow, the Nationalists would increase their majority. There are several reasons for this.

Some of the most powerful trade unions welcome the curtailment of immigration. Townsmen welcome the *Louwcol* plan which has cut profit margins. Farmers are pleased with their higher prices. The middle class is pleased with the £6,000,000 tax relief granted in the Budget. Commerce and industry both welcome the assurance that import control will not be imposed, since both want imports costing dollars. The gold mines have been promised every consideration due to their central place in the national economy, and have got a first instalment of nearly a million pounds. The Budget had a reassuring air of returning to prewar solidity. Figures about the adverse balance of trade are very dull, and £6,000,000 tax relief is very concrete.

Support for *Apartheid*

The Nationalists have a solid backing for their non-European policy. The franchise provisions of the Asiatic Act were never carried out, and were opposed by the whole of white Natal, which is quite ready to endorse their withdrawal. *Apartheid* also has much support. The Nationalists do not really intend to send all their natives back to the Reserves; not a penny was provided in the Budget for the purpose. The towns will probably continue to have cheap native labour; but under *apartheid* the natives will have fewer rights than ever. Very little will be done to improve their miserable living conditions—Dr Jansen, the new Minister of Native Affairs, bitterly attacked the Smuts Government for having provided the natives in towns with "pensions, unemployment insurance and school feeding." *Apartheid* means more repression, that is all. That native unrest will grow seems self-evident. But a major upheaval is hardly a physical possibility: the Government has the guns. There will, of course, be outside criticism—hence the Nationalist intention to fight "propaganda abroad," if necessary by curtailing freedom of speech within the Union. Mr Te Water is to go overseas to tell the world how misinformed it is. But, if he fails, external criticism will simply be used to rally all patriotic South Africans in defence of their "way of life" against foreign slanders.

It is significant that the Smuts Opposition, which was defeated mainly on the native issue, does not now venture to attack the proposal to abolish native representation on the ground that it is manifestly unjust, but rather on the score that if the Nationalists do it by a simple majority, the way will be open to them to reduce English to a subsidiary language by the same means. The native vote, and equality between English and Afrikaans, are both supposed to be entrenched in the South Africa Act and alterable only by a two-thirds majority in both Houses of Parliament sitting together. The Nationalists do not say they will abolish the native vote by a simple majority; but they refuse to give any pledge that they will not. They may be counting on colour prejudice seeing them through; and they may be right. The door would then indeed be open for other fundamental changes.

Policy Step-by-Step

However, it would be equally mistaken to suppose that the Nationalists will let power go to their heads. They have struck swiftly where they felt they had to—Mr Eramus alleged that Military Intelligence was supplying confidential information to the General Secretary of the United Party, and that the army had become a postwar political weapon against the Nationalists—but otherwise they are unlikely to abandon the step-by-step policy. They do not propose to leave the Commonwealth at this stage, but merely to ensure that the Union Defence Force is an instrument at their disposal, not at Britain's (or General Smuts's). They do not intend to stop all immigration from Britain forthwith—merely to render it no assistance and to ensure that in any event it is not large enough to change the "existing composition" of the white population. The English language will continue to have full equality with Afrikaans; but, of course, if the Native vote can be abolished by a simple majority, without creating too great an outcry, that will be a useful precedent.

Those who cry that South Africa is in immediate danger of Fascism meet with considerable scepticism, and a good deal of that scepticism is justified. With the exception of colour policy—though that is an important exception—South Africa is a very tolerant country. The tempo of life has on the whole been leisurely, and political differences have seldom debarred personal

friendships. The two white sections, English and Afrikaner, have hitherto been too evenly balanced for one to dominate the other. But a review of the Nationalists' present programme and past performances suggests that a change may be in store. It is true that though the Nationalists won the election by a very few seats, the United Party of General Smuts actually polled more votes. But this may be overlooking an important factor. A large proportion of the younger generation of Afrikaners have been strongly indoctrinated with "purified" Nationalist teaching. The hallmark of this generation is intolerance and a leaning towards Fascism. The majority of Afrikaner university students are as attracted to Fascism (they still cheer Hitler) as British university students are, or used to be, attracted to Socialism. The *Ossewa Brandwag* mainly consists of young men. Meanwhile the English section feels there is much to be said for the Nationalists' colour policy, and so is confused and hesitant. Time may be on the Nationalists' side.

But how far the Nationalists can push their declared policy without finally rousing antagonism between English and Afrikaner remains in question. Their ultimate aim is undoubtedly a Republic, probably an Afrikaner one, and probably totalitarian. However skilfully they exploit colour prejudice, the chances are that sooner or later they will succeed in rekindling the old feud between English and Afrikaner, with much of the old bitterness that Smuts and Hertzog once hoped to end forever.

Oil, Agriculture and Industry in Venezuela

[BY A SPECIAL CORRESPONDENT]

IN spite of the oil boom, Venezuela remains essentially an agricultural country. The vast majority of its 4,000,000 people earn their living from the land, and in the long run, unless Venezuela can establish a productive and prosperous agriculture, it is doomed to disaster. The oil boom will not last forever.

Traditionally, Venezuelan agriculture has been dominated by large landowners These date back to the times of the Spanish conquest, when great plots of land were given out to Spaniards who happened to be in the good graces of the crown. In time, much of this land came into the hands of Venezuelan-born Spaniards. But during the rule of Juan Vicente Gomez, which lasted for most of the first four decades of this century, the tendency towards the centralisation of land went even further than before. Gomez treated all Venezuela as his private *hacienda* and gave lordly grants to his generals, his relatives and his favourites. As oil became important he carried out a policy which only now Venezuela is trying to counteract; he took out of production large areas of agricultural land and either turned them into grazing land or let the land lie fallow. Yet even the good results of this policy—the building up of at least some large herds of cattle were largely vitiated by the governments which succeeded Gomez, and which sold much of the cattle, including breeding stock, to the Columbians and other foreign purchasers.

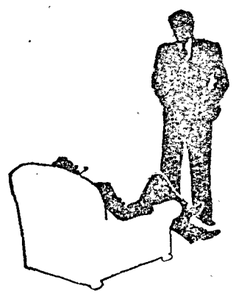
One result of this policy of large landholdings was to drive the small peasant up the sides of the hills to farm. Driven out of his valley by the landlord, the little *campesino* tried to farm on the slope as nearly as possible in his accustomed way There was little or no use of terracing or other methods which might have preserved at least some of the fertility of these hillsides. The long rows of corn or yucca were planted up and down the hills. In two or three years the soil was washed away and it was necessary to move on to the next hill.

The extent of the concentration of land ownership can be seen from the fact that in 1941 there were 59,014 agricultural proprietors of which 4.4 per cent, or 2,568, had holdings of more than 160 hectares, with a total of 2,705,888 hectares or 78.7 per cent of all the arable land in these holdings. The other 56,446 proprietors, 95.6 per cent, had only 21.3 per cent of the land —731,795 hectares. Of the 3,437,683 hectares included in these holdings, only 708,773 hectares were actually cultivated. Many of those engaged in agriculture did not own the land they worked, but were squatters of one kind or another. The great majority, however, were farm labourers. Thus, there are some 420,000 agricultural families in the country, and only 59,014 are listed as proprietors.

The Venezuelan peasant has been greatly undernourished. The Ministry of Health has drawn up what it considers an



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adequate diet for an adult male farm worker, but the average worker eats only about half the amount of meat called for, little or no milk, and practically no citrus fruits. In fact, the staple foods of the agricultural worker have been bread, yucca, beans, bananas, coffee, and some meat. The result has been an efficiency far below that needed to do the job. It has also meant that the agricultural worker has been more easily subject to disease.

Other factors have in the last few decades worked against Venezuelan agriculture. The most important of these was the petroleum industry. Under the regimes of Gomez and his immediate successors agriculture was more or less lost sight of in the giddy whirl of oil profits. While the nation's external debt was paid off with the oil proceeds, while millionaires were made in the Gomez and succeeding governments, it was hardly worth while to engage in agriculture. People streamed to the cities, and the urban land boom absorbed the energies and capital of many others who might otherwise have gone into or stayed in agriculture.

Move to the Towns

The very high wages paid in the oil fields in comparison with elsewhere led to a discontent with the wages and conditions in the countryside which probably resulted in less production. Until the present regime it could not result in positive action among the workers. Many agricultural workers went to the cities and the oil fields. But, as there are only about 40,000 workers employed by the oil companies, it is not literally true to say that the oil fields themselves drained off any really large part of agricultural labour. The discovery of petroleum, however, did result in a boom in the urban parts of the country which resulted in the more energetic and ambitious workers leaving to seek their fortunes in the cities and towns.

The result of this situation has been the decline of agriculture and the grazing industry. For instance, 32.6 per cent less maize was produced in 1947 than in 1936—and maize is the largest grain crop. The chief agricultural exports, coffee and cocoa, have been declining for several decades. The livestock industry has been on the down grade since the end of the last century, when a large proportion of the cattle of the country were killed off in the civil wars.

The government has tried to come to grips with the agricultural crisis since 1945. The general policy has been to take advantage of the petroleum boom while it lasts, to get as much out of it as possible and then to reinvest this capital in building up both agriculture and secondary industries. Farmers have been given credit, and "agricultural communities" have been established using modern machinery. Much of the work is still in the planning stage. But some results are already apparent.

The Venezuelan government is also carrying out a number of large irrigation projects. One of the most interesting of the plans for agricultural development is that which is being developed by the Venezuelan Basic Economy Corporation, of which Mr Nelson Rockefeller is the head. Mr Rockefeller was Co-ordinator of Inter-American affairs during the second world war, and his interest in Latin American affairs dates several years before that. This experiment attempts to combine real economic aid for the development of the economy of the country with the possibility of making a reasonable profit. The Corporation is interested in four projects. The agricultural development company is one. Others include a fisheries company, a wholesale business and a milk production corporation. The company is bringing in the latest machinery and hopes to use US or US trained technicians. Good houses for the workers will be built, schools, hospitals and other social services provided, and these establishments will be operated in every way as model farms—and, it is hoped, still make money.

Use of American Private Capital

All these Rockefeller projects are of particular interest as an experiment in the co-operation of Venezuelan and foreign capital. The Corporation has invested in the four projects mentioned on the basis of putting up half the capital for them, and having full common-share stock control for the first ten years. The *Corporacion de Fomento* has come in with the other half of the capital, and receives preferred stock with a guaranteed return. It is agreed that, as soon as the individual companies start making money, the Basic Economy Corporation will begin putting its stock on the market, and, at the same time, the government will turn in an equal amount of its preferred stock to be exchanged for common stock, which will also be offered on the market to Venezuelans. In any case, it is provided that within ten years the Basic Economy Corporation shall offer majority stock control to Venezuelan buyers. There is a distinct possibility that, in view of the high return from urban real estate and the comparatively low return expected from the Rockefeller enterprises, no market will be found for these shares. The government officials apparently believe that the *Corporacion de Fomento* will be free to buy up the majority control, while the Americans are not in favour of this. In any case the issue will not be alive for some years, but the project has the support of *Accion Democratica* and of the large majority of the trade unions.

The *Corporacion de Fomento*, which is interested in the Rockefeller enterprises, the agrarian experiments and other projects, has also done something in the way of direct investment in industry. It has put a good deal of money in an old textile mill in the city of Maracay and is making it into a first-rank plant. It has invested in a consortium to pasteurize milk and supply it to Caracas. It has invested in a food-oil plant, also in Maracay, and in a number of similar projects. This Corporation was one of the first projects of the revolutionary government. It was set up on the model of such enterprises as the Chilean Development Corporation. Its capital was completely subscribed by the government. Its function is to stimulate production, through loans, direct investments and any other way that seems feasible. It is becoming an increasingly important weapon in the struggle to diversify and industrialise Venezuela's economy.

But oil still remains the rock upon which the prosperity of the country is based. For instance, 95.15 per cent of all foreign exchange brought into the country in 1947 came from oil and 93.10 per cent in 1946. The petroleum companies estimate that in 1947 they provided about 63 per cent of the total revenue



taken in by the Venezuelan government, or about 814,500,000 bolivares. This money is collected in a variety of ways. The government takes 16⅔ per cent royalty to start with, then there is income tax, plus various import and export taxes. The government also makes a profit on its exchange operation with the companies: they must buy bolivares from the Banco Central de Venezuela, which sells at 3.09 per dollar, instead of 3.30 which is the current rate.

The oil companies employ between 40,000 and 45,000 workers, and pay the highest wages in the country. In housing, education, and other things they are a good deal ahead of the Venezuelan average. They are, of course, draining off the resources of the country, as the Venezuelans sometimes complain. And it is undoubtedly true that previous governments did not see to it that the companies do their fair share towards building a sound Venezuelan economy. The present government, however, takes 50 per cent of their profits. The companies have not raised any particular objection to this, since they realise Venezuela's situation, but it is likely that, if the Venezuelan government tries to take much more, they will object. As the oil companies point out, Venezuelan oil is in competition with that of the Middle East, which is produced a good deal more cheaply.

In any case, the oil boom is not likely to last forever. Known reserves will sustain present production for at least twenty years more. Of course, it is likely that there is a good deal more oil than is at present known. But it is possible that the demand for oil will not continue at its present level. With this in mind, the present Venezuelan regime is trying to establish a sound agriculture and what industry it can.

THE BUSINESS WORLD

Disinflation in Jeopardy

THE Government's policy of disinflation, which is surely the very heart of its attack upon the problem of Britain's rehabilitation, is in jeopardy. That would be true even if it were not apparent that the policy of the White Paper on personal incomes, the first and shakiest plank in the disinflationary programme, will have to carry the main burden of criticism when the TUC meets at Margate next week. The additional pressure will obviously increase the risk of collapse. But, even before the drift of trade union feeling became discernible, many people had reached the conclusion that Government-inspired disinflation ought to be written off as a lost cause. That was conceivably an over-hasty judgment; but the omens grow steadily less propitious. The latest and most ominous symptom is the prospect of a further round of successful wage demands. The court of inquiry has delivered its decision on the engineers' claim—a flat increase of 5s. instead of the 13s. which had been demanded. It is futile to argue that this claim was an exceptional case, outside the ambit of the White Paper. Every single claim has some exceptional quality about it and if pressure is strong enough, the retreat from principle to expediency is certain. The repercussions of this award—widely regarded as a key decision—coupled with the impetus that is likely to be imparted from Margate, plainly threaten to destroy most of the fruits of Sir Stafford Cripps's efforts to put British economic policy on a rational footing—unless the Chancellor's pleas, and the hard facts of Britain's needs, induce an unaccustomed level-headedness in trade union policy.

At this critical point, before the additional strains develop, the effects of the disinflationary policy to date and its present strength or weakness deserve to be soberly assessed. The Chancellor is reported to have put the facts of the British economic position dispassionately before the Council of the TUC. If the whole Congress could show an objectivity equal to his, the results might be salutary. For there is no doubt that the effects of disinflation so far have been limited and therefore disappointing; and the conclusion to be drawn is, not that the disinflationary prescription was wrong, but that it was diluted before its effects on the patient could be fairly judged and when there was even a presumption that the mixture might already be too weak.

In retrospect, it now seems evident that the symptoms of disinflation which aroused such noisy complaints from the few discomfited trades some months ago were due rather to natural causes than to direct consequences of the Chancellor's policy. But, whatever the true diagnosis, it was rash and foolish of the Government, as *The Economist* pointed out at the time, to rush so solicitously to the aid of the afflicted. The outcries of the vested trade interests concerned did Britain a double disservice. They gained their immediate point, by extracting various concessions on coupons and purchase tax and thus tending to keep resources employed on work which Britain cannot at present afford. Worse still, by creating in the minds of certain Ministers a disproportionate—and, indeed, irrational—fear of deflation, they must have played a large part in inducing the more damaging revisions of policy in much more important spheres, notably housing, building repairs and "frustrated" exports.

These and similar concessions, moreover, were granted at a time when the disinflationary programme was already being undermined from other directions. It has since been shown that the continuing rise in import prices and in other costs has lifted the bill for cost of living and agricultural subsidies far beyond what was contemplated in the budget. The cost of the Berlin air-lift and of other measures in Germany has plainly been heavy, and the Government has been facing and will face unexpected expenditure on military and other precautions. The running cost of the National Health Service, too, seems likely to be much beyond estimate.

Altogether, the statistical basis of the disinflationary programme—that is, the now familiar capital budget for the national economy as a whole—must have altered its shape quite drastically since the official estimates were framed early this year. The additional strains have not by any means been confined to the whittling down of the surplus on current account shown in the Government's prospectus. Even in some official circles the £1,800 million assumed for gross capital formation of all kinds in this calendar year was regarded, from the outset, as an under-estimate. Most unofficial estimators had put the likely total at nearer £2,000 million. The reasonableness of this guess may perhaps be a little more debatable now. The decision to halt the planned decline in the number of houses under construction may mean, but will not necessarily mean, that housing outlays (which play a very large part in total investment at present) will be appreciably larger in the second half of the year than was at first intended; and this is also likely to be true of other building work, such as repairs in general and rehabilitation of war-damaged offices and industrial properties. On the other hand, there have been the postponements of several notable new industrial projects recently discussed in these columns. These particular decisions have rightly attracted widespread attention; their immediate significance in the current balance sheet of disinflation may not, however, be large, because their potential demand for labour and other resources would not, in any case, have materialised rapidly. But such postponements may be symptomatic of shrinking confidence and increasing reluctance to embark upon major outlays in other industries whose investment demands cannot be accurately known. On balance it seems rather improbable that formation of fixed capital will this year surpass the official estimate so largely as was at first expected.

Gross capital investment, however, includes additions to stocks; and from the point of view of their immediate inflationary effect it is immaterial whether the additions comprise vitally needed supplies or unsaleable surpluses—both must be financed. Indeed, even business losses may be provided for on the "investment" side of the national balance sheet, because they absorb other people's savings just as surely as a net outlay on new plant would do. In measuring the demands for finance to carry the accumulation of stocks, therefore, it is necessary to balance the effects of disinflation in opening out bottlenecks, and in thereby releasing the abnormal accumulations of semi-finished goods, against its effects in piling up finished goods which nobody will buy.

Though its trend can only be a source of disquiet, there is one factor in the balance sheet of disinflation which is giving a greater relief from inflationary pressure than the official estimates assumed. This is the total deficit on the external balance of payments—the net inflow of goods and services.

from abroad. The official estimate of £250 million for the year will be largely exceeded, not specifically because of Marshall aid, but simply because the official estimate was never realistic. The actual figure is likely to surpass £350 million, and may be as much as £400 million. On the savings side of the balance sheet, it is surely unlikely that provisions for depreciation will fall far short of the £800 million which represented the upper limit of the official estimates; the figure for 1947 was £775 million. The current account surplus of public authorities, as already demonstrated, is likely to be a good deal less than the £400 million originally envisaged. The trend of spontaneous private saving is much more difficult to guess. The wide measure of observance of dividend limitation will obviously have tended to sustain corporate saving, but in some trades the pressure of costs and the partial brake upon price-increases have been exerting a squeeze upon profits. Personal saving is, of course, virtually immeasurable by the unofficial investigator. The so-called "small" savings have on balance imposed a very heavy net demand upon the Exchequer—probably a much bigger demand than was assumed last April. But these figures are no reliable guide to the trend of net personal saving as a whole. The original balance sheet, however, did not pre-suppose any large contribution from personal saving; the implied estimate for private saving, if depreciation provisions were taken at £800 million, was, on the official figures, no more than £350 million. Most of this could reasonably be expected to come from corporate saving, so that there seemed at first to be a fair latitude in the balance sheet as a whole.

The statistical basis of disinflation can now be briefly stated. Suppose private saving and depreciation provisions can still be depended upon to reach their combined target of £1,150 million. On that assumption, the question whether the basis of disinflation is more or less assured than it seemed last April depends upon whether the prospective "gain" of £100 to £150 million on the external deficit is likely to be less or greater than additional investment (beyond £1,800 million), plus the shortfall on the public authorities' surplus (below £400 million). It is hard to believe that the balance of this equation could fall on the right side; but it is perhaps improbable that the net addition to the inflationary forces, in this statistical sense, has been large.

In these matters, however, it is the margin that counts. No radio manufacturer has any doubt that a small measure of disinflation can have significant effects. So, too, with a small margin of inflation—though its "benefits" would not necessarily accrue to the industries, like the radio industry, that were hit by marginal disinflation (among other influences). Moreover, even if it were certain that the disinflationary account was in equilibrium, that would not suffice by itself to check all inflationary tendencies. A theoretical and statistical equilibrium on the nation's capital budget, desirable though it is, does not mean that supply and demand will be neatly balanced in every sector of the economy. Excesses of demand in one sector, as all recent experience goes to prove, can exist side by side with excesses of supply in others. Indeed, after any boom, inflationary and deflationary influences are bound to be present together until a decisive trend asserts itself. And when the source of the disinflation is a pressure deliberately imposed by the Government rather than the pressure of natural causes (such as the evidence that particular industries had expanded far beyond their sustainable market), it will always be particularly hard to estimate the effects, and even more the outcome, of the tussle between the opposing forces. That seems to be the situation today. The natural disinflationary influences, evidently important earlier in the year, seem largely to have exhausted their impetus, at least temporarily. It is noteworthy that there have been no fresh outcries from the trades which recently were so vocal; and the chorus has not been taken up by others. There are even signs that the radio industry is re-expanding.

In conditions such as these, when the disinflationary movement has lost its impetus and yet has not demonstrably gone into reverse, ostensibly small changes in policy, either by the Government or the trade unions, could easily upset the precarious balance of the equation and alter the direction of the whole economy. But though the policy is thus vulnerable, it has so far achieved very little. The clear proof of that conclusion lies in the manpower figures which, as was shown in these columns a fortnight ago, reveal only a very modest rate of recruitment to the all-important industries and an even more disquieting failure to draw labour away from the industries which were scheduled to release it—to the extent of more than 250,000 workers. The depressing conclusion to which one is forced is that a genuine disinflationary equilibrium, in the balance sheet sense described above, will never suffice to produce any large changes in the face of strong resistance, or at least will not do so rapidly. Perhaps the Government knew that when it budgeted for an increase in unemployment to 450,000 by the end of this year. But, if so, its budgeting was purely theoretical. Unemployment has steadily declined throughout the year. It now stands at 282,000. Dr Dalton, in the heyday of his financial inflation, did not reduce it much lower.

Rayon and the New Fibres

THE still unfinished search for a nomenclature for synthetic fibres is merely one of the signs which mark the rayon industry as a young and lively industry still in its growing years. The search is accompanied by controversies which expand in range with every important technical innovation; and nobody knows where it will end. It advanced a stage at the conference of the International Standards Organisation at Buxton in June, when the British Rayon Federation urged without success that "rayon" should be adopted as a standard term for all man-made fibres. It was finally agreed merely that there should be a generic name for all synthetic fibres. But the name is still to be found.

For the moment the language of synthetic fibres is undergoing a process not of unification but of fissure. In the United States it has reached the point at which cellulose acetate yarns and fibres have claimed a new generic name of their own, "estron." By a new series of definitions adopted by the American Society for Testing Materials in June, the term "rayon" is confined to fibres and filaments of regenerated cellulose. Fibres and filaments "composed of one or more esters of cellulose" cease to be rayon, and become "estron"; these are the acetate fibres, but there seems also to be some doubt whether the new synthetic fibre now in course of development, "Terylene," would by this definition be an "estron" fibre or not; for it begins the manufacturing process as an ester, but is afterwards polymerised. But "Terylene" is a British, not an American, innovation, and unless the term "estron" makes a quick recovery from its unpromising start the likelihood of its adoption for British fibres is dim. The principal British manufacturers of cellulose acetate materials, British Celanese, are disposed to be content with "rayon" and with their own trade mark. British shoppers have accepted "nylon" as a separate classification (in so far as they are able to buy nylon at all) but this does not mean that their receptivity

to new words is endless. For the purposes of this article the term "rayon" is used, with all proper diffidence, generically, and under cover of it the attempt is made to discuss not only the familiar cellulosic fibres but also the synthetic fibres with which the British public has still only a slight acquaintance—whether nylons, polyesters, or proteins. *The Economist*, at any rate, has no intention of intervening in this battle of technical terms.

Not only is rayon an expanding industry, it is also a changing one. A series of technical innovations which were bottled up by the war years has been brought near to fruition, and it is hardly possible that the technical pattern of the industry should for long remain static; processes, and the uses of the product, assume a different relative importance. These changes are occurring in a period of abnormal trading conditions, when demand has been high, when the slow post-war recovery of the German and Japanese industries has artificially limited supply, and when the natural fibres (cotton and wool) have reached extremely high prices. New enterprises, the exploration of new markets and new uses, and the planning of expansion all press for attention at a time when the demand for the existing standard products is abnormally hard to satisfy. The natural optimism of the rayon trade does not conceal the fact that the total problem they present—how to plan the trading and production policy of the future—is a difficult problem to solve. This was illustrated a few weeks ago when the decision of Courtaulds to postpone the plan for a viscose fibre factory at Dundee became known. That decision was presumably influenced by the high costs of construction. It was offset to some extent, no doubt, by measures to expand further the production of viscose staple at the company's factory in North Wales. But the company in explaining the decision, referred to "world conditions," and it is probably relevant that the American rayon industry has not lately shown an unlimited confidence in the prospects of expansion in the market for rayon staple.

The modest attitude at present of important sections of the American rayon industry towards the prospects of future expansion is worthy of study. American Viscose Corporation, the principal producers of rayon staple in the United States, recently shelved a scheme to build a new rayon staple plant at Radford, Virginia where land was bought two or three years ago. In this decision also the high cost of building and of machinery played a part. American Viscose prefer to expand production by improvements to existing plant, which have already achieved appreciable increases for a moderate outlay. Their attitude is the more interesting in that the present demand for rayon staple in the United States greatly exceeds supply; a grey market in the resale of yarn and staple is carried on at prices well above those charged by the producers, and users of staple have approached the United States Government to complain that the volume of production is too small. The producers take the view that the expansion plans already in hand may prove sufficient to meet the demand. The calculation is necessarily uncertain, because a part of the present demand is for rayon as a cheaper alternative to cotton. This is not accepted as a permanent trading factor by the established rayon yarn and staple producers, who discourage direct competition with cotton. But if the price of cotton falls, the total American demand for rayon will suffer, and foreign suppliers would be among the first to feel the reduction.

Considerations of this kind induce restraint, but they need not induce pessimism. In fact the British rayon industry has increased its production of rayon yarn (filament) steadily, and its production of rayon staple rapidly; and further increases are in prospect. Production of rayon yarn, which averaged 8,500,000 lb. a month in 1938, has been above 11,000,000 lb. in each month this year; in June it reached 12,600,000 lb.—the highest figure yet recorded, and 26 per cent higher than in June, 1947. Monthly production of rayon staple averaged only 2,800,000 lb. a month in 1938, but by 1946 the monthly average had risen to 5,900,000 lb. Last year it rose further to 7,000,000 lb. The next substantial increase is expected in December, when the expansion of capacity should begin to make itself felt. By the autumn of 1949, according to a trade estimate, monthly output of rayon staple may rise to more than 13,000,000 lb., and in 1950 it will be between five and six times the production of 1938. As prospects appear at the moment, the largest consumer of this output will be the Lancashire spinning and weaving industry, working for the most part on spinning and weaving machines originally designed for cotton. Production of rayon yarn (filament) will not expand at the same rate; the main increases now planned are unlikely to take effect before 1950.

The bulk of the increased production of staple fibre is likely to come from the Courtaulds plants at Greenfield, in North Wales, to which reference has already been made. In the production of acetate staple, however, British Celanese are also preparing to expand, and extensions to their works at Spondon are in progress. Acetate staple was relatively neglected during the war; the utility programme required acetate rayon in yarn. A certain amount of acetate staple was produced, but was used to the extent of 30 per cent in mixtures with viscose staple. The results of this largely accidental fact may now prove commercially interesting. The mixture was found to have qualities of its own; in particular, attractive dyeing qualities and good resistance to creasing. Promising experiments are now being made with 50 per cent mixtures on the same lines. The higher price of acetate staple (33d. a pound, as against 16.5d. for viscose staple) must limit for the present the scale on which sales of acetate staple can expand; but the prospects for acetate staple are not dull.

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As production expands, attention can presumably be given to uses of rayon which have not yet been fully exploited. One probable field for expansion is the woollen and worsted industry, which already uses considerable quantities of cotton—cotton yarn for warps, and cotton linters for mixing in the yarn. The extent to which rayon can be substituted depends, in the short run, on the price of cotton. In addition, there are further possibilities for the substitution of rayon for a modest proportion of the wool used in the woollen and worsted industry; these may expand as techniques develop and the properties of the rayon fibres are improved.

The industrial uses of rayon appear also not to have been fully explored. At present the main industrial consumption is of rayon of coarse denier for tyre cloths; and this can be expected to grow as the supply of the special yarns concerned is increased. Other uses, it is fair to assume, would have been exploited more thoroughly before now if the rayon producers had not been working in a general atmosphere of excessive demand and inadequate supply.

Both nylon yarn and nylon staple may have a large part to play in the development of industrial uses for synthetic fibres, and there is room for experiment in the mixture of nylon staple with other fibres. The immediate interest is, however, in the prospects of expanding the supply of nylon yarn. Production is now starting at the new factory of British Nylon Spinners at Pontypool. Since 1941 the company has been producing yarn at Coventry, and since 1942 at Stowmarket; the two together have lately been producing yarn at the rate of 1,000,000 lbs. a year. The company's total production should now begin to expand, and by the end of next year (when the Pontypool plant should be in full operation) it is expected to reach the rate of 10,000,000 lb. a year. Hosiery will continue, no doubt, to be the largest use for nylon, but other fabrics are in preparation. The development of lightweight worsted materials with a reinforcement of nylon is reaching an advanced

stage; the worsted yarn can be doubled with nylon filament, or it can be spun round a nylon core.

Imperial Chemical Industries are concerned in the development of two new fibres of particular interest. "Ardil," a protein fibre for which the warmth and resilience of wool is claimed, is being produced in small quantities at the ICI works at Ardeer, so that it is already known to the textile trade. It originated before the war in a programme of research undertaken to find new uses for the primary products of colonial countries; the starting material of "Ardil" is the protein in groundnuts, which is extracted after the expression of the groundnut oil and before the remaining carbohydrate is converted into cattle-feed. The first filaments were produced in 1938, but further plans were held up by the war. "Ardil" makes a soft yarn; mixed with a stronger and harder-wearing fibre, it should make fabrics with qualities which have not previously been produced in this country from synthetic materials. The company's production plans indicate confidence; it is intended to set up a plant at Dumfries to make 10,000 tons a year. The customary difficulties which surround new industrial construction operate in this case also, and it is not likely that production at Dumfries will start before 1950. Until then, only the "pilot" quantities produced at Ardeer will be available.

The newest textile fibre to have reached an advanced stage of development in this country, "Terylene," has been described as the first truly synthetic fibre—in the sense that the starting material is not merely adapted, as in the cellulosic fibres, but entirely reconstructed—to have been evolved in Britain. Its theoretical origin can be traced to the work of Dr. W. H. Carothers, the Du Pont chemist who evolved nylon. Carothers, after examining the polyamides and the polyesters, chose a polyamide as the starting material of nylon. Mr J. R. Whinfield, of the Calico Printers' Association, examined the polyesters further and found one (derived from the condensation of ethylene glycol with terephthalic acid) with suitable fibre-forming properties. The work on "Terylene" has since been taken over by ICI, and much work has by now been done in exploring the qualities of the fibre and in making industrially efficient the processes necessary to its production—and in particular, the intermediate chemical processes. Great versatility is claimed for "Terylene," with other valuable properties. Some years' work will be needed before it can be produced in commercial quantities.

As the exploration of synthetic textiles goes on, the industry expands its technical frontiers until the distinction between textiles and plastics becomes merely a convenience of phrasing. But as in other young and lively industries (and, indeed, a number of old industries too) the limiting factors lie not in what the chemist can do but in what is commercially feasible—in the detail of factory method, in the conditions of the world markets, and in the difficulties of capital investment. For a number of years to come the industry must base its livelihood on selling the well-known fibres which are already in production and on the markets. Its success in marketing will depend largely on the prices at which yarn and staple can be produced and sold, and on the relation between those prices and the prices of natural fibres. And the degree of success attained must influence the readiness with which capital can be found for plans to produce new materials. The new materials in turn will lead to further problems of capital investment; for the logical development from truly synthetic fibres is likely to be a new series of spinning, weaving, and finishing plants designed specifically to handle them. Indeed, the rayon producers, through the new British Rayon Research Association, are already planning the development of specialised rayon spinning and weaving machinery. Thus the rayon industry, which at present is turning its fibres into cloth mainly through the mills of the old textile industries, will tend to branch out into an industrial structure of its own. But this will require more capital investment, and yet more; and since rayon is not exempt from the difficulties of capital formation which are hampering industry at large, it cannot happen quickly.

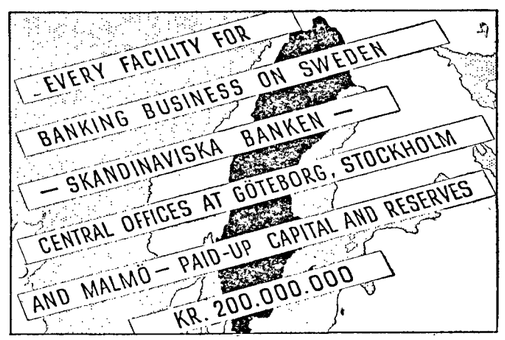
Business Notes

Stirrings in the Markets

After the paucity of business and the depressive melancholia of most of August, the security market is now showing signs of quicker response to what it interprets as a lifting of political fears. The new Stock Exchange Account has opened well; public interest has shown a marked increase; the plus signs have re-appeared in the daily price lists; the bulls, if not exactly roaring, are again talking above a whisper. On Wednesday, this week, when the new account opened, markings reached nearly 6,700—a "big day" by present standards, except for Monday with its week-end accumulation of business. The *Financial Times* index of industrial ordinary shares had by Wednesday gained a point, at 116.3, compared with its level at the end of last week, and is fully seven points higher than the intermediate "low" of 109.2 recorded in the mid-July crisis over Berlin.

How far are these changes of direction dependable? If there were any guarantee of political improvement in Europe, they would obviously proceed much further. But few investors are prepared, at this stage, to underwrite that particular risk. Part of the improvement must be attributed to the ending of the holiday season, though it is worth remarking that the impact of the Berlin crisis produced a sharp reduction in business at least two weeks before the season really began. The bears have had their own way for several weeks, and their operations—as is invariably the case in the ever-thinning markets of recent times—have added their own technical force to the attenuated supplies of stock which





nowadays are available in the market. Some of the briskness of this week's recovery can be attributed to that single technical factor.

What happens now? To look beyond the present discomfiture of the bears reveals little sign of fundamental change which would justify a broad upward movement in ordinary shares. If there is agreement about Berlin—and it is still a very big "if"—more buyers will doubtless appear. But the factors in the domestic economic situation, which afford a more or less firm hold for investment calculations, are still unpropitious. A bout of further wage inflation is threatened, but that is quite unlikely to induce a further inflation of profits—indeed, the reverse is more probable at this stage. How long will "voluntary dividend limitation for a year" really last? If it were withdrawn overnight, how many companies, faced with the urgent and costly tasks of capital replacement, would take advantage of the fact and pay higher dividends? The portents clearly favour a policy of safety first.

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The Fall in Rentes

The financial markets in France have drawn the only possible conclusions from the latest turn in the political situation. From what was vaguely known of M. Reynaud's programme—severe pruning of the civil service, and increased incentives to workers by reduced taxes and to all production by removing controls—there appeared to be some prospect, not very bright it must be admitted, that the present level of prices and exchange rates might be held. Now that the government of which M. Reynaud was a member has disappeared, and precisely because the Socialist Ministers could not accept the rigour of his financial proposals, the prospects of holding that line have vanished. Whatever M. Schuman may do, a further wave of wage increases is clearly on the way. French prices, which have already more than adjusted themselves to the last devaluation of the franc, are likely to rise to a still higher level and thus demand yet another downward adjustment in the exchange value of the currency.

The expectation of such a move has been reflected in this week's rise in the free market prices for gold and foreign bank notes. The gold sovereign has touched 6,125 francs which, on the basis of the official rate of exchange, would put the Paris price of gold at the equivalent of about £32 per ounce. Bank of England notes have risen to 1,050 francs to the pound, compared with the official rate of 876 francs. Another facet of the inflationary prospect is the fall in Rentes. Following the resignation of the Marie government, the 3 per cent perpetual stock slumped from 73 to 62. There has since been a recovery to 65, but the market in French government securities remains entirely artificial and devoid of any public support. It must be many months since any French investor has bought a long term security of his government. The government remains dependent on the banking system for financing its deficit. The inflationary impact of this deficit financing is, however, mitigated by the substantial deficit in the French balance of payments. This is now being filled mainly by Marshall grants and overdrafts from other European countries. Before long it will also be filled by the currencies of all other ERP countries with which France is running a deficit.

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Inverted Goodwill in the Film Trade

Mr Eric Johnston, president of the Motion Picture Association of America, announced in London this week the first fruit of the long discussions which he held last week with the London representatives of the American film companies. There is a pleasant contrast between the decision and the charming expressions of goodwill which accompanied its announcement. From October 1st the American companies will not rent their first or second feature films to British exhibitors to be shown in the same programme with first or second British features. The intention, Mr. Johnston said, was simply to protect the revenues of American films—to ensure that an American first feature would not have to take second place to a minor British film so that the quota might be satisfied. This is a risk which might arise from the quota, but it could probably have been dealt with by less rigid commercial means. It is hard to avoid the conclusion that the American companies have decided to seek a stricter and more clear-cut competition with the British industry on its home ground—and that this is, in fact, a part of their answer to the 45 per cent quota. They can hardly gain any immediate revenue by refusing bookings; the implication is that they are hoping for a competitive advantage over a longer period, and that they feel reasonably sure of the inability of British film production to replace the films they withhold with more British films of equal commercial value. The other part of their answer to the quota is their withdrawal of support from the distribution of British films in the United States. To withdraw support is not, of course, to "boycott"; nothing so crude. It would be obviously impolitic for the American film industry, which has itself been exposed to boycotts of various kinds in different parts of the world, to admit the existence of such an evil thing. But Sir Alexander Korda, in a letter to the *Manchester Guardian* this week, explained clearly how American circuits have been refusing British bookings in the last few weeks.

The verbal niceties do not matter a great deal. The Americans have not concealed their feelings about the British quota, and it was not to be expected that they would resist the temptation to retaliate. But these moves and counter-moves have been disrupting the life of the film industry since last autumn; they can do nothing but harm.

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Sir Stafford Goes West

The Chancellor of the Exchequer will be visiting North America during the second half of this month. His first objective is Canada, where many problems await him. The first is the availability of what remains of the Canadian line of credit to Britain. This has been completely frozen since the end of last March, when slightly less than $250 million of the credit was still unspent. Since that time imports from Canada have been paid for partly from Marshall aid dollars, partly from the growing British exports to Canada (£32 million in the first half of 1948 compared with £19 million in the corresponding period of 1947) and partly in gold. The Canadian reserve position has undergone a considerable improvement over the past few months and the stage should be set for unfreezing the balance of the credit.

Another matter which is likely to be on the Canadian agenda is the interest free loan of $700 million dating from 1942. Under the agreement which funded that loan all dollars accruing from the sale of Canadian securities by holders in the United Kingdom must be applied to its repayment. In 1946, however, the Canadian Government agreed that new direct investments in Canada by UK residents should be set off against the proceeds of sales of securities. These could thus be used to build up new live assets instead of paying off old debt. In addition, it was announced in the House of Commons towards the close of the last session that the dollars required for the purchase of Canadian aircraft might also be provided out of the sale of Canadian securities. These two important amendments of the earlier agreement may call for a reconsideration of the whole status of the interest free loan which is due to be repaid in five years' time.

Apart from these specifically Anglo-Canadian subjects, the Chancellor will have the whole problem of offshore Marshall dollar expenditure to discuss in Ottawa, where interest in the subject is understandably keener than in any other capital. From Ottawa, the Chancellor will travel south to Washington, where he will attend the annual meetings of Governors of the Bank and the Fund. Apart from the formalities of these gatherings, he will find more than enough to occupy his interest during the few days he will spend in the capital of the United States. His main difficulty will be to decide who, of the people he will talk to, will remain in Washington after the tornado of the November elections has struck and passed.

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Hot Money to Australia

Although Mr Chifley has this week re-emphasised Australia's decision to maintain the present parity with sterling, money continues to flow to Australia in anticipation of a currency revaluation similar to that recently decided upon by New Zealand. Much of this movement can hardly be regarded as "hot money." Rather does it take the form of postponement of payments of debts from Australia and, conversely, anticipation of payments due to Australia. In addition, there has been some speculative movement of capital. This has not been seriously discouraged by the threat that there may be difficulties in getting this capital out of Australia when the overseas holders wish to withdraw it. In the prevailing circumstances that menace has lost all its power to frighten and deter.

A new and interesting note has crept into Australian reactions to New Zealand's move: it is a suggestion that the best of all possible worlds might be secured if only sterling were devalued by 20 per cent in terms of gold and dollars. In that event Australia, by adhering to its present gold parity, as notified to the International Monetary Fund, would automatically see the exchange with London and with New Zealand return to par. That

thought was clearly in the mind of Mr Chifley when he said this week that "while the pound sterling remained at its present value in relation to other currencies Australia would not alter its exchange rate." But it will need more than that argument to induce Britain to ask for the necessary exchange adjustment or for the International Monetary Fund to authorise it.

* * *

Australia's Gift

Meanwhile, Mr Chifley has also announced this week that the Australian Government would include in its forthcoming budget a proposal to give a further £A10 million (this is still worth £8,000,000 today) to Britain. This generous gift, which brings up to £A35 million or £28 million the voluntary transfers which Australia has made from its accumulated sterling balances to the British Government, has been accompanied by some intriguing interpretations from Australia. The first, which cannot be directly attributed to any official spokesman in Australia but which appears with significant regularity in the reports explaining the gift, is that "it is intended to help Britain to maintain purchases from the sterling area." No sense can be made of this argument unless it is suggested that Australia is unwilling to allow its sterling balances to rise beyond a given figure, that this gift will reduce those balances below that figure and that this will therefore be followed by British purchases in Australia which could not otherwise have taken place. This sequel of suppositions needs only to be mentioned to be ridiculed out of court.

The second explanation was given by Mr Chifley himself. He linked the gift to the negotiations which have been going on in Paris to facilitate trade between European countries, and added that Australia stood to benefit from any measure which assisted the external buying power of European countries because of the important markets Australia had there. If, by this remark, all that Mr Chifley meant to say was that Australia intended the gift as partial compensation for the credits which London has been making available to France and other European countries in order to allow those countries to import wool and other commodities from Australia, some link between the two operations could be established. It would, however, be quite otherwise if the suggestion were that this Australian gift will provide sterling which can be directly put at the disposal of European countries. The provision of the necessary sterling to finance unrequited exports to Europe will be decided upon irrespectively of Australia's generous and welcome gesture. Generous though it is, it affords no immediate relief whatever to Britain.

* * *

Banks and Disinflation

The clearing banks' return for August, though it shows much smaller movements than usual, suggests more definitely than any previous return that the conflicting influences of disinflation are exerting an effect upon the credit position. The July return, discussed in these columns on August 14th, attracted attention for the large decline it revealed in bank advances. But this movement, though sharply reversing the continuous trend of the previous two years, seemed inconclusive, because most of it was attributable to the figures of the National Provincial Bank, which are known to be spasmodically and largely influenced by tobacco financing. No such special factors seem to have affected the August return; yet this shows total advances virtually unchanged at £1,326 million, and six of the eleven banks report modest declines. The largest movement among those reporting increases is no more than £3,900,000. This experience, following a period in which total advances were rising at the rate of more than £20 million a month, seems clear evidence not only of some recession in industrial demands for accommodation, but also of a more selective attitude on the part of the banks towards would-be borrowers.

For two months, therefore, the needs of the private sector of the national economy have ceased to be a source of credit creation, for in this period the clearing banks have also slightly reduced their investment portfolios. Such demands for additional credit as have arisen have therefore come from the Treasury. Last month, however, the banks' total holdings of floating debt (including call money) declined slightly; a small increase in the Government's net borrowings on Treasury deposit receipts was offset by a decline in total money market assets. The total of net deposits, however, rose fractionally to £5,732 million, owing to a rather abnormal increase caused in the cash holding by heavy Government disbursements on make-up day. After allowing for this purely ephemeral influence, the movement of deposits is roughly in line with the Government's apparent need for finance during the period. In the four weeks to August 21st the Treasury showed an above-line surplus of nearly £70 million, but £46 million of this represented purely nominal receipts arising from the recent settlement with India. The true above-line surplus, therefore, barely covered the below-line deficit—before allowing, on the one hand, for the credit effects of the seasonal contraction in the note circulation and, on the other, for the Treasury's sterling receipts arising from Britain's overseas deficit.

* * *

Return to TDRs

The Treasury this week has resumed borrowings from the banking system against Treasury deposit receipts, with an issue of £150 million, easily the largest since early April. In July and early August there was the usual seasonal gap caused by the fact that, until recently, TDRs were invariably issued with a life of six months. Under this system, a succession of weeks devoid of maturities tended to recur six months after the phase of main revenue collections, in which no new TDRs were issued. The recent close season for TDRs may, however, prove to be the last, thanks to the Treasury's new arrangement of borrowing, at its own option, for periods ranging from five to seven months. The TDRs issued this week consisted entirely of the shortest of these maturities, which will thus occur during the main tax gathering season early next year.

This week, moreover, the banks entered a phase of quite abnormally heavy maturities. During the seven weeks to mid-October the nominal weekly amount falling due will never be less than £80 million, and the aggregate for these weeks will be no less than £920 million. The fact that the Treasury will need to make big issues of TDRs in this period does not, of course, mean that it will necessarily be a net borrower. This week, because of the heavy payments of Government interest which fell due on Wednesday, the issue did in fact exceed the corresponding maturities, but the excess was no more than £14 million. Whether the aggregate TDR issue continues to rise during the phase of heavy maturities will therefore depend mainly upon the Treasury's normal week-to-week cash needs. One special factor which is likely to produce an expansion during the autumn, however, is the pending disbursement of the £43 million or so which is due to the preference and ordinary stockholders of the Argentine rail stocks. Pending completion of the formalities, the companies are holding the funds on deposit account, and it is believed that their bankers are still holding the counterpart of some of the money in special issue bills. If this is so, the disbursements by the companies will no doubt be accompanied by a discharge or resale of such bills, whereupon the authorities are likely to finance themselves by issuing additional TDRs in the usual way.

The size of the outstanding TDR issue, it deserves to be noted, no longer seems to be influenced by any desire on the part of the authorities to maintain any particular relationship between it and the supply of tender Treasury bills. In the early postwar phase, in order to meet the needs of the banks for increasing liquidity as industrial borrowing increased and Governmental borrowing began to slacken, the Treasury made important changes in the structure of its floating debt, and switched largely from TDRs into bills. But the tender issue of bills has now been stabilised for many weeks at £2,210 million, or a little below the peak figure attained at the end of last year. It will be interesting to see, now that the new TDR arrangement gives the authorities a chance to match their TDR technique to the abnormalities of the main tax gathering season, whether they will this year feel it desirable to make the usual seasonal increase in the tender issue of bills. Apart from the possibility of a small fluctuation on this account in a few weeks time, the chances of a bigger supply of tender bills seem small. The banks, however, seem quite satisfied with the current level of their money market assets, the ratio of which to their deposits has for some time now been relatively steady at around 20 per cent.

* * *

Trade Discussions with Denmark

The Anglo-Danish trade talks opened in Copenhagen last Monday; as yet only preliminary discussions between the two delegations have taken place. The British team includes representatives of the Ministry of Food, the Board of Trade, the Treasury and the Bank of England, which is at least a measure of the scope of the discussions. The main bargaining will be on the exchange of coal and steel against butter and bacon, although Denmark will no doubt add meat to its list of goods offered, while Britain will press for a reduction in import restrictions on less

essential British goods. Superficially, negotiations need not be protracted; indeed, to judge from both the British and Danish press, there is general optimism about the outcome. But it would nevertheless be surprising if the protocol was signed without some hard bargaining on both sides.

The dairy cattle population in Denmark has been declining owing to the poor feed situation last summer. Pastures have been adequate this year and feed grains will be in fairly plentiful supply during the winter, but the output of butter is unlikely to show any marked expansion for some time. Pig numbers are still below last year's level, but there are definite signs that a recovery is taking place, and within the next year or so supplies of Danish bacon should increase appreciably. The annual quantities which it is believed Denmark will be willing to offer Britain are 77,000 tons of butter and 45,000-50,000 tons of bacon. In 1938 Britain imported 118,000 tons of Danish butter and 170,000 tons of Danish bacon.

In return the Danes will ask for between one and two million tons of coal and 100,000-200,000 tons of steel. Under last February's agreement, Britain agreed to send 870,000 tons of coal and 55,000 tons of steel. From Britain's standpoint the output of coal this year has been rather disappointing, and it is not certain that the target for the year will be met. Steel production, on the other hand, has been higher than was expected, but supplies are still short and it is doubtful whether Britain will be able to spare a further 45,000 tons for Denmark. At least there should be little squabbling about prices. In the past, the Danish case for high butter and bacon prices rested on the high costs of feeding-stuffs. But since prices of feed grains are falling quite rapidly, Britain will no doubt press for lower Danish prices despite the increases recently agreed with New Zealand. Denmark will, of course, point out that its other markets—Russia and Western Germany—both pay higher prices than Britain. The result is likely to be confirmation of present prices unless the cost of British coal and steel is raised still further.

These negotiations must be carried out in the spirit of European co-operation, and they may therefore have to be handled more delicately than in the past, and with less opportunity for driving hard bargains. If Britain cannot satisfy Denmark's requirements for coal and steel, one solution may be the offer of a long-term contract, particularly if the Danish market is opened to "less essential" British goods. The Ministry of Food is not very eager to sign a contract; such agreements have in the past been reserved for Dominions and Colonies. And last year, at any rate, the Danish farmers were not very enthusiastic about entering into one. But if European co-operation is to have any tangible meaning, the present discussions must not end in a fiasco like those a year ago.

* * *

The Coal Board Summer School

The National Coal Board is confident that its second summer school, held at Oxford last week, was a success. In the present stage of evolution of the industry the most useful success that can be expected from gatherings of this kind is that they will help to create, among all grades of men occupied in mining, a common interest in the problems of the industry to replace the sectional interests and the over-localised points of view which have so far held the field. In the summer school this can best be estimated by the receptivity which men of one mining occupation display towards what men of other mining occupations have to say; and from this point of view the signs at Oxford were reasonably good. The organisers observed a "disposition of men of all grades to listen to the evidence of experts"—and, as a counterpart, a general anxiety to listen to the point of view of the miner himself. Among the 450 mining officials and workers of all grades there were 20 miners; next year the number of miners is to be greatly increased, and this is all to the good. Eagerness to hear a lecture delivered by a Scottish miner, Mr. R. Farquhar, was so great that the lecture had to be transferred at the last moment to a larger hall.

A paper of particular interest was delivered by Professor A. M. Bryan, who as Chief Inspector of Mines is well qualified to discuss the recruitment, education and training of mining under-officials; for, as he observed, "health and safety are inseparably linked with education and training." Professor Bryan put forward some radical proposals for raising the qualifications and status of the mining under-official, and particularly of the "fireman, deputy, or examiner."

> The present farcical examination for the deputy's certificate must be replaced by one requiring a much higher standard of general and technical education, coupled with the successful completion of a directed course of practical training suited to the needs of the job.

So much for the examination. But Professor Bryan urged also that the "fireman, examiner, or deputy" should be elevated to



September

September is the month when schools reopen. Entering a new school, moving into a fresh form, embarking upon a different course of studies—these are important occasions in the lives of young people. For all parents and guardians, provision for the future is an ever present obligation, and it is good sense to ensure that plans for the coming generation will be faithfully observed. In particular you must be able to rely on the availability of your trustees just at the moment when your children have need of them. The Manager of any branch of the Midland Bank will readily explain the services of the Bank's Executor and Trustee Company, where friendly personal assistance, based on wide experience, is always at your disposal in matters concerned with wills, trusts (educational or other) and settlements.

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some such new status as "district-overman," he should not be expected to do hard manual labour, and he should also be responsible for production as well as for safety: "You cannot divorce safety and production." The present requirement that deputies should confine their attention to their so-called statutory duties had not, he said, worked well in practice. Having received his new status, the deputy should not be remunerated "at a rate less than that of the average workman under his charge." This seems evident, but it needed to be said.

* * *

A Development Plan for Coal

The paper delivered at the Summer School by Mr E. H. Browne, the mining engineer responsible for production and planning at the Coal Board, was of special importance because so little is known, and so much suspected, of the state of preparedness in which the Board is facing the question of the long-term development of the British coalfields. Mr Browne did not, after all, outline a plan; he confined himself to the first principles on which the plan is to be made. This is not surprising; it is, indeed, valuable and necessary, and to criticise Mr Browne for dealing with generalities instead of with concrete proposals is irrelevant. Of more interest is the specific train of thought in the paper. Mr Browne began with an assumption:

> One of the implications of nationalisation for the mining industry is that there should be a planned economy for the industry in place of the evolutionary development of the past.

Glimpses of the new world are always good to have, but Mr Browne proceeded to whittle down his first assumption until it almost disappeared:

> Throughout this paper I shall refer to the absence of prescience about the essential ingredients which must make up the plan.

Among the uncertainties to which he referred was uncertainty about the future trend of home demand, which would depend on the future of home industry in general and on the trend of investment policy. There was uncertainty about the future trend of foreign demand for British coal, which would be affected by the future of international currency relations, the rate of recovery of other European coal producers, and the level of production costs. Plans for new production in any coalfield would obviously have to take account of the varying level of costs at different levels of production. In any coalfield the production efficiency which was attainable would depend on the volume of production required. But the volume of production required would be influenced not only by the inscrutable course of demand, but also by such considerations as labour supply and by the limit (which, Mr Browne said, would be for the Government to set) to the "vast social upheavals" which could be undertaken in moving coal production to the places where material conditions were most favourable. It would be influenced by transport policy and by the extent to which capital might be spent on improving the railways. It would be influenced by the limits of capital investment for the mining industry and by the method which might be adopted of expressing capital expenditure in terms of cost per ton.

All this is practical good sense, and in saying it Mr Browne had much that was useful to say about the problems of cost, technique, quality, quantity and distribution which arise. But what is the conclusion? Substantially, it is this:

> There is no short cut. The Plan must be moulded and moulded again. . . . The preparation of a National Plan will be a perpetual task.

There is nothing alarming here. It merely boils down to the probability that the development of the mining industry will continue to be evolutionary.

* * *

Stock Exchange Agents

The Stock Exchange Council this week issued a notice that forms are now available for applicants for inclusion in the general register of agents, under the new agency regulations which come into force at the beginning of next year. At the end of this year, existing registrations on the general register will automatically lapse; intending applicants must lodge their forms by October 15th, and applications received after that date will not be considered until after the publication of the new register. The Council, having decided to go ahead with its policy regarding agency, and to set aside the objections of the petitioners who mustered strong support in the "House" for second thoughts on the question, have thus taken the first step to start the machinery for the elimination of solicitors, accountants, the Public Trustee and the trustee departments of the banks from the general register.

From next January, the number of agents on the general register will be radically reduced. There will be a register of banks, including members of the Bankers Clearing House, the British Bankers Association, and those banks whose names appear on a list to be kept in the Secretary's office—which henceforth will include firms or companies represented on the Accepting Houses Committee. Agents on the present register of banks who are not covered by these categories can apply for inclusion in the general register (their names, of course, will lapse from the register of banks) which will be eligible to banks, firms or persons who satisfy the Council "that they are habitually engaged in the creation and promotion of Stock Exchange business," are not members of a professional body in a position to charge for their services in connection with Stock Exchange business, and that they do not compete with the Stock Exchange by dealing for their own account.

* * *

Fluctuations in Rubber

The rubber market has not yet fully recovered from the sudden wave of selling experienced some three weeks ago. Since then the price has fluctuated rather indeterminately; a week ago the unofficial London spot price was 1s. 0⅞d. a lb., but by last Wednesday it had rallied to 1s. 1⅜d. A year ago rubber was only 9d. a lb., and then it was generally feared that the price would drop still further. There appears to be no completely satisfactory explanation of the present instability of the market. Political conditions in Malaya are undoubtedly responsible for the uneasy undertone, but price fluctuations are probably due more to technical factors such as the lack of comprehensive insurance cover, which tend to force merchants to realise their stocks rather than hold them.

During the first six months of 1948 world production of natural rubber totalled 727,500 tons and consumption 667,500 tons, leaving a net increase in stocks of only 60,000 tons. In the same period last year production amounted to 607,500 tons and consumption to 505,000 tons. Thus during the past twelve months consumption has expanded more rapidly than output. On the other hand, world consumption of synthetic rubber has fallen more rapidly than synthetic rubber production. Between January and June of this year, world synthetic rubber output totalled 271,400 tons, compared with world consumption of 245,000 tons; in the first half of 1947 production amounted to 332,600 tons and consumption to 352,500 tons.

These figures, at any rate, give little reason for doubting the fundamental firmness of the rubber market, although no commodity market faithfully follows statistical trends. There is, however, one fact which may prove to be portentous. In the second quarter of this year, consumption of natural rubber in the United States was smaller than in the first quarter, while for synthetic rubber the converse was true. It is clear that the recent high price of natural rubber had reduced its competitive advantage over synthetic. Under present American legislation, the US rubber manufacturing industry must consume a minimum of 200,000 tons of general purpose synthetic (GRS) a year. In the first six months of this year American consumption of GRS was 176,850 tons, so that there is scope for an appreciable expansion in the consumption of natural rubber in America. But the real strength of the rubber market at the moment lies in strategic purchases by the United States and the Soviet Union. If these should cease, the price of natural rubber may well fall to a lower but more realistic level.

* * *

Jute from Pakistan

Dundee's jute supplies are assured until the end of the year. The export quota of raw jute from Pakistan to the United Kingdom covering the first half of the season has been fixed at 37,000 tons, which, with 12,000 tons to be shipped from Calcutta during the fourth quarter of 1948, gives a total supply to Britain of nearly 50,000 tons. British consumption during the first half of this year has averaged a little over 2,000 tons a week, or an annual rate of nearly 106,000 tons. Stocks, which at the end of June amounted to 43,300 tons, are gradually recovering from the low level reached at the end of 1947, when they totalled 33,600 tons, and are now adequate to cover any gap in shipments which may occur.

Total export quotas allocated by Pakistan to soft currency countries up to December 31st amount to 86,000 tons. Britain will get 37,000 tons and France 20,000 tons; the remainder is shared by various European countries, the Soviet Union, Brazil and Australia. The Russian quota of 6,000 tons is the fourth largest, coming after Czechoslovakia with 8,000 tons. The Pakistan Government has further announced that no licence will be necessary for the export of raw jute to India, and that unlimited quantities may be sold to hard currency markets. In view of the bumper grain crops throughout the Northern Hemisphere the demand for jute sacks and other packing materials is likely to be keen. The high price of jute has tended to develop the use of substitutes, but so far no satisfactory alternative to jute has been discovered. Nevertheless, one result has been the fuller use of bulk handling of various commodities, including cocoa beans and sugar. Brazil started to grow jute in 1940, and although output has been increased to 10,000 tons a year, the experiment does not appear to have been very successful. At any rate, it has not enabled Argentina to dispense with Indian jute as was originally intended.

* * *

British Cars in the United States

There is a growing demand for British cars in the United States, despite the fact that their retail price is generally higher than the more popular American makes such as Ford, Chevrolet, and Plymouth. The small size of the British car is an obvious asset in a country where the shortage of parking space is becoming a serious problem, and an additional but less marked advantage is its low petrol consumption. It is, of course, impossible to determine the extent to which sales of British cars have been helped by the waiting list for American cars. Under more competitive conditions, price may be the telling factor, as it apparently is for commercial vehicles. The American motor car industry is, however, already producing two small cars—the Crosby and the Bantam. Both are cheaper than corresponding British cars but are less attractive and are not comparable in quality. The production of another small car—the Playboy—is being planned. At the moment British cars are earning valuable dollars. The Minister of Supply's announcement on Tuesday that no increase in the industry's steel allocation would be made can only mean that any further increase in car exports must be at the expense of the home market.

According to a press release issued by the Export Promotion Department of the Board of Trade, a report on the market for motor vehicles in the United States has been furnished by the Minister (Commercial) to the British Embassy in Washington. The facts earlier in this note are drawn from the press release. But surely it is surprising that the Department did not think it proper to publish the full report, which is of obvious interest to the motor-car industry and indeed to the public. Is not the purpose of the consular service, now at last greatly strengthened, to provide information for industry and not to render reports which are hidden in the recesses of departmental archives?

* * *

Richard Thomas "out of the Bank"

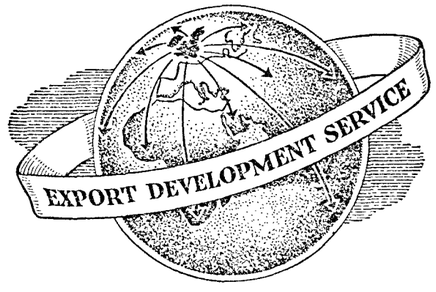
By selling the balance of its ordinary shareholding in Richard Thomas and Baldwins, the Bank of England last week disposed of its remaining interests in the group. In 1938 the Bank came to the assistance of Richard Thomas when the company was in need of finance to complete the new works at Ebbw Vale. The Bank invested £500,000 by the purchase of 1,500,000 Richard Thomas 6s. 8d. ordinary shares at par, and a banking consortium provided £5.5 million in the form of 4½ per cent prior lien debenture stock, which was redeemed some time ago. At the same time a committee of control was constituted under the chairmanship of Lord Norman, then Mr Montagu Norman, which was also joined by Mr E. H. Lever, who later became chairman of the group. The committee of control was disbanded in 1945, and in February this year the Bank began to sell its shareholding in Richard Thomas and Baldwins through the market. By June this holding had been reduced to 410,000 shares, and the remaining shares (approximately 310,000) were sold in one bargain last week at around 13s. 10½d. per share.

Inevitably such large disposals of one stock, even when extended over a period of time, have exerted some pressure on the price of the shares. Since last week, when the sales came to an end, however, Richard Thomas ordinary shares have recovered 1s. 1½d. to 15s. At this price the shares still yield £6 13s. per cent, which is rather above the yields obtainable on steel shares of similar calibre.

* * *

Fair Weather for Wool?

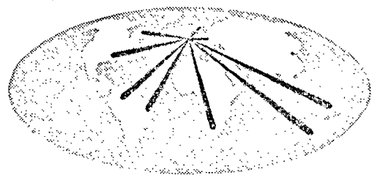
Twelve months ago a well-known economic forecaster in the United States prophesied that during the past season (1947-48)



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the Joint Organisation would buy-in some 2,000,000 bales of wool. The wool market was expected to collapse and prices to fall below the Joint Organisation's reserve schedule. This collapse, in the event, did not happen, and Empire wool stocks have declined during the past twelve months by 1,300,000 bales to 3,218,000 bales—making a total reduction of 7,200,000 bales in three seasons. Yet the disposal of these large wartime stocks has certainly not weakened the wool market. In the past season, the Joint Organisation had to buy-in only 30,888 bales of new clip wool; in 1946-47, its purchases were on the much larger scale of 193,876 bales. Even during the sharp break in prices last March, only

JOINT ORGANISATION WOOL STOCKS, JUNE, 1948
'000 Bales

	Greasy			Scoured	Slipe* and Carbonised†	Native and Karakul	Total
	60's and Over	56's to 60's	56's and Under				
Counties of Origin:							
Australia	969	434	402	450	17†	...	2,271
New Zealand	3	8	635	32	123*	...	801
South Africa	54	...	...	1	...	90	146
Total	1,026	442	1,037	483	140	90	3,218
Located in:							
U.K.—							
Australia	140	49	36	133	16†	...	374
New Zealand	2	4	178	33	74*	...	290
South Africa	49	...	...	...	...	4	53
Total	191	53	214	165	90	4	717
Australia	829	385	366	317	1†	...	1,898
New Zealand	1	4	457	...	49*	...	511
South Africa	5	...	..	1	...	86	92
TOTAL	1,026	442	1,037	483	140	90	3,218

Discrepancies in totals due to rounding off.

1,500 bales—and those of medium crossbred types—had to be bought-in before confidence was restored and prices again began to rise.

But the main problem now is to dispose of the remainder of the stocks, which consist largely of inferior wools. The accompanying table shows an analysis of the Organisation's stocks at the end of June classified by type, source and present location. (A similar table showing the stock held by the Joint Organisation on June 30, 1947, was published in *The Economist* of September 20, 1947.) Comparison of the two tables shows that stocks of greasy merino wool (60s and above) declined by over 600,000 bales during the season to 1,026,000 bales, whereas fine crossbreds (56s to 60s) declined from 636,000 bales to 442,000 bales, and medium and coarse crossbreds from 1,251,000 bales to 1,037,000 bales. Stocks of scoured wool fell from 607,000 bales to 483,000 bales and sliped and carbonised wool from 183,000 bales to 140,000 bales. One interesting feature has been the appreciable reduction in stocks of South African native wools. At the end of June only 90,000 bales of native and karakul wool were held by the Joint Organisation, or less than half the stock at the end of the previous season. The location of the stock has no immediate significance, as wool is shipped to the United Kingdom by JO as and when necessary to fit in with market requirements.

In the first half of the 1948-49 season—that is, up to December—the Joint Organisation will offer some 700,000 bales at the auctions. If the recent level of wool consumption is maintained, there should be little difficulty in disposing of this quantity. Consumption in Britain and Europe generally is not only higher than in 1947; it is also above its prewar level. At the moment only a few markets for wool textiles are showing signs of saturation. But once arrears of demand have been met, current production of wool textiles may well exceed demand at present high prices. In the United States, although the average weekly number of hours worked in the wool textile industry is above last year's level, the quantity of wool consumed has, nevertheless, declined, which suggests increasing resort to other fibres mixed with wool. At the moment other fibres are not so readily available in European countries; thus the chances favour the maintenance of wool consumption at least for the first half of this season.

* * *

Compensation for CEB 3½ per cent Stock

The first dispute affecting compensation terms for stockholders in the now nationalised electricity undertakings has arisen. It is concerned with Central Electricity Board 3½ per cent stock 1963-93 of which, on December 31, 1947, £7,722,350 was outstanding. Compensation payments for quoted electricity stocks were to be based on the mean of prices on six dates in November, 1946. On these six dates the stock in question had a mean price of £113, but was quoted ex dividend. Interest accrued at that date was approximately £1 10s. per cent and consequently, the stockholders argue, the market quotation on the crucial dates undervalued the stock by that amount.

The Electricity Act, 1947, provided for settlement of disagreements between Minister and stockholders on compensation terms by creating in subsection 6 of Section 20 of the Act the necessary arbitration machinery. But this arbitration tribunal as yet exists only on paper. The Bank of England has been instructed to pay on October 1st interim interest on the stock on the disputed compensation basis pending the final outcome of arbitration, which may take some time. So far compensation for electricity stockholders has proceeded smoothly (both for quoted and unquoted securities) and it is highly desirable that the now-needed tribunal should be set up and begin its work without delay.

Shorter Notes

Efforts on the part of the preference shareholders of Victoria Falls and Transvaal Power Company at the annual meeting on Tuesday to obtain something more than par value when the capital is repaid made little headway. The company's London office has received £14,500,000 in compensation for the company's electricity undertaking, taken over by the Electricity Supply Commission of South Africa on June 30th. The chairman considered it unlikely that ordinary stockholders would agree to grant an additional 2s. 6d. per £ to preference shareholders as compensation for their loss of income.

*

The issue to ordinary and preference shareholders of Canadian Eagle Oil Company of 6,491,520 ordinary shares has been an outstanding success, for 96¼ per cent of the shares offered have been taken up. The net amount raised by the issue is £7,887,112. In addition to this sum, Eagle Oil and Shipping, the British subsidiary of Canadian Eagle Oil, recently obtained £1,250,000 by the private placing at 99½ of 3½ per cent unsecured notes 1953-59.

*

Tanganyika Government 4½ per cent guaranteed stock 1948-68 is to be repaid at par on December 1, 1948. The issue was made at 96½ per cent in 1928, and the amount of stock outstanding is £2,070,000. No conversion offer will be made; the maturity is covered by the sinking fund and other cash available to the Government of Tanganyika.

This week's Security Prices and Yields will be found on page 398.

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COMPANY MEETINGS

TUNNEL PORTLAND CEMENT COMPANY, LIMITED

INCREASE IN HOME CONSUMPTION

CALL FOR GREATER EXPORTS

TOWN AND COUNTRY PLANNING ACT

CONCERN CAUSED BY CERTAIN ASPECTS

MR N. M. JENSEN'S SURVEY

The thirty-seventh annual general meeting of the Tunnel Portland Cement Company, Limited, will be held on the 13th instant at 105, Piccadilly, London, W.

The following is the speech which the chairman, Mr N. M. Jensen, proposes to make on that occasion:—

Ladies and gentlemen,—In the accounts for the previous period we made certain changes in anticipation of the requirements of the new Companies Act. This Act is now in operation and, in order to comply with it, it has been necessary to make several further alterations in the form of the accounts. Unfortunately, this means that we cannot give comparative figures for last year without making numerous adjustments and we have therefore decided to leave them out on this occasion. In this connection it should also be remembered that the previous period was 15 months.

BALANCE SHEET

The issued capital and the capital reserve are unaltered. To the general reserve has been added the sum of £15,000 transferred from bad debts reserve. I am pleased to say that during recent years we have incurred hardly any bad debts. Previous provisions are therefore in excess of requirements and such excess has been transferred to reserve. During the previous accounting period—and again this year—we have disposed of certain investments at a substantial profit and we have created an investment reserve to which this has been transferred.

The special depreciation reserve has been increased by the sum of £90,000. This corresponds to the amount of the initial allowances on new capital expenditure which we can claim in our income tax computation. Trade accounts and accrued charges stand at £337,386. The figure shown under this heading in the last accounts was £430,605, but it included provisions of £63,000 for deferred repairs and £25,000 for contingencies in respect of estimated liabilities under trading agreements. These items are now shown separately and they have been increased to £80,000 and £50,000 respectively. The income tax liability to April 5, 1948, and profits tax amounted to £215,161, compared with a liability of £143,473 shown in the last accounts.

Property, plant and equipment have been increased by net additions amounting to £444,092, being mainly expenditure in connection with the new cement works which we are building in North Wales. The amount of depreciation written off to date is increased by £58,810, which is the charge in the profit and loss account. The capital of the subsidiary company working the limestone quarries which will provide raw materials for the new cement works has been increased from £20,000 to £70,000.

SUBSIDIARIES' PROFITS

All the company's subsidiaries have this year operated at a profit, but last year two of them made small losses and the amount of £2,864 is the balance of such losses which has not yet been recovered. A subsidiary company which is in course of liquidation is shown as a separate item. The payment so far received from the liquidator is in excess of the book value and the balance is therefore included in the amount transferred to investment reserve. I am pleased to say that further substantial payments are expected to result from the liquidation.

Other trade investments have increased by £129,918, but only £56,488 of this represents new investments less disposals, whereas the balance of £73,430 is included in the amount transferred to investment reserve, to which I have already referred. The reference to the book value on acquisition in 1938 relates to the 26 per cent. of the ordinary share capital your company owns in Alpha Cement, Ltd. This investment has never appeared in our accounts at its full value, but was included at the nominal value of the "B" ordinary shares issued in exchange.

STOCKS NORMAL

The amount of stocks of cement, sundry materials and stores is normal. Last year the stocks were unusually low. Advances to associated companies have increased by £120,000, being temporary loans made during the year. Sundry trade accounts, amounting to £477,909, show an increase on the corresponding figure for last year, which was only £197,115. The reason for this is that deliveries during the months of January to March, 1947, were severely curtailed owing to the fuel crisis, an experience which, fortunately, was not repeated this year.

We have disposed of about £642,000 of Government securities. The proceeds have been used in the main to pay for new property, plant and equipment, but we have also invested £91,000 in additional tax reserve certificates, and cash at bankers and in hand is up by about £40,000.

PROFIT AND LOSS ACCOUNT

The profit on trading cannot be directly compared with that shown in the last accounts. As already mentioned, these covered a period of 15 months, and the figure then shown was after deduction of various items which now have to be shown separately to comply with the new Companies Act. The profit on trading is, however, somewhat above that of the previous accounting period. I have already referred, when dealing with the balance sheet, to the provision for losses in subsidiary companies not required.

The investment income, although not as large as shown in the last accounting period, is quite satisfactory. It will be noted that trade investments show an average return of just over 6 per cent. Provisions for deferred repairs and contingencies, auditors' remuneration and directors' emoluments (apart from fees) have previously been deducted before arriving at the figure shown for profit on trading. The increase in the amount required for taxation is largely due to profits tax, and the fact that the rates payable were altered retrospectively to January 1, 1947, is responsible for the adjustment which we had to make for the previous period.

After transferring £90,000 to special depreciation reserve and providing for the dividends on the Preference shares and the interim dividend and the proposed final dividend on the "A" Ordinary shares and the "B" Ordinary stock, there remains a balance to be carried forward of £600,801, which is an increase of £132,624 on last year's balance. In recommending the dividend on the Ordinary capital we are complying with the undertaking given earlier in the year.

CONSOLIDATED ACCOUNTS

The consolidated balance sheet and profit and loss account combine assets and liabilities as well as the trading result of this company and all its subsidiaries, with the exception of the subsidiary company which is in course of liquidation. The only comment I need make refers to the new additions to property, plant and equipment for which the amount shown is much smaller than the corresponding figure in the company's own balance sheet. The reason is that Tunnel Asbestos Cement Company, Limited, has disposed of its mine in Cyprus to another company.

DEMAND FOR CEMENT

During the period under review there has been a considerable increase in the home consumption of cement which has necessitated the curtailment of exports. We have been urged, however, to increase exports again, partly in order to satisfy the needs of the colonies. This will mean a reduction in the amount of cement available in the home market, unless it is possible to import cement from other countries or the obstacles and difficulties in the way of building new works and extensions are removed. Costs have again increased, particularly of coal, paper sacks and transport. Some of these additional costs have been recovered by small increases in price and, fortunately, increased output has taken care of the remainder.

The cement industry has for many years had an almost steady growth in the demand for its products and in spite of the restrictions on building and the curtailment of expenditure on public works, etc., the demand today is practically at prewar level. Concrete is being used to an increasing extent as a substitute for other materials and, therefore, I think it is safe to assume that the moment the existing factors restricting building and civil engineering work cease to operate, we shall find the demand will be considerably in excess of production.

Export is still a sellers' market and a large share of our profits emanates from this. There are signs, however, that other exporting countries are beginning to find difficulties in disposing of their cement and we must, therefore, expect, sooner or later, a reduction in export prices, if not in volume. When this happens, your company's profits will be affected.

EXTENSION OF PRODUCTION CAPACITY

The erection of our new works at Padeswood, near Buckley (Flintshire), is progressing. We were hoping it would be possible to commence operations before the end of 1948, but unfortunately the necessary priorities have not been forthcoming and we were considerably hampered by the rearrangement of the steel allocation. I am pleased to say that much of the building work has now been done and the erection of some of the heavy machinery is well on the way. We have now received all the necessary steel allocations to enable us to complete the works, and I am hopeful that we shall commence production during the spring of 1949. The output of the new works will be in the region of 250,000 tons per annum and should not only overcome the shortage of cement supplies in North Wales, Lancashire and Cheshire, but also release a fairly large quantity of cement for other markets.

At West Thurrock we are at present replacing one of the older rotary kilns with a new and larger one. We are also about to install more grinding equipment. I am hopeful that the rotary kiln, which will have a capacity of 125,000 tons per annum, will be in operation by December next and the grinding plant a few months later.

Last year I mentioned that we were proceeding with the installation for oil-firing our rotary kilns at West Thurrock. We were urged to do this by several Government departments and also informed that the necessary oil would be made available. A few months ago, however, we received a short note from the Ministry of Fuel and Power stating that no fuel would now be available for us and, at the same time, intimating that we would have no claim on the Government for any expense incurred. Fortunately, we have been able to cancel contracts for the bulk of the plant and some of it can be used elsewhere. The price of oil has also increased so much in the meantime that it would have been uneconomical for us to use it.

The extension of the Ribblesdale Cement Company's works in Lancashire, in which we own a half interest, is also proceeding, but the extension of our Pitstone works is still held up by the authorities. It is difficult to understand the reason for this, considering that our Pitstone works is expressly laid out for duplication, and the capital cost of this increased productive capacity would therefore be far less than in most other places. This particular works also has a fine record in regard to cost of production which could be improved still further by increased output. It seems, however that the authorities are now beginning to realise that we are likely to be short of cement for some time to come, and I anticipate that we shall be given permission shortly to proceed with our plans for extending Pitstone's output.

ASSOCIATED COMPANIES

The Helwan Portland Cement Company in Egypt has again had a successful year. Notwithstanding the fact that the capacity of the works was recently increased, it has been possible to dispose of the full production. The Helwan Company is taking an active interest in the planning and building of a new works near Alexandria and it has also sponsored the building of a small works at Atbara, in the Sudan, which will shortly commence production.

Your company holds a substantial part of the capital of the National Portland Cement Company in the U.S.A. I am pleased to say that this company has had a fairly successful year during 1947.

TOWN AND COUNTRY PLANNING ACT

Certain aspects of the Town and Country Planning Act, 1947, are causing grave concern in the cement industry and other industries which win and work minerals to provide their raw materials. Under the new Act the ordinary day to day working of our quarries is a development for which we shall have to pay a development charge from July 1, 1951, onwards. In the past, wherever possible, we have followed the prudent practice of buying enough land near each of our works to provide ample reserves of raw materials. At both West Thurrock and at our new Flintshire works this has necessitated our paying prices very considerably in excess of the value of the land for its existing agricultural use. It follows that we shall have to pay development charges for the use of our own land which we have bought at full development prices.

It is true that under the act we shall be entitled to compensation out of a fund of £300 million for the loss of our development rights, but it is generally agreed that this fund will be inadequate to meet in full the claims that will be made. We have been promised that mineral workers in our position will be given some right to prior payment out of the fund of £300 million, but we have not been given any details of this concession which, I understand, will be contained in a scheme to be prepared by the Treasury in some years' time when the total claims against the fund of £300 million have been ascertained.

DEVELOPMENT CHARGE

We are equally in the dark as regards the amount of the development charge we shall have to pay. As the act stands, it seems as if this will be the full development value of our chalk, limestone and clay lands, even having regard to the increase in this value due to the proximity of our own cement works.

Apart from other demerits, the imposition of such charges would, of course, have the effect of increasing the cost of manufacture, and such increases would ultimately have to be borne by the consumers at home and they would make us less competitive in export markets. I sincerely hope the Government will realise the unwisdom of burdening in this manner industries manufacturing important commodities. The Lord Chancellor, I am pleased to say, recently stated in the House of Lords that he hoped and believed that that would not happen at all and that cement manufacturers would find that they will have to pay no more for raw materials than they have paid hitherto. An early decision by the Government would do much to relieve the anxiety of industrialists on the subject.

STAFF PENSION SCHEME

The pension scheme introduced in 1938 for the male staff has now been extended to include the female staff. The scheme now complies with the requirements of the Finance Acts so that employees' contributions are allowed as a charge for income-tax purposes. At the same time, certain alterations were made which have the effect of bringing the pensions more into line with the increased cost of living.

In conclusion, I would like to thank all our employees of the various companies in which we are interested for the loyal service they have rendered us during the past year.

THE PUNJAB NATIONAL BANK LIMITED

CHAIRMAN'S REVIEW OF A DIFFICULT YEAR'S TRADING

The One Hundred and First ordinary general meeting of this Bank was held on the 7th ultimo, in Delhi, Mr Yodhraj (chairman and general manager) presiding.

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

As the biggest bank in North-West India, having as many as 32 per cent. of our offices in this area, we could not be expected to come out unscathed, through the dislocation consequent on partition. Like individuals, the joint stock companies owned by Hindus and Sikhs also became "refugees." The banks in particular were in special difficulty because while they made Herculean efforts to transfer their liabilities to the other Dominion in order to safeguard the interests of their depositors and at great expense to them, they could not and were not given facilities to have their assets transferred.

It was only when the back of the refugee problem was broken and inter-Dominion talks at Government level resumed that it became possible for us to organise a systematic salvage of our assets in West Punjab and removal of essential records from the mofussil branches which were no longer functioning to our main office in the West Punjab, 47, The Mall, Lahore. Under inter-Dominion agreement the Pakistan Government, I am glad to say, is giving all help to our men in this task.

PROFIT AND ALLOCATION

Our profit for the year ended December 31, 1947, including Rs. 1,04,111-13-3 brought forward from last year, after payment of bonus of Rs. 6,70,493-11-6, to the staff, is Rs. 64,31,892/8/11. This compares very favourably with our profits during the past three years

The board of directors, keeping in view the interests of the shareholders, have decided to utilise almost the entire profit towards the writing off of all the bad debts and other losses apprehended in West Pakistan.

It will be noticed that for the purposes of estimating the market value of our assets in West Pakistan we have taken a very low figure of 25 per cent. of the pre-partition value of immovable property mortgaged in the West Punjab and only 5 per cent. of the value of the immovable property of our debtors to whom loans were advanced on personal security.

STRONG LIQUID POSITION

Coming to the assets side you will find that the figures indicate a strong liquid position. The assets in cash, bank balances and investments amount in the aggregate to Rs. 39.56 crores equivalent to 66.4 per cent. of our total liabilities to the public by way of deposits. The market value of our investments is greater than the balance sheet figure by Rs. 53,48,906-8-8.

Considering the upheavals in the country it is surprising that we have been able to produce such a good balance sheet and I hope you will agree with me that the results of the last year are very satisfactory.

POSITION IN INDIA

India is like a huge slumbering giant that has lain in sleep of slavery and dependence for centuries. It has got the freedom now but it is yet to wake up to the full realization of what freedom means. The lesson that liberty does not mean licence and that it affords privileges as well as imposes obligations is yet to be assimilated. Above this crowd of people, towering like a giant, stands Nehru. What he sorely needs is a team of practical men experienced in business, tactful but firm and not lacking in adroitness in financial matters. He is fortunate in having one such deputy, Vallabhai Patel, whose astounding achievements in consolidating and unifying India are unparalleled in India's troubled history. Where the Moghuls and the British failed, Patel has succeeded. And once more we see the spectacle of a united India striding forth in world history as a nation whose people and princes are again indissolubly linked together in one common destiny.

INFLATION PROBLEM—PRODUCTION

The crux of India's inflation problem to which our leaders must turn their attention is the deterioration in production. India made a supreme effort during the war period to expand her production and though the pace of this production was much slower than the pace of currency inflation, a notable achievement, however, was the result. The advantage gained during the war has, however, been steadily lost in the postwar period. In 1946 industry lost more than 12 million man-days due to labour disputes and the figure rose to over 17 million in 1947—a rise of over 30 per cent. There is yet no end to the decline in production and the situation is deteriorating every day. In these circumstances to talk of India's glorious future or, what is more fashionable, to talk of India's rich economic potential and conjure up visions of a great Indian State looks rather ironical. What is required is patient

efforts in building up of capital largely at the expense of consumption, in providing incentive to private industry to make an all round effort and in Government giving help to private entrepreneurs.

CURRENCY

Production is only one side of the picture of inflation. The other side is that of currency. The first six months of the year 1948 have recorded an increase in total note issue of Rs 80 crores and an increase of Rs. 140 crores in notes in circulation since September, 1947. A part of the increase in total circulation may be due to the need for providing more currency under the policy of decontrol. Large increases of wages given to labour also require more currency. But the additions to currency have been made at a time when production has fallen by one third, foreign trade has shrunk to half its former quantum and a considerable part of the country has been surgically cut away from the main body.

NEED FOR SUBORDINATION OF PRIVATE TO NATIONAL INTERESTS

India is passing through difficult times. It may have to face many more difficult problems on the national as well as international front before it emerges victorious from the ordeal. But we should remember that during the last Great War, England had to go through an ordeal which was many times more terrible than the ordeal through which the Government of India is passing in these days of transition from an economically dependent to an independent status. But whereas England in her worst days of blitz never neglected her home front or "economics" for the sake of "politics," we on the other hand are engrossed more in politics than in economics. Parties and individuals are more bent upon securing for themselves a position of vantage in the new set up of things than in looking after the interests of the country as a whole. This danger must be avoided at all costs We must learn to subordinate individual or sectional interests to National interests.

BRITISH GLUES AND CHEMICALS LIMITED

MR ROGER DUNCALFE'S REVIEW

CAPITAL BUILD-UP ESSENTIAL TO INDUSTRY'S PROGRESS

The twenty-eighth annual general meeting of British Glues & Chemicals Limited was held in London on the 1st instant. The following are extracts from the circulated review by the chairman, Mr Roger Duncalfe:—

It is clear that increased efficiency of productive effort is essential if our nation is to resolve its present difficulties. This paramount need has inspired our effort to secure greater productive efficiency throughout our group, by increased mechanisation and improved processes.

Our postwar plan for increased glue production of improved quality has made good progress, and we anticipate that we shall complete it in the current year; we then expect to be in a position to meet all demands from our customers at home and overseas. The demand for our fats, fertilisers and cattle feeds has continued readily to absorb all we can offer. Chinaware manufacture has called for increased supplies of calcined bones produced at our mill in the Potteries.

SUBSIDIARIES

The proportionate contribution of our UK subsidiaries to our group profit has been greater than in the previous year. B. Young & Co., Ltd., producing photographic, pharmaceutical, edible and technical gelatines, increased its turnover, and made notable additions and improvements to plant and process. "Spa" brand low melting point gelatine is proving attractive to overseas buyers, and continues in heavy demand at home.

Calfos, Ltd., has experienced increased demand for its products for pharmaceutical use and for the manufacture of food preparations, and a useful export trade is being developed. Our soap companies have made progress; "Personality" Turtle Oil Soap continues high in public favour.

Croid, Ltd., has increased the range of "Croid" adhesives, of which it now produces over eighty different qualities for a wide variety of industrial uses. Annual sales of several million small units for domestic, school and office purposes give "Croid" an unrivalled position in the market.

Murray's, of Mark Lane, has continued to expand its varied interests, and its profits have achieved another record. During the year we acquired all the shares in the old-established business of Cockman Bros., Ltd., of Stratford, London.

In Toronto, our wholly owned subsidiary, Canadian Organic Developments, Ltd., holding important agencies in addition to those of our own group, is now well established. Its operations have been extended 2,000 miles further west by acquiring controlling interests in two businesses in Calgary. W. Harris & Company, Ltd., has successfully introduced some of our standard manufacturing techniques at its glue works in Toronto. We have strengthened our Canadian personnel by suitable appointments of trained staff sent out from England, and members of our board have made frequent visits.

THE ACCOUNTS

The consolidated profit and loss account shows a consolidated profit for the year amounting to £113,606 after the charges shown in the account and after providing for all taxation. With the carry forward from last year, reduced by retrospective profits tax, and with further amounts brought in, we have £211,249 available for appropriation. Appropriation includes: £21,500 to contingency reserve (now totalling £100,000), £15,000 to general reserve (now £150,000), and a newly-created replacement reserve amounting to £80,000. Dividends (10 per cent. preference and 25 per cent. ordinary) amount (net) to £52,937, leaving to be carried forward £41,812.

Out of every £1 we receive, 18s. 6½d. is asborbed by raw materials, expenses of production, wages and plant maintenance, leaving 1s. 5½d. for taxation, reserves and dividends. Of this amount 10½d. is absorbed by taxation, 3¾d. is retained in the business as additional capital, and only 3¼d. goes to the stockholders as dividend.

Fixed assets, after charging depreciation of £53,395, total £801,726, an increase over last year of £348,313; some of the increase is due to the inclusion for the first time of our Canadian interests, but to a greater extent to the considerable progress in our restoration and development programme. Orders placed on capital account at the end of the year and schemes passed on that date amount to a total of £230,000. This expenditure will substantially complete our present capital programme.

PERSONNEL AND PROFITS

It is a pleasure to record here that our group pension scheme was successfully launched on November 1, 1947, and received almost universal acceptance.

Whilst paying my tribute to all our employees, I must refer especially to the few uncommon men who inspire our forward march, men such as our managing director, Mr Harold J. Cotes, and our technical director, Mr I. H. Chaven. If our nation is to survive its present distresses, it will only be by recognising to the full the virtues of the man with the vision which creates, the man of ideas with the faith to develop them, and with the strength and purpose to convert them into action.

Yet industrial profit, which is normally the result of his ability, imaginative drive, industry and economy, and is a good thermometer to use in judging the success of his work, appears to be looked upon in some quarters as anti-social. I am convinced that the uncommon man will never survive in the strait-jacket of nationalisation, and without him our great schemes of social amelioration, in which I am so profound a believer, will die of starvation.

Let me make it abundantly clear that I agree limitation of dividends as a temporary measure at a time when the TUC has agreed not to press claims for wage advances —but profit is a different matter.

For industry's progress substantial profits ploughed back are essential to build up additional capital from within—capital needed to finance expanding trade at price levels much higher than prewar, and to maintain and improve buildings, plant and tools.

British industry became great by building up capital out of retained profit in days of low taxation, but in the present days, with income tax, profits tax and with wear and tear allowances inadequate to meet the cost of replacement, this build-up moves too slowly for that speedy resurgence of manufacturing industry which our economy so sorely needs. It is, in my view, essential that the 10 per cent. tax on retained profits should go and that a more liberal attitude should be adopted towards the wear and tear allowances permitted as a deduction before profits tax and income tax are calculated.

CONCLUSION

You will have gathered that we have faith in ourselves and in the future of our company; our heavy programme of capital expenditure rests on that foundation and on our determination to retain the lead we have established. Although there are clear indications that the sellers' market is passing and the buyers' market is at hand, our products are essential. It is clear, however, that we must pursue a conservative dividend policy for some time to come. I am sure that policy will redound to the strength and prosperity of our company.

The report was adopted.

THE VICTORIA FALLS AND TRANSVAAL POWER COMPANY, LIMITED

SALE OF THE UNDERTAKING

The annual general meeting of the above company was held at Winchester House, Old Broad Street, London, on the 31st ultimo, the chairman and managing director, Mr Arthur E. Hadley, C.B.E., presiding.

The chairman paid a sincere tribute to their colleague, Dr Bernard Price, O.B.E., who had passed away on July 9th, after having been associated with the company since 1908, serving as chief engineer, general manager in South Africa, and resident director and technical adviser in South Africa. Dr Price had taken the leading part in South Africa in the recent negotiations for the sale of the undertaking to the electricity supply commission of South Africa.

The accounts, which were the last the company would present, were drawn up in the form provided by the latest Companies' Act.

PROFIT AND DIVIDEND

The profit for the year 1947, after providing for taxation and transferring £1,000,000 to reserve for taxation and contingencies, came out at £644,225, an increase of £43,950 over the previous year. The sum of £150,000 was transferred to general reserve and the dividends paid for the year were 10 per cent. on the preference stock and 19½ per cent. on

the ordinary stock. The amount carried forward to the current year was £540,040.

At the annual general meeting in 1947 the chairman stated that the electricity supply commission would like to take over the undertaking at an early date instead of waiting until the end of 1950. Conversations had therefore started with the object of arriving at an arrangement fair to both sides.

On July 14th last the board issued to all stockholders a statement to the effect that a settlement had been reached and that the undertaking in the Union of South Africa (except cash and debtors) had been sold for £14½ million, which sum has been received. The commission have also offered employment to the whole of the company's staff and employees at their present remuneration, pension rights and all other benefits which they enjoyed in the company's service.

The chairman stated that in 1922 the Electricty Act was passed in the Union, under which the electricity supply commission was established, with power to expropriate the company at the end of 1950. The company had always worked in the most friendly manner with the commission

FRIENDLY NEGOTIATIONS

In 1947 the commission approached the company with a view to acquiring the undertaking by voluntary negotiation and without waiting until 1950. The board decided it was in the best interests of the company to enter into a friendly negotiation rather than to carry on in opposition to the commission and its principal consumers and to await notice under the Act, when the compensation to be paid to the company at the end of 1950 would doubtless be left for an arbitrator to decide.

The chairman pointed out that counsel's opinion had been taken with regard to the position of the preference stockholders, and he had ruled that they were entitled to the par value of their stock, together with any arrears of 6 per cent. per annum cumulative dividend up to the commencement of winding up.

The chairman thanked the staff and employees for their most satisfactory service during the year. He specially referred to Mr T. G. Otley, who had been general manager in South Africa since 1936, and who retired on June 30th last.

Mr Hadley said that this would be the last time after 41 years that he would meet stockholders at an annual general meeting, but he hoped to meet them again towards the end of the year to submit a proposal for the voluntary liquidation of the company.

The report and accounts were adopted, and the retiring directors, Sir Dougal O. Malcolm, K.C.M.G. and Mr J. B. Braithwaite, and the auditors, Messrs Cooper Brothers & Co., were re-elected.

MUREX, LIMITED

IMPROVED DEMAND

The twenty-ninth ordinary general meeting of Murex, Limited, was held on the 31st ultimo in London, Mr George P. Joseph (the chairman) presiding.

The following is an extract from his statement circulated with the report and accounts for the ten months ended April 30th, 1948:—

The trading profit is £526,190 for the period—an increase of £231,457 compared with the previous year. The consolidated trading profits of the parent company and its subsidiaries are £695,828—an increase of £264,595 compared with the previous year; the consolidated net profits represent 5 per cent. on the combined sales turnover.

The improved demand for the products of the parent company in the closing months of the last financial year was maintained throughout the period under review, and I am glad to say that the indications of a lessened demand at the date of the interim dividend announcement in February last were of a temporary nature. The period under review was a difficult one, but despite the acute shortages of vital materials which have existed on many occasions, we have been able to meet all demands for our metallurgical and chemical products.

We are continually adding to our range of pure metals, ferro alloys, special alloys, metal powders and fine chemicals to meet the expanding requirements of modern metallurgy. The sale of our secondary products, tungsten carbide (hard metal) tips for cutting and turning tools, tungsten and molybdenum rod and sheet and wear-resisting dies, which are distributed in the home market mainly by Protolite, Limited, have again shown a satisfactory increase. Owing to the continued shortage of steel supplies, Murex Welding Processes have been unable to meet the demand for welding electrodes which has continued at a high level.

EXPORT ORDERS

The marked improvement in the export orders for the products of the parent company during the latter part of the last financial year has been maintained; in consequence, the value of export sales for the period under review shows an increase of 100 per cent. on that of the previous year. The combined value of export sales of electrodes and welding plant by Murex Welding Processes for the ten months' period shows an increase on the previous year; that is again attributable to increased sales of welding plant. The demand for welding electrodes in both the home and export markets greatly exceeds available supplies.

The level of activity of the period under review has been maintained in the opening months of the new financial year; the parent company's products are, in the main, specialist raw materials, and there are no present indications of any sustained falling off in demand. The demand also for welding electrodes and plant shows no sign of recession; indeed, owing to shortage of steel supplies, there is an acute deficiency of electrodes manufactured in Great Britain, and as a consequence overseas customers are being diverted to the American market.

The immediate outlook for your company is satisfactory in so far as factors within its own control are concerned. It is the uncertainties in the national and international spheres that cause us anxiety; despite these uncertainties, however, your directors are confident that your company will continue to expand its interests and maintain its competitive position.

The report and accounts were adopted; the proposed final dividend of 2s. 1d. per £1 unit, making 3s. 4d. per £1 unit for the period, less tax, was approved.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Guest, Keen and Nettlefolds; Coast Lines; Distillers; Watney Combe Reid.

Prices, Year 1948 Jan. 1 to Sept. 1 High	Prices, Year 1948 Jan. 1 to Sept. 1 Low	Name of Security	Price, Aug. 25, 1948	Price, Sept. 1, 1948	Net Yield, Sept. 1, 1948 (n)	Gross Yield, Sept. 1, 1948
		British Funds			£ s. d.	£ s. d.
101⅜	100⅜	War Bonds 2½% August 1, 1949-51	101	101	...	1 6 5d
101¾	100½	Exchequer Bonds 1½% Feb. 15, 1950	100¼	100¼	0 8 3	1 4 5
102¼	100½	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 9 4	1 11 7d
102⅛	100	War Bonds 2½% March 1, 1952-54	101⅛xd	102⅛	0 15 7	1 17 10d
104¼	101⅜	War Loan 3½% (after Dec. 1, 1952)	104	104	1 1 7	2 14 5
102⅜	99¼	War Bonds 2½% Aug. 15, 1954-56	102	102⅛	1 0 4	2 2 9d
103½	100¾	Funding 2½% June 15, 1952-57	102⅜	103	1 3 10	2 8 11d
105¼	100⅜	National Def. 3% July 15, 1954-58	104⅜	104⅜	1 3 6	2 10 3d
105¼	101⅛	War Loan 3% Oct. 15, 1955-59	105⅛	105⅛	1 4 0	2 11 4d
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	102⅛	103	1 9 0	2 15 9d
101	96⅜	Funding 2½% April 15, 1956-61	100⅜	100⅛	1 6 10	2 10 0d
103⅛	98¼	Funding 3% April 15, 1959-69	103	103⅛	1 10 2	2 17 5d
118⅛	110¼	Funding 4% May 1, 1960-90	114½	114⅜	0 19 4	2 13 11d
102⅜	97⅞	Savings Bonds 3% Sept. 1, 1960-70	101⅞xd	101⅛	1 11 1	2 17 10d
97¼	92⅜	Savings Bonds 2½% May 1, 1964-67	97⅛	97⅜	1 11 7	2 15 0d
115⅜	112¼	Victory Bonds 4% Sept. 1, 1920-76	114¼xd	114⅛	1 3 11	2 16 8*
101¼	96½	Savings Bonds 3% Aug. 15, 1965-75	100⅜	101	1 12 2	2 19 1d
111	107¼	Consols 4% (after Feb. 1, 1957)	109⅛	109⅛	1 0 1	2 14 8d
105¾	102¼	Conversion 3½% (after Apr. 1, 1961)	104¼xd	104¼xd	1 9 11	3 0 6d
83¾	74¼	Treas. Stk. 2½% (after Apr. 1, 1975)	76¼xd	76⅜xd	1 15 11	3 5 3d
99	91¼	Treas. Stk. 3% (after Apr. 5, 1966)	95	94½xd	1 15 0	3 3 6d
100	93¼	Redemp. Stk. 3% Oct. 1, 1986-96	98xd	98xd	1 14 4	3 1 7d
83⅝	74¼	Consols 2½%	77¼	76⅝xd	1 15 10	3 5 1
101¼	96	British Electricity 3% Gtd. 1968-73	100⅜xd	100⅜xd	1 12 5	2 19 3d
98¼	93½	British Transport 3% Gtd. 1978-88	98¼	98¼	1 14 1	3 1 7d
101⅛	95½	British Transport 3% Gtd. 1968-73	100½xd	100½xd	1 12 8	2 19 6d

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (*these are marked 'e'*), and those paying 3 per cent or less will be repaid at the latest date (*marked 'l'*). (*n*) Net yields are calculated after allowing for tax at 9s. in the £. (*f*) Flat yield. * Assumed average life 15 years 6 months.

Prices, Year 1948 (Jan. 1 to Sept. 1) High	Prices, Year 1948 (Jan. 1 to Sept. 1) Low	Last Two Dividends (*a*)	(*b*)	(*c*)	Name of Security	Price, Aug. 25, 1948	Price, Sept. 1, 1948	Yield, Sept. 1 1948
		%	%		**Other Securities**			£ s. d
104⅞	101½	(*d*)	(*d*)		Australia 3½% 1965-69	103½	104½	2 19
94½	91¼	(*d*)	(*d*)		Birmingham 2½% 1966-71	93½	93½xd	2 19
101¼	99	(*d*)	(*d*)		Argentine 3½%	101	101	3 9
8½	6⅛	50	*c*	50	*c* Anglo-American Corp. 10s.	6⅛	6⅛	4 0
10	7⅛	5	*a*	25	*b* Anglo-Iranian Oil £1	8½	8½	3 12
£15	£15	40	*c*	40	*c* Assoc. Port. Cem. Ord. Stk. £1	73/3	73/9	4 1
40	29/6	40	*c*	40	*c* Austin Motor 'A' Ord. Stk. 5s.	33/1½	35/-	5 14
84/-	72/9	7	*a*	7	*b* Barclays Bank Ord. 'B' £1	75/-	76/-	3 15
10⅜	8⅛	†20	*b*	†5	*a* Bass Ratcliff Ord. £1	9	9	2 15
12	8	8	*a*	8	*a* British Oxygen Ord. £1	97/6	97/6	4 2
24	5	5	*b*	5	*b* Courtaulds Ord. £1	39/-	41/-	3 13
20	24	7½	*b*	8	*a* Distillers Co. Ord. 5s.	26/3	27/-	4 1
8	7	5	*a*	7	*b* Dunman Long Ord. £1	5½	5¾	5 4
79/9	68/-	15	*c*	15	*c* Dunlop Rubber Ord. £1	72/6	73/9	4 1
53/-	44/-	3	*a*	7	*b* Imp. Chem. Ind. Ord. Stk. £1	44/3	45/-	4 8 11
6⅞	4⅜	19½	*b*	13½	*a* Imperial Tobacco £1	5⅞	5⅛	6 8 9
48/9	40/3	10	*c*	10	*c* Lanes. Cotton Ord. Stk. £1	43/9	43/9	4 11 5
56/6	44/10½	10	*c*	10	*c* Lever & Unilever Ord. £1	48/9	48/9	4 2 1
61/3	47/6	12½	*c*	10	*c* London Brick Ord. Stk. £1	53/9	53/3	3 14 5
66/1½	47/-	25	*c*	31½	*m* Pchin Pinson Ord. Stk. 10s.	53/6	53/6	4 15 5
35¼	30½	†74¼	*c*	†77½	*c* Prudential 'A' £1	32½	32½xd	2 7 6†
59/3	49/9	12½	*c*	12½	*c* Stewarts & Lloyds Def. £1	52/6	53/9	4 13 0
85/7½	73/1½	12½	*a*	†5	*b* "Shell" Trans-pt. Ord. Stk. £1	74/4½	76/10½	1 18 10†
7⅞	5½	12½	*b*	12½	*a* Tube Invst. Ord. Stk. £1	6½	6⅞	4 0 9
90/9	73/3	11½	*b*	3½	*a* Turner & Newall Ord. Stk. £1	74/6	77/-	3 17 11
93/3	77/-	55	*b*	15	*a* Woolworth (F. W.) Ord. 5s.	83/-	83/-	4 4 4

(*a*) Interim. (*b*) Final (*c*) Whole year. (*d*) Int. paid half-yearly. (*e*) To earliest redemption date. (*m*) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (*l*) To latest redemption date. (*m*) 15 months. Yield Basis 25%. † Free of tax.

Statistical Summary

GOVERNMENT RETURNS

For the week ended August 28, 1948, total ordinary revenue was £69,621,000, against ordinary expenditure of £44,352,000 and issues to sinking funds £200,000. Thus, including sinking fund allocations of £4,563,000 the surplus accrued since April 1st is £285,624,525 against £248,287,466 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand) April 1 to Aug. 30, 1947	April 1 to Aug. 28, 1948	Week ended Aug. 30, 1947	Week ended Aug. 28, 1948
ORDINARY REVENUE					
Income Tax	130915(a)	331,931	351,974	12,908	10,278
Sur-tax	50,000	16,805	22,500	425	400
Estate, etc., Duties	165,000	69,879	76,650	2,800	2,900
Stamps	55,000	19,480	23,585	1,050	900
Profits Tax	250,000	12,280	45,710	1,150	4,800
E.P.T.		87,086	49,400	4,500	1,000
Other Inland Rev.	1,000	100	50	...	...
Special Contribtn.	50,000	...	10,500	...	600
Total Inland Rev.	1915150	537,561	580,409	22,833	20,878
Customs	820,000	318,365	332,065	18,693	17,361
Excise	726,550	253,400	326,283	22,160	29,581
Total Customs & Excise	1547150	571,769	658,350	40,793	46,942
Motor Duties	50,000	9,979	9,143	110	220
Surplus War Stores	102,000	78,099	22,295	12,937	1,407
Surplus Receipts: from Trading	57,000	25,000	820	...	...
P.O. (Net Receipts)	...	1,680	250	(D) 130	(D) 2100
Wireless Licences	11,000	3,190	3,300	550	570
Crown Lands	1,000	440	395	30	30
Receipts from Sundry Loans	14,000	13,769	9,035	112	...
Miscell. Receipts	68,000	158,851	73,360	2,281	1,673
Total Ord. Rev.	3765300	1399738	1357372	78,352	69,621
SELF-BALANCING					
Post Office	150,200	57,900	62,600	3,800	4,600
Income Tax on E.P.T. Refunds	16,000	11,095	3,262	326	116
Total	3931500	1468733	1423234	82,478	74,337

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Aug. 30, 1947	April 1 to Aug. 28, 1948	Week ended Aug. 30, 1947	Week ended Aug. 28, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	203,185	195,394	2,309	1,815
Payments to N. Ireland	26,000	8,880	7,854	1,509	1,047
Other Cons. Fund Services	8,000	3,318	3,260	21	5
Total	534,000	215,383	206,448	3,839	2,867
Supply Services	2942657	931,666	860,730	77,706	41,485
Total Ord. Expdt.	2976657	1146989	1067186	81,545	44,352
Sinking Funds	...	...	4,563	...	200
SELF-BALANCING					
Post Office	150,200	57,900	62,600	3,800	4,600
Income Tax on E.P.T. Refunds	16,000	11,095	3,262	326	116
Total	3142857	1215984	1137611	85,671	49,268

After increasing Exchequer balances by £339,547 to £2,964,634, the other operations for the week decreased the gross National Debt by £15,458,490 to £25,663 million.

NET ISSUES (£ thousand)

P.O. and Telegraph Acts, 1916 and 1948	425
Housing Act, 1924	2
E.P.T. Refunds	141
Overseas Trade Guarantees Act, 1939, sec. 4(1)	3
Housing Temporary Accommodation Act, 1944, sec. 8(1)	1,000
Local Authorities Loans Act, 1945, sec. 3(1)	3,350
War Damage: War Damage Commission	4,000
Finance Acts, 1946 and 1947, Post-war Credits	350
	9,271

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
2½% Def. Bonds	297	Treasury Bills	12,076
Tax Reserve Certs.	381	Nat. Savings Certs.	800
		3% Def. Bonds	*2,256
		3% Conv. Loan (1948-53)	50
		Other Debt: Internal	190
		External	715
		Ways & Means Advances	10
	678		16,157

* Including £1,712,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Aug. 30	2190·0	2428·5	339·8	4·75	1323·0	6286·1
1948						
May 15	2210·0	2643·5	301·0	20·3	1326·5	6501·3
„ 22	2210·0	2626·6	297·8	14·8	1362·0	6511·1
„ 29	2210·0	2620·2	303·3	...	1377·0	6510·5
June 5	2210·0	2616·7	283·2	3·5	1410·0	6523·5
„ 12	2210·0	2608·9	281·7	1·0	1423·5	6525·2
„ 19	2210·0	2635·1	274·0	11·3	1415·5	6573·8
„ 30	4617·3		270·5	...	1468·0	6655·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
„ 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
„ 24	2210·0	2632·8	294·6	13·3	1429·5	6580·1
„ 31	2210·0	2620·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5
„ 14	2210·0	2355·6	287·0	...	1429·5	6282·0
„ 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
„ 28	2210·0	2386·0	286·8	...	1441·0	6323·8

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Aug. 29	170·0	251·9	170·0	10 3·14	59
1948					
May 28	170·0	278·6	170·0	10 1·68	50
June 4	170·0	295·8	170·0	10 1·20	40
„ 11	170·0	277·5	170·0	10 1·70	49
„ 18	170·0	259·6	170·0	10 1·89	57
„ 25	170·0	279·7	170·0	10 1·65	48
July 2	170·0	286·8	170·0	10 1·45	45
„ 9	170·0	276·5	170·0	10 1·48	48
„ 16	170·0	279·7	170·0	10 1·55	48
„ 23	170·0	294·3	170·0	10 1·31	43
„ 30	170·0	291·8	170·0	10 1·34	42
Aug. 6	170·0	288·1	170·0	10 1·50	44
„ 13	170·0	269·1	170·0	10 1·91	53
„ 20	170·0	272·7	170·0	10 1·87	52
„ 27	170·0	268·1	170·0	10 3·05	53

On August 27th applications for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 53 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Monday were accepted at £99 17s. 5d. and above in full. £170 million (maximum) of Treasury Bills are being offered for September 3rd. For the week ended August 28th the Banks will be asked for Treasury deposits to the amount of £150 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended Aug. 23, 1947	Week Ended Aug. 21, 1948	Totals Apr. 1 to Aug. 21, 1948
Savings Certificates: —			
Receipts	3,100	2,500	46,350
Repayments	3,250	2,200	54,500
Net Savings	*Dr 150*	*300*	*Dr 8,150*
Defence Bonds: —			
Receipts	725	710	16,340
Repayments	852	895	18,265
Net Savings	*Dr 127*	*Dr 185*	*Dr 1,925*
P.O. and Trustee Savings Banks:			
Receipts	11,433	11,182	246,510
Repayments	11,351	11,843	254,951
Net Savings	132	*Dr 661*	*Dr 8,441*
Total Net Savings	*Dr 145*	*Dr 546*	*Dr 18516*
Interest on certificates repaid	585	596	9,716
Interest accrued on savings remaining invested	2,242	2,286	46,990

BANK OF ENGLAND RETURNS

SEPTEMBER 1, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued: —		Govt. Debt	11,015,100
In Circulation	1248,997,539	Other Govt. Securities	1288,166,647
In Banking Department	51,250,294	Other Secs.	811,929
		Coin (other than gold)	6,324
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,003	Govt. Secs.	400,569,291
Rest	3,526,203	Other Secs.	25,575,765
Public Deps.:	58,659,798	*Discounts and Advances*	*3,900,971*
*Public Accts.**	*10,959,954*	*Securities*	*21,674,794*
H.M. Treas. Special Acct.	*48,569,844*		
Other Deps.:	401,828,168	Notes	51,250,294
Bankers	*307,959,283*	Coin	1,151,819
Other Accts.	*94,797,785*		
	478,947,169		478,947,169

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

COMPARATIVE ANALYSIS

£ million

	1947	1948		
	Sept. 3	Aug. 19	Aug. 25	Sept. 1
Issue Dept. —				
Notes in circulation	1302·4	1262·9	1253·5	1249·0
Notes in banking department	57·8	37·3	46·9	51·3
Government debt and securities*	1449·4	1299·2	1299·2	1299·2
Other securities	0·6	0·8	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept. —				
Deposits: —				
Public Accounts	12·6	12·6	16·9	10·1
Treasury Special Account	...	33·4	33·4	48·6
Bankers	293·2	316·7	309·3	307·0
Others	94·2	90·1	90·1	94·8
Total	399·4	452·8	440·7	460·5
Securities: —				
Government	319·3	404·1	383·7	401·0
Discounts, etc.	19·9	6·1	5·4	3·9
Other	17·9	22·6	22·6	21·7
Total	357·1	432·8	411·1	606·6
Banking dept. res.	60·3	38·3	48·6	52·4
	%	%	%	%
"Proportion"	15·1	8·4	10·8	11·3

* Government debt is £11,015,100, capital £14,553,000. *Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.*

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

1927=100	Aug. 26, 1948	Aug. 10, 1948	Aug. 24, 1948
Cereals	110·0	121·9	120·9
Other foods	138·7	138·8	138·8
Textiles	159·2	184·5	179·7
Minerals	223·8	245·9*	247·9
Miscellaneous	147·8	156·6	155·4
	146·5	163·3	162·1
1913=100	*201·6*	*224·7**	*223·0*

* Revised.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Aug. 26	44	73½	176 6	115 11
„ 27	44½	73½	174 10	117 2
„ 28	Markets	Closed	174 10	117 2
„ 30	45	74	175 0	118 6
„ 31	45	74½	175 14	121 0
Sept. 1	45	74¾	175 8	121 0

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ANNUAL INCOME EXCEEDS £17,500,000

ASSETS EXCEED £102,000,000

CLAIMS PAID EXCEED £189,000,000

(1947 Accounts)

DOMINION OF CANADA

THREE-AND-A-QUARTER PER CENT REGISTERED STOCK, 1950-53

For the purpose of preparing Interest Warrants due November 1, 1948, the BALANCES will be STRUCK on the evening of October 1, 1948, after which date the Stock will be transferred, ex-dividend.—For the Bank of Montreal, Financial Agents of the Government of the Dominion of Canada in London, A. D. HARPER, Manager, 47, Threadneedle Street, E.C.2. September 1, 1948.

ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

APPOINTMENTS REGISTER

Employers seeking the services of Certified Accountants are asked to write to the Secretary of the Association, 22 Bedford Square, London, W.C.1. (Telephone: Museum 5163.)

GOVERNMENT OF PUNJAB (PAKISTAN)

Applications are invited for the post of Statistical Adviser, to advise on all statistical questions, and supervise and control the Statistical Department of the Government, with headquarters at Lahore.

QUALIFICATIONS: University degree in Statistics or Mathematics or equivalent, with wide experience of Advanced Statistical work. APPOINTMENT on contract for 5 years, terminable on six months' notice by either side; age preferably not exceeding 45 years.

PAY: Rs. 1250-50-1500 p.m. (£1,125 to £1,350 p.a.) plus overseas pay of Rs. 300 p.m. (£270 p.a.) for appointee of non-Asiatic domicile. Initial pay according to qualifications.

Applications on forms to be obtained from the High Commissioner for Pakistan, 14, Fitzhardinge Street, W.1, should reach that address not later than September 30, 1948.

WANTED.—Robinson's Principles of Reasoning. Please help.—Box 816.

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The Silly Session

ON Tuesday next, Parliament will assemble for a short special session. Its business will be concerned, not with the crisis of Europe, not with the urgent problems of relations with Russia, not with Britain's unsolved economic problems, not with defence, not with the gathering storm in Malaya. All these are questions of weight and emergency, but except for incidental mention, nothing will be heard of them while the Commons sits for its ten-day ritual. That solemn observance will be concerned simply and solely with the passage through the Commons, in the second of the three successive sessions stipulated in the Parliament Act of 1911, of the Government's new Parliament Bill, which was rejected by the House of Lords in June. There is no need to put any gloss on this devious process. Much as the Labour Party's intellectuals would like to fan into flames the old issue of "Peers versus the People," it remains so much incombustible dead wood. The point of the silly session is not to settle, once and for all, the part which a revised Second Chamber should be allowed to play in a modern democracy; it is a mere device for procuring against any threat of opposition the passage of the Steel Bill by the spring of 1950.

Thus the special session is the first active step in anticipation of the general election which must take place, at the latest, by that time. The Labour Party's election programme in 1945 included the nationalisation of the steel industry, and the more moderate members of the Government have been regretting its appearance ever since. It is true that the Prime Minister has since reiterated the Government's intention of taking the "relevant portions" of the industry into public ownership. But the omission of the Steel Bill from the legislative programme of the session which technically closes on Monday showed that two years later it still lacked the knowledge or the courage to do so. The draftsmen were then sent away to revise their palimpsests, but postponement could only be had at a price. That price, on the insistence of Mr Bevan and other keepers of the left-wing conscience, was a revision of the Parliament Act to reduce the Lords' powers of delay, and to ensure the passage, by early 1950, of the Government's Steel Bill—when they had decided what it ought to contain.

Historians in the future will point to the contrast between the Government's obstinate refusal to allow the Commons to be recalled during the period of mounting economic crisis during the summer recess last year, and its insistence this summer on recalling Parliament, not to conduct urgent business, but to secure the token nationalisation of the steel industry in eighteen months' time. The process could hardly be more wasteful or more undignified. For nothing that the Government does in the next fortnight, or indeed in the next year and a half, can disturb the simple truth that the next election, if it is held in 1950, will decide whether steel nationalisation is to be put into operation. If a Socialist Government is returned, it will presumably have an Act on the Statute Book which can be put immediately into effect; if it is defeated, the new Government will presumably repeal the Act.

Perhaps the party managers feel that, shrewdly handled, here is an issue,

capable of arousing the electorate. But it is hard to imagine it as a burning question, even when it is dressed up with all the rousing overtones of "steel barons" and "backwoods peers" conspiring together to defeat the popular will. Indeed, so far as the shifting vote is concerned, the reverse is more likely to be true. The next eighteen months are unlikely, on balance, to bring any material relief to Britain's economic situation—indeed, the receipt of the second instalment of Marshall Aid (which cannot be counted on as a certainty) is itself a precondition of economic stability next year. The year 1950 itself will be uncomfortably close to the approaching end of American assistance, and it will bring a fuller realisation than exists today of the hard responsibilities of economic independence, unaided by the United States. The period before the election ought to be spent in sober preparation for these responsibilities.

Instead, the Government is evidently determined to proceed with the nationalisation of an industry which, whatever its past and present shortcomings, is playing a vital role in Britain's economic recovery. To suppose that this can be accomplished without serious risk of affecting the output of steel and the smooth operation of the metal using trades—whose contribution to the export drive is vital—is self-deception. And the lamentable fact is that the more moderate elements in the Cabinet appear to share these fears. If they could be rid of their own creature, they would give deep sighs of relief. But it is now fastened upon them; the unbroken party front must, it seems, be preserved, even at the sacrifice of wiser counsels of policy. The calculations of the radical wing is presumably that a demonstration of extreme Socialism will win more votes than it will lose. But that is doubtful, as Mr Morrison almost certainly realises. The formal passage of the Steel Bill may well be paraded as a personal triumph by Mr Bevan; but that astute politician (competing with Mr Dalton for the leadership of the left wing of the party) has done all the damage that can be done to the Labour Party's appeal to the floating vote.

Perhaps these discussions of the legislative time-table are doubly theoretical, for while there is still a presumption that Parliament will run its full course, there is no guarantee that it will do so. On some calculations (they appear to have been in the minds of certain Ministers in their consultations with constituents during the recess) there might be a balance of advantage in holding the election next year, rather than in 1950. The second instalment of Marshall Aid will be secure, and the third only contingent. The prospects of success at the polls at the end of a full Parliamentary term might look less certain. Admittedly, there would then be further delay in the passage of the Parliament Bill and the Steel Bill. Whatever the Government's decision may be, one thing is already certain. For the next eighteen months, if Parliament runs to its full term, the shadow of the approaching election will be increasingly evident in every decision of policy that is taken. The right decisions on economic policy will be tempered by their supposed reactions on the electorate. The struggle for power between the two wings of the party will become more acute. The rigour of economic adversity will be softened, as far as possible, in the interest of vote-getting. Such a prospect, coupled with the superficiality of the special session, is not a very satisfactory portent of a healthy political life in Britain, confronted by critical issues at home and abroad. It will take all the honesty and realism of Ministers who are capable of wider views to insist on a policy to fit the times.

Labour and the Nation—II

The Reward of Work

POWER is pleasant in its exercise and irksome in its responsibilities. So at least it must have appeared this week to some of the delegates at the Trades Union Congress at Margate, for they have been confronted with rough and unpleasing truths. Whatever private and public reservations the General Council may have had, the ramrod personality of the Chancellor of the Exchequer left no room for doubt about the course of duty which lies before responsible trade unionists. In his speech on Tuesday he pointed out, with the clarity of a judge directing a criminal jury, the urgent need for higher productivity to restore Britain's economic independence and raise its standard of living. He killed (once and for all, if human words have any staying power) one of labour's most cherished dreams—that wage increases can be paid for, not through inflation but out of profits—by pointing out that if British corporation profits were slashed by a quarter, it would mean an average addition of only four pennies in the pound to wages and salaries. Anyone with a head for arithmetic could have arrived at that answer long ago; it is to be hoped that the union movement will accept from Sir Stafford Cripps what they have refused in the past to accept from the evidence.

The review of the economic situation issued by the General Council of the TUC (which was adopted on Thursday by a majority of 5 to 2) is a less courageous statement. Most of it is accurate and unexceptionable; yet it reveals one disagreeable aspect of union thinking—the willingness of the TUC to share in the glory of any governmental measure (such as social insurance or the repeal of the Trades Disputes Act), which is popular with organised labour, and its hesitation in endorsing any measure of a Socialist government which is likely to be unpopular with the workers. Thus the General Council takes great credit for its tremulous stand on wage increases after the White Paper of February; but criticises the Government like a schoolmistress for such mild disinflationary measures as the withdrawal of the clothing subsidies, and the increases of duty on drink and tobacco. A painful economic situation, it seems, should be allowed to inflict pain only on those who did not support labour. For labour, the claim is for the greatest possible increase in real wages.

Despite these limitations, however, this report is a sensible application to trade union problems of the Chancellor's policy. It points out that six months is too short a time in which to judge its effects and that official restrictions or voluntary limitation of prices have in fact been effective. But even so, the report does not conceal the fact that, while the TUC will support the Government in its attempt to attain economic stability and to increase productivity, trade unionists are still more determined upon a larger slice than on a larger cake. The speakers who followed Sir Stafford Cripps on Tuesday completely ignored his arguments which connected a higher standard of living with a higher volume of output. This unimaginative response to the Chancellor's speech shows how strongly established is the illusion that there is some alternative way of raising real wages than by extra output. Sir Stafford declared that he was in favour of using more brain, rather than more muscle, in increasing the volume of output—by improved methods, by better use of existing factories and machinery and, in the modern jargon, by "redeployment." Perhaps this underrates the increase in output which could be secured by greater and longer physical work, and overrates the potentialities of improved management. But only by one means or the other is real improvement possible.

The share of manual labour in the national income has

remained remarkably constant over the past three generations. Dr Kalecki has calculated that between 1880 and 1935 it varied only between 40.8 per cent and 43.7 per cent of the total, and later researches have shown that even during the exceptional circumstances of the second world war this ratio changed only in a minor degree. The high command of labour deduces from this fact that, in the past, any efforts of theirs to raise the level of money wages have resulted in a raising of profits, thus keeping the relation of wages to the national income almost constant. But if profits are kept under restraint, the economists of the TUC see a very good chance of increasing the real share of labour. It is partly this analysis—dubious though it is—rather than feeling of national urgency which has led them to urge a policy of wages stabilisation upon the unions. The TUC is not as ingenuous as it sometimes appears, and from the first it translated the terms of the White Paper into a policy for higher real wages and in this it had the full support of the Congress. That they are betraying the prospects of a higher standard of living for the working class, by quarrelling over the crumbs instead of baking a larger cake, does not seem to have occurred to them.

The delegates will disperse from Margate, primed with the importance of raising productivity—though so long as two million of the population are employed in central and local government, it will hardly be possible to admit the Chancellor's claim that there are no more resources of manpower to throw in to increase production. Yet this emphasis on productivity constitutes a great advance over the thinking of previous congresses. To translate this into effective action at the bench, however, is a profoundly difficult task, which must somehow overcome the pressure of union branches, and of the many millions of workers who, though they do not go to meetings or read union magazines, have a clear idea that the job of their representatives is to increase the size of their pay packet. To them, the TUC's new-found desire to demonstrate its responsibility by initiating research and education in the union movement, and to co-operate with the Government and management, may well seem a strange perversion of the simple-minded ends for which the unions were formed and for which the majority of members still support them.

It is paradoxical that the advocates of a planned economy should belong to the same political party as the exponents of freedom in an area where control is most vital to effective national planning. Without a wages policy (and a profits policy) the calculations of any Central Planning Board must be reduced to mere guesswork and earn for it the unkindly *sobriquet* of the Society of Hypothecaries. The present local anæsthetic that is being applied to wages and profits is no substitute for the operation which could re-fashion the structure of British industry, and redress the unbalance between the essential and the less essential trades. But before condemning this or any future government for not undertaking major surgery, it is as well to be clear about the difficulties which it presents.*

The greatest problem, inherent in the principle of collective bargaining, is the irrational structure of wages in different industries and in different trades within an industry. The chaos is due not to economic theory but to economic history—to degrees of skill, to the relative strength of union organisations, and to the ability of an industry according to whether it was sheltered or not to pay. The distribution of wages among different trades and industries bears little more than an accidental relation to their national importance. Moreover, differences in wage levels, once firmly established, tend to perpetuate themselves and acquire a permanent social significance. When this is combined with the remarkable immobility of the British worker (who has usually been prepared to stay at a low wage in a depressed industry rather than move to an expanding area somewhere else), it is not surprising that the classic theory of prosperous industry attracting the labour which obsolescent industry expels should never have been more than very approximately true in Britain.

The various theories aimed at correcting this are discussed in the third of the PEP studies.* It separates three strands of opinion about a wages policy. The first is the doctrinaire planning (on Russian lines) of a permanent correlation of wages with the economic plan; the second, the provision of a centrally co-ordinated system of incentives to attract labour where it is most needed; and the third is the short-term solution, at present under trial, of resisting unregulated increases in wages. All of these plans, or a synthesis of them, may break down for various reasons. First, above a reasonable level of subsistence, wages are not the only and perhaps not the most important factor in determining a workman's choice of job; questions of location, amenity and social *cachet* are often so important in the mind of the worker that wage differentials would have to be very great indeed to overcome them. Secondly, the application of any policy to replace the present makeshift one would imply the abandonment of collective bargaining and by threatening the dominance of the trade unions would arouse their undying opposition. Thirdly, the creation of a logical wages system, unless it were carried out in a period of severe slump, would involve raising wages in the undermanned industries and would increase the pressure for wage increases in other industries. That, indeed, has been happening ever since the war. Finally, who would have the necessary power, courage and support to implement a drastic wages policy? Only some resolute combination of employers, the unions and the Government could achieve it, and the chances of such a partnership can be dismissed at once.

Whatever the possibilities of education and research within the union movement, and the development of a sense of greater

* British Trades Unionism. Six Studies by PEP



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responsibility among its leaders, trade unionism can only remain a voluntary movement if it continues to settle the reward of labour by the give and take of collective bargaining. This fact gives the question of productivity its contemporary significance. Only if increases in earnings can be associated with increases in production, can there be any hope of correlating effort and reward. But this in itself presumes a change of thinking within the unions. The effect of union pressure over the last decades has been to assess the workman less upon his individual merit and more as one of a mass. The gap between the skilled and unskilled worker has become steadily narrower because the pressure of big unions representing general labour has forced the lower level of wages upward, and the rewards of skill and effort have relatively diminished. Time rates and the guaranteed week are still as important as payment by results in many industries and the effect of unionism has often been to deaden any competitive spirit among the workmen.

This is the core of the problem. Behind all the exhortation and conferences, the joint boards and the committees, the only way to elicit a high rate of production, in industrial processes at least, is a system by which deft and energetic workers (or groups of workers) can earn more real wealth while the lazy and the incompetent earn less. In British firms where this principle has been maintained, the rate of production can compare with any in the world. The Victorian age had definable, if rigid, standards in work as in morality; until its clear distinction between good and bad reappears throughout British industry and is related to monetary reward, no propaganda and official encouragement will avail to increase productivity.

Rally in China

SINCE the military successes obtained by the Chinese Communist armies early this year, there has been a disposition in some quarters to write off the regime of President Chiang Kai-shek as a lost cause. The patient has appeared to be sinking rapidly and discussion has been directed rather to the character of his heir than to his own chances of recovery. During the last month or so, however, the American doctors by the bedside have been administering injections of such potency that the presumed corpse has been showing signs of renewed vitality; there have also been signs that the patient's own constitution is somewhat tougher than was generally supposed and will not easily give up the ghost. Kuomintang China is still a very sick man, but there are grounds for questioning the recent statement of an observer of Chinese affairs that "all realistic political speculation now begins with the assumption of a final Nationalist military defeat."

The currency reform which has been taken in hand is the first really serious attempt to tackle the riot of inflation made by the Chinese Government since the Chinese dollar began to get out of control under pressure of the Japanese invasion. Whereas China's last great monetary reform was planned with the advice of a British expert, Sir Frederick Leith-Ross, this one—as is natural in the changed circumstances of the time—is being carried out with American advice and financial backing. A Nanking decree of August 19th announced the establishment of a controlled gold standard "gold yuan" with 100 per cent reserve cover convertible, "under control," into foreign exchange. The new yuan is to be worth 25 cents in American currency and will be exchanged for 3 million *fapi* or Chinese dollars of the old inflated currency. The primary object of this reform is to stabilize China's finances, revive production and provide definite rates for foreign exchange. A secondary object is to render useless the large amounts of *fapi* held by the Communists (in addition to their own LA or Liberated Areas currency), which has hitherto been used by them for secret buying of commodities in Government-controlled areas or purchase of American dollars on the black market.

How far this currency reform proves effective will depend on the degree to which its various provisions are administratively enforced, and the story of economic controls in China has not been such as to give rise to an easy optimism on the subject. Yet there are signs of an altogether unwonted resolution in grasping the nettle. The Americans, with memories still fresh of the misuse of Unrra aid to China and of earlier American attempts at economic assistance, are concerning themselves with the details of the new financial measures in a manner which suggests that the grosser forms of corruption will no longer be overlooked; a Sino-American committee with three Chinese and two American members has been formed to administer the American funds which have been voted by Congress. Converging with this American pressure, the reformist group within the Kuomintang has been active in demanding a financial overhaul as an essential condition of the struggle against the Communists. General Li Tsung-jen, who was elected Vice-President by the National Assembly contrary to the wishes of Chiang Kai-shek, is reported to have refused to take up his office unless a successful start were made with currency reform. President Chiang has responded to this agitation by appointing his eldest son, General Chiang Ching-kuo to enforce the currency law in Shanghai, and the latter has hinted in a speech that measures will now have to be taken against persons hitherto immune from the application of economic controls. Some very privileged fish will no doubt still succeed in slipping through the net, but it seems possible that the meshes are this time going to be drawn closer than they have ever been before.

Closely linked with the new fight against monetary inflation is the scheme for applying part of the American assistance funds directly to rural rehabilitation under joint Sino-American supervision, which in this case also is to take the form of control by a commission with three Chinese and two American members. This move, as indicated in *The Economist* of September 4th, is the first real counter-attack on the Communist political offensive among the Chinese peasantry. The Communist exploitation of agrarian land-hunger has at least forced one thought into official minds in Nanking and Washington: that the Chinese peasant matters, that he is indeed the most important factor in the civil war. Unless and until the opponents of Communism in China can show the villager that they have the will and capacity to do something for him, and not merely talk about it, Communism will continue to extend its hold on the Chinese countryside. But, with the funds available and a definite policy for spending them, much can be done to provide attractions alternative to the Communist programme and the beginnings of a new deal for the peasant without the threat of the *kolkhoz* which lurks behind the shop window of Communist promises.

Certainly, if the Nanking leaders and their American advisers have any skill at all in co-ordinating propaganda with their administrative measures, recent events in Europe should have placed some strong cards in their hands. The agrarian policy now being promoted by the Cominform in Eastern Europe has already made nonsense of the assurances of yesterday that the aim of the Communist-directed land reforms was to give land to the peasants in private ownership and that collectivisation was not intended. There can be no doubt that the ability of Communists to exploit peasant land-hunger as a revolutionary force depends on the peasant's expectation of having land of

his own and on systematic concealment by Communists of their ulterior aims. But now that peasant ownership is being threatened in the "People's Democracies" of Europe even sooner after the redivision of the land than it was in Russia, the cat is fairly out of the bag and the Chinese peasant may well be capable of recognising the animal if he can get a good view of it. The Chinese Communists continue loudly to assert that they have no object but to endow peasant proprietors—in Manchuria their radio even boasts of creating large farms operated by "private capitalists" on 20-year leases—but it must become increasingly difficult for them to square their programme with the Cominform denunciations of Tito for allegedly pursuing similar agrarian policies. It is, of course, open to them to take Tito as their model, but how could they reconcile this with their proclaimed devotion to the Soviet Union and their present dependence on it for moral and material support?

Even without headaches over Tito, Chinese Communist agrarian policy seems to have run into heavy weather on the route southward. The Communists have apparently decided to suspend land reform in their areas of control in central China because this region "had not been sufficiently prepared for its enforcement" and to substitute a system of rent and interest reductions. It is complained that "the political consciousness of the farmers had not been sufficiently awakened, with the result that there was a lack of confidence in the success of the revolution." These difficulties suggest that the Communists find it harder going as they penetrate into what used to be "Free China" during the war than it has been in Manchuria and those parts of North China which were under effective Japanese occupation and where, as a result, the structure of Chinese society was disrupted and the officials and propertied classes either fled or went over to the Japanese. There is indeed no reason to expect that a decisive Communist victory in North China would be automatically followed by similar success in the South within a short period.

Nor have the Communists yet gained the upper hand in North China to an extent which enables them to emerge from guerrilla status and set up a geographically solid *de facto* state of their own. As long as they have not possession of Peiping, Tientsin, Taiyuan, Tsinan or Tsingtao, their control is still a patchwork affair. They have, however, now formed a North China People's Government to combine the local Communist administrations in the five provinces of Hopei, Chahar, Shansi, Shantung and Honan. An assembly of 528 delegates—Communists and fellow-travellers—is reported to have elected a council of 39 members, reserving 12 places for areas "to be liberated in the future." This regime is stated to be a forerunner of a People's Government for all China, but it is worthy of note that in spite of the fairly good communications which the North China Communists have with Manchuria, no attempt has been made to amalgamate the new North China regime with the Communist administration of Manchuria and thus to create a more imposing political unit. It is not at all unlikely that the Soviet Union has no wish for such a development, even for the advancement of Communism in China, and Soviet policy is only too well aware, in China as in Europe, of the potential divergence between Communist and purely Soviet interests. The Soviet position in Manchuria is one of effective domination; the country is almost encircled by Siberia, the Mongol People's Republic, the Soviet Zone of Korea and the Soviet gateway guard in Port Arthur and Dairen; the Russians also control the trunk railways. In North China the Soviet Union has no comparable means of pressure and dictation. Whatever Chinese Government might hold Manchuria would—thanks to the Yalta decree imposed on China in 1945—have to share power there with Russia; but, on the other hand, any Chinese Government of nationalist tendency, or sensitive to nationalist opinion in China as a whole, would inevitably try to enlarge its share at Russia's expense. It is therefore in Russia's interest to keep Manchuria as far as possible separate from any Chinese authority, even a Communist one, set up to the south of the Great Wall.

Meanwhile China misses a celebrated personality whose arrival via Siberia was expected with much excitement in Chinese political quarters. General Feng Yu-hsiang, the "Christian General"—who has been perhaps better described as an "Old Testament Christian"—denounced the Nanking Government from North America several months ago and there has been speculation on the possibility of his forming a coalition with the Communists and even eventually emerging as the leader of a "third force" in China. Perhaps his old influence in North China would have been a valuable asset for the Communists; perhaps he would have double-crossed them, as he double-crossed every faction with which he was allied in his political career. But now we shall never know, for he perished in a fire in a Russian ship that was taking him to Odessa. It is possible, though not probable, that his death was accidental.

A Western Statesman

SOME nations and some statesmen seem more fitted than others to fill a tragic role in history. There is tragedy and a sense of destiny even in the names of Poland or Spain, and the echo of disaster and lost causes clings to the titles of Habsburg or Romanov. But it was the wry fate of Czechoslovakia and of its second President, Dr Benes, to be cast, in the drama of Europe, for parts for which their talents did not fit them. During Czechoslovakia's brief life as an independent community, the Czechs showed nearly all the qualities necessary for success in an orderly, settled world. They were reasonable, industrious, intelligent, honest and reliable. And in none of the citizens were these qualities more marked than in the man who, after Thomas Masaryk, was the first citizen of the state. But the world offered them neither order nor settlement. The gulf into which they were flung, first in 1938 and then again ten years later, was no place for the practice of liberal virtue or of democratic leadership. On to this most undramatic of communities and this least sensational of leaders were thrust parts that might have been written for them by Euripides or Sophocles. To meet such a challenge with fitting words and deeds, Dr Benes would have had to be a genius or a poet or a saint. It only deepens his tragedy that he had to die in silence; whatever legend of Benes is created in the future, it will have to clothe itself in its own words. He leaves the liberal order that vanished with him without an epitaph.

Born in 1884, Dr Benes grew up as a child of that liberal world whose culmination was President Wilson's Fourteen Points. He believed with his generation that political democracy and the national self-determination of peoples were the twin pillars of progress and, as a student, he became Thomas Masaryk's disciple in attempting to realise both principles in the autocratic, multi-national empire of Franz Josef. The first World War gave both him and his master their opportunity. While Dr Masaryk campaigned on behalf of Czech self-determination in the United States, Dr Benes pursued the same end, first in Bohemia, then in Paris. Their joint efforts were successful. The Czechoslovak National Council was recognised in 1918 and Dr Benes himself played a leading part at Versailles. As a result, Czechoslovakia emerged as the most advanced and stable of the "Successor States."

From October, 1918, until 1935, Dr Benes was Foreign

Minister of Czechoslovakia without a break. In 1935, he was the obvious statesman to succeed Dr Masaryk when failing health led him to resign the Presidency. As President, he endured the bitter years leading to Munich and, after the disaster, retired from office and withdrew from Czechoslovakia. The outbreak of war a year later, however, made it possible for him to secure recognition for a Czech Government in exile—in 1940—and to achieve the full renunciation of the Munich Agreement by Great Britain two years later.

In 1943, Dr Benes journeyed to Moscow to secure a settlement with Russia. The negotiations appeared successful, but in 1945 the scope of Russia's intentions became clearer. In the first government after liberation, the Communists secured the key position of Minister of the Interior and their influence grew steadily, particularly after the elections of 1946, from which they emerged as the strongest party in Bohemia and Moravia. The President sought to maintain at all cost the democratic traditions of the prewar Republic, but in 1947 his health began to fail and this breakdown coincided with a sharp worsening of the relations between East and West. When Russian antagonism culminated in the *coup d'etat* of February, 1948, the President was a sick and bewildered man. He lingered in office, seeming to condone the Communists' *Gleichschaltung*, but sooner than accept the new constitution he resigned on May 4th. His public career was at an end and he survived it by only four months.

Such is the outline of a career which began with such unique achievement—the creation of a state—and ended tragically with the absorption of that state, first into the German and then into the Russian empire. In the case of both disastrous eclipses, the immediate political causes lay far beyond President Benes's control. Between 1919 and 1938, he regarded a resurgent Germany as the chief danger to Czech security and he sought to counter the menace by relying on the Versailles system, the League of Nations, the ideal of collective security and the underpinning of them all by Anglo-French military strength. In 1938, neither the French nor the British were prepared to fight and, sooner than expose the Czechs to the horrors the Poles almost ran to meet a year later, Dr Benes capitulated. After 1945, his calculations once again proved unfounded. He could hold the balance between Communist and non-Communist in Czechoslovakia only so long as relations between East and West did not deteriorate beyond a certain point. The break over the Marshall Plan sealed the fate of Czech democracy.

Yet is this account of Dr Benes's failure adequate? He was not simply a spectator of his country's downfall nor did he play a passive part in the twenty years during which the Czech Republic was built up and then destroyed again. By all odds, he was one of the outstanding statesmen of the Europe created by Versailles and he was one of the leaders in the attempt to rebuild Europe on the Wilsonian pillars of political democracy and national self-determination. If the order failed, he, too, was in some measure responsible and, since he was so typical a son of the West, his failures throw light on the weaknesses of the whole tradition.

In the first place, he shared his contemporaries' blindness to the fact that, in Europe after 1919, nationalism was ceasing to be enough. Politically it was bound to break down before the stark fact that in an atomised, unrelated Europe of nation states, Germany would inevitably emerge as the strongest. The enemy had either to be absorbed and reconciled in a wider community or to be held in check by it. Nowhere did reconciliation fail more strikingly than in Dr Benes's policy towards the Sudetens—or the Austrians. But, on the other hand, alliances between the victorious states and their determination to keep the Versailles settlement intact proved to be links too brittle and inorganic to hold German aggression for long at bay. In the end, the League of Nations amounted to no more than these alliances under a rather more respectable name. Thus the aggressors were able to destroy all solidarity before they even launched their main attack.

In the economic field, a similar atomisation of Europe was accepted in the name of national sovereignty and the Czechs took the lead in destroying the wider ties that had held the old Habsburg Empire together. In the event, no nations suffered more from the ravages of economic nationalism than did the Successor States. Dr Benes cannot certainly be blamed for being no wiser in all this than the statesmen of France and Britain. It was only his tragedy that he practised a faulty policy in a position which exposed him to all its risks.

Dr Benes shared the Western World's lack of insight into the link between economic insecurity and political and social unrest. In the inter-war years, the Czechoslovak Government achieved many things—sound administration, reasonable finances, an honest judiciary—but it succeeded no better than other Western Governments in drawing organised labour into the national community and Communism began to grow, particularly after the depression. Dr Benes showed little interest in these matters, even after unemployment and distress among the Sudeten Germans—whom the depression struck hardest—had helped to move the Sudetenland from the home departments to the table of the Foreign Minister. After the Second World War, the mood of the workers developed in a still more radical fashion. It was not only liberation by Russia that determined the 1946 elections. It was also the failure of the non-Communist parties to maintain their hold. Recent events in Finland have shown how difficult it is for Communists to stage a *coup d'etat* if mass support among the workers is lacking. In Czechoslovakia, a sufficiently large percentage of the working people—though short of a majority—had long before February, 1948, already deserted the principles for which their President stood.

But, above all, Dr Benes and his Government shared with the Western World a failure in imagination, in vision, in creative power. The President stood for much that is infinitely valuable in civil society—above all for the humanitarian tradition which sought to banish violence from politics. Yet he lacked, as did all the West, the power to charge these ideals with energy. In the 'twenties and 'thirties the "prophetic word" passed from democracy to the totalitarian faiths.

If the tragedy of Dr Benes is more than a personal tragedy, more even than the tragedy of a nation, and represents in fact a fatal weakening in that Western tradition of which he was so typical a representative, there should be more than sorrow at this passing. There should be doubt and questioning and disquiet. It is true that *force majeure* was used in the rape of Czechoslovakia, both in 1938 and in 1948, but the reasons why the use of outside force was possible are in part grounded in the weakening of Western influence and Western ideals. President Benes's failure may be dismissed as a failure in an outpost of democracy, in the furthest point at which Western society threw down genuine roots. But it is surely wiser to use it as a symbol and a warning, and to ask whether the rest of the Western community is not threatened by the weaknesses that brought Benes down. National sovereignties are as strong as ever; in spite of all talk of Western Union, is any wider political and economic solidarity genuinely growing up? In the social field, can those who look at France—or Italy—say that the support and loyalty of the mass of workers for the democratic state has really been achieved? And, in the whole wide sweep of Western society, from London to Sydney, from Frankfurt to San Francisco, is there not still a confusion of voices, an absence of unity, the presence of fear? These weaknesses defeated all that was wholesome and sturdy and decent in Dr Benes's career and in the Czech state he attempted to build. The same weaknesses unchecked could write the epitaph of Western society.

NOTES OF THE WEEK

Ungovernable France

It seems more and more likely that whatever government emerges from the present French crisis, it will have one task only—to prepare for fresh elections. Government in conjunction with the present Assembly is clearly impossible. Its dilemma—which is described in detail in an article on page 419 lies in the fact that it is divided almost equally between Communists, extreme right-wingers and a centre *bloc* of moderates. Any lack of unity among the moderates therefore instantly exposes the *bloc* to defeat at the hands of the extremists. But unity is precisely what moderate opinion lacks. It in its turn is divided between right and left, the right believing that a restoration of the French economy can be achieved only by favouring and encouraging the peasant and the businessman, the left arguing that only if organised labour is satisfied can stability be achieved.

This underlying pattern of discord explains the unsurmountable political crisis of the last seven weeks. The Socialists—left wing of moderate opinion—could not stomach the relatively conservative and orthodox economic measures proposed first by M. Réné Mayer in the Schuman Government and then by M. Paul Reynaud in the cabinet of M. Marie. Their opposition brought down both coalitions. M. Schuman then took up once again the ungrateful task of cabinet building a week ago and, faced with rising food prices and the threat of strikes, secured socialist support only by giving the key Ministry of Finance and Economic Affairs to a Socialist, M. Pineau. The first act of this new cabinet was to grant a bonus of 2,500 francs to all save state and agricultural workers. The apparent "move to the left" was, however, too much for the Conservatives. When M. Schuman appeared to obtain approval for his Cabinet, he was defeated by six votes and immediately resigned.

M. Vincent Auriol, the French President, has no power to dissolve the Assembly. The different coalitions have not fallen as the result of votes of no confidence. The conditions of dissolution—eighteen months of life for the Assembly and two votes of no confidence—have not been fulfilled. The President, after failing to enlist M. Herriot's services, has therefore asked M. Queuille, a Radical, to make an attempt. But it seems that, in one shape or another, elections may give the final answer. If M. Queuille tries to secure Gaullist support, he will be successful only if he accepts the condition that cantonal elections should be held in October, and these may well repeat the landslide that gave General de Gaulle a majority in the municipalities last year. Gaullist pressure on the Central Government might then prove irresistible. If, on the other hand, M. Queuille fails, the pressure for a direct dissolution—by vote of the Assembly—will grow even more emphatic. The Council of the Republic has already endorsed it, and there are reports of wavering among the Socialists and the MRP—the two groups which stand, as moderates, to lose most by an electoral contest. It is difficult to avoid the conclusion that the Assembly's days are numbered and that it will be the lot of new elections to determine whether France itself, as well as its present Assembly, is incapable of parliamentary rule.

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No Change in Germany

The Russian aim in Germany has been—ever since November last—to find some way of bringing the Foreign Ministers back to the Conference table and thus of preventing the crystallisation of a separate Allied policy in Western Germany. The blockade was imposed in the hopes of securing renewed negotiations and a halt in the West, and, throughout the talks in Moscow, each turn of the screw in Berlin seems to have been designed to underline to the Allies the "hopelessness" of their position in Berlin and thus to bring them to terms. But the Russians have needed to play their game carefully. Too brusque a reaction in Moscow, too violent an attack in Berlin might have driven the Allies away altogether. The Russians have therefore haggled and haggled in Moscow, leaving the door open a chink for agreement. In Berlin, they have offered all provocation short of military action.

Today they have no reason to be dissatisfied with their tactical position. While the four Military Governors have reached a deadlock in their discussions on a single currency and the blockade the situation in Berlin grows steadily more desperate. The airlift feeds people, but it does little more. Meanwhile, the whole Russian sector has been taken over by the Communists, and when, under mob pressure, the lawfully elected municipal government moved to the protection of the British sector, its writ instantly ceased to run a yard into the Russian controlled sections of the City. The Western sectors are now islands virtually divorced not only from the surrounding German countryside but even from the rest of the city.

Yet, in spite of this local advantage, the Russians' major strategy has failed. The Allies are no more ready to discuss the future of Germany than they were on the day the blockade was imposed, and, at Bonn, talks on the new political regime for Western Germany are entering their second week. It may be this blank Allied refusal that has led the Russians suddenly to press for a meeting of the Foreign Ministers to discuss the future of the Italian colonies. The other Powers have agreed, in spite of the difficulty of assembling before September 15th. Will they find Russia determined to slip Germany on to the agenda?

* * *

America Overrides the OEEC

The two issues with which the Organisation for European Economic Co-operation has been continuously and often agonisingly concerned for many weeks past have now been brought to an agreed conclusion, but in neither case can the reception given to the agreements be anything but extremely reserved. The issue of the European payments scheme is discussed at length in an article on page 424, in which its very real economic disadvantages are analysed. The drawbacks attaching to the agreement on the allocation of Marshall Aid for the current year are mainly political. On two important points of principle, decisions have been taken and it is difficult to avoid the conclusion that both decisions are wrong.

In the first place, the allocation of aid between the European nations, which was, on the strongest American insistence, to have been a purely European responsibility, has been drastically modified by direct American intervention. The Committee of Five appointed by the OEEC drew up a list of allocations to which all the major Powers agreed. The chief dissentient was the German Bizone, in other words, the United States itself. The Bizone's officials refused either to allow its allocation to be cut from a demand of $450 million to $367 million, or to contribute some $90 million in credits to its neighbours. After a prolonged deadlock, Mr Harriman intervened on the side of American Military Government and, after a series of hasty conferences in the capitals of Western Union, compelled OEEC to raise the German figure by $145 million and to waive the demand for German credits. Thus the Europeans were deprived of their full responsibility and in the event a direct American *fiat* took the place of European agreement.

The second point of principle is even more unfortunate. Nothing will so discourage Europe, nothing will so quickly destroy confidence or play more effectively into the Communist hands than the belief that the United States intends to rebuild Western Germany at the expense, if necessary, of everybody else. Yet what other conclusion can be drawn from a decision which treats Bizonia as a most favoured child and releases the Germans from obligations of mutual help imposed on their neighbours. American intervention can thus only be characterised as politically very unwise and the contentions issue of Germany's "favoured position" may well check the best efforts at European co-operation for months to come.

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Reparations and ERP

The decisions taken in the OEEC in favour of Germany make it all the more unfortunate that the Americans should have chosen this moment to raise the issue of German reparations. That they would raise it at some point was certain since such a move is implicit in the terms of the Economic Co-operation Act. There it is laid down that the Administrator shall

> request the Secretary of State to obtain the agreement of countries concerned that such capital equipment scheduled for removal as reparations from the three Western Zones of Germany be retained in Germany if such retention will most effectively serve the purposes of the European Recovery Programme.

Mr Hoffman has now asked Mr Marshall whether the question of reparations may not be reviewed in order to find out which plants scheduled for dismantlement would be better used in Germany. Mr Marshall, in his turn, has passed on the request to the British and French Governments.

It is not likely to receive a very favourable response. In the first place, there are technical difficulties. One virtue of the list of plants to be dismantled as reparations, published last October, was its claim to finality. Mr Marshall has at a stroke destroyed its character and now the Germans will seek to reopen every item. There are already threats of strikes on this issue and the German administration is threatening to move officially. Another drawback is the fact that some types of light equipment and machinery are genuinely lying idle in Germany and could be used in other countries which have indeed based some of their recovery plans on the expectation of receiving reparations. The re-opening of the question creates new uncertainty on every side.

The main difficulty, however, remains political. Germany remains Western Europe's sorest issue, and the American raising of the reparations issue on top of its insistence on the scale of aid to Germany must revive in every French—or indeed Western European mind—the query whether Germany's economic revival with American aid is not going to prove a grave political menace in the future. The failure of Britain, France and America to concert their policy on Germany has long been the weakest feature of Western diplomacy. Is it now to bedevil the European Recovery Programme as well?

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Conflict at Margate

On Tuesday the Trades Union Congress turned with relief from the thorny subject of wages to debate the relation of the unions to the nationalised industries. It was obvious that the mild passages in the annual report of the General Council in which, adhering to a policy first outlined in 1944, it recommended that unionists should sit as individuals, and not as union delegates upon the boards of nationalised industries, would stir up a hornet's nest. Tuesday's debate underlined the difficulty which faces Transport House in acting as a responsible body and yet keeping in step with the less responsible views of its constituent unions. Mr Figgins, of the National Union of Railwaymen, rose in righteous wrath to move a resolution which had been slightly toned down after consultation with the National Union of Mineworkers. His original motion had flatly demanded that the Government should give greater participation to the workers, through their unions, in the control of state industry. As amended it became more a hope than a threat and merely demanded that those appointed to administer these industries should be men of proved ability and convinced of the success of nationalisation. The latter phrase is perhaps an attempt to salve the injury to the pride of the NUM inflicted by the strictures of Sir Charles Reid and of his resignation from the National Coal Board. As to proved ability it was as well that the topic was discussed in very general terms since some of the most lightweight recruits to the management of nationalised industries have been elderly trade unionists.

The railwaymen obviously felt themselves the more aggrieved since both the Transport Commission and the Railway Executive Committee each contain only one railway trade unionist. The miners have a better representation at the centre and nine trade union leaders on the Divisional boards. The Council accepted the resolution only as a general statement, without prejudice to rights of Ministers to use their judgment, but it is obvious that the railwaymen in particular feel themselves badly cheated by the course which the nationalised industries have taken. Apart from the National Union of Post Office Workers, which has avowedly syndicalist aims and means one day to run the GPO itself, it is obvious that the unions concerned with nationalised industries have not recovered from the shock of finding that nationalisation does not mean workers' ownership. They still do not know whether they want to run the industries with perhaps a little outside help or whether to remain as independent pressure groups representing the workers. Many of the less clear-sighted unionists obviously still believe that they can do both, but it is apparent that Transport House, looking ahead to a future which includes the possibility of less sympathetically inclined governments is determined to persuade the unions to remain as such and not to become integrated into the management of the industries.

Co-operative Breakthrough

In response to the Chancellor's appeal in February to reduce costs and prices the Co-operative Union persuaded its member societies to lower the retail price of a number of foodstuffs. This decision embroiled the co-operative movement with other retailers who feared undercutting (the unpardonable sin of retailing in Britain), but the policy was pursued and has now led to serious difficulties within the movement itself, owing to loss of some £8 millions of profits. Some societies have already broken away, and raised their prices again; others are straining at the leash. In order to hold the position the leaders of the Co-operative movement are seeking a meeting with the Government to discuss measures needed "to attain a stable national economy."

This announcement gives an ironic twist to the controversy on wages at the Trades Union Congress. The initiative of the co-operative movement in cutting prices is cited in the supplementary report of the Trades Union General Council as an example of the success of Government policy at the exact moment when the co-operatives are reversing their tactics and blaming the trade unions for the necessity of doing so. According to the statement by the co-operatives, the unions catering for the co-operative workers ignored both the Government's appeal for a freezing of wages and the attempt of the societies to reduce prices in their own shops. As a result co-operative workers are receiving higher wages, and the shops are getting lower profits. Evidently the co-operative leaders feel they cannot stop the rot without further Government support.

One interesting sidelight in this controversy is the reasons given by the Secretary of the Leeds Industrial Co-operative Society for its decision to restore the cuts in prices in advance of the approach being made by the leaders to the Government—namely, not only the recent wage-increases to co-operative employees but the increase in national health insurance contributions. These contributions have been cited by workers elsewhere as a ground for wage increases. This is the first time they have been cited by the employers as a ground for a price increase.

A reversal of policy on price-cutting in the co-operative shops would have important repercussions. Not only do they run the country's largest chain of retail establishments (with, in 1947, 9,805,292 members and a sales total of £434,215,000) but their competitors would certainly follow their example in marking up prices as quickly as they followed them down. If the Co-operatives cannot make ends meet why should others less favoured attempt to do so?

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BBC Record

The BBC has just published its annual report [Cmd. 7506]. It is a disappointing document in so far as it maintains a heavy silence about all the questions of policy and controversy which are of interest to members of Parliament and the intelligent listener, and lists fully and aridly only the outstanding programmes and the main accounts for the year 1947-8. As a reminder of performances given it is useful; as an exposition of the working of the nation's sole broadcasting system it could hardly be less helpful.

Yet with a monopoly of what is probably the most powerful single influence on current thought, the BBC surely owes the public more information about the controversies which influence broadcasting policy. There are now over 11 million licence-holders, 400,000 more than the previous year. Could they not be told more about this large machine to which they contribute? What is now considered to be the place of the Third Programme in the main trilogy, now that it has been given a full trial? What was the public's reaction to the political broadcasts? What are the essential cleavages in the dispute with the Musicians' Union? How is the programme apportioned between the claims of those who turn on the tap of sound continuously or indiscriminately according to the state of the washing-up or their cigarette supply, and those who conscientiously mark their *Radio Times* and firmly quell their families at the appointed hours? What are the broadcasting problems to be faced in telling the people about the country's economic position?

This last is certainly the BBC's biggest political job, and one to which governors and directors have devoted much thought. There clearly are limits to the amount of exhortation the public will swallow, and it is possible that the experience of other broadcasting systems may have some lessons to offer on the difficult job of getting serious subjects into the listening ear. America, for example, makes much more of radio personalities than is made in this country. The talks by Mr Graham Hutton and the chairmanship of a long series of talks by Sir George Schuster were, for example, a great success; is continuity of this kind an advantage? The intelligent and well-informed listener is the lesser problem; he is usually already half converted. The real stumbling block is how to reach the individual factory worker or coal miner. How does the BBC hope to convert him to higher output?

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India Cracks the Whip

It is now generally expected that India will launch a military invasion of Hyderabad in the near future. According to the Delhi correspondent of *The Times*, India as a whole welcomes the prospect and "is averse from awaiting the outcome of Hyderabad's appeal to the United Nations." It is, of course, an obvious procedure to destroy a state complaining to an international authority before its appeal can be heard and then argue that there is no longer any case to discuss. India further argues that Hyderabad cannot make an appeal to Uno because under the "Standstill Agreement," which was concluded for one year and expires in November, Hyderabad has agreed to be represented by India in its foreign relations. But Hyderabad claims that the Standstill Agreement has in any case been violated by India, as indeed it has, for one clause of the agreement provides for the reference to arbitration of any disputes arising out of it, but when Hyderabad requested arbitration, the Indian Government replied that "it is no doubt true that the Standstill Agreement provides for such reference," but that arbitration "could be regarded as a practical solution only if the Hyderabad Government were agreeable to taking certain steps immediately which could be regarded as a genuine token of that Government's desire to maintain cordial and friendly relations with the Government of India." By making fulfilment of the Agreement conditional on Hyderabad's acceptance of fresh demands India has shown a complete disregard of treaty obligations and its juridical case before a world tribunal would certainly be a weak one.

A strong case can be made for the view that full accession to the Dominion of India would be in the long run in the best interest of Hyderabad and its people. But the peremptory and menacing language used from the beginning by the Indian States Ministry and the ruthless blockade, which has been extended even to medical supplies, have merely confirmed the worst fears of the Hyderabad Moslems and prompted them—with the memory of the Punjab massacres less than a year old—to undertake a desperate resistance. As far as this country is concerned, Britain no longer has any specific responsibility in the matter apart from general obligations under the Uno Charter, and is naturally concerned to maintain the best possible relations with a co-member of the Commonwealth. But if the case comes before Uno, the British delegation will not be able, without incurring a charge of perfidy, to go back on the declaration made by the Secretary of State for India in Parliament on July 16, 1947, that after the lapse of paramountcy the Indian States "will be entirely free to choose whether to associate with one or other of the Dominion Governments or to stand alone."

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Communist Purges

The Communist Parties of Czechoslovakia, Poland and Hungary have embarked on purges of their membership. The Rumanian Party may be expected to follow. "Nationalist, bourgeois and opportunist elements" are being eliminated, and no effort will be spared to give members a "firm grasp of Marxist-Leninist methodology" and to "raise the ideological level" of the parties.

These purges mark an important new phase in the development of East European Communist policy. Before 1939 the Communist Parties of Poland, Hungary and Rumania were tiny factions, while the Czech Party had few followers outside the working class. In the first two years after "liberation" recruits were welcomed. Quantity was preferred to quality, and ideological examinations were slight. The Communists were engaged in seizing power and needed numbers to overawe their rivals.

Communist recruits were of various types. Some were men of solid convictions, workers or intellectuals who stood for Socialist principles. Others were swept away by vague admiration of Soviet power. Then there was a large contingent of opportunists, who sought personal security and a career under the protection of the Party "to whom the future belonged." A fourth important group were the toughs, mostly recruited from Fascist organisations (Iron Guard, Arrow Cross, etc.), willing to serve impartially any organisation which would put out extremist slogans and allow them to exercise their strong arms.

Special inducements were also offered to men holding key posts in the administrative or industrial machinery, who were prepared to obey, and persuade their subordinates to obey, the Party's orders in a crisis. These men regarded such action as "personal reinsurance." In the short term it benefited both themselves and the Party, and no ideological questions were asked. The most striking example is the growth of the Czechoslovak Party in the weeks before and after the February "revolution."

But once the Communists had monopolised political power, a change was bound to come. In the present stage the supreme aim is the consolidation of the Soviet Empire's stranglehold in Eastern Europe. Key jobs must pass from the careerists to "steel-hard Bolsheviks," who truly "appreciate the part played by the Soviet Union in the world struggle against imperialism." Now those who thought themselves so clever are realising that their fate does not differ from that of the Hugenberg Nationalists who helped to put Hitler in power in 1933. But even the purest are subject to purge, as the case of Poland's Gomulka shows.

It is worth noting that the Jugoslav Communist Party never quite fitted the usual East European model. The Jugoslav Communists obtained their political monopoly during the course of the war itself. Most new recruits had at least proved their loyalty in the hard school of guerrilla warfare. After the war, expansion of membership was comparatively slow. Loyalty to Tito and his closest collaborators had the first priority. Today the best material for the Cominform, in its attempt to subvert the Jugoslav Party from within, are on the one hand a small number of pre-1941 ideological veterans, and on the other hand the opportunists who only joined because the party was on top, and may now calculate that the Soviet Politburo is stronger, and therefore better worth supporting, than their "people's leader." In other words, Moscow must enlist precisely the "bourgeois opportunists" in its fight against Tito.

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Arsenal for the West

Mr Gladwyn Jebb's visit to Washington to discuss matters relating to Western Union was presumably exploratory and no formal communique has been issued. Yet the lack of inspired guidance suggests that there is little progress to report. At the present moment, any hint at all that the strength of the five Powers of the Brussels Pact is to be increased would be more than welcome to the harrassed negotiators in Moscow and Berlin. If, therefore, Mr Jebb had succeeded in persuading America to undertake commitments, his success would presumably have been shouted from the housetops. As it is, it seems unlikely that there can be any question of American military support for the Brussels Pact until January next year, when the presidential elections will be over and the Senate will next meet. Even then, Congress will probably insist that the five signatory Powers to the Brussels Pact should prove that they have done everything possible to build up their own defences before it commits America to any form of military guarantee. Mr Harriman's suggestion that Britain should turn itself into an arsenal for Western Union is perhaps a hint of the type of re-organisation likely to persuade Congress that the Western European Powers are willing to do more than watch the Superfortresses fly to and fro.

But the dilemma facing the Five Powers is that in their present economic predicament they cannot both expand their fighting forces and increase their trade and production. Men, dollars and raw materials are all scarce. Europe can make enough tanks or enough tractors; it cannot make enough of both. This is not simply a matter of arithmetic. As the experience of France in 1940 shows, the effectiveness of a country's war production depends directly upon the general resilience of its economic life. A dragging economy cannot switch to an effective war effort, but given a healthy economy, tanks, guns and aircraft can be produced when and as they are needed. To make a sick economy worse, as Mr Harriman's suggestion for Britain would do, though it might temporarily improve the military strength of the Brussels Pact, must in the long run weaken it. Since America genuinely desires a strong Western Europe, the only immediate solution is that the North American continent should for the time being act as the chief arsenal of Western Union and thus allow Western Europe to continue its struggle towards economic recovery, unhampered by too great a diversion of its resources to the needs of defence. The burden could then be more evenly distributed as Western shoulders became progressively more ready to take the strain.

The Need for Hospitals

There is a wealth of material in the survey* of hospital-treated sickness in Stirlingshire sponsored by the Nuffield Provincial Hospitals Trust. It analyses the case records of the county's hospitals over a year according to the patients' age, sex, disease, occupation, duration of treatment and result of treatment. It is difficult to make a selection from the abundance of statistics thus collected, but one fact will impress itself upon the layman's mind —one in seven of the county's population had hospital treatment, either as an in-patient or out-patient, during the year.

One in seven had hospital treatment. . . . But the survey shows the pattern of hospital-treated sickness as it was met by the available resources—it was not concerned with waiting lists. Consequently, the real demand for hospital services must be even greater than the proportion of one in seven suggests. In fact, as the survey itself points out, according to the official hospital surveys undertaken a few years ago, Stirlingshire has a deficiency of some hundreds of hospital beds. The hospitals place a heavy burden on the resources of the community, and the depressing conclusion to be drawn from this survey is that the burden seems to be increasing rather than decreasing. Thus it traces the growth of Falkirk Cottage Hospital, opened in 1889, into the Falkirk and District Royal Infirmary of today. During the hospital's lifetime there has been a tremendous advance in medical knowledge and in the treatment of disease. There has also been an advance in what may be called preventive medicine—the public health services, accident prevention, immunisation campaigns and so on. These advances in medicine are reflected in the changing pattern of the cases treated at the Falkirk Hospital; from being mainly concerned with the treatment of accidents, it gradually undertook a wide variety of medical and surgical cases. But they have not led to an absolute decline in the amount of hospital-treated illness. Reduce one disease to insignificance, or lessen its severity so that it need not be treated in hospital, and there is always another ready to take its place.

This is not the only side to the picture. Against it must be put the decline in the death-rate and the fact that far more hospital-treated patients than formerly are now made fit for work again. But one may well ask, reading this survey and recollecting that hospital treatment is now free for the whole population, whether there is any prospect of the burden being lightened.

* "Hospital and Community." Nuffield Provincial Hospitals Trust. 3s. 6d.

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Price the Panacea?

Sir Hubert Henderson, in his address to the British Association, said some things which badly needed saying—and left unsaid some others which might have been even more valuable. Long endurance of the frustrations and absurdities of pseudo-planning, impatience with the self-righteous rhetoric by which it is too often justified, has stimulated a reaction in favour of free prices "marked," said Sir Hubert, "by the same defects . . . incoherence and wishful thinking." *Laisser faire, laisser passer*—the old slogan is not overtly revived, but its substance has an increasing and potentially dangerous attraction, and not only on the extreme Right. Sir Hubert's criticisms, however, were directed not upon this naïve set-the-people-free nostalgia, but upon the far more attractive "central prescription" of price-system ideology: that the state should exercise strong positive central powers to equate aggregate demand and aggregate supply, thus establishing "global equilibrium," and then allow prices to do the rest. He had no great difficulty in demonstrating that, when the economic system is really severely out of gear, freely moving prices are a quite inadequate means of getting it back again. They will establish a short-term, immediate balance, of a sort; but this will have very little relation to the long-term balance of resources and needs. In foreign trade they are almost certain to impose an intolerable strain or to bring about frenzied exchange fluctuations causing worse disequilibrium than ever. In the field of long-term capital investment they would require an enormously high rate of interest at the moment, and a very erratic one thereafter. They require to be supplemented, however distasteful this may be, by direct physical controls. Existing controls may be wrongly conceived and wrongly applied; but, by and large, our hardships are really necessary.

What Sir Hubert did not touch upon is the way in which these controls, and economic policy in general, should work towards an eventual equilibrium whose attainment would make it possible to reintroduce the price system without catastrophe. For there is a real distinction to be drawn between these controls which must in any conceivable circumstances remain in force and those whose necessity, however unanswerably established, derives from war, postwar disorganisation and the gross errors of earlier planning. To insist on this distinction, to demand that the onus of proving the continued necessity of any particular control shall always rest with those imposing it, and to look forward to the ultimate extinction of those not concerned with "global equilibrium," is a very different thing from ranging oneself within the ranks of what Sir Hubert calls "extravagant propagandists of go-easy illusions, pushing salesmen of enervating fools' paradises."

* * *

Dream of Plenty

One of the largest question marks, if not the largest of all, in the economic affairs both of Great Britain and of the world at large concerns the potential production of foodstuffs. There are no new prairie frontiers; are there, or are there not, technological frontiers whose forward advance will be as spectacular and as beneficent? Agricultural policy, migration policy, trade policy and perhaps in the long run the prospects of world peace, hang on the answer. Dr Scott Robertson, addressing the agricultural section of the British Association, was confidently positive. Quite apart from any discoveries as yet unmade or wholly unexploited, the mere raising of general standards to those of the best farming practice now current would, in his view, raise the productivity of British or American agriculture by 50 per cent—with correspondingly greater possibilities in backward countries where the margin to be made up is vastly larger. Great, though unspecified, gains may be expected from the better use of grass, whether dried or in silage. And a reduction of only 10 per cent in the cereal losses inflicted by pests between harvest and consumption would by itself go a long way towards closing the "cereal gap." The establishment of fertiliser industries in India and China would make it possible for those two problem countries to feed their own people properly. The twentieth century's advantage in scientific knowledge, in fact, more than outweighs its deficiencies in virgin lands.

All this is, of course, extremely encouraging—though scientific and technical potentialities must be exploited as vigorously as any pioneer ever exploited his prairie holding if they are to be productive. But some obstinate misgivings haunt the mind of the reader of Dr Scott Robertson's speech. One can hardly repose unqualified confidence in the judgment that "no material progress was possible" up to 150 years ago, and depicts all the preceding centuries of human history as consisting of unrelieved "want and famine." This is an over simplification of history, as Drummond's *The Englishman's Food* would show. Great advances in scientific farming and stockbreeding occurred well before the end of the eighteenth century. Confidence is further undermined by Dr Scott Robertson's belief that "the old conception of exchanging agricultural products for industrial products has almost passed" and his criticism of the British import of Polish pig-meat and eggs because Poland needs them more than Britain, for all the world as if Poland were being forced into this trade against her will. If the possible 50 per cent increase in British and American agricultural productivity bears the same relation to reality as his comments on the past and present, the outlook may not be so promising as Dr Scott Robertson would make it appear.

* * *

Burmese and Karens

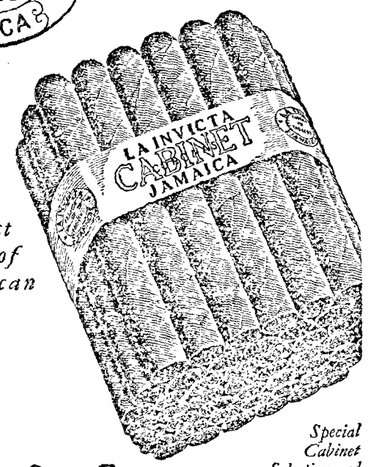
The Communist revolt in Burma has had the natural result of loosening the bonds of union between the Burmese and the non-Burmese peoples who under a carefully drafted constitution have been joined with them in a federal state. The most numerous and important of these are the Karens, who live in the hilly country along the Salween in the south-east of Burma and have also settled among the Burmese in the plains of the Irrawaddy delta. There is an old antipathy between the Karens and the Burmese, who differ from each other in language, customs and temperament, and the divergence was accentuated during the war when the Karens resolutely resisted the Japanese while many of the Burmese were collaborating with them. The Karens have been generally dissatisfied with the place given them in the new Burma and some of them have even been talking of setting up a separate Karen state between Burma and Siam. Taking advantage of the civil war in Burma, the Karens last week occupied

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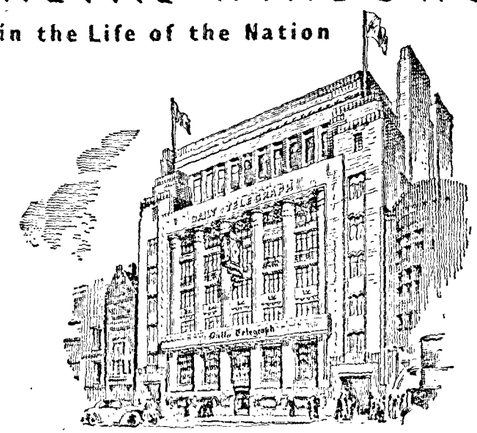
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the important port of Moulmein; their leaders denounced the Burmese Communists, but made it clear that their support of the Government would be conditional on the granting of their demands for local autonomy. Rangoon claims that a settlement with the Karens has now been reached, but its terms have not been disclosed.

The civil war has also affected the Shans of the interior whose territory marches with the Chinese province of Yunnan and who have many Chinese settled among them. Communists are reported to be active in this region and in view of the difficulty of closing the frontier to infiltration, it is possible that the Yunnan authorities may at any time begin to intervene on the Burmese side of the border. Chinese penetration into Burma might be initially helpful to the Government in Rangoon if it cleared Communists out of the border areas, but it might soon become very embarrassing, as China maintains extensive territorial claims on northern Burma, where a part of the frontier had never been finally demarcated down to the time of the British withdrawal.

* * *

Opposition in Israel

Long before the Zionists achieved a State, they had a Revisionist Party. With its militarist mystique and its adolescent power fixations, it exactly resembled the German free corps fighters and early Nazis, or any of the other groups of disorientated and thwarted petty bourgeois who have been one of the curses of Europe for a generation. In 1939 and 1940 an "activist" group split off from the Palestine Revisionists, taking with it the cream of the movement. It founded in Palestine the National Military Organisation—Irgun Zvai Leumi—and in America it built up various Hebrew leagues and liberation committees which succeeded in raising a great deal of money from gullible—and some less gullible—Americans.

The Irgun became a secret terrorist society, whose subsequent exploits are well known. Their mentality has been ruthlessly exposed by Arthur Koestler in his book *Thieves in the Night*, the "hero" of which abandoned life as a communal settler to be absorbed into the Irgun with its secret initiation ceremonies, its terrorism, murders and bank robberies. A further schism in the Irgun produced the Stern Gang, an even more secret and mystical assassination society, led by a mathematician who was later killed by the police.

Both these groups are now troubling Israel and the United Nations. After the proclamation of the state, they came out into the open. The Irgun lost credit by its early failures in the fighting for Jerusalem and also by the strong action taken against it by Hagana when it tried to run in an arms ship during the first truce. Since, however, it has been building up its strength again. It has now swallowed its parent, the Revisionist Party, and has formally proclaimed itself the spokesman of Israeli militarist expansion. The first objective is the incorporation of Jerusalem in Israel, and the United Nations will have to take note of the fact that the Irgun is ready to resist by force any attempt to internationalise the Holy City.

The Sternists, who since last year have made a nominal shift to the left and pretend to support Russia, have also, in a tragically naïve and childlike series of statements to the press, announced their intention of carrying on the war. They, however, propose to organise murder campaigns against leaders of the United Nations. These indiscretions have brought on their Tel Aviv headquarters an Israeli police raid, and a number of their leaders have been detained. The Israeli authorities, however, still have to behave respectfully and even tenderly towards all these dissidents, and the problem they present is by no means solved.

* * *

Stocktaking in a Development Area

The North-East Development Association states in a memorandum just issued* that the reduced capital investment programme last winter caused 50 industrial projects in Northumberland, Durham and the North Riding to be deferred and that these deferred projects represented an "employment potential" of 10,000 workers. Information on the vicissitudes of the capital programme is not plentiful, and the association asks reasonably enough for the publication of figures which would make it easier to compare the impact of the capital cuts on the north-east with that on other parts of the country. The north-east has not, the association admits, been worse treated than the other development areas. But there is a natural anxiety that "so far as is consistent with export demands, the cuts should fall much more sharply on the areas of low unemployment than on the development areas as a whole." It is on this point that the association, which speaks on questions of industrial expansion for the bulk of the local authorities in the area, would like more information. In July, 1947, before the White Paper on Capital Investment was issued, the proportion of insured workers in the building trades was 6 per cent below the national average; and unemployment in building trades in the area was 6.3 per cent last March. The association finds this disturbing; but it might be the result of other causes than too little factory building.

It should be added that "employment potential" is not so calculable a thing as development plans tend to assume; the memorandum makes this clear. Two years ago a similar memorandum stated that the region needed about 150,000 additional jobs in years of average trading conditions. New factories agreed upon by mid-1946 were expected to provide employment for about 70,000 persons; by last April the expectation had risen to 102,500, and actual employment in new factories had reached nearly 32,000. But during the period in which 32,000 new factory jobs were provided the actual volume of employment in the area rose by only 20,000. This suggests a strong drift of workers from the old to the new industries. At the same time the reliability of the estimates is doubtful, since "a number of factories have not achieved the target set for labour demand and see little likelihood of doing so." The tendency for expanding industries to draw more workers than they can maintain in employment is noticeable. Building and contracting, the light mechanical industries, and textiles and clothing have attracted insured workers more quickly than they have been able to employ them. This is one of the difficulties which accompany attempts to diversify and expand the regional economy. Another is the tendency for the employment of women to expand with the industrial changes, and for the employment of men relatively to contract: "Any further contraction of the basic industries will fall almost entirely upon male workers, and it is therefore imperative that the industrial development during the next few years should be concentrated upon providing more jobs for men."

* * *

Aerial Bludgeoning

The air exercises last weekend were unpleasant reminders of the war in more senses than one. Air Ministry communiqués have naturally been reticent, but it has nevertheless been possible to deduce the broad outlines of what the rival air forces attempted and what they achieved. The disturbing picture which emerges is that apart from the use of faster aircraft, little progress seems to have been made in either offensive or defensive tactics. The bombers still try to "obliterate" their targets; the fighters continue to be misled by "window" deceptions. The whole exercise had an air of small boys playing soldiers, and in spite of the sleep-preventing roar of aircraft over London in the early hours of the morning, it was not a particularly impressive display of the skill which saved Britain in 1940 and which sank the *Tirpitz* in 1944.

The Air Staff must learn that war is not a blunt instrument with which to destroy everything of the enemy within reach. Europe is paying in full now the price of the annihilation tactics of the Allies during the last three years of the Second World War. If the same tactics are used in a third war—and the reports of last week's air exercise show no change of heart on the part of the Air Ministry—the desolation in Europe will be complete. Victor and vanquished will alike be destroyed. If, instead, the air force were to concentrate on precision bombing, on destroying communications and on attacking only those targets which must be destroyed to facilitate the advance of troops on land or to secure the safety of ships at sea, then there might be some hope of having something left with which to rebuild after victory had been won.

Shorter Note

Comment on the report issued by the Economic Commission for Europe on trade between eastern and western Europe has had to be postponed for a week. The digest of the press release and the statistics included in it can be found in this week's issue of *Records and Statistics*.

* The Northern Region, May, 1948. Newcastle: North-East Development Association.

Letters to the Editor

Defence and Defiance

SIR,—In *The Economist* of August 21st you say that Mr Churchill's followers "should have pressed the Government much harder for assurances about the state of civil defence, about the disbanding of special airborne and armoured formations, about the state of anti-aircraft and fighter resources and about arrangements for calling up reservists."

I feel it only fair to point out that these matters have been constantly raised by the Opposition, not only in the past but in the present Session. Regarding civil defence in particular, a Supply Day was obtained by the Opposition and the matter raised at considerable length in a debate on March 22, 1948. Owing to the utterly inadequate reply of Mr Younger, the matter was brought up once again by the Opposition in the House of Lords on June 23, 1948.

Questions and criticisms regarding the state of our anti-aircraft resources have been constant since 1945, and I personally have asked for information on this subject at least four times without eliciting a single answer.

May I say in conclusion that it is a source of disappointment to many of us who are interested in defence matters that your paper so rarely devotes major articles to this subject.—Yours faithfully,

ANTONY HEAD.

House of Commons

[We have omitted, for reasons of space, the ten references to Hansard included in Brigadier Head's letter. Certain Conservative MPs have worked hard in debate and in question time to secure information, but it can hardly be said that criticism of the Government's defence policy has played a major part in their party strategy. *The Economist* shares with MPs and the rest of the press the difficulty of getting from the appropriate ministries information adequate for constructive discussion of defence questions.—EDITOR]

Unity in the West

SIR,—Why have the signatories to the Brussels Pact not appointed a commission whose terms of reference are to subdivide the nations of Western Europe into political constituencies for the purpose of holding direct popular elections to a European Assembly with advisory powers?

This course would serve to:—

(1) Make the electorate "union" conscious.

(2) Drive the candidates to stand for European parties of the left or right *irrespective of their nationalities*.

(3) Encourage the members of the elected assembly to gain the confidence of the European peoples and thus their support for demanding that the existing National Governments should transfer executive power to the Assembly.—Yours faithfully,

GERVASE A. FRAIS

130 *Bickenhall Mansions, Baker Street, W.1*

Disinflation in Jeopardy

SIR,—The article on "Disinflation in Jeopardy" in *The Economist* of September 4th is not without relevance to the question of up-valuing the pound. Disinflation, you say, has been "diluted." "The continuing rise in import prices and in other costs has lifted the bill for cost of living and agricultural subsidies far beyond what was contemplated in the budget." You are referring here not to the rise in the cost of living (which has not been altogether avoided), but to the encroachment of increased subsidies, as well as of other items of increased expenditure, upon the budget surplus.

If the dollar-value of the pound were raised, the sterling prices of imports would be reduced in proportion, and the excess prices of the subsidised imports much more than in proportion.

You do not refer to export prices. In my letter in *The Economist* of August 21st I said: "As soon as the external price-level diverges at all far from the British wage-level, the rise of wages is sure to occur." The recent rise conceded in the engineering industry, which was the occasion of your article, is an apt example. So far as it goes, it "marks both the extinction of the stimulus to exports and the irreversible progress of inflation."

In your note on that letter you express the view that "in the *long* run it is overwhelmingly probable that the pound should be devalued relatively to the dollar—unless the American inflation goes much farther, and the inevitable ensuing reaction much less far, than now seems likely." I fear that is so; for it is "overwhelmingly probable" that the Government will continue, with the support both of *The Economist* and of the majority of economists, to keep the pound tied to the dollar, so that the British wage-level will rise nearly in proportion to the American, and when at last inflation in America gives place to deflation, Great Britain will be faced with the disastrous alternatives of depreciation of the pound, or deflation, with its accompaniments of depression and unemployment.

In my previous letter I said that up-valuing the pound would cause the loss "only of the least profitable portion" of the export trade, and you ask what "least profitable" means. The least profitable exports are those which use up the greatest amount of productive resources in proportion to their yield in foreign exchange. The cessation of these exports may in some instances result in the productive resources released being applied to some purpose for which they are less well adapted. But it is much more likely that they will have been diverted by the export drive from more suitable employment, and will be more fruitfully employed by reverting to it.—Yours faithfully,

29 *Argyll Road, London, W.8* R. G. HAWTREY

The Olympic Games

SIR,—Your Note of the Week for August 21st brought politics very much into the picture when discussing the one international organisation which nowadays strives to exclude the political element. It was not the fact that you implied that the Olympic flame went out on its arrival in England, but the fact that you have missed the general feeling of the common peoples of the nations which took part in the Games, and in particular in the Torch Relay.

The Olympic flame was accepted by all who saw it, or read about it, or were told about it, as a symbol of the brighter future for which all the peoples of the world are yearning. Just how it did this or exactly what it was symbolising was of no importance, the fact was that here was an aspect of international scene which surprised and delighted the ordinary man and woman in the street. Here was something which passed international frontiers without let or hindrance, which burnt steadily from its start in Olympia to its final glory at Wembley Stadium, as an expression of the fact that the international brotherhood of sport has, even in these depressing times, a real meaning to the sportsmen of the world.

The International Olympic Committee owes no political allegiance to anyone, for politics plays no part in its organisation and in its deliberations. Admittedly the politicians are the people who have the greatest say and make the greatest noise in the world today, but they are not necessarily gifted in interpreting to the world the desires of the people they represent.—Yours faithfully,

37 *Upper Brook Street, London, W.1* F. W. COLLINS

The Organising Committee for the XIV Olympiad

From *The Economist* of 1848

September 9, 1848

THE National Assembly at Paris is debating the new constitution. It has been framed by a committee, reported to the Assembly, and is now undergoing discussion by the whole body. Almost unanimously, too, it has been resolved that the Assembly shall not separate till the constitution be settled. For the twelfth or fifteenth time within the recollection of the yet existing generation, the wisest men of France . . . . are performing over again a work which all former experience since 1790 proves will not stand for one moment against the necessities, real or imagined, of circumstances, and of men in authority. They lay down rules to bind those they entrust with power, which nobody thinks of observing. Men in power are obliged, or fancy they are, from an instinct of self-preservation, to set those rules aside, and, under the first spur of necessity, they find in their swords or the circumstances of the times a rule of action at variance with the written constitution. From that moment the labour of the legislature is worthless. Some exceptional laws or other vitiate its principles; some individual or other sets them at defiance; and society is never governed by the written constitution so elaborately made It is interpreted by passion, it is set aside by interest, and the principles which dictate the exceptional laws supersede the constitution. That has been the course over and over again; and yet, with a silly and dogmatic attachment to a theory, shutting their eyes to facts and experience, the leading men of France are now pursuing the same vain and fruitless course.

Books and Publications

Economics With a Wet Towel

"Towards a Dynamic Economics." By R. F. Harrod. Macmillan. 159 pages. 7s. 6d.

THIS reprint of five lectures delivered at the University of London in the spring of 1947 arouses in the reader an incredulous compassion for Mr Harrod's original audience. A lecturer who drivels or perpetrates commonplaces can be easily dealt with ; one quietly leaves the lecture hall, or, if polite and conspicuously placed, merely registers a vow to return no more. One who is hard, just ordinarily hard, to follow can be listened to with as much concentration as possible and subsequently supplemented by reading and discussion. But a lecturer who, like Mr Harrod, compresses into (presumably) not more than ninety minutes or so a volume of theory unfamiliar, intrinsically very difficult indeed, and very incompletely translated, so to speak, from the mathematical, sets himself and his audience an impossible job.

In book form, *Towards a Dynamic Economics* emerges as a cruelly compressed, highly stimulating, beautifully articulated statement of the fundamental economics of growth ; of the necessary relations obtaining between the dynamic elements—population change, technological progress, and long-term saving—of an advancing society. In the realm of dynamics it is roughly analogous to Professor Cassel's *Fundamental Thoughts on Economics*—though one cannot imagine Professor Cassel soaring off, as does Mr Harrod in his final lecture, into a sociological discussion of the implications of his theory. (That final lecture, the only one of which the lay reader could be expected to make head or tail, deserves a wider audience than, in its present setting, it is likely to get.) Certain rates of growth, certain related rates of real capital accumulation, and certain rates of saving (defined as a fraction of income) are alone mutually compatible ; divergence of any of the factors in this fundamental equation sets up a centrifugal tendency, making the dynamic economy essentially unstable. This is the core of the argument, which one can only hope that Mr Harrod will one day restate at about five times the length, in the interests of intelligibility. The basic equation, progressively modified, serves as a sharp and elegant tool for disentangling the problems of fluctuation and depression, of foreign trade policy and of contracyclical measures. *Towards a Dynamic Economics* is packed as full of practical precepts as of fundamental theory. It has, in fact, all the hallmarks of an important and seminal work ; and it is a great pity that it should be, in its most essential parts, so very nearly totally unreadable.

Documentary History Continued

"Documents on British Foreign Policy, 1919-1939." Edited by E. L. Woodward and Rohan Butler. HMSO. First Series. Volume II. 971 pages. 32s. 6d.

THIS is the fourth volume to appear in the collection of Foreign Office documents which, though originally projected in two series, has now been divided into three, in order that the volumes for the few years immediately before the war may be published as soon as possible. The three volumes which have already appeared included one in the First Series, beginning in 1919, and the two in the Second Series, covering the years 1930 and 1934. No volume in the Third Series, which will presumably start in 1935 or 1936, has yet been published.

The publication of yet another volume for the year 1919, in advance of any of the volumes of the Third Series, which will deal with events more relevant to the outbreak of the war, will be resented in some quarters. It may, however, do something to correct the tendency of even reputable contemporary historians to run before they can walk, for in the search for the origins of the war it is only too easy to begin in the 1930s, to look no earlier than the rise of Hitler ; and it is fashionable—perhaps inevitable, also, if this first mistake is made—to diagnose Europe's trouble after 1933 as the bankruptcy of statesmanship. It is equally fashionable, among those who, avoiding this error, pursue their researches as far back as the Treaty of Versailles, to defend that Settlement and to describe any uncertainty on this score as "twaddle about Versailles." It is unsound and over-simplified to defend the authors of the Versailles Settlement while denouncing the policies of their successors. Some of the problems at the Peace Conference were not settled because they were not seen ; some, though realised, were misunderstood and therefore aggravated by the Treaty for Versailles ; many, if not all of them, were perhaps well-nigh insoluble. At all events, it will still be impossible, even when all the documents have been published for the period since 1930, to present a convincing analysis of the origins of the war without giving equal attention to the evidence on the Versailles Settlement itself and the succeeding years. The parallel publication of early and late volumes in this collection of documents will help historians to keep this truth in mind. They may be impatient that the entire collection is not published more quickly ; but they cannot fail to welcome the decision of the editors to continue the regular publication of the First Series as well as of later volumes.

When the documents of the first volume of Series I begin, the peace treaty had been settled in its main outlines and the principal topics had been decided. The Allied Supreme Council had taken the form of meetings between Heads of Delegations at which the leading statesmen were not present. Their minutes filled the first volume and are now completed in the first part of the present volume. The secret minutes of the more restricted conferences of Allied statesmen in London and Paris up to January, 1920, when the main session of the Peace Conference came to an end, form the second part of the present volume, which therefore concludes the publication of the more important of the records of the Peace Conference in its various forms.

A close study of these volumes, and especially of the records in the second half of the volume under review, which include material on Anglo-French policy towards Russia and on the difficulties created by the non-ratification of the Treaty of Versailles by the United States, is indispensable for any reliable history of the inter-war years. If they are ignored, our understanding of the problems inherent in the Versailles Settlement will remain incomplete ; our estimate, therefore, of the statesmanship of which that Settlement was the result will be unsound—and so, in consequence, will be any interpretation of the subsequent developments which led to the Second World War.

Jerusalem : During British Mandate

"Jerusalem: The City Plan." Preservation and Development during the British Mandate, 1918-1948. By Henry Kendall. London, HMSO, 1948. 21s.

The British provided Jerusalem with a plan, excellent of its kind. This book, with its abundant photographs, which anyone who has known Jerusalem will want to possess, is the story of the plan. It is seldom nowadays that so much can be had for a guinea—a handsome quarto volume, well printed, with maps and illustrations in colour. The latter, from watercolours by H. G. Gray, recall the Palestine press censor in a more human and more thankful guise. But inevitably a publication so beautifully got up, expressly intended as a challenge and a lead to Britain's successors, whoever they may be, raises questions which cannot be answered in this context alone. To the plan Jerusalem no doubt owes its freedom from some of the major vices of haphazard growth—though even here authority might have been more diligent in its support—but as operated it was essentially negative, a list of things that private enterprise might not do.

Text-books Reprinted

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AMERICAN SURVEY

Zinoviev Writes Again

(From Our US Editorial Staff)

THE United States is bedevilled today by two complicated problems. One is the problem of Un-American Activities—polite synonym for treason—the other that of the Committee on Un-American Activities of the House of Representatives. There is little likelihood that either will be solved easily.

The patriotic fiction that no American—since Benedict Arnold—could be a traitor has been tenuously upheld through two world wars, thanks to the inadequacy of laws which made it impossible for the Department of Justice to obtain convictions. Over the last thirty years some very obvious German agents have been able to attribute their life and liberty to these laws. However, since Igor Gouzenko revealed in 1945 the existence of a Soviet espionage ring in Canada, with threads leading to the United States, the previous complacency over individual traitors and small treasonable groups has been disturbed. There is more fear today of the American Communist Party than there ever was of the German-American Bund, which made itself conspicuous and, therefore, ridiculous by wearing uniforms, holding rallies and giving the Hitler salute. The Bund was underrated ; but the Communist danger is being taken more seriously because it works underground and goes quietly about its job of persuading the innocent of the superiority of Soviet Democracy to the American Way of Life.

As long as the American people are not satisfied that real progress is being made in rooting out Russian agents, they will be inclined to accept, even though they do not approve, the privileged gossip column operated by the Un-American Activities Committee. When they try to get rid of it, they may find it is too late. This Committee was set up in 1938 as a Special (that is, temporary) "Committee to investigate Un-American Activities" under the chairmanship of Representative Martin Dies. As the Dies Committee it made itself notorious and when Mr Dies, whose own connections many people wanted to investigate, retired from Congress in 1944, there was an attempt to retire the Committee as well. The attempt failed and, during the last Congress, it was made a Standing (that is, permanent) Committee. When the Republicans gained control of Congress in 1946, Representative J. Parnell Thomas, the only survivor of the original membership, became chairman.

*

"The duties and functions of the Committee," says its latest report, "are somewhat unique among the Committees of Congress, which are principally concerned with matters of commerce, taxes, and the operation of the Federal Government ; but there is delegated to us the function of investigating subversive influences which seek to destroy the Government and institutions of the United States." Other Committees of Congress, in the past, although ostensibly legislative committees, have undertaken investigations and therefore, as Mr Walter Lippmann has said, became "in reality composites of detective agency, grand jury, prosecuting attorney, judge and public hangman." Bitter complaints about their activities have usually come from the executive side of the Government (Mr Andrew Mellon, while Secretary of the Treasury, wrote to President Coolidge that "government by investigation is not government"). But this Committee is justified in its claim to be unique in having no other function than investigation, though it has produced the Mundt-Nixon Bill as a by-product of its official task.

Such a Committee might have done valuable work had its membership been chosen from among the best in Congress. Unfortunately, beginning with its first chairman, most of its members have come from the bottom of the Congressional barrel. It may be too late to correct that situation now. Over the past ten years it has been realised that membership of the Committee is destructive of both character and reputation. The present chairman, son of a Catholic Democrat named Feeney, is chiefly remarkable for having abandoned his father's name, religion and party. Representative Karl Mundt, the vice-chairman, has been adequately described by *The New Yorker* as "the old elocution teacher from South Dakota who used to make isolationist speeches during the period of the Communist-Nazi Pact and has now fallen out with the people he once agreed with." The three other Republican members are all new to Congress this session. Mr McDowell, of Pennsylvania, is the most curious and has appointed himself guardian of the Committee's reputation. After staring vacantly into the distance through the testimony of a witness, he suddenly turns a toothy smile on him and asks obsequiously whether he thinks he has been treated with due consideration—somewhat in the manner of a head-waiter enquiring whether a customer has had a good dinner. Representative Nixon of California alone gives the impression of wanting to find out the truth even if the truth should upset the Committee's pre-conceived ideas.

All four Democrats are Southerners—probably no Northern Democrat would dare be associated with such activities—and hunt the New Deal witches on behalf of the Dixiecrat candidate for President as jubilantly as the Republicans hunt them in aid of Mr Dewey. Mr John Rankin, of Mississippi, and Mr Hébert, of New Orleans, are the most vocal. The Committee employs as Chief Investigator a certain Mr Robert Stripling, an old constituent of Representative Dies, who promoted him from running a lift in the Capitol to running a Committee.

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This Committee has conducted two major investigations during the Eightieth Congress. The first was into Communist infiltration into the motion picture industry. During that enquiry a large number of people were charged with being Communists. Ten of them refused to deny the charge, and thereby allowed the country to assume their membership of the Communist Party. Others were not even given the chance of denial. No proof was ever given that any of these men had injected propaganda into their scripts and the public was left with the uneasy impression that they were being prosecuted for their beliefs. Mr Parnell Thomas promised a year ago to publish a list of motion pictures containing Communist propaganda, but he has never done so. The second investigation, not yet completed, has been into Communist espionage in the United States Government.

This enquiry has consisted of listening to the accusations of two ex-Communists, both filled with the self-righteousness of those who have been "saved." One, Miss Elizabeth Bentley, is a middle-aged woman of a type easily identified by any apprentice psychologist. The other, Mr Whittaker Chambers, by his own account is of the tragic company whose emotional instability drives them to try to solve the problems within themselves by rushing from one extreme to another—in his

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case from Joseph Stalin to Mr Henry Luce. Supporting evidence was also given by Mr Louis Budenz, an old friend of the Committee, who left *The Daily Worker* for the Catholic Church in a blaze of publicity two or three years ago.

Among those accused by Miss Bentley of co-operating with one of the espionage groups was Mr Harry D. White, Assistant Secretary of the Treasury under Mr Morgenthau. Her charges were not new and had been considered by a Grand Jury in New York for fourteen months. When they were made public by the Committee Mr White, at his own request, appeared to deny them. Before taking the stand he handed the Chairman a note saying that he was recovering from a heart attack and asking for five or ten minutes rest after each hour. Mr Parnell Thomas went so far as to question the accuracy of this note—quite gratuitously, as the state of Mr White's health was public knowledge. Two days later, Mr White suffered another heart attack and died next day, his doctor saying that the strain of appearing before the Committee "could very definitely have contributed to his death." Four of the five leading East Coast papers—*The New York Times, Washington Post, Baltimore Sun* and *Christian Science Monitor*—called on the Committee to clear his name. (*The New York Times*, after admitting that the Committee could not be charged with responsibility for Mr White's illness, brought about, they said, by years of arduous government service, asserted that it could be charged with having denied him the due protection of the law, with having permitted witnesses to make unsubstantiated statements of which the accused learned only through public sources and with outraging the American sense of justice.) The Committee's only comment was in its report of August 29th, in which it referred to Harry Dexter White (deceased), stated that he had denied affiliation with the Communist Party and added that he had "admitted acquaintance with various members of the espionage group named by Elizabeth Bentley and Whittaker Chambers." The doctrine of "Guilt by Association" could hardly be stated more succinctly.

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A great deal of time has been spent in trying to resolve the controversial problem of which of two witnesses—Mr Whittaker Chambers or Mr Alger Hiss—is lying. The day when they confronted each other publicly was worth more to this publicity-hunting Committee than a year's hard work. Before a battery of cameras, Mr Chambers bolstered his self-assertion by thrusting his head so high in the air that he stared at the room with his chin, while Mr Hiss, a stranger by background and training to the methods of this Committee, looked about him with bewilderment. Now President of the Carnegie Endowment for International Peace—on the recommendation of Mr John Foster Dulles—Mr Hiss was Mr Dean Acheson's principal assistant in the State Department during the war and was Secretary-General of the San Francisco Conference. He was charged by Mr Chambers with being a member of a Communist underground, but the altercation now revolves round his memory of the name under which Mr Chambers went in 1934 and of what he did with an old Ford car at the same period.

If it were the Committee's sincere desire to clear foreign agents out of the Federal Government, rather than to discredit Mr Roosevelt and the New Deal by finding that they were once there, it would not have wasted so much time on a witness, Mr Chambers, who left the Communist Party in 1937. (At that time the ideal of the Popular Front had attracted many liberals into innocent association with the Communists. The ferocity of the Committee, however, would make it dangerous for anyone now to admit such an association. Mr Chambers was in no position to report on which of his victims became disillusioned with his Communist friends after the signature of the Nazi-Soviet Pact, surely a vital point, even supposing his original accusations were true.) Nor would it confine its attention to men who left government employ more than two years ago. But if it is campaign material they want, the names of Mr Lauchlin Currie, Mr Harry White and Mr Alger Hiss can be used to discredit the New Deal, Bretton Woods and the United Nations.

A year ago when the Committee was investigating Hollywood it was possible to treat the proceedings as a slightly obscene joke. Its members might have been ignorant children playing with fire, but they were not actively interfering with the possibility of genuine efforts to tackle the Communist danger. Today things are different. All cameras corrupt; but television cameras, it seems, corrupt absolutely. The political children of twelve months ago have become juvenile delinquents. Their actions suggest that they, alone among the American people, think so little of the real problem that they can afford to use its shadow for electioneering purposes. They have scattered enough Zinoviev letters on the public to provide shelter for a dozen Gottwalds and Togliattis.

Television's Growing Pains

[FROM OUR US EDITORIAL STAFF]

THE struggle of peddlers for place to shout their wares over the waves that carry light and sound will enter a new phase when the Federal Communications Commission opens its September hearings on television's claim for more space on the wave band. The business of putting into mass production and consumption this mechanised combination of sight and sound, long awaited and even longer in kicking its way out of its swaddling clothes, has made enormous strides in the last six months. Those who work with it claim that television is now in full adolescence. It makes its present claims with the stridency proper to that age.

Specifically, it will ask for more room to flex its muscles, preen its pin feathers, sell its advertisers' goods. All electronic communication is, of course, held within the limit of a spectrum. In 1934 the Federal Communications Act placed control over *lines* on that spectrum in the hands of the FCC, which doled them out among the various claimants—commercial radio, marine radio, police radio, amateur short-wave radio, and so on. Television, then a mere infant, now wants more space, and is asking "blind" radio to move over. It tried to get more in 1947, but at that time its claims were weakened by a vital cleavage between two leading entrepreneurs, the National Broadcasting Corporation, which was asking for room for black and white television, and the Columbia Broadcasting System, which said it was ready to produce in colour. The FCC decided in favour of black and white, which took up less space on the wave band, and designated twenty-two channels (the 44-216 megacycle sector). The decision resolved major doubts, and the industry responded as to an elixir. By July, 1948, a former FCC Commissioner was telling his former colleagues that television needed twelve additional channels. It would like the 475-890 megacycle sector, which is almost exactly what was denied a year ago to those who sought it for television in colour.

So rapid is the present rate of growth that figures run the risk of becoming out of date between the pen and the printing press. At the end of the war there were 4,000 television sets in the United States. At the end of 1946 there were 10,000; at the end of 1947, 180,000; today there are 400,000. Sets are now rolling off the production line at the rate of fifty to sixty thousand a month, approximately as many new ones every four weeks as the total now operating in England.

In February of this year the Columbia Broadcasting System surveyed the industry and found 18 television stations in 11 American cities. It also found that 72 construction permits for new ones had been granted by the FCC, that 97 commercial applications were on file with the FCC, and some 40 stations in more than 20 cities were likely to be in operation by the end of 1948. By August the existing stations numbered 34, the construction permits granted were 89, the commercial applications on file 292, and guesses as to totals at the year's end had risen to perhaps 55.

Compared with radio, which counts its sets as nearly 70 million and its listeners by the hundred million, these television figures are small. It is the rate of growth which gives zest to the claims made by television's backers. In their more ebullient moments they prophesy that their infant prodigy will push "blind" radio out of business, supplant the newspapers if not

the books and magazines, empty the cinema houses, baseball parks, concert halls, even, perhaps, the school rooms. On the constructive side, they hope that it will restore the American family to the American home, keep the children around the fireside (provided that is where the video screen is set), put an end to night clubs, lower the divorce rate. As every house must have its television room it will, in the process, give a fillip to the building industry. Otherwise, domestic peace may be threatened when mother wants mending and lessons after supper, while father dims the lights to watch a prize fight. The industry is confident that progressive families will want more than one set. Already the cost is moving down. In 1947 the cheapest sets sold for about $300. Today one may be bought for $164. If they follow the pattern set by radio they must drop well below $50 before they can stir the mass market to buy the wares they advertise.

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Its devotees insist, and with reason, that the time has gone when one could take television lightly. They are not so clear as to what will happen (apart from eye strain or stomach ulcers) if one takes it seriously. The turmoil extends not only throughout the radio industry and allied trades, but also stirs the entire entertainment business, the sporting world, the advertisers and advertised, and all who make their living by the printed word. Politicians are becoming aware of it; some of them appeared, unrehearsed, on television at the political conventions, and were told when they went home just what they had looked like. A few of them, who have found a favourable answer in their mirrors, may enlist the aid of television in their autumn campaigns, and rumour says that statesmen will be televised when the United Nations meet in Paris.

Within the radio industry, which has done most of the work and put up most of the money for the experimental years, the argument is joined between two groups—those who see looming here and now a parallel to what happened when sound invaded the province of the silent films, and those who claim that television has not yet solved enough of its problems to take over radio's work and radio's profits.

According to *Variety*, the magazine which is the guide and mentor of the entertainment world, the first group are a prey to "emotional hysteria . . . predicated on the fear that television will emerge full-blown overnight and that they'll be left out in the cold." The magazine points out that radio is now "headed for an alltime high in billings," and reproaches the industry for riding on its record and accepting such moronic evasions as programmes which attract their audience by offering prizes instead of new ideas.

If television's programmes could be sent out from the great web of transmitters which radio has built, all would be well, but the curvature of the earth forbids this. Sound bends, but light goes straight. Thus the country cannot be brought by television, as by radio, to laugh as one man. Programmes must be separately produced in each great centre, or passed from one to another by devices both costly and complex. Those most discussed at present are the coaxial cable now being laid from coast to coast for the transmission of telephone messages and able to be used by television, the micro-wave relay which is a system of "booster stations" every thirty or forty miles to pick up programmes and send them on, a "stratovision" system whereby "planes flying at about 30,000 feet will pick up television signals and spray them over an area having a 200-mile line-of-sight radius," a "celluloid network" whereby television programmes produced in one place are filmed and sent at once by plane to other places. The last proposal sounds a bit like sending a boy on a bicycle to deliver the shot heard 'round the world, but it is advocated by experts.

All this requires, of course, a vast amount of money. Television may have to duplicate the huge capital of the radio industry in order to get the sums needed to join sight to the sound which now pulses through 37 million American homes. The process could not be contemplated unless the potential profits were also tremendous. Television's backers assume that these costs will be met by the superior appeal of this combined medium to the advertisers who pay, in the United States, the costs of radio. It is already obvious that the advertiser will have to pay more in order to get more.

The fight between television and other forms of entertainment lies on a further horizon. Sample studies made in New York show that 51 per cent of those television owners who were interviewed had cut their cinema attendance in half after bringing the talking pictures within the walls of their homes. Of such figures are nightmares made for men who wonder who will sit in cinema seats when the present rate of television's growth has done its work for five more years.

Meanwhile a few voices rise to plead that something be done to keep television from being bound to advertising as is radio. Congress, says one lawyer, should "spell out before it is too late a comprehensive national policy for television" if it is to serve "not only as a source of casual entertainment but also as an instrument of public information and enlightenment."

American Notes

Campaign Kick-off

President Truman started the campaign rolling at Detroit on Labour Day with dire predictions and fair promises: predictions that a Republican victory would inaugurate a new "era of fear" for labour and a new boom and bust cycle—"boom for them, bust for you"—endangering living standards and democratic institutions; promises that under the Democrats the Taft-Hartley Act would be repealed, labour's gains during the last 16 years perpetuated, the minimum wage raised, and national health insurance adopted. (In fact, even were he re-elected, a revolution in Congress would be needed to enable Mr Truman to fulfil the first and last of these promises.)

The model evidently is Mr Roosevelt's Teamsters Union speech in the 1944 campaign. Its merciless jibes at the Republicans are widely believed to have turned the tide by arousing labour to fighting pitch on the one hand, and goading Mr Dewey into losing his temper on the other. But hardly had Mr Truman finished speaking than the very Teamsters who responded to Mr Roosevelt with cheers and a campaign contribution of $150,000, announced that they would not endorse the President, but would concentrate on the Congressional races. The loss of Mr Tobin, who led Mr Roosevelt's appeals to labour, is heavy; equally ominous is the suggestion that the Teamsters—the largest union in the country—were influenced by their West Coast members, who wish to be free to vote for Governor Warren on the Republican ticket.

It is true that the Americans for Democratic Action have "emphatically" endorsed Mr Truman after failing in their attempts to dislodge him. The executive council of the Congress of Industrial Organisations has voted by 32-12 to support the President; most of the union presidents of the American Federation of Labour—with the exception of Mr Tobin and Mr Hutcheson—are forming a committee to work for the Democratic ticket. But these federation decisions spring less from enthusiasm for the candidate than for the Democratic platform and distaste for the alternatives presented by Mr Wallace and Governor Dewey. It is also felt it would be difficult to work up interest in the local contests in which labour is supremely concerned, without taking a national stand. Such a restrained vote of confidence at the top levels does not relieve Mr Truman in any way of the need to dramatise his campaign so that the rank and file will ring doorbells, distribute literature and, most important of all, go to the polls as they did in 1944.

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It is almost impossible for Governor Dewey to woo the labour vote with the brickbat of the Taft-Hartley Act in his bouquet. Instead, to reply to the President, he sent Mr Harold Stassen—no favourite with labour—to Detroit to defend the Act, to point out that it was passed by a majority of Democrats as well as Republicans, and that Mr Truman himself has invoked its provisions seven times to settle threatened strikes. The high cost of living, Mr Stassen insisted, was not a Republican responsibility, but largely a price America should be glad to pay for world reconstruction; but it had been exaggerated by Mr Truman's incompetent leadership both at home and in foreign policy. With his reputation as an advanced internationalist, Mr Stassen is a potent critic. The prominent role assigned him in the campaign reinforces the belief that Governor Dewey will emphasise the Republicans' new international note and dissociate himself as far as possible from the more conservative and isolationist wing of the party represented in Congress by Representatives Halleck, Taber, Martin and Allen.

Challenge to Taft-Hartley

While Mr Truman has been denouncing the Taft-Hartley Act, its emergency provisions have for the first time failed to avert a major strike. The agreements between the maritime unions and management on the Atlantic Coast have failed, this time, to survive transplanting to the more bitter industrial climate of California. There, the Congress of Industrial Organisations Longshoremen's Union, under the fiery left-wing leadership of Mr Harry Bridges, came out on strike as soon as the injunction expired which has imposed labour peace for the past 80 days. Mr Bridges threatens a four to six months' coastal blockade from Seattle to San Diego. Wage increases are at stake, but the main stumbling-block to agreement on both coasts was the ban of the Taft-Hartley Act on the closed shop, which the National Labour Relations Board has interpreted as applying, in one case, to the hiring hall operated under union control. On the East Coast the shipping companies agreed to continue the hiring hall as before, until a Supreme Court decision could be obtained. Mr Bridges, a root and branch enemy of the Taft-Hartley Act, has turned down a similar offer, on the grounds that he cannot accept a hiring hall "with strings attached"—and perhaps in the hope of securing a better settlement than the East Coast unions with whom he is at odds.

Four other seamen's unions, bound by a "one for all" pledge which forbids separate agreement, have joined the dockers. The employers, as ready for a fight to the finish as Mr Bridges, have announced that, tired of "Communist-inspired disturbances and chaos," they will sign no agreement with a union whose officers—like Mr Bridges—have not signed anti-Communist affidavits. As a result, Hawaii and Alaska are cut off, except by air, from American supplies, and aid cargoes to the Far East are suspended. In New York, meanwhile, Marshall shipments are held up, and the city's commercial life slowly strangled by a lorry drivers' strike for higher wages and welfare benefits similar to that two years ago.

The most interesting aspect of the dockers' strike is that it raises for the first time, on a large scale, the question of Federal policy toward a strike in an essential industry which the emergency provisions of the Taft-Hartley Act have failed to stop. With the withdrawal of the injunction, which is required by law after 80 days, the President's powers are exhausted; he can only lay the matter before Congress—which does not reconvene until January. A similar situation was reached in the atom plant strike at Oak Ridge, but in that case management met labour's claims without delay. Even so, the question of labour relations in the atom plants has led Mr Truman to appoint a special committee of inquiry. The watch-dog committee set up to make recommendations for changes in the Taft-Hartley Act is now faced, on the West Coast, with the fundamental question for which the Taft-Hartley Act failed to provide any solution.

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Operation Squirrel

Beryl, bismuth and cadmium, columbite, kyanite and corundum, monazite and muscovite mica—these are some of the less well-known strategic materials which America's biggest squirrel, the National Munitions Board, proposes to collect at once for storage against the lean winter of a future war. In spite of their poetic names, they all have their military uses, just as do pepper and castor oil. Altogether there are 67 names on the Board's list of materials which are essential to the security of the United States and in which the country is relatively deficient. A five-year programme for building up stockpiles of these materials was begun in 1946 and is expected to cost at least $3 billion. Although the need for such a programme is generally accepted, in marked contrast to 1940, so far only about one-fifth of it has been completed, and it is said to be badly spread out of balance. However, the Board has now announced that it expects to spend or commit almost $500 million during the current fiscal year ending on June 30, 1949; actual expenditure will be about $213 million, more than twice that during the last twelve months.

This acceleration of the programme is explained by the unsettled international situation. The Board feels that it can no longer allow itself to be deterred by the fear of competing with industry for supplies and of driving up prices, and that the national economy has had sufficient time to recover from the war. The Board tempered its new aggressiveness with two changes in its methods, designed to minimise its psychological and practical effects on the inflationary situation. In the first place, it has published the quantities which it proposes to buy, during the current quarter, of the 28 materials on which it is concentrating at present; in the case of 18 of them it does not expect to make any further purchases during the fiscal year. But this does not apply to copper, lead, zinc and natural rubber, which are all in very short supply; during the July-September quarter the Board proposes to buy, from normal commercial markets, 30,000 short tons of copper, 16,000 short tons each of lead and zinc and 25,000 long tons of natural rubber. In spite of the Board's insistence that the quantities to be bought have been kept at low enough levels to have little effect on the price structure, industry fears that dislocation and rising prices will be inevitable if the Board continues to buy these commodities at the rate forecast for the current quarter. However, it is some comfort that the Board does not propose at present to stockpile iron ore or petroleum products—nor uranium, which presents difficult storage problems.

Businessmen have also welcomed the Board's second new move, which is to enlist the co-operation of producers and industrialists in making its purchases. Firms which normally buy large quantities of the needed commodities are to buy a little extra for Uncle Sam's stockpile, and it is hoped that, by using private channels in this way, the Board will be able to obtain what it needs without asking for compulsory powers. In order to reach its long-term goals, the Board proposes to include in the national stockpile reserves built up by industry for its own use and to take over all the output of any new sources of supply, which are developed as the result of stockpile contracts. Some at least of these new sources are presumably those which are to be opened up overseas under the Economic Co-operation Act. At present the United States is chiefly interested in acquiring chromite, antimony, manganese, lead, tin, copper, graphite and palm and coconut oil by this means, and they are expected to come mainly from French and British colonies. ECA officials insist that these requirements are to be met by increased production, that this is a long-term policy and that they do not want to disturb existing trade patterns.

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The Right to Medical Care

The ten-year health plan for the nation submitted to the President by the Federal Security Administrator proposes to increase Federal expenditures on health from $743 million a year to $2.3 billion by 1960. Most of the goals are those advanced by the National Health Congress last year. The most urgent is to increase the supply of doctors and nurses by a Federal grant to enable training facilities to be doubled. It has long been recognised that American medical care, at its best a model to the whole world, is badly distributed throughout the country, with rural areas the most neglected. In 1940, for example, the number of persons per doctor in New York was 545; in Mississippi, which sadly accepts the label of 48th state, it was 1,758. The same disparity exists in hospital beds; and the report urges a doubling of Federal appropriations for hospital construction to $150 million, with the aim of adding 600,000 hospital beds to the present 900,000 by 1960. It also recommends increased Federal aid for mental health work, which has lagged far behind advances in knowledge, and for a number of other health services.

The proposal to establish a national health insurance scheme reopens an old controversy with Congress, however, at the very start of the election campaign. As long ago as 1932 the Committee on the Costs of Medical Care recognised the need of some form of prepayment scheme, financed by insurance contributions or taxes or both, to alleviate the crushing burden of the costs of illness and make better care more widely available. Since then there has been a great growth of voluntary insurance schemes, organised by hospitals, medical societies, co-operatives, labour unions, and industry, which now cover about a quarter of the nation. The Blue Cross plans, devised to meet hospital deficits as well as patients' needs, meet the costs of hospitalisation up to 21 or 30 days. The American Medical Association has approved prepayment schemes for medical and surgical care which cover over three million subscribers. New York City recently embarked on an ambitious experiment with tax-assisted voluntary health insurance for any resident earning less than $5,000 a year. But the present report insists that the voluntary system is too costly for more than half the American people.

The right to equal medical care was one point in President Roosevelt's "Economic Bill of Rights" and Mr Truman has been fighting for compulsory, comprehensive health insurance since 1945. Even the Democratic Congress in 1946 failed, however, to bring to a vote the Administration-sponsored Wagner-Murray-Dingell Bill for health insurance. The opposition of the medical profession to any element of compulsion or non-medical control is extreme; and most Republicans are wholeheartedly opposed to "socialised medicine" despite assurances that participation by doctors or hospitals would be entirely voluntary.

THE WORLD OVERSEAS

Sick Man of Europe?

(From Our Paris Correspondent)

THE combined talents of Edward Lear and Lewis Carroll would be needed to do justice to the monstrous and ever-growing incongruities of French politics under the Fourth Republic. Yet the comedy is being played in a tragic setting of social disintegration. The political spasms are symptoms of a serious disease—unless, as many people here believe, they are the death agonies of the regime itself.

The decline of the French currency, which is the root of the evil, is an old tale: since the first world war France has been living beyond its means and consuming capital with cumulative effect. The country has now reached bankruptcy, and at the same time it appears to be deprived of the energy and resilience necessary to recover solvency. Each class of the community—rural, industrial, professional or capitalist—clings to the illusion that it is the victim of the oppression or conspiracy of the others, and believes that there would be an easy way out of its misfortunes if only the others would pay the price.

Although the political leaders who pass the ball of authority between each other with the deftness of champion netball players are blamed for the instability and confusion, they are more fully aware than most of their compatriots of the need for drastic measures to halt the inflationary spiral. They are well placed to see the disastrous results of ever-increasing issues of notes and credit, to pay the bills for reconstruction, armaments, capital development, social security and all the burdens of a modern state deprived of modern revenues. They can watch at first-hand prices inexorably outstripping wages, causing havoc on the labour front and knocking French exports off the world market except during the fleeting moments of equilibrium which follow successive devaluations of the franc.

With varying success, French leaders have not ceased to strive to bolster revenues and contract expenditure. This year efforts in both directions have been intensified: the exceptional levy brought 92 milliard francs into the treasury; civil and military services are being cut; reconstruction and investment programmes curtailed and postponed. Nevertheless, when Monsieur Paul Reynaud became Finance Minister he found himself faced with a disastrous balance sheet, and the Finance Commission presented a report to the Assembly last month forecasting a deficit of 250 milliard francs for the present year and 500 milliard francs if the present rate of spending and receipts is maintained in 1949.

The Case Against Control

Plainly the country can only be extracted from this slough of financial despondency by sacrifice and effort. But it is a good deal less plain how that sacrifice is to be imposed and on which sectors of the community. The Socialists and Left-wing Catholics argue that the food prices have already offset the last wage increases, and that the workers therefore not only cannot contribute further sacrifice, but, on the contrary, must receive an additional portion of real revenue. In these circumstances inflation can only be warded off by redistributing the national income, increasing taxation, reducing profits, controlling prices and credit, and using authoritarian and coercive measures to compel the middle classes to disgorge stocks and pay taxes.

Ethically, this case is hard to refute, but its practical inconveniences have proved almost insurmountable. The whole structure of the French economy, with its excessive number of independent producers and distributors and its reliance on food deliveries from small farms instead of from concentrated and easily controllable imports, makes control far harder to exercise than in Britain. The system of state direction, far from being associated with Socialism and progress, reminds the French of the black obscurantism of Vichy and German rule. The long standing embarrassments of the French Treasury and consequent under-payment of civil servants makes the administrative machine outstandingly incompetent and corrupt. Recent economy drives have completely dislocated the instruments of economic control which would now be excessively hard to restore. The French judicial system makes it virtually impossible to impose harsh and prompt penalties on speculators and social parasites. The taxes imposed gradually over a long period are many of them so complicated as to be ungatherable, yet fiscal reform or ruthlessness to superfluous traders and middlemen are electoral liabilities of the first order. The vote in the Assembly which brought to an end the short-lived Schuman experiment was not directed against M. Schuman himself, who had a majority at his investiture one week ago, but against Socialist direction of finance and economy.

These factors are held by Conservatives, and notably by the most able of Conservative financiers, M. Paul Reynaud, to show that the remedy lies not in compulsion, but in persuasion, less in forcing the capitalist to disgorge his capital than in convincing him that he has something to gain by investing it. Side by side with the reduction of state expenditure and the improvement of fiscal methods, M. Reynaud proposed to restore the confidence of the business world so that the vast reserves of wealth in private hands, now frozen in the form of hidden gold, stocks of commodities or accumulation of foreign currencies, could be brought back into circulation. Incontestably this would raise the nation's productive level and would later permit the standard of living of all classes, including wage-earners, to improve. M. Reynaud counted on precipitating this revival of capitalist confidence by a far-reaching monetary reform: he proposed to institute a new symbolic currency—a *monnaie de compte*—which would not enter into circulation at all, but would be used simply for loans and investments, would have a constant value in terms of gold and the dollar, and would be used as a species of yardstick for the economy as a whole, unaffected by fluctuations in the value of the franc. Had M. Reynaud remained in office, he would have made a pilgrimage to Washington this month to obtain the International Monetary Fund's blessings for this curious experiment.

Deadlock Between Left and Right

It was almost an accident that M. Reynaud's programme ended almost before it began. The decisive factor was the sudden advance of food prices at a moment when seasonal glut on the market normally reduces them. Meat prices were particularly affected, as extra rain induced farmers to keep their beasts fattening on the fields instead of sending them to market, and this was the final factor bringing the exasperated *cartel de la baisse* of non-Communist unions to stake new wage claims. The act brought them closely into line with the policy consistently pursued by the Communist-dominated CGT.

It can be reasonably argued that either the Socialist or the Conservative remedies for inflation, if pressed to logical conclusions, might ultimately succeed. But the brisk switch from one to the other, or, still worse, an unhappy compromise between the two, ensures the country the worst of both worlds. As it is, the capitalist and business world has less confidence than ever, while the wage-earners are likely to discover that the extra notes they may receive, not representing any equivalent sacrifice from the other classes, will merely speed on inflation and be quickly absorbed in a new rise in prices. Unfortunately, the political balance in the country and the Chamber is so precarious that only a coalition of Left- and Right-wing Parliamentarians can suffice to save the regime itself from its antagonists on the extreme Left and Right. Thus the switch from one policy to the other or the compromise between the two is inherent in the politics of the "Third Force."

Meanwhile, the country is kept going by American munificence, to which has recently been added extra assistance under the European Recovery Programme from France's ERP partners. When the intra-European currency pool was planned a few weeks ago to assist debtor countries, it was discovered that France would absorb almost half of the total at the disposal of the 19 member nations. Its helpless dependence is generally agreed to be the heaviest cross the Organisation for European Economic Co-operation (OEEC) has to bear today.

Nevertheless, it is hard to resist an underlying conviction that the French situation—to borrow an Austrian paradox—is "desperate but not grave." Desperate, because the end to the inflation is still out of sight, but not grave, because France remains potentially Western Europe's greatest asset—its people among the most talented and lively in the world, the land larger than the United Kingdom, Ireland and Italy put together and potentially far more fertile, its industry, if re-equipped and brought up to date, potentially immensely productive. Given the psychological conditions and the necessary financial technique, the possibilities are dazzling, and there are many who are beginning to wonder whether the political and economic union of Western Europe might not provide the necessary breach with the too recent past—its defeats, disillusion, paralysis and despair.

Crisis in Poland

[BY OUR WARSAW CORRESPONDENT]

Now that its Secretary-General, Wladyslaw Gomulka, has been demoted, the Polish Communist Party will be able to carry out its merger with the Socialists. The date of the fusion will be the end of October or the beginning of November, and it has already been settled that President Bierut will be president of the new party with Cyrankiewicz as the probable Secretary.

Although Gomulka has been left with the Government posts of Vice Premier and Minister of the Recovered Territories, he is not expected to have any position of importance in either the new party or the cabinet after the merger. He gave the Polish Communists a severe shaking, and while it may be true, as he said, that the party emerged strengthened, the Communists will not soon forget the Gomulka crisis. Now that all is settled, it seemed impossible that he could have avoided his downfall. It is certain at least that he could never have "pulled a Tito," taking the whole party with him, but there were moments when the Communist Party seemed to be on the point of splitting.

Gomulka's sins sounded remarkably like Tito's—"nationalism," the "will to personal power," and a refusal to submit to Soviet leadership and party power. On the agricultural question, Gomulka was also charged with favouring "rural capitalists" by refusing to sanction an immediate socialisation drive. But, unlike Tito, he did not suddenly change to complete collectivisation. However, it is clear that Gomulka defended Tito and only agreed to recant last weekend after an earlier refusal. It is also clear that he was not alone in his stand.

Gomulka's Bid For Power

The most ticklish question is exactly what stand he took. On the question of personal power, it is said that whether or not he admired Tito and wished to defend him against the Cominform's denunciation, Gomulka certainly did wish to emulate the Jugoslav leader to the extent of gaining single-handed control over the Party and the state. As Secretary-General, a strong man, and the only available and suitable "front man," he was in a fairly good position to try. It certainly cannot be said that Gomulka is popular with a majority of Poles—no Communist has achieved that felicity—but he was popular with the Party rank and file, and generally recognised as a Pole who spent most of the war in his country, and is not therefore referred to by the people as a "Russian." The fact that the Party had no ready replacement for him is considered to be an important reason why he was not demoted earlier.

Nevertheless, the Polish Communist Party has been an oligarchy since the days of the war, and there was strong opposition both in Poland and, presumably, in the Kremlin against allowing the rise and domination of a single prince. It has never since the war been possible to say that one man ruled Poland. Gomulka, as Party boss and front man, was more or less equal in influence to Jacob Berman, as arbiter on foreign affairs, the press and ideology, and to Hilary Minc, as chief of all economics. In addition, important individual powers are held by President Boleslaw Bierut, especially on matters of administration, and the police and army chiefs.

The problem of nationalism is much more complicated. To be a Polish Communist means of necessity to have two loyalties. More often than not, they are seen as complementary and there is no problem. But when the two conflict, practically everyone is torn. It would not be right to say that Gomulka is Pole first, then Communist, while others reverse the order. Rather, it is a question of delicate balance which cannot always be maintained.

One of the most important issues within the Polish Communist party on this subject is that of Germany. It is understood that Gomulka believed a divided Germany to be in the national interests of Poland, at least until reconstruction here is much more advanced. However, when Soviet policy made a strong point of a united Germany, the question arose of issuing a supporting declaration. Gomulka opposed, Foreign Minister Zygmunt Modzelewski (another man of importance in the party) went ahead. After much argument, the Polish delegation succeeded in getting a guarantee of the Oder-Neisse border inserted in the eight power statement issued at Warsaw. According to one source, it was the only change achieved in the draft Molotov brought with him. This problem of German policy cannot yet really be considered solved, but it is presumably in abeyance for the moment until the results of the current east-west negotiations have been translated into Eastern policy.

More Trade with the East

Another example of the type of argument involved by Gomulka's nationalism (which he, at least, would never imagine as anti-Soviet) was the decision on investments. Gomulka wanted the limited funds available to be put into artificial fertiliser plants. Poland always had to import a large quantity of fertilisers from Germany, and since most of its own small capacity went to the Soviet Union because the plants were near Lwow, it was left entirely dependent on Russia and Germany for this prime agricultural requirement. It was Gomulka's idea that Poland should become more independent, especially of Germany. But the economic chieftain, Hilary Minc, favoured the development instead of the textile mills of Lodz, which meant the expansion of textile exports to Russia, cotton imports from Russia, and therefore less Polish autarky but more Polish trade with the East.

But such points were simply detailed instances of a state of mind unacceptable in Moscow—the state of a mind still able to survey situations and make judgments independently, a mind still a little unamenable to the strict Party line. It was evidence of this attitude that cost Gomulka his pre-eminence. By the time of the Polish Communist Party's Central Committee meeting, called to uphold the excommunication of Tito and reshape the party's programme on the basis of the Cominform statement, the split had gone too far for Gomulka to attend. It is also true that he was ill, but his body was not ailing alone. He not only refused to accept the party's decisions (this is true in spite of a published telegram sent before the meeting that he approved of everything done) but also he would not confess the error of his own ways. The meeting was a stormy one, and it has now been ascertained that even at the end it was not unanimous. Of the 33 Central Committee members officially mentioned as present, one voted against the final resolution, several abstained.

Dependence on Russia

It would be unwise to attempt to prophesy the consequence of Gomulka's final submission, but it seems unlikely that it will have any fundamental effect either on Poland's internal composition or on foreign relations. To an observer here there appears no possibility that this country, next door to the Soviet Union, dependent upon it for assistance absolutely necessary for the fulfilment of its economic plans (which, unlike the Jugoslav plans, are progressing well) could hold out as the Jugoslavs have done. Furthermore, Gomulka had no such position domestically as that enjoyed by Tito, and the Polish Communist Party, as well as the Socialist Party with which it is to amalgamate, includes a number of ambitious opportunists besides the orthodox Marxists who would not hesitate to topple party leadership and obtain power in the way the Cominform proposed should be done in Jugoslavia.

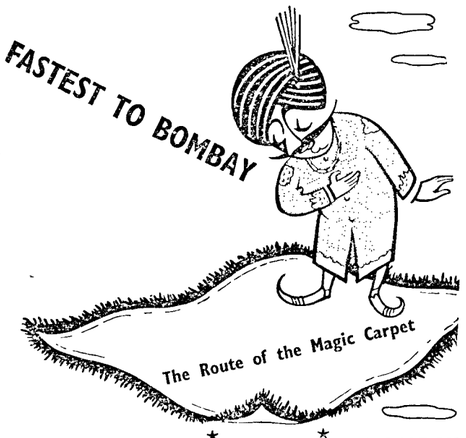
Trade with the west, or even the possibility of western aid, could not be an alternative to remaining sufficiently in harmony with the Soviet Union not to incur its wrath. There has never been any indication that Russia objects to Poland's sustained efforts to increase trade with Marshall Plan countries—on the contrary, they seem to have been approved. Nor, so far, would it be correct to consider Gomulka or his sympathisers any less ardent Communists or any less pro-Soviet than they were before—or, for that matter, any less anti-western "Imperialist."

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Rhodesians Go Unwillingly to the Polls

[BY A SPECIAL CORRESPONDENT]

POLITICS in Southern Rhodesia, where a General Election will take place on September 15th, is very largely a game of Happy Families. Although four parties will put up 76 candidates for 30 seats in the Colony's tiny Parliament—which architecturally resembles a small provincial art gallery—the press has appealed in vain for the emergence of "clear-cut party differences." The Government of Sir Godfrey Huggins, Prime Minister for 15 years, was defeated on a proposal to give the Currency Board power to own property and dig vaults. Labour voted against the Government and tipped the balance; but it is alleged that a Labour MP was instructed to be absent from the House so that the Government would scrape through. He forgot, and the Government fell, no man willing it.

Rhodesia has only 100,000 whites and 1,700,000 blacks. The majority of the whites lives in the two towns of Salisbury and Bulawayo; spacious, well-built towns abounding in statues of Rhodes. Tobacco is booming, there is no unemployment, and taxation is only £10 a year for a married man with two children earning £1,000. Everyone is happy and no one really wants an election, not even the politicians. Sir Godfrey Huggins's chief opponent is Mr J. H. Smit, the leader of the Liberals. Sir Godfrey was a famous surgeon before he took to politics; he still occasionally operates as a favour to friends. Mr Smit is a Salisbury grocer and former mayor: a large, genial, cigar-smoking man, he arrived in Rhodesia 45 years ago, from Holland. He was Finance Minister during the war, but strenuously objected to higher taxation. The Liberal Party is described by Huggins's United Party as "old-fashioned Victorian Tories": but its real belief is in undiluted *laisser faire*. For this reason, the surviving Labour Party inclines to the side of Sir Godfrey Huggins, since it believes in Socialism (for Europeans only). There were formerly two Labour parties, but the leader of the other one, Mr D. Macintyre, recently joined the United Party, declaring that "though the United Party has become somewhat careworn, a blood transfusion such as this should have the desired effect." This earned him the title of the Bulawayo blood donor.

No Real Party Differences

Rhodesia got "responsible government" in 1923, after rejecting union with South Africa in a close referendum. Today it is a constitutional anomaly, a self-governing Colony. There would be clear-cut party differences with a vengeance if anyone proposed union with South Africa now; but the Liberals, who were suspected of wanting it (they number many Afrikaners imported from South Africa among their supporters) have lately specifically renounced it. The other issue might be amalgamation with Northern Rhodesia, but nobody seems to want this either. The Liberals say they want Dominion status, and "our own native policy, not Whitehall's." The United Party, the Labour Party, and the new Dominion Party all agree. At the same time all talk favourably of some sort of federation with the north—joint customs and defence, but separate native policies.

In the last two years the Colony has absorbed 30,000 British immigrants. This means that in that time the white population has increased by a third. Housing headaches, though not unemployment, have resulted. Most of the newcomers have swelled the urban white population. But the reserves cannot hold all the natives, and they are also flocking into the two towns, where an expanding industry provides jobs for them as well. The Liberals are afraid of the natives doing skilled or even semi-skilled jobs. They would like to keep the towns as "the white man's kraal." So would Labour, which represents only the white workers, not the black ones. White trade unionism has produced odd results. Gangs of native convicts are employed to build *pise de terre* houses in a hurry for Europeans; this is "unskilled" work, and the unions do not object. But the unions insist on only Europeans building "skilled work" houses for natives in the urban locations.

Native Labour Troubles

The Huggins Government created a Native Labour Board for compulsory arbitration in industrial disputes involving natives. This was in lieu of recognised native trade unionism. The Secretary of Native Affairs had reported serious unrest among



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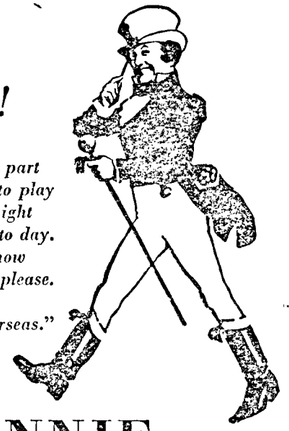
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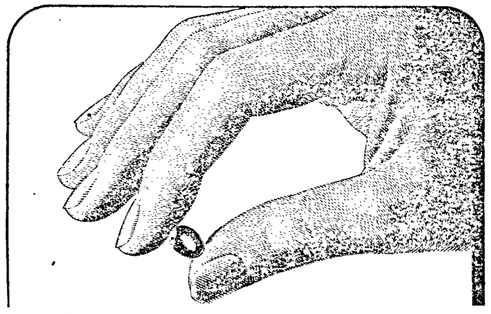
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natives because of bad working conditions, and the Board awarded higher wages to native railway workers. Other natives staged a general strike following a report that private employers had agreed on a basic rate of pay of 30s. a month. Private employers blamed the Government and the Board, but the Government retorted that the private employers should have "seen the writing on the wall," and offered better terms.

Growing industrialisation needs more native labour, not less. The Miles Thomas Report urged that natives should be encouraged to do semi-skilled and even skilled work. The Liberals dislike this—so does the Labour Party. Both want development to take place more slowly—including immigration. But while Labour wants more nationalisation, the Liberals think the Huggins regime nationalised too much. They think that "private capitalists," not the state, should take the risks—and presumably also the profits. On the other hand, the Miles Thomas Report praised the Cold Storage Commission as "one of the most efficient undertakings in the Colony today—a virile example of a well-run state enterprise." The Commission has turned what used to be an annual deficiency of £60,000 into an annual bonus payment to cattle raisers of over £100,000. And other developments recommended by Sir Miles Thomas will obviously require state participation—hydro-electric schemes, transport ("the metronome" of the Colony's future progress), the need to raise 900,000 extra head of cattle in five years if the Colony is not to face hunger, irrigation of 500,000 acres in the Sabi Valley, quadrupling of the capacity of the Que Que steel plant, and increasing the capacity of the state-operated yard-spinning mills at Gatooma to 100,000 spindles.

Strict Control of Trade

The Government also had to intervene to correct Rhodesia's trade balance. From 1940 to 1945 the Colony had a favourable balance on current account of over £26,000,000. In 1947 the unfavourable balance was £14,000,000. Stringent import control has cut the dollar deficit from ten million to two million dollars and is expected to balance dollar spending against earnings by next March. One result is that only British goods are on sale in the shops, in vivid contrast to the Union of South Africa. Rhodesia also devised a gold subsidy to encourage greater gold production with which to obtain more dollars.

The Colony is suffering from numerous shortages which are really "opportunity bottlenecks." Money is plentiful, and so are jobs: many of the recent immigrants who came out to jobs have already started up their own businesses. But all are hampered by the lack of transport. Rhodesia is landlocked and its chief port is Portuguese Beira. To seek another outlet at Walvis Bay would involve negotiations with South Africa. An alternative plan is to construct a much more costly railway linking the two Rhodesias with Nyasaland and Tanganyika, with an outlet on the Indian Ocean, possibly at "Port Peanut." Sir Godfrey Huggins's United Party wants all those developments to take place as speedily as possible, with the state actively participating, and with fuller use of native labour in industries. The Liberals and the Labour Party are deeply divided on nationalisation issues, but are in substantial agreement about the undesirability of bringing more natives into the "white man's kraals," seeing in this a threat to the skilled white workers at present tightly organised in strong colour-bar unions, and also, ultimately, to the Colony's tiny white minority as a whole.

In the all-important matter of transport the Rhodesians have of course no quarrel with the Portuguese. But they feel that Beira is already proving too small and congested, and they would like the use of a port over which they had more direct control. Rhodesians are air-minded; the blue sky above both Salisbury and Bulawayo buzzes with planes, and from Salisbury to Johannesburg is only 3½ hours by air. But the railway journey, mostly through deserts, takes two days and three nights. Rhodesians may be pardoned for feeling a touch of claustrophobia.

Preference for United Party

Present indications are that either the United Party will be returned again at the election, or else the result will be a virtual stalemate between the United Party and the Liberals, possibly leading to fusion. Earlier the Liberals were running strongly, but opinion has since swung more to Sir Godfrey Huggins's side. He declared that the election had been forced on the country "over a frivolity," at a time when there might be a war with Russia in a month. This, combined with popular aversion to holding an election at all, seems to have had its intended effect.

If there were fusion, it might only be achieved at the price of dropping both pilots—Sir Godfrey Huggins and Mr Smit. Both have been appealed to to join forces; both have refused on what seem to be mainly personal grounds. Politics in Southern Rhodesia, with its tiny white population, are largely personal; politicians change camps with great facility. Whatever the outcome of the election, it is unlikely to alter the general picture of a Colony bursting at the seams with prosperity, and with ambitious plans for further development.

Carefree Trieste

[FROM OUR SPECIAL CORRESPONDENT]

TRIESTE is like a fair maid, who, after being wooed by many suitors with rich gifts, expects the same standard of living to prevail on marriage, and is unwilling to get down to the washing-up. The city is likely to remain an expensive toy, inspiring in its possessor a dog-in-the-manger attitude of "I don't want it particularly myself, but I'm hanged if anyone else is going to have it." Woman-like, Trieste has so far succeeded in getting the best of both worlds: it is under the protection of the West and in a special position to receive Marshall Aid, while the treasury which pays its living expenses cannot yet call the tune.

In the British and United States Zone there is a pleasant atmosphere of controlled prosperity, orderliness and industry. The streets are tidy and clean; there are new blocks of family flats, new schools, hospitals, roads, bridges; the shops bulge with a variety of goods; and the cost of living is, generally speaking, lower than in Italy. The occupation troops like the place. Their presence, and their control over the local police force, secure for the Triestini a solid protection against disturbances.

The Allied Military Government are prepared to stay indefinitely in Trieste and to bend to their requirements the difficult political and economic structure temporarily established by the Treaty of Peace with Italy. In Major-General T. S. Airey they have a wise administrator. His position is unique. He is responsible to the United Nations Organisation for the government of his territory. He depends for funds on the Italian Government, who are not yet members of that Organisation. Militarily, he is reponsible to the Combined Chiefs of Staff in Washington, of whom it is said that the only item on their agenda is "Trieste." At the same time he can appeal direct to the British Cabinet and the British Chiefs of Staff.

Easier Task for Government

The task of government has been eased by the Tito-Cominform split. The local Communist Party is divided against itself, and has only succeeded in producing a comic opera confusion of purpose and a stream of announcement and denouncement against anybody and everybody. The arrest of sixteen trades union leaders in July which before would have led to strikes and demonstrations raised only a murmur in its ranks.

Frontier incidents tend to be exaggerated, and those of the Free Territory are no exception. More often than not they are purposely provoked by individual Italians or Slavs who feel secure under the protection of their respective occupiers. But it is remarkable how few incidents there are when it is realised that in June alone there were 175,810 recorded border crossings to and from Italy, 11,097 to and from Yugoslavia, 224,536 to and from the Yugoslav Zone—and that this was an average month.

Whether or not the Russians succeed in deposing, exposing or liquidating Tito, whether or not a Trieste settlement emerges from the Moscow talks, whether or not the Yugoslav Zone returns to Italy, it is important that Western Powers stay in Trieste for as long as there is danger. The feeling that they will has removed some of the fears of investing domestic and foreign capital in Trieste. An Austro-Triestini Shipping Company and an Austro-Triestini Chamber of Commerce have recently been formed, and should be allowed to mature.

The shipbuilding programme cannot get into full swing until January, 1949, but work has begun on a new industrial free port at Zaule, and there is still sufficient work on hand to keep the ship repair yards fairly busy. The ground at Zaule is being drained, and roads and rail tracks are being built. Such increased industrial activity is very necessary to offset the rise of prices, which automatically follow rises in Italy, but efforts are being made to see that these higher prices are borne by industrial firms and by special bonuses and not by the employees.

The future of Trieste is still in doubt. The offer last spring by Britain, America and France to hand it back to Italy is still being blocked by Russia. But from the point of view of its inhabitants, there is little question that the interregnum has brought blessings which they will be loth to forgo.

THE BUSINESS WORLD

OEEC Faces the Test

MR HARRIMAN'S flying visits to Brussels and London this week appear partially to have resolved the immediate crisis which confronted the Organisation for European Economic Co-operation a week ago. The nineteen recipients of Marshall Aid (the sixteen original signatories of the Paris reports plus Bizonia, the French zone of Germany and Trieste) have become tangled up about two main issues. The first, in point of timing and importance, is the extent to which the nineteen will help one another by making genuine "unrequited" exports among themselves; the second is how far the "unrequited imports" represented by the $4,850 million of Marshall aid for the twelve months to June 30 next are to be distributed among the nineteen. Although Mr Harriman's statement referred only to the division of aid for the current year, on which agreed recommendations are being issued, the link between the two is self-evident. The ultimate dependency of each ERP country on assistance from the United States must be influenced by the extent to which it can satisfy its essential requirements within Europe.

One of the basic principles of the European Recovery Programme—and one which the United States never tires of impressing on the recipients—is that Europe's own resources must be used to the utmost in order to reduce to a minimum the total dependence of the nineteen countries on the United States. Europe's estimates of needs from the United States have been inflated by the growing paralysis of European trade—itself produced in part by the difficulty of making payments between countries in varying states of economic unbalance. The Americans have constantly urged that mere difficulties about payments should not be allowed to freeze the flow of trade which otherwise could take place between European countries. It is, of course, one thing to accept this as a commonsense principle: it is quite another to apply it in the hope that it will, of itself, solve Europe's economic difficulties. Its application, however, had to be attempted in framing the extent of American aid and in deciding upon its allocation among the various recipients. In each case the calculation had to be preceded by some estimate of the trade between each pair of ERP countries, for only after those calculations had shown the extent to which Europe's needs could be satisfied out of Europe's resources could any reasonable estimate be made of the gap that would remain to be filled by the United States.

To give the maximum incentive to European countries to help one another and to produce as much as possible for export to one another, two solutions suggested themselves. The first would have been the allocation of dollars to a European Clearing Scheme. This would have ensured that any European country which acquired other European currencies as a result of its export surplus to the rest of Western Europe would be able to convert part at least of this surplus into dollars. The second would have been to earmark a substantial part of Marshall dollars for the finance of "off-shore purchases" in Europe itself. Both of these courses would have created the incentive to export because each would have given the exporting country a chance of earning additional dollars. But both avenues have been firmly closed. The United States has from the first set its face against providing any free dollars to finance a European Clearing Scheme because there would be no means of "following through" the expenditure of such dollars and of convincing Congress that they had in fact been used in accordance with the terms of the Economic Co-operation Act. Some authorisations have been given for off-shore purchases in Europe, but these have been on a very modest and diminishing scale. In any case the allocation of resources for the European Recovery Programme has been cut so fine in relation to Europe's immediate and essential needs from the Western Hemisphere that it has left no room for any elasticity of manœuvre to make supplementary allocations of this kind.

Instead of pursuing such solutions for the problem of easing European trade and maximising the use of European resources, a scheme has been devised to finance deficits arising between European countries by using the deposits of local currencies which have to be kept by each country against the grants it will receive from ECA. Under this scheme every ERP country which has a surplus in its payments with any other ERP country will be called upon to make over that surplus as a free grant, by putting its own currency at the disposal of the deficit country. In most cases, though certainly not in all, the creditor countries will find it most convenient to use for this purpose the local currency deposits which they themselves have had to maintain as a counterpart of Marshall Aid grants. The European creditor countries, whilst then giving grants to their debtor colleagues, will have the assurance that they will receive "conditional grants" from ECA equal to their net grants to other ERP countries. Conditional grants, however, do not mean additional grants. These conditional grants will neither increase the total amount of Marshall Aid beyond the figure authorised by Congress nor can they substantially affect the provisional allocations which have been based on the estimates already sent in by the participating countries and which, until the breakdown occurred last weekend, were being refined and amended in Paris.

The choice of this particular system for financing surpluses and deficits within the group of ERP countries has serious implications. Instead of maximising the incentive to export to European countries, as would have happened if dollars had been forthcoming to match the credits arising from trade within Europe, it does the reverse; it maximises the tendency to import from other European countries because deficits will now be covered by gifts from the creditor countries. Only a few months ago, certain countries in the ERP group, hoping to be designated as markets from which off-shore purchases against dollars might be made, were loudly advertising the unsaleable surpluses they held—tobacco in Turkey, dried fruit in Greece, steel and grapes in Belgium, fruit in Italy. There were surpluses under which the economy of these countries was apparently groaning and which could readily be put at the disposal of the rest of Europe if dollars were paid for them. But today these apparent surpluses have disappeared as if by magic. Under the new scheme, if these surpluses entered into European circulation they would have to be given away. Consequently they no longer appear on the list of what is available.

The gap between what the countries want to export under this new payments scheme and what they would like to import was

ludicrously revealed when the first estimates of intra-European balances of payments for the coming year were tabled in Paris. Enormous divergences appeared between the two sides of the export and import accounts. Every country naturally tried to keep its exports to other European countries to a *minimum* and to inflate its imports from European countries as far as decency would allow—and sometimes beyond. This gap has had to be bridged by a reconciliation of each balance of payments between the 80 odd pairings of European countries in bilateral trade. This attempt at reconciliation by the committee of five has caused most of the difficulties and differences in Paris.

The calculations revealed three outstanding creditors in this intra-European group. The most important is the sterling area, from which the rest of Europe, according to first estimates, expected unrequited imports equivalent to about $600 million but which was prepared, according to its first estimates, to make unrequited exports to the rest of Europe of only about $225 million. It should be emphasised that these estimates concern not the United Kingdom singly but the whole sterling area; the system of multilateral payments within the sterling area and the structure of Britain's trade and payments agreements with other European countries would make it impossible to isolate the direct trade of the United Kingdom with Europe from that of the rest of the sterling area with European countries. The next important creditor, and perhaps the most vocal, is Belgium, from whom the equivalent of some $400 million was expected but which was apparently unwilling to go beyond the figure of $200 million. Bizonia is third on the list of potential creditors, and the cudgels have been wielded on its behalf by the US military authorities. At the other end of the scale stands France—a prospective debtor towards every other European country—which thus would siphon additional Marshall Aid from the rest of Europe to the extent of $350 million and perhaps more.

The fact that the whole sterling area appears as one of the units in this calculation of intra-European balances of payments means that Britain will, in fact, bear the burden of unrequited exports from the whole of that area to Europe. The larger part of the prospective surplus of the sterling area with Marshall Europe is probably accounted for by Europe's needs for commodities such as wool, rubber, jute and cocoa, and not for produce of UK manufacture. These exports, made to Europe as grants from Britain, will in fact be paid for by Britain, and the payment will be reflected in an increase in the sterling balances of the exporting countries. The recognition of this fact and the desire to bear part of the consequential burden were evident in the recent decision by Australia to cancel £8,000,000 of its sterling balance as a gift to Britain.

A contrasting situation will arise where ERP countries which are shown to incur a deficit with the sterling area in the coming year happen to hold sterling balances. In that case, should the deficits be made over by way of grants from Britain, or should they be debited to the sterling accounts of the deficit countries? Logic and equity suggest the latter. Grants should begin to apply only when other means of effecting payments have been exhausted. It would be the height of absurdity for Britain to make a gift of unrequited exports to a country such as Italy or Norway (in making which Britain might incur debt to other parts of the sterling area) when those countries have ample sterling resources at their disposal. But the difficulty then arises that the Economic Co-operation Agreement governing the grant of Marshall aid specifically lays it down that the proceeds of Marshall aid shall not be used to repay external debts of the recipients. That clause was introduced to prevent a repetition of the repayment of sterling balances out of the proceeds of the American loan to Britain—an alleged procedure which many Americans are firmly convinced bore a considerable responsibility for the rapid exhaustion of the loan. Since "conditional dollar grants" will be given to the countries which run surpluses with other European countries, the debiting of sterling accounts for such transactions would, in effect, involve a repayment of external debt out of the proceeds of Marshall aid.

Other difficulties of reconciling reason with the letter of the ECA agreements will, no doubt, be encountered in operating the scheme. There is some consolation and reassurance to be derived from the fact that the clearing scheme will be operated by the Bank for International Settlements. This, at least, ensures technical competence and efficiency; but it will not improve the character of a basically defective scheme.

Among these basic defects must be included the fact that the new system of European payments will be linked to Marshall aid grants. The new facilities may tend to give permanence to an artificial distribution of trade but only on the basis of the decidedly impermanent prop of ERP dollars. As Marshall aid falls off, or is cut off, the whole edifice of the system of European payments will be left suspended in mid-air.

In trying to decide this issue, the OEEC in Paris has inevitably been drawn into complex economic and political questions. On the economic front, the prospective creditors have used powerful arguments to stress the effect which the new, wholly unrequited exports to Europe would have on their own economies. Belgium has been able to show that it is already being dragged much too fast along the road to inflation by the credit it has made available to other European countries. Britain has pleaded its commitments elsewhere. To export more agricultural machinery by way of grants to France, for example, may mean that fewer of these machines are available for export to Argentina, where they must be sent to pay for imports of meat. The creditors, moreover, have been unable to suppress the doubt that some of the difficulties of the debtors are due to mismanagement rather than to misfortune and that this accounts in particular for France's voracious capacity to incur deficits with all its European neighbours.

From this type of argument it is but a short step into the political arena. The political aspects of the Paris disputes assume their most virulent form in the differences on the problem of Western Germany. The prospective balance of trade between Western Germany and the rest of Europe symbolises all political issues that revolve around the future of the Ruhr. Calculations on this question are bound to crystallise all the differences about the future location of industry in Western Europe, the priority to be given to the industrial reconstruction of the Ruhr, the future movements of coal, coke and iron ore to and from that district. They have, therefore, raised the issues which lie far outside the immediate province of OEEC and on which it can give no judgment.

Most of the trouble which has arisen in Paris must, however, be attributed to the means chosen to finance intra-European surpluses and deficits. The solution which is being attempted could not be better calculated to frustrate the basic objective of the European Recovery Programme. It has removed every incentive for European countries to work and produce in order to satisfy the essential needs of their neighbours. Conversely, it must give the maximum encouragement to each to suck what it can from the rest of the European community because what it will thus obtain, will be free of charge. Finally, it leaves to the creditors from whom grants are expected no other choice than to make them—or lose a corresponding part of the ECA dollar aid upon which they had counted. In an ideal world the nations of Europe would work unreservedly for the European community and there would be need for neither incentive nor sanction to ensure correct behaviour. But this is not an ideal world. Europe today still needs the carrot of incentive to lead it in the right direction, especially as the stick which the United States can wield, namely the suspension of Marshall aid, must fall indiscriminately on deserving and undeserving alike.

A Railway Slump?

THE latest statistical bulletin of the British Transport Commission contains the first official intimation that all is not well with the volume of railway traffic. Forecasts of traffic made a year ago are not being realised; gross receipts for the first half of the year are higher, but the additional revenue of £65 million in 1948 which was expected from the increased scale of charges introduced eleven months ago is not materialising. Costs have increased beyond the level which was foreseen when the estimates were made a year ago, and such economies as have been secured can go only a little way towards meeting increases elsewhere. It is not a cheerful summary of the operations of the Commission in its first half-year. The Commission naturally makes no attempt to predict the final result for the year; that depends on prices and costs, the trend of passenger traffic, coal output, the level of industrial activity and the movement of the harvest.

Here indeed is a situation which ought to inspire life and meaning into the cliché that "the Commission are keeping the position under constant review." There are two problems: first, to know what is happening; and secondly, to know what to do about it. By how much has the real volume of passenger and goods traffic fallen in recent months? And why has it fallen? The Commission's statement, though it is couched in sedate terms, suggests much of the mystification which railway officials have felt for two or three months about the fall in railway traffic. The mystery remains: why are railway traffics falling—and falling seriously—at a time when economic activity generally is still running at a high level? To measure the fall in the volume of traffic, it is necessary to discount the receipts this year by the increase in charges which took effect last October, and then to compare the resulting net figures with the corresponding receipts in 1947. The increases then made were of 16¼ per cent on ordinary passenger fares and merchandise by passenger train, and of 24 per cent for other rail charges including season and workmen's tickets, and all freight train traffic. For the first three months of the year, the comparison of railway receipts was so distorted by the fuel crisis of 1947 that it is better ignored. What has happened since then is suggested in the accompanying table, which shows the percentage movement in the estimated volume of traffic in the five 4-weekly periods to August 8th. These estimates are not precise—they are slightly affected by the different dates for the Easter and Whitsun holidays in the two years. The passenger figures understate the extent of the fall, since the discount in calculating them has been taken at 16¼ per cent without allowance for the higher rate of increase in season and workmen's fares.

ESTIMATED VOLUME OF TRAFFIC
(1948 Compared with 1947)

	Percentage Change in Four-weekly Periods to				
	April 18	May 16	June 13	July 11	Aug. 8
British Railways:—					
Passengers	− 4	+ 2	−15	−10	− 7
Parcels, etc., by passenger trains	− 4	− 2	− 1	− 3	...
Merchandise and livestock	− 8	−16	−14	−13	−17
Minerals and merchandise (Classes 1–6)	+19	+ 3	+ 1	+ 5	+ 1
Coal and coke	− 3	−10	− 5	+ 1	− 1

The most serious falls in traffic, measured in this way, are in passengers (understated as already explained) and in general merchandise. In passengers, the fall appears to have been quite sudden—from the middle of May onwards when there was evidence elsewhere that there was "less money about." But in merchandise (excluding the heavy classes and coal) the fall has now lasted for four months, and is ominously approaching 20 per cent. Classes 1 to 6 alone show "pluses" throughout the period, presumably reflecting a high level of activity in the steel industry; but even coal is now showing a slight fall (disregarding the May and June figures, which are largely accidents of comparison with the abnormal movements during the same period in 1947).

Obviously, there is no single explanation of these disturbing losses of traffic. In part, they reflect a sharp public reaction to higher fares, a reaction which has become more marked since the Chancellor's policy of disinflation was introduced. In April and May, the number of originating passenger journeys at ordinary or monthly fares fell by more than 10 per cent compared with the corresponding months of 1947. There are clear signs, too, of a fall in season ticket journeys, only partly compensated by workmen's tickets. Admittedly, excursion and week-end facilities have been better supported than last year; that is because there are more of them, and also because the public has used them, when it could, in preference to costlier facilities. In any event, the extra revenue to be gained from these cheaper travel facilities cannot make more than a small contribution to the railways' finances.

One of the biggest factors in the fall of passenger receipts is the severe competition from road coach services. It is often supposed that this competition is merely a matter of price, and indeed the differences in cost, already marked during the summer, will become startling enough when further reductions are made shortly on certain routes. Broadly speaking, the coaches have been operating at prewar fares, whereas railway fares are now 55 per cent above the prewar level. This summer, a passenger could travel to Torquay by coach for 38s. 6d. return, compared with a third-class return fare of 53s. 9d. on the railway, or to Folkestone for 14s. 6d., compared with 19s. 11d. These two coach fares are now to be cut to 32s. and 11s. 9d. respectively—both under 60 per cent of the corresponding railway fare. That differential in favour of the coach is already an important consideration for the passenger to whom speed is not a vital matter. But the increasing goodwill of the coach services is not founded solely on cheapness. The coaches often offer more convenient and more reliable direct services on cross country routes. The automatic booking of seats on long-distance and intermediate routes is evidently popular. For these advantages, coach travellers are often prepared to queue many hours in order to book their journeys months in advance.

To suppose that the railways could reply effectively to this competition is fanciful. The operating conditions of the two forms of transport are utterly different; with present full loads, the operating economies of the road vehicle are at present being maximised, whereas on the railways loads are falling and costs are still rising. The fact that the railways can never match in cost and (for many passengers) convenience the services provided by the coach services may be a portent of what is in store under "coordination" of transport.

But what is the explanation of the fall in merchandise traffic, and particularly of the fall in the most remunerative forms of merchandise traffic? There must be some connection between this fall and the rise in the number of goods vehicles operated under "C" licence by traders for the transport of their own goods. At the end of 1938, the number of such vehicles was 365,025; at the end of 1946, the figure was 383,738; but by the end of last year it had jumped to 487,151. For some time past, the growth in the number of "C" licensed vehicles has been causing official concern; some months ago, the Minister of Transport issued a veiled warning that such an expansion could not be contemplated indefinitely; and although the one radical improvement made in the Transport Bill during its passage through Parliament was to grant the "C" licence absolution from control, traders are now beginning to wonder how long this freedom will last. The fate of the "C" licence raises the most fundamental issues about the transport user's freedom of choice and the spur of competition to be applied to the gigantic road and rail transport system which will eventually be operated by the British Transport Commission.

Another factor in the fall of merchandise traffic may be suggested. It is more recondite and not easy to measure, but it may, nevertheless, be significant. Compared with a year ago, there is a better distribution of stocks of raw materials and components among industrial firms. This increase in stocks has plainly been at the root of much of the improvement in industrial output during the past twelve months, but it may have had a peculiar effect on transport. Last year, a manufacturer who urgently needed materials or components often had to scour the country to find them, and there must have been much extra transport of materials from points of local surplus to points of local deficiency. To this extent, part of last summer's volume of traffic may be reckoned abnormal, while the volume of traffic this year—again to that extent—should be more normal. To assess the weight of this factor is not a simple matter; but it would be surprising if the settling down of British industry to more "normal" conditions (in this sense at least) would not have reduced in some measure the exceptional demand on transport which always arises from dislocation of supplies.

These explanations of the fall in passenger and goods traffic may not be the whole story. But so far as they go, they offer little encouragement to the railway authorities, faced as they are with a continued rise in costs. For the thirty-two weeks to August 8th, railway receipts were up by just over £30 million. There is thus no likelihood that the extra £65 million which was thought to be required thirteen months ago to enable the railway system to earn the £38.6 million formerly payable under the rental agreement, can possibly be achieved. But in the meantime, costs have risen further. A year ago, the average increase in total costs compared with 1939 was already 100 per cent, including the effect of last year's wages award. It can hardly be less than 110 per cent to-day, and the further demand is being voiced for the "balance" of the wages increase sought last year—that is, the ungranted 12s. 6d. of the original £1. The cost of meeting such a claim would hardly be less than £20 million in a full year. Meanwhile, the recent adjustment of coal prices, according to quality, has increased the railways' coal bill by something of the order of £1½ million. No economies could possibly be secured to match further increases in costs on this scale. Indeed, the scope for economies so far revealed in the operations of the Railway Executive is limited to the unification of the requirements of the different regions for locomotives and wagons, which will yield a useful though not very spectacular economy in capital charges in future years.

The Commission and the Executive are in a painful dilemma. To seek an increase in charges would merely heighten the loss of traffic which is already serious and threatening. A financial crisis of the first order thus confronts them before they have had any opportunity to explore the true meaning of co-ordination, or to work out a system of charges for rail and road transport which would encourage the best use of existing facilities, making them equal and self-supporting partners without at the same time mulcting the transport user by the exercise of monopoly power. On the present trend of the figures, it is quite improbable that the Railway Executive can earn very much, if anything, this year to meet the £28 million or so of interest on the portion of Transport Stock issued to pay for its assets. The figures are an urgent warning of the need for seeking economies of unification by the more efficient management of the railway system and also for solving the questions of co-ordination and long-range transport policy which are peculiarly the responsibility of the Transport Commission. There is little evidence that any effective steps are being taken in these directions, and little public discussion of their profound importance on the future of the British economy. It is intended to discuss these issues in a series of articles in *The Economist* in the fairly near future. Meanwhile, it must be hoped that those responsible for transport policy are giving their consideration the most urgent priority.

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Business Notes

ECA Dollar Reimbursements

It may be surmised from the level of the new Treasury Special Account that the Treasury's total receipts of dollars under ECA, by way of reimbursement of its own dollar outgoings in anticipation of such aid, now substantially exceed the £22 million which, as the Chancellor revealed, was received at the end of June. Details of the subsequent receipts have not yet been officially disclosed, but the total must have reached at least £33 million by early August, for that was the amount of the initial transfer then made to the Special Account. A further transfer, of just over £15 million, was indicated by the Bank return dated September 1st and by the Exchequer return issued this week—the latter, as expected, showed a corresponding increase in receipts from "Other Debt—Internal," that is, in the special interest-free Treasury Notes taken up by the Bank of England. And this week's Bank return revealed a further small transfer, of £1.1 million. The Special Account therefore now stands at £49.7 million, but, even so, apparently does not represent the full sterling counterpart of the dollars that have been received, the difference being presumably held on the Suspense Account with the Paymaster-General, in accordance with the procedure described by the Chancellor some weeks ago.

One reason for the disparity between actual dollar receipts and the disclosed sterling credits is, as previously explained in these columns, that the credits are not directly linked either with the dollar reimbursements or with the Treasury's cash receipts from the actual sale of dollars on bulk-purchased dollar goods. Following the provisions of the ECA agreement, the amounts of the credits and the timing of the transfers to the Special Account depend simply upon the periodic notifications from the US authorities of the dollar cost to them of the revelant ECA grants.

* * *

Special Account Accumulations

Actually, though for a different reason, the disparity between the level of the Special Account and the dollar reimbursements is smaller than it had been expected to be. The amount of the Special Account will fall when the US Treasury either authorises the British Treasury to employ the funds in debt redemption (or for any other agreed purposes within the scope of the master-agreement) or requires finance, up to the prescribed limit of 5 per cent of the total, for its own ECA expenditure in Britain or for stock-piling purchases. The recent rubber deal between the two Governments, which is discussed in a separate Note this week, falls into this category and will be thus financed. It has not, however, yet figured in the accounts; the assumption made in some circles that this week's small repayment of "Other Debt—Internal" is linked with the rubber deal is not correct. Apart, however, from the 5 per cent of the funds which is in effect reserved for America's own expenditures, it had been originally intended that the balance of the account should be extinguished as quickly as possible by its application to one or other of the purposes contemplated in the agreement—of which, of course, debt redemption was expected to be the main, and perhaps the only, method of release. The funds cannot, however, be employed for this or any other purpose until the US authorities give due permission; and it may be presumed from the high level of the account that they have not yet responded to the formal British requests that the money now be employed in redeeming the Treasury's debt to the Bank of England on interest-free Notes.

The reason for this delay has not, of course, been revealed; but it has been surmised elsewhere—and the supposition is not unreasonable on the face of it—that the hesitation in Washington may be due to the unfortunate uncertainties about the new European payments project, with its provision that approved inter-European credits may, in certain circumstances, be debited against the Special Accounts. In view of that possibility, it is worth reiterating that this complicated mechanism of the Special Account will cease to have merely nominal and formal significance as soon as, and to the extent that, it is used for any other purpose than debt redemption. If any portion of the funds has to be employed to finance tangible operations, whether capital projects or unrequited exports, which would not otherwise have been undertaken, the expenditure will have a real and inflationary effect upon Britain's economy—or at least, as an article on page 424 shows, will increase Britain's obligations to the overseas sterling area. So long, therefore, as the credits to the Special Account continue to pile up, so long will there be a possibility that they will eventually exert these effects. If and when they are "used" to redeem debt, the effects will be confined to the purely internal book-entries described on several occasions in these columns. But it rests with the Americans alone to give this discharge, and so to remove the uncertainty.

* * *

The Cost of Coal

The cost of coal, as the statistical statement of the National Coal Board for the second quarter of 1948 shows, continues to climb. But the increase of 7.6d. a ton shown in the latest statement is less than the previous quarter's increase, which was 1s. 0.3d. The elements which make up the rise in costs are stated, though not in detail, by the Board. The average cost of a ton of coal was 45s. 4.3d.; of this 29s. 8.4d. was made up of wages, including holiday pay and allowances in kind. This is an increase of 3.6d. over the previous quarter. "Roof supports, general stores, and repairs" accounted for 3.7d. a ton more than in the previous quarter; this was caused partly by the higher cost of materials, but partly also by the entry into force of the Coal Mines (Support of Roof and Sides) Regulation. "Other costs" accounted for an increase of 1.8d.; this reflects higher training expenses, an increased provision for depreciation, and the full implementation of the agreement on clerical salaries. The total was modified by a reduction of 1.5d. a ton in "coal and power consumed," attributed by the Board to improvements in the generation and use of power.

COAL COSTS, PROCEEDS, PROFITS AND LOSSES

	1947				1948			
	2nd Qtr.		3rd Qtr.		4th Qtr.		1st Qtr.	2nd Qtr.
Output (mn. tons):—								
Commercially disposable	42·1		39·3		45·9		44·5	45·5
Saleable	45·9		42·8		49·9		48·6	49·3
Costs (per ton saleable):—	s.	d.	s.	d.	s.	d.	s. d.	s. d.
Wages	26	3·9	27	8·8	28	8·2	29 4·8	29 8·4
Roof supports, stores, repairs	5	10·8	6	4·0	6	3·5	6 1·9	6 5·6
Coal and power	2	5·9	2	7·6	2	5·9	2 10·5	2 9·0
Other costs (incl. depreciation)	5	8·6	6	1·5	6	2·8	6 3·5	6 5·3
TOTAL COSTS	40	5·2	42	9·9	43	8·4	44 8·7	45 4·3
Proceeds	38	9·7	40	3·4	42	10·7	46 3·5	47 1·9
Profit (+) or Loss (−) (before charging interest)	−1	7·5	−2	6·5	−0	9·7	+1 6·8	+1 9·6

While the Board's costs rose, the proceeds from the sale of coal rose still further, and its revenue account shows an estimated surplus for the quarter (after charging estimated interest and interim income) of £1,002,828. The increase in proceeds is not analysed in detail, but the Board explains that it resulted (presumably, only in part) from the higher tonnage exported. Exports and bunkers (excluding supplies to fishing vessels and to Eire) rose from 1,873,392 tons in the first quarter to 3,925,525 tons in the second. To make ends meet by charging more to the export market than to the home market is likely to be a short-lived expedient.

* * *

Productivity in the Steel Industry

The productivity record of the British steel industry over the last decade is defended in an article in the August *Statistical Bulletin* of the Iron and Steel Federation, which demonstrates that steel, in contrast to British industry generally, can show substantial improvements in output per man since 1938. Both the labour force employed on steel production and the volume of ingots and castings turned out have increased substantially during that period. But there has also been a further change—"a noticeable swing towards the more highly finished products which involve the application of a greater amount of skilled work." Thus (to take two extreme examples) the output of cold rolled strip is now about 3½ times as high as in 1938, and the output of bright steel bars almost three times as high; these are products valued at between £30 and £40 a ton, while the output of rails (£17 a ton) is a little below its prewar level.

If the simple tonnage of ingots and castings is taken as the yardstick, then the index of steel production was 120 in 1947, 144 in the first quarter of 1948, and 147 in the second quarter of 1948 (with 1938 as 100). But the *Bulletin* makes another computation to allow for changes in quality: it measures the products of the steel industry by value, weighting the values to give constant

relative prices, and deducting the cost of materials used to get the net value of the work done. This gives a more favourable index: 138 in 1947, 157 in the first quarter of 1948, and 161 in the second quarter of 1948. The average numbers employed in steel melting and rolling have risen from 147,200 in 1938 to 184,500 in the second quarter of this year. From the numbers employed and the assessment of output on the basis described an index is reached to show the improvement in output per man-year.

OUTPUT* PER MAN-YEAR IN STEEL MELTING AND ROLLING
(1938=100)

	Operatives	All Workers
1938	100	100
1945	110	106
1946	118	114
1947	119	114
1948, 1st quarter	131	126
1948, 2nd "	134	128

* Net value of output at constant prices.

"Operatives" in this table exclude administrative, clerical, or technical grades; if these are included the resultant figure (the second column) shows a slower rate of improvement. It is worth noting that in the steel industry, as in so many others, the expansion of the labour force in recent years has brought a less than proportionate increase in the numbers employed directly on the productive processes. The tendency is shown in a further table:

FUNCTIONAL DISTRIBUTION OF WORKERS IN THE IRON AND STEEL INDUSTRY*
(Percentage of Total)

	Process Workers	General and Maintenance Workers	Clerical Workers
1940	67·9	25·9	6·2
1941	67·1	26·4	6·5
1942	66·6	27·2	6·2
1943	65·8	28·2	6·0
1944	64·8	27·8	7·4
1945	63·7	28·6	7·7
1946	62·5	29·5	8·0
1947	61·9	29·8	8·3
1948, 1st quarter	61·8	30·1	8·1
1948, 2nd "	61·7	30·1	8·2

* All sections except iron castings and bolts and nuts.

One reason for the higher proportion of general and maintenance workers (the *Bulletin* suggests) is the need to overtake arrears of repair and maintenance work accumulated during the war. Improvement in plant operation saves process workers but does not save maintenance workers; indeed, more complex and more mechanised plant may call for increased numbers of maintenance men. The biggest increase in numbers of clerical workers happened between 1943 and 1944, and seems to have been made necessary by the introduction of PAYE.

Dr Rostas, in his article in the *Economic Journal* in April, 1943, estimated that America's productivity in steel melting and rolling in 1937 was 68 per cent higher than Britain's. The *Bulletin* suggests that this should have been 31 per cent, and that Dr Rostas appears to have taken ingot production as his basis, making no allowance for the considerable amount of labour employed by the British steel industry in working up imported ingots and semi-finished steel. It concludes that the level of British productivity should improve further as the present development plan takes effect.

* * *

America Buys Rubber

At the end of last week the Board of Trade announced that it had sold a part of its stock of natural rubber to the United States. No information has been disclosed of the quantity involved or the agreed price. The total stock of rubber held by the British Government amounted to 88,362 tons at the end of June, and according to the US Munitions Board the target for American rubber purchases for the three months from July 1st last is 25,000 tons. But whether the latest purchase covers this target amount or was somewhat less has little significance for the rubber market, because the American authorities have agreed to regard the transfer as a special inter-Governmental transaction; it will not, therefore, reduce their buying programme from current production for stockpiling purposes. Moreover, the remainder of the stock held by the Board of Trade, with the exception of a small quantity of low quality rubber, has been withdrawn from the market and will be maintained as a British strategic reserve.

Since the official announcement of the sale, the price of rubber has weakened to 1s. 1¼d. a lb. The British Government's rubber stocks were only a potential threat to the market, as the official selling price, 1s. 3⅜d. a lb., was always above the market quotation. The chief result, therefore, is to remove the ceiling to the market. Moreover, the American buying programme remains intact; presumably that means that the US authorities will still purchase 25,000 tons of natural rubber for stockpiling in the current quarter.

This sale constitutes the first transfer of strategic materials to the United States under the terms of the Economic Co-operation Agreement. Payment will be met by a transfer from the Treasury Special Account into which the British Government pays the sterling counterpart of ECA grants, as notified by the US authorities. Article IV of the Agreement stipulates that up to 5 per cent of this fund may be used by the US Government to meet its local administrative expenses and to purchase strategic raw materials for stockpiling. The balance in the Special Account on Wednesday stood at £49.7 million. If the whole of the permitted 5 per cent of the existing balance were used to pay for the rubber, the quantity sold would be limited to a maximum of 21,000 tons—but conceivably the Agreement might cover a larger quantity in anticipation of the growth of the Special Account as further Marshall grants are received. In any case, part of the 5 per cent of the sterling balance will be used to meet American administrative expenses in this country. At least it is clear that Britain will not get any dollars from this sale, and that payment will be made on delivery which will be spread over the period ending next June.

* * *

Light on Savings Habits

In the past one of the weakest links in the chain of national income estimation and in the new technique of capital budgeting for the national economy as a whole has been the lack of reliable direct data about savings, and particularly about the distribution of savings and the motives which lead the public to save. The National Savings Committee, it might have been thought, would have bestirred itself long ago in an effort to fill part of this vital gap in economic knowledge. Its first attempt is no less welcome for being so tardy. During last March and April it arranged some 2,000 personal interviews with a random selection of people of different ages and occupations in 67 localities in England and Wales. If this sample can be taken as representative, it indicates that 86 per cent of the adult population held savings of one kind or another—59 per cent holding National Savings (i.e., Savings Certificates, Defence Bonds, or Savings Deposits) and 53 per cent having interests in life assurance. Other significant forms of savings were through the co-operative societies (15 per cent), building societies (12 per cent) and pension funds, etc. (11 per cent). These percentages, of course, relate to the number of persons involved and not to the actual amount of their savings, upon which no information was apparently furnished to the inquirers. Among the specific forms of National Savings, by far the most popular was the Savings Deposit account; 40 per cent of National "savers" had Post Office accounts and 8 per cent had Trustee Bank accounts. Rather less than one-third held Savings Certificates or Defence Bonds. Less than three-fifths of these National "savers," and only about one-third of the total population, could, however, be regarded as active savers even when activity is judged by so loose a test as whether they have made any deposit or bought a Certificate within the preceding twelve months. Of the National savers, a little under 30 per cent achieved a net increase in their holdings during the year, but just over 30 per cent decreased them.

The survey shows very plainly how enthusiasm for the savings movement has diminished since the war. Savings groups now include about 13 per cent of the population, but their membership is only one-third of what it formerly was. Similarly, two-thirds of the present holders of National Savings Certificates made their first purchases during the war, and most of them did so for patriotic motives. But this motive was not mentioned at all in answer to the inquiries about the reasons for new savings at the present time. Fifty-nine per cent of the total sample said that they were now unable to save, and nearly all these people said that the reason was that they "could not afford it." Similarly, 47 per cent of those questioned attributed the decline in National Savings to "the cost of living" and 14 per cent to "inadequate income"; only 4 per cent thought "anti-Governmental sentiment" was an

important factor, though many people referred to "apathy." Of the 41 per cent who claimed to be still able to save, through one channel or another, one-third said that they did so for reasons of security, one-third with some material objective in view (e.g., holidays, homes, etc.) and one-third did so as a matter of habit. The dis-saving, so far as it has taken place through net withdrawals from the Post Office Savings Banks, seems to have been largely due to specific expenditure on holidays, homes, clothes, etc.—40 per cent of those who have been thus dis-saving explained their action on such grounds as these. Only 14 per cent said that the money was needed for "living expenses."

* * *

Cotton by Sample

The Raw Cotton Commission is apparently sparing no effort to improve its service to the Lancashire spinners. One of the main criticisms levelled in its first few months was the lack of sampling facilities for buyers. Soon all types of cotton except sea-island will be purchasable under one of three contracts. First spinners may continue to buy cotton on description, as they have done since the beginning of wartime control, at a 5 points discount on the list price. Under this contract, however, spinners have no option to reject deliveries if they differ from the description. In fairness to the Commission, it has often come to terms with spinners when differences of quality have been proved, but it is under no obligation to do so.

If the spinner buys at the list price, under the second form of contract, he may have a visual sample of the description, and within certain limits he can reject deliveries which do not agree with the sample. This is now the standard contract. Thirdly, a spinner can, at an extra charge of 10 points on the list price, see samples of all bales of cotton before taking delivery. This service is given to the spinners on a cost basis, so that the premium may be increased or reduced according to the Commission's experience of costs. This last type of contract is not available for Sudan cotton, as its regularity in grading makes individual sampling unnecessary. It will be interesting to see to what extent spinners avail themselves of these different contracts. Although a similar choice has existed for Egyptian cotton for many months now, most of the purchases continue to be made on description—that is the first type of contract. But whether the other two forms of contract are used or not, spinners are at last being offered a service equivalent to prewar, and in some respects perhaps even better. And if the scheme works according to plan, spinners should be able to get the type of cotton to meet their individual requirements, particularly as they have over 3,000 types from which to choose.

It is, of course, too early to judge the operations of the Commission, but both in price policy and in sampling it is making an effort to restore to the Lancashire spinner all the advantages he had under private trading. Home prices were again reduced last Monday—the fifth change in nine weeks—with substantial cuts for certain Egyptian types. British prices are being kept very closely in line with world replacement costs even on a falling market, and if the Commission can maintain this policy without losing more on the downswing than it gains on the upswing, it will indeed be an achievement.

* * *

Rehabilitation in Tin

The rehabilitation of the Malayan tin industry has been progressing satisfactorily. Output for the first six months of the year reached 20,688 tons, compared with a total of 27,026 tons for the whole of 1947. In 1940 output in Malaya totalled 83,000 tons, which was admittedly a good year. Various forecasts have been made for 1948, and at the last meeting of the Tin Study Group, Malayan production up to June was estimated at 21,000 tons and at 25,000 tons for the second half of 1948. The first target has more or less been achieved and there is reasonable likelihood—political disturbances apart—that the second will also be attained.

The progress made between January and June of this year can be traced in the following table, which shows the total number of European and Chinese mines operating during each of the six months. There has been a steady increase in the number of gravel pump mines operating since the beginning of the year—from 339 to 393, nearly all of them Chinese owned—and the number of underground mines has also expanded almost continuously. The rehabilitation of dredges, however, has been much slower; 57 were operating in January; the total increased to 63 in May, but then fell to 61 in June. Shortage of steel and electrical equipment is still retarding both repairs to old dredges and delivery of new ones, while certain sites have been exhausted, necessitating the removal of dredges to new workable areas. Yet the increased activity in tin dredging can perhaps be gauged by the sharp increase in dividend receipts of London Tin Corporation, which owns considerable dredging interests in Malaya. But the recent political disturbances are affecting tin as well as rubber production. Although there has been no noticeable decline in output yet, unless reasonable security can be restored soon the rehabilitation of the industry may be seriously interrupted.

The next meeting of the Tin Study Group is to take place in the middle of October and most of the discussion is expected to centre in the proposed five-year plan for the tin industry. In Washington, last April, a subcommittee was appointed to review the possibility of a commodity scheme for tin, because, according

MALAYAN TIN MINES IN OPERATION, 1948
European and Chinese—number

	Jan.	Feb.	Mar.	April	May	June
Dredges	57	59	61	62	63	61
Gravel pump mines	339	344	356	362	372	393
Hydraulicing	23	23	22	23	22	21
Open-cast	10	9	9	10	10	10
Underground mines	22	23	25	23	25	29
Small workings without machinery	43	46	45	47	47	46
TOTAL	494	504	518	527	539	560

Source: "Tin."

to the statistical forecast, world production would outstrip consumption by 1950. But the new agreement will have to conform both to the principles of the International Trade Charter, and also to the Economic Co-operation Agreement between Britain and the United States. It is difficult to conceive how a restriction scheme can be introduced when Britain has agreed to expand production of strategic materials to meet American requirements. Equally important is the question of price, for costs of production for tin differ widely among the various producers. Will the Study Group, which avowedly represents both producers and consumers, guard the consumers' interest in this matter?

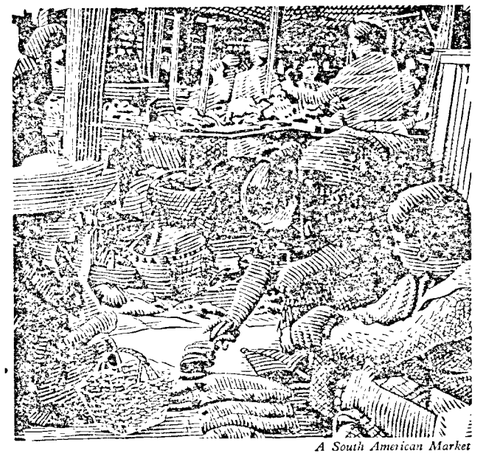
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Britain's Trade with Russia

Preliminary discussions on the future development of Anglo-Russian trade are continuing between Mr Bottomley, the Secretary for Overseas Trade, and the Soviet Ambassador, but though they have already lasted many weeks no agenda has yet been agreed. The prospect of successful trade talks will undoubtedly be conditioned by the broader aspects of the Berlin negotiations and within the context of ECA. The British approach towards Russian trade is sufficiently akin to the American to circumvent any possible objections under the Foreign Assistance Act, even though no formal list has been agreed between the two countries of commodities regarded as of strategic importance and not, therefore, available for export to Russia. The balance of trade between Russia and Britain during the first half of 1948 has been markedly in Russia's "favour"—at least in the old usage of the term. Britain has imported nearly £11½ million of Russian goods consisting almost entirely of grain, and exported £2,180,000 of British goods, half of which was machinery, and £1,145,000 of re-exports, mainly wool.

Under the trade agreement of last December Britain was to receive 450,000 metric tons of barley, 200,000 metric tons of maize and 100,000 metric tons of oats, making a total of 750,000 tons of grain. There was, however, a waiver clause to the effect that the last 200,000 tons would be withheld if the total value of Soviet orders placed by May 31st did not reach half the total value of the equipment required. Tenders had been submitted to the Russian trade authorities, but delays occurred through the tenders being referred back to Moscow. Although orders had not been placed up to required limit by the end of May, there has been no official intimation that Russia intends to withhold the final 200,000 tons of grain. Up to the end of July Britain had in fact received over 400,000 tons of grain. If imports during August and September continue to average 80,000 tons a month, total receipts by September 30th will be about 550,000 tons—equal to the original 750,000 tons less the 200,000 tons subject to the waiver clause.

Britain's adverse trade balance with Russia has, of course, been offset by Russian purchases within the sterling area. Large quantities of rubber have been bought in Malaya; during the first eight months of this year Malayan exports of rubber to Russia amounted to 56,143 tons. Although part of this quantity no doubt represents purchases made before the agreement was signed, Russia's sterling resources are assuredly much smaller than the trend of the British trade figures might alone imply.



A South American Market

There is colour and atmosphere in plenty in the country markets of South America, which, together with the great cities, form so vital a part of the export markets that Britain must maintain and expand.
Barclays Bank have their own Representative's Office in Buenos Aires and thus are well placed to assist those interested in trade with South America. Business men seeking to enter this market for the first time are particularly invited to discuss their problems with the Manager of their local branch or write direct to the address given below:

Chief Foreign Branch, 168, *Fenchurch Street, London, E.C.3*

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Abridged Particulars

HACKBRIDGE CABLE HOLDINGS LIMITED

(Incorporated in England under the Companies Act, 1948.)

Authorised:		*Issued and Fully Paid Up.*
£450,000	in 450,000 5% Cumulative Preference Shares of £1 each	£450,000
£450,000	in 1,800,000 Ordinary Shares of 5s. each	£450,000
£900,000		£900,000

There are no Debentures, Mortgages or Loan Capital outstanding. There is, however, a mortgage granted by the Company's subsidiary, The Hackbridge Cable Company Limited upon which £38,000 is outstanding.

The List of Applications will open at 10 a.m. on Wednesday, 15th September, 1948, and will close the same day for an OFFER FOR SALE by

PHILIP HILL & PARTNERS LIMITED
of
882,000 ORDINARY SHARES OF 5s. EACH AT 15s. 6d. PER SHARE.

The Offer for Sale shows (inter alia) that:

1. The Company (incorporated on 3rd September, 1948, as a Private Company and converted into a Public Company on 8th September, 1948) was formed to acquire the whole issued share capital of The Hackbridge Cable Company Limited (the "Cable Company") which in turn owns the whole issued share capital of Bryce Electric Construction Company Limited and Mitcham Motor Company Limited.
2. The Cable Company (incorporated in 1917) carries on the well-known business of manufacturers and suppliers of "Hackbridge" electric cable to Public Utility and Commercial undertakings throughout the country and abroad, including the General Post Office and British Electricity Authority. Bryce Electric Construction Company Limited manufactures and distributes transformers, capacitors and electric meters and the Mitcham Motor Company Limited carries on the business of haulage contractors.
3. At present, about 25 per cent. of the Cable Company's total production is being exported, most of the balance being of highest priority for the home market. About 40 per cent. of the total production of Bryce Electric Construction Company Limited is for export.
4. The Accountants' Report shows combined net assets (excluding goodwill) of the Cable Company and its two Subsidiaries, amounting to £955,547, more than twice the nominal Preference Share Capital of Hackbridge Cable Holdings Limited.
5. In the opinion of the Directors, in the absence of any unforeseen circumstances, the profits of these companies for the current year, after charging all expenses including Directors' remuneration and depreciation, but before providing for taxation, will not be less than those for the year ended 31st March, 1948, which amounted to **£253,433.**
6. In this event, the Directors intend to recommend payment of a dividend on the Ordinary Shares for the period of approximately six and a half months from the date of this Offer to 31st March, 1949, at the rate of not less than 20 per cent. per annum, **equivalent to a yield of approximately £6 9s. 0d. per cent. per annum on the Offer price.**

Full Offers for Sale, on the terms of which alone applications will be considered, and application forms, are obtainable from:

BANKERS:
LLOYDS BANK LIMITED, Issue Department, 72, Lombard Street, London, E.C.3. and Branches.
BROKERS:
JOSEPH SEBAG & CO., 22, Old Broad Street, London, E.C.2, and The Stock Exchange, London.
REGISTERED OFFICE OF THE COMPANY, Kelvin Works, Hackbridge, Surrey.

or from the Vendors of the shares

PHILIP HILL & PARTNERS LIMITED
KINGSBURY HOUSE, KING STREET, ST. JAMES'S, LONDON, S.W.1.

If this is so, Russia may be willing to export larger quantities of grain to Britain, notwithstanding the distant delivery dates of British goods, especially as the harvest throughout eastern Europe has been good. In the trading sphere, at all events, Britain's bargaining position appears to be appreciably stronger now than it was twelve months ago.

* * *

Electricity Restrictions

Winter restrictions on the use of electric power are left for the Regional Boards for Industry to determine—appropriately, since the plan which will be most effective varies with the economic complexion of the region. The feature of the London and south-eastern region is the heavy commercial and domestic load and the relatively light industrial load. It is therefore unreasonable to expect industry to carry the entire burden of abstinence, and the arrangements for the coming winter which Sir Frederick Leggett announced during the week recognise this fact. Compulsory restrictions are to be extended from industry to commerce, and industrial establishments gain some relief, being required to cut their power consumption by one-fifth in the coldest months instead of by one-third.

Reasonable though this is, it is evident that the perfect method of enforcing the economies has yet to be found. Industry is to be restricted to a 90 per cent power load between 4 and 6 p.m. in October; 90 per cent between 8 a.m. and noon and between 4 and 6 p.m. in November; and 80 per cent between 7 a.m. and 7 p.m. from December to February. But 80 per cent of what? In each case the industrialist is restricted to a percentage of his peak load in the winter of 1946-1947. Thus the bad old principle of penalising past economy is retained. But there is a further point: how is the peak load to be ascertained, either for the winter of 1946-1947 or for the coming winter? The larger factories have, as a rule, maximum demand meters. In that case, ascertainment is simple. For those which have not, no more than a loose estimate based on the appliances installed and the habits of the factory is possible. It is hard to see how these factories can either be given a rigid maximum, or pinned down as to what they actually consume at peak times. And it is (as has so often been stressed) consumption at peak times that matters.

The remaining disputable point is whether the restrictions announced will serve their purpose of making load-shedding unnecessary. A spokesman of the British Electricity Authority explained that they would prove adequate if the winter were mild, but inadequate if it were really cold. New plant in service at the British generating stations would provide between 400,000 and 500,000 kilowatts more than last winter, he explained; but the increased load would be about the same, so there would be no easing of the supply problem. It is in some ways unfortunate that the whole problem continues to be treated as an emergency of an exceptional kind. The treatment is based, presumably, on the BEA estimate that there will be a net increase in generating capacity of 6,800,000 kilowatts by 1952, and that capacity will then just balance the load. It would help in dealing with the peak-load problem if the uncertainties of this proposition could be recognised.

* * *

Colliery Compensation Delays

In just over three months, on December 31st, colliery companies will cease to receive the interim income which they have been paid since the vesting date on January 1, 1947. Yet little apparent progress has been made with the apportionment of the total compensation sum of £164.6 million between the 21 districts; and that must be decided before the share of the eventual beneficiaries in the separate districts can be determined. Thus colliery companies remain quite uncertain of the date when they will finally receive compensation. They will be entitled to interest on their compensation claims as from the beginning of next year, but until these claims have been determined, the amount of interest will remain a matter of estimate.

Mr M. K. Burrows, chairman of Manchester Collieries, whose vested assets exceed £5,000,000, complains of the slow progress made by the Central Valuation Board, which is at present engaged in apportioning the total compensation sum as between the 21 districts. This work, in his opinion, cannot be completed before the end of this year at the earliest. It is, however, the next stage of the task—the examination of the claims of each individual colliery company by the eight District Valuation Boards—which will prove really extended. No one familiar with the coalmining industry will expect a speedy settlement of claims. Mr Burrows suggests that a payment on account could be made in anticipation of the final settlement. But the colliery undertakings should not overlook the part they themselves can play in expediting the proceedings. Thus the chairman of Staveley Coal and Iron has informed shareholders that the North Derbyshire collieries are "considering proposals aiming at the shortening of 'Stage 3 Proceedings'," that is, the apportionment of district sums to the companies.

Meanwhile, colliery undertakings pure and simple will be most affected by the intervening shortfall of revenue. Some companies, such as Staveley Coal and Iron, have demonstrated their independence of colliery profits—Staveley's trading profit for the latest year has risen by £169,868 to £790,756. Other companies are engaged in repaying part of their outstanding capital. Where repayment of preference capital only is contemplated, as in the case of Chatterley-Whitfield Collieries, it has led to litigation, which has still to be resolved. In other cases, such as Doncaster Amalgamated, the recent proposal to repay one-third of the preference and ordinary capital outstanding (£1,811,014 and £5,179,313 respectively) has been approved.

The requirement that the "statements of interest" submitted by each colliery must be verified by the Ministry of Fuel and Power before the district boards can start their work calls, in Mr Burrows' view, "for speeding up while retaining the necessary safeguards that public money is not improperly applied," if necessary by a revision of the regulations." But the first, and immediate, step should concern itself with the District Valuation Boards, which as yet consist only of eight chairmen.

* * *

Tilling Compensation Agreed

Negotiations between the Transport Commission and the Thomas Tilling group during the past eight months have ended in a satisfactory agreement for the purchase of the group's road transport undertakings affected by the Transport Act for a total price of £24.8 million. The Commission, of course, was already equally interested (through the shareholdings which it acquired from the railways) with the Tilling group in the operating companies, and purchase by voluntary agreement was naturally convenient to both sides in the negotiation. The Commission will retain the benefit of profits from December 31, 1947, and payment of the purchase price (which is subject to any detailed adjustments) may either be made in Transport Stock or cash, or partly in each.

Thomas Tilling retains important interests outside the passenger and haulage holdings which are to be transferred, and there is no intention of liquidating the company. But the directors' future plans have yet to be disclosed. What remains in the business is substantial by ordinary standards—the interests in Cornhill Insurance, Daimler Hire and others, and a holding of £811,406 of Transport Stock received in exchange for London Transport "C" stock. The break-up value of the £4,200,000 of Tilling ordinary stock works out at little below £6 per £1 of stock compared with a price of £5 1s. when the market closed on Wednesday. The news naturally caused great activity in Tilling and other road transport issues on Thursday, the former rising to £5 17s. The market is presuming that a substantial repayment of capital may be made, but this has been neither confirmed nor denied.

* * *

£2,000,000 for Agricultural Finance

A notable trustee issue this week will be the offering of £2,000,000 3 per cent debenture stock of the Agricultural Mortgage Corporation. This issue, which was underwritten in the City last Wednesday, is the first debenture issue to be made by the Corporation since 1932, although its share capital, which is wholly owned by the Bank of England and the clearing banks, was increased from £650,000 to £750,000 in 1944. There can be little doubt that the Corporation, sometimes known as the "Farmers' Bank," will have an important part to play in the big programme for expanding British agriculture; and the need for additional finance was apparent from its last balance-sheet. This showed that outstanding loans, made against first mortgages on agricultural properties, stood at £9,570,000 at March 31st last; they had increased during the year by fully £1,300,000, or by only a little less than the total of liquid resources which remained at the balance sheet date. Yet at the meeting a few months ago the chairman reported steadily rising demands for loans, for which the current charge to agriculturalists is 3½ per cent. The distinctive feature of this issue, therefore, from the Corporation's point of view, is that it offers a prospect of a small profit margin; the existing debenture stocks, totalling £8,500,000, were raised when capital market conditions were much less propitious—they carry rates of 5 and 4½ per cent.

Though a full trustee security, the stock is not directly guaranteed by the Government; it has, however, not only the high status which comes from the banking proprietary of the Corporation, but is, in effect, buttressed by the advances made to the Corporation by the Ministry of Agriculture. Partly because of its unique status, and partly because the stock, when fully paid (on January 11th), ceases to be free of stamp, it is not easy to make close comparisons with existing gilt-edged securities. But, on the basis of current prices for the securities most closely comparable—the 3 per cent Transport Stock, 1967/72 (also subject to stamp duty) and the 3 per cent New Zealand Stock, 1966/68 (which is stamp free)—the issue looks attractive, and will certainly be a welcome addition to the supply of high grade securities.

* * *

Nationalising India's Reserve Bank

The bill to nationalise the Reserve Bank of India, which is intended to take effect on January 1st next, passed its first reading in the Indian Parliament at the end of last week. The scheme does not raise any issues more contentious than those associated with the nationalisation of the Bank of England. Indeed, the Indian proposals follow very closely those adopted in Britain three years ago. The Reserve Bank of India, though created by the Indian Parliament in 1934, was a shareholders' bank. But the association between the Government and the bank, and the extent to which the policies of both were harmonised, was as close as if the bank had been a fully-owned state institution. Hence the Indian nationalisation scheme, like the British, has mainly moral significance, and will not have any discernible impact upon India's economy or banking structure. The existing share capital of the bank, totalling Rs. 5 crores and mainly held in India, is to be exchanged into 3 per cent long-dated Government Stock, and in future the board will be wholly appointed by the Government. Like the Bank of England Act, the bill empowers the Government to give directions to the central bank on matters of policy, while apparently safeguarding it from unreasonable interference in day-to-day routine. The Government has stated definitely that there is no intention to nationalise the commercial banks.

* * *

Gold Losses to Switzerland

A report issued this week by the Swiss Federal Council gives the interesting information that during the first two years of the working of the Anglo-Swiss payments agreement of March, 1946, the United Kingdom had to transfer to Switzerland 440 million Swiss francs in gold, of which 305 million francs were paid during the second year, that is, in the twelve months to the end of February, 1948. These gold remittances came to an end as a result of the supplementary agreement signed last January. By this both parties undertook to maintain payments between Switzerland and the sterling area in approximate balance, leaving Switzerland's holdings in sterling at the agreed ceiling of £15 million.

It is probable that the supplementary agreement, with its basic objective of preventing Swiss accumulations of sterling beyond this gold point, provides an explanation of the new arrangements for crediting interest on Swiss Nominee Assets referred to in *The Economist* of July 24th last. The new arrangements, under which the interest on such assets is paid to the credit of a sterling account appropriate to the residence of the beneficial owner and not of the nominee, means that an accumulation of sterling on Swiss account is prevented. Whether or not this suits Swiss interests, it certainly accords with the British Government's expressed desire "to bring payments between Switzerland and the sterling area into balance and so avoid further losses of gold."

* * *

Terms of Trade Still Deteriorating

The terms of trade are still moving against Britain, although the rate of deterioration slowed down in July. Import prices showed a relatively slight increase of 2 points, yet the cumulative rise since last December amounts to 11 per cent. The cost of raw materials showed the biggest increase in July; it rose by just over 1 per cent, while the increase for food, drink and tobacco was just under 1 per cent. Prices of manufactured goods actually fell, but the fall was only one point. The index of export prices, however, has remained around 251 for the past four months and has risen only by 3 per cent since the turn of the year. The export price of metal goods, indeed, has declined by one point for the second successive month; textile prices also fell in July. The value of other manufactures increased slightly, but was still below the level reached last April.

BRITISH IMPORT AND EXPORT PRICES

	1947 Dec.	1948 Jan.	Feb.	Mar.	April	May	June	July
Imports								
Food, drink and tobacco	243	249	254	255	259	260	263	265
Raw materials	304	313	317	319	336	342	348	353
Manufactures	258	263	269	274	275	278	279	278
TOTAL	263	269	275	277	283	286	290	292
Exports								
Food, drink and tobacco	224	223	230	221	223	224	224	226
Raw materials	277	283	293	304	306	305	305	305
Manufactures	245	244	247	248	251	251	252	251
Metal goods	222	221	223	225	226	227	226	225
Textiles	324	326	326	329	333	335	342	340
Others	236	235	240	240	246	244	243	245
TOTAL	244	244	247	248	251	251	252	251

It is a welcome sign that both import and export prices are tending to become more stable. But it is certain that the cost of food imports and certain raw materials will increase during the next six months—among them Canadian wheat, New Zealand and Australian meat and dairy produce and certain of the non-ferrous metals. Whether the cost of total imports will rise must depend on the extent to which other import prices may fall. American grain prices are not only much lower than a month or so ago owing to the excellent American harvest, but some are even below the minimum price guaranteed by the US Government Yet unless Britain is going to buy American instead of Canadian and Australian grain, it will benefit little from these lower prices. Even cheaper American cotton will have a proportionately smaller effect in lowering Britain's import costs, because purchases of American cotton are being kept to a minimum. But although import prices under the long-term contracts will rise, once the new season's supplies are received, total import prices should thereafter tend to fall somewhat. The main point, however, is whether export prices can safely be raised to match the higher cost of imports. There are indications at least that they cannot be adjusted; if so, the terms of trade must move still further against Britain.

* * *

New Capital without Tears

The scheme to infuse new capital into Aurochs Investment Company is in the highest degree ingenious. In June this year the Whitehead Industrial Trust acquired control of Aurochs Investment—an undertaking which has had a chequered career since the early 'twenties, and whose share capital of £2,100,000 was largely represented by a valueless charter party entered in the books at £2,000,000. Most issuing houses have the support of an associated investment company, but under present conditions it is impossible to establish a new investment company owing to the prohibition which is enforced by the Capital Issues Committee of all capital issues for merely financing purposes. The scheme for Aurochs Investment Company seeks to sidestep this prohibition—and apparently it succeeds. The whole of its share capital is to be preserved, but it will be converted into £140,000 in 4s. ordinary shares (this is the counterpart of the existing assets of the company which have largely been furnished by the Whitehead Industrial Trust) and £1,960,000 of convertible 4s. deferred shares.

Under a trust deed between Whitehead Industrial Trust and Aurochs Investment, the whole of the convertible deferred capital of the latter company will be put in the name of Whitehead Industrial Trust as trustees. As and when further capital is required for any work which Whitehead Industrial Trust may designate to Aurochs Investment, these deferred shares will be sold by the trustees at par. The trustees will then hand the proceeds to Aurochs Investment Company, and the deferred shares thus sold will be reconverted into ordinary shares ranking equally with the existing ordinary shares in issue. Ordinary shareholders of Aurochs are for the time being given preferential rights in purchasing such deferred shares as are offered by the trustees.

Technically this appears to be an extremely neat solution of a difficult legal dilemma. It is, of course, a quite exceptional case, and the likelihood of imitation is probably small. Certainly, any general tendency to use ingenious devices of this sort to circumvent the broad intentions of the Capital Issues control would

hardly commend itself to the authorities, and might provoke a strengthening of the regulations so as to put such schemes out of court.

* * *

Australian Estates Offer

The latest report of Australian Estates notifies ordinary stockholders that a substantial amount of preference stock and a smaller amount of ordinary stock have been acquired this year by interests registered in the names of various nominee companies. The late chairman of the company was informed by Mr Denys Lowson (who has been active for many years in unit trust business and was concerned with the Texas Land operation a few years ago) that these interests which were established in Scotland had obtained effective voting control of Australian Estates and wished to nominate representatives to the board. Three gentlemen have been notified as candidates for election at the company's annual general meeting which is to be held on September 29th.

Accompanying the report is a letter from Aberdeen Assets which informs the ordinary stockholders of Australian Estates that its friends and associates hold approximately 50 per cent of the issued preference and ordinary stock of Australian Estates (both classes have the same voting rights) and offering to purchase ordinary stock from existing holders at £140 for every £100 of stock free of expenses. This offer is open only until September 24th, five days before the shareholders of Australian Estates can have any opportunity of learning from their acting-chairman any further information about the new controlling interests. By reference to market prices the offer of Aberdeen Assets seems reasonable, for the ordinary stock has ranged during this year between 112 and 149. But the directors point out that the net asset value of the ordinary stock is substantially in excess of £200 per £100 nominal.

There is a suggestion in the timing of this offer that the purchasers are in a hurry to obtain the ordinary stock at their own price before stockholders can have the opportunity of hearing the views of their acting-chairman at first hand. In these circumstances the best advice that can be given them is to wait—either in the expectation that the time limit of the offer will itself be extended or for the possibility that they will have a later opportunity of realising their holdings closer to their intrinsic value than the price which the new interests are at present prepared to give.

* * *

UDT's Industrial Financing

Another aspect of the vexed question of capital formation in industry, which has been so widely debated recently by leading industrialists, was discussed last week at the meeting of the United Dominion Trust. Mr Gibson Jarvie naturally dealt with the problem from the point of view of the UDT, which is finding the provision of finance for industry's requirements for fixed capital an increasingly dominant part of its activities. His analysis of the whole problem, however, closely parallelled that recently made by Sir Geoffrey Heyworth and other industrial experts. He pointed out that while the burden of taxation on company profits since 1939 has made it virtually impossible for industry to accumulate new reserves for replenishment and modernisation of its equipment, the steep rise in replacement costs has eaten into the real value of the reserves accumulated before the war. More and more companies, therefore, are finding it impossible to bring their equipment up to date without raising fresh capital. But as Mr Jarvie pointed out, it may be unwise to raise permanent capital at a time of inflated prices. Many companies, therefore, are preferring to seek semi-permanent capital on fixed interest terms which is repayable over a period of years.

The United Dominions Trust, while deploring the political and fiscal tendencies which are thus impeding industry's capital formation, seems in fact to have derived—for the short run at least—a large benefit from them. Thanks to demands for loan capital of this kind, the Trust since the war has enjoyed a large expansion of business. Its profits last year increased by 57 per cent and the total of its loans, advances and bills, etc., rose from £5,514,000 to £8,263,000. It has financed the erection or adaptation of factories and the installation of new plant and machinery in "practically every industry." Mr Jarvie claimed that in present conditions loan finance is not open to the objection which might be raised against the creation of additional equity capital—on the ground that the industrial operations which the Trust is financing are "almost entirely self-liquidating" because the improvements will earn their own keep. Presumably this means that the net return from the additional output or from cost reductions thereby achieved should suffice to cover not only the interest but also the amortization on the loans. Mr Jarvie did not say, however, what level of prices is assumed for the purpose of such calculations. In some trades, if the equilibrium point were to be attainable only on the basis of the current price level, the transactions might eventually prove to be anything but "self-liquidating."

Shorter Notes

The Bank of England has now found it possible to print £5 notes, including the metallic thread, on thinner paper—"more in keeping with tradition"—than was needed when the metallic thread was first introduced, for security reasons, during the war. A new issue of thinner notes is accordingly now being made, of design virtually the same as that of the existing "thick" notes. These are not being called in and will, of course, remain legal tender.

*

The Stock Exchange Council announced on Monday the expulsion from the Stock Exchange of Mr Dermot Charles Piper. Mr Piper became a member in 1942.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Whitworth and Mitchell; Staveley Coal and Iron; Charrington, Gardner, Locket; London Tin; United Dairies

Prices, Year 1948 Jan. 1 to Sept. 8 High	Prices, Year 1948 Jan. 1 to Sept. 8 Low	Name of Security	Price, Sept. 1, 1948	Price, Sept. 8, 1948	Net Yield, Sept. 8, 1948 (m)	Gross Yield, Sept. 8, 1948
		British Funds	£ s. d.	£ s. d.		
101⅞	100⅜	War Bonds 2½%, August 1, 1949-51	101⅛	101⅛	..	1 5 11*e*
101⅛	100⅛	Exchequer Bonds 1½%, Feb. 15, 1950	100⅛	100⅛	0 7 11	1 4 4
102⅛	100⅝	War Bonds 2½%, March 1, 1951-53	102⅛	102⅛	0 9 6	1 11 11*e*
102⅜	100	War Bonds 2½%, March 1, 1952-54	102⅜	102	0 16 0	1 18 6*e*
104⅛	101⅜	War Loan 3½% (after Dec. 1, 1952)	104	103⅜	1 1 11	2 15 0
102⅝	99⅜	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	1 0 5	2 2 11*e*
103⅝	100⅛	Funding 2½% June 15, 1952-57	103	103	1 3 11	2 9 0*f*
105⅛	100⅜	National Def. 3% July 15, 1954-58	104⅜	104⅛	1 3 10	2 10 8*f*
105⅜	101⅛	War Loan 3% Oct. 15, 1955-59	105⅜	104⅛xd	1 4 9	2 10 10*f*
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	103	102⅜	1 4 4	2 16 0*f*
101	96⅜	Funding 2½% April 15, 1956-61	100⅛	99⅝xd	1 7 6	2 9 10*f*
103⅛	98⅛	Funding 3% April 15, 1959-69	103⅛	102⅜xd	1 10 4	2 16 10*f*
114⅜	110⅛	Funding 4% May 1, 1960-90	114⅜	114⅛	0 19 1	2 13 8*e*
102⅜	97⅛	Savings Bonds 3% Sept. 1, 1960-70	101⅛	101⅜	1 11 2	2 17 11*f*
97⅞	92⅛	Savings Bonds 2½% May 1, 1964-67	97⅜	97⅛	1 11 9	2 15 3*f*
115⅛	112⅛	Victory Bonds 4% Sept. 1, 1920-76	114⅜	114⅛	1 3 9	2 16 6*
101⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	101	101	1 12 2	2 19 2*f*
111	107⅛	Consols 4% (after Feb. 1, 1957)	109⅞	109⅝	1 0 2	2 14 10*f*
106⅜	102⅛	Conversion 3½% (after Apr. 1, 1961)	101⅞xd	104⅛xd	1 9 8	3 0 2*f*
85⅜	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	78⅛xd	76⅛xd	1 15 9	3 4 11*f*
93	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	94⅛xd	94⅜xd	1 14 11	3 3 6*f*
100	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	98xd	98⅛xd	1 14 0	3 1 3*f*
83⅛	74⅛	Consols 2½%	76⅝xd	77⅛xd	1 15 7	3 4 8
101⅛	96	British Electricity 3% Gtd. 1968-73	100⅞xd	100⅜xd	1 12 4	2 19 4*f*
99⅛	93⅞	British Transport 3% Gtd. 1978-88	98⅛	99⅛	1 13 10	3 1 3*f*
101⅛	95⅛	British Transport 3% Gtd. 1968-73	104⅛xd	100⅜xd	1 12 7	2 19 5*f*

Prices, Year 1948 Jan. 1 to Sept. 8 High	Prices, Year 1948 Jan. 1 to Sept. 8 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Sept. 1, 1948	Price, Sept. 8, 1948	Yield, Sept. 8, 1948
		%		%	**Other Securities**			£ s. d.
104¾	101½	(d)		(d)	Australia 3½% 1955-69	104½	104½	2 19 0
94½	91½	(d)		(d)	Birmingham 2½% 1966-71	93½xd	93½xd	2 19 4*l*
8¾	6⅞	50	*c*	50	*c* Anglo-American Corp. 10s.	6⅞	6½	3 16 9
10⅛	7⅜	5	*a*	25	*b* Anglo-Iranian Oil £1	8½	8½	3 13 9
76/6	62/4½	£15	*c*	£15	*c* Assoc. Port. Cem. Ord. Stk. £1	73/9	73/–	4 2 2*g*
38/6	29/6	40	*c*	40	*c* Austin Motor 'A' Ord. Stk. 5s.	35/–	35/–	5 14 3
84/–	72/9	7	*a*	7	*b* Barclays Bank Ord. 'B' £1	76/–	76/6	3 13 2
10⅜	8⅛	†20	*b*	†5	*a* Bass Ratcliff Ord. £1	9	9⅜	2 14 10†
104/9	85/–	12	*b*	8	*a* British Oxygen Ord. £1	97/6	100/–	4 0 0
46/1½	36/–	2½	*a*	5	*b* Courtaulds Ord. £1	41/–	41/–	3 13 2
32/6	25/1	20	*a*	71	*b* Distillers Co. Ord. 4s.	27/–	27/3	4 0 9
32/10½	27/9	8	*c*	8	*c* Dorman Long Ord. £1	30/6	30/9	5 4 1
79/9	68/–	15	*c*	15	*c* Dunlop Rubber Ord. £1	73/9	74/–	4 1 1
53/–	44/–	3	*a*	7	*b* Imp. Chem. Ind. Ord. Stk. £1	45/–	45/–	4 8 11
19½	13¼	19½	*b*	13¼	*a* Imperial Tobacco £1	5½	5⅝	6 7 6
48/9	40/3	10	*c*	10	*c* Lancs. Cotton Ord. Stk. £1	43/9	44/4½	4 10 3
56/6	44/10½	10	*c*	10	*c* Lever & Unilever Ord. £1	48/9	48/9	4 2 1
12½	10	*c*	10	*c*	London Brick Ord. Stk. £1	53/9	53/9	3 14 5
66/1½	47/–	25	*c*	31½	*m* P'chin J'nson Ord. Stk. 10s.	53/6	54/–	4 12 6
35½	30½	†74⅛	*c*	†77½	*c* Prudential 'A' £1	32½xd	32½xd	2 7 6†
59/3	49/9	12½	*c*	12½	*c* Stewarts & Lloyds Def. £1	53/9	55/7½	4 9 8
85/7½	73/1½	12½	*a*	15	*b* "Shell" Transpt. Ord. Stk. £1	76/10½	77/6	1 13 4†
7⅜	5½	12½	*b*	12½	*a* Tube Invst. Ord. Stk. £1	6⅞	6⅜	3 19 0
90/6	73/3	11½	*b*	31	*a* Turner & Newall Ord. Stk. £1	77/–	77/–	3 17 11
93/3	77/–	55	*b*	15	*a* Woolworth (F. W.) Ord. 5s.	83/–	81/–	4 6 5

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked '*e*'), and those paying 3 per cent or less will be repaid at the latest date (marked '*l*'). (*m*) Net yields are calculated after allowing for tax at 5s. in the £. (*f*) Flat yield. * Assumed average life 15 years 6 months.

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly. (*e*) To earliest redemption date. (*g*) Also a capital bonus of 2½ per cent free of income tax. Yield worked on 15 per cent basis. (*l*) To latest redemption date. (*m*) 15 months. Yield Basis 25%. † Free of tax.

COMPANY MEETINGS

GEORGE NEWNES LIMITED

GRATIFYING FIGURES

SIR FRANK NEWNES' REVIEW

The fifty-first annual general meeting was held on September 9 at the company's head office. The following is an extract from the statement by the chairman circulated with the accounts.

The company is again able to present a balance sheet and profit and loss account of a gratifying character.

The combined profits of the organisation, comprising eleven publishing companies, amount to £712,052. After deducting taxation of £315,988, the total net profits for the year amount to £396,064 as against £279,618 for the previous year, or an increase of £116,446. The year's figures have benefited by an exceptional item of £53,767 representing mainly the surplus realised from sale of certain capital assets, so that the increase in trading profits is approximately £62,000.

The net profits of George Newnes Limited—the parent company—amount to £199,831 as against £191,604 last year. With the amount of £62,254 brought forward from the previous year, and after deducting dividends on the preference shares and the interim dividend of 5 per cent. on the ordinary shares, there is an available balance of £195,812. The directors propose that a final dividend of 10 per cent. be paid on the ordinary shares together with a bonus of 5 per cent., making with the interim dividend a total of 20 per cent., as for last year. This will absorb £75,000, and after transferring £6,500 to employees' sick and pension fund, £23,416 to supplementary pension account, and £25,000 to general reserve, there remains a balance of £65,896 to be carried forward to next year's accounts.

BALANCE SHEET ITEMS

There are few items in the balance sheet upon which I need comment, most of the changes being due to normal business fluctuations. General investments at £16,411 show a reduction of approximately £74,500. Certain investments have been realised to help provide the necessary cash requirements for purchasing an interest in another publishing business, the completion of which came in the current financial year. I will refer to this again later. With the same end in view cash at bank, £506,617, has risen by over £200,000. Stocks at £226,329 are higher by approximately £55,000, mainly attributable to work in progress in the preparation of important new projects for launching in the next few years.

An examination of the consolidated balance sheet and profit and loss account, setting out the position of the organisation as a whole, gives the simplest picture of our financial strength and resources. The total issued capital of the subsidiary companies held by outside interests is represented by £379,424 in preference shares and a small amount in ordinary shares in which Newnes have a majority holding. With the latter exceptions Newnes own the whole of the ordinary shares in their subsidiaries. The Newnes capital is £732,472 in preference shares and £500,000 in ordinary shares, so that the total issued capital of the organisation is £1,111,896 in preference shares and a little over £500,000 in ordinary shares. There are no debentures, bank loans or other prior charges in the balance sheets of any of the companies. The capital reserves stand at £235,977 and other reserves at £716,272. Development reserves, set aside over past years for launching new enterprises when the appropriate time arrives, are approximately £435,000. Undistributed profits in the various companies amount to £220,523, and the total cash resources are no less than £1,228,937.

Since the end of the financial year a substantial interest has been acquired in Temple Press Limited, proprietors of a group of technical and specialised journals holding an eminent position in their respective fields. The acquisition conforms to the company's policy of spreading its publishing interests as widely as possible, and we believe that this investment, wholly financed out of the resources of the group, will prove in every way satisfactory.

PAPER SUPPLIES

During the year under review the paper position suffered a further setback, supplies for periodicals being reduced from 35 per cent. to 31½ per cent. of prewar quantities. Serious questions were presented by this unexpected retrogression in the situation, but we were able to meet them by resuscitating some of the difficult and painful expedients we were bound to adopt in wartime, and which we thought we had been able to discard for good. Recently the paper quota has been restored to 35 per cent., thus providing a welcome relief, but even so the situation is that many of the publications are still unable to meet the full public demand for them.

As an indication of the immense hold the periodicals have upon the public in this country, shareholders will be interested to know that the aggregate circulations of the publications owned and published by our group alone amount to 6,500,000. Of this figure 1,250,000 are monthly magazines. Our largest circulation is *Woman's Own*, a colour-gravure weekly with a circulation of over 800,000 copies per week. We have good reason to think that the figure would readily pass the million mark if the necessary paper were forthcoming.

There are powerful claims for additional paper for periodicals. There is not only an unsatisfied public demand for many of them, but they are also deprived through lack of pages from rendering the full service they are so well fitted to perform to the community—the general public, the woman in the home, in trade and industry, in technical and specialised fields and other important directions—all of which have their appropriate journals. There is, as well, a considerable distribution of British periodicals in various countries overseas, where under present conditions they have to compete with the better values of other countries more favourably placed. Clearly these markets are of first importance to this country, not simply because of the currency value of the exports, but because the British periodicals constitute themselves as missionaries of the British way of life. So far with our own publications we have been able to hold our own in these markets, but we shall be all the happier when we are able to compete on more equal terms.

PENSION FUNDS

In view of the far-reaching economic changes of recent years the directors have been giving careful thought to the question of employees' pensions upon retirement. As shareholders are already aware, pension funds of a non-contributory character have been instituted in the various companies over the past 29 years, and altogether a total sum of £358,707 has been paid into these funds by annual allocations. This year the allocations amount to £20,000. Most of the funds are now reaching the stage of being self-supporting, but the directors and trustees feel that the pension benefit ought now to be increased to meet the changed economic conditions of today. Accordingly they are proposing to raise the benefit by one-third, the effect of which must be, of course, that substantial annual allocations will be required over a longer period before the funds reach self-sufficiency. Welcome though this step will be both to the beneficiaries and the company, the directors are of opinion that a supplementary plan is required to meet future needs, particularly in connection with the higher grades of wage and salary personnel. Various schemes have been studied but the very large initial appropriation required to found a suitable plan makes such a course impracticable at this stage. It is proposed, therefore, as an alternative and as a first step that allocations be made to form supplementary pension accounts in the various companies. The combined allocations proposed for this year amount to £200,000. Of this sum the parent company, Newnes, proposes to set aside £90,000 in its accounts, made up by £66,584 from reserves and £23,416 allocated from this year's profits. Pearson's will commence with £50,000, being £19,860 from reserves and £30,140 from current profits. Country Life, National Trade Press and W. H. and L. Collingridge will each allocate £20,000. The directors hope that the future prosperity of the organisation will be such that it will be possible to allocate further substantial sums each year so that within a reasonable period a sufficient total amount will have accumulated to permit them to review the whole position anew and to decide upon the best course to follow in the light of the resources then available. The directors feel sure that the shareholders will share their views in this matter and be fully in accord with what is proposed.

In February last we suffered a deep sorrow in losing our old and greatly esteemed colleague, W. T. Wallace. His health had been failing for some little time before his death, but notwithstanding his infirmities he maintained his business interest and enthusiasm to the end. He was one of the founders of the National Trade Press formed in 1918, and had since then acted as managing director of that company with great distinction and success. We acquired the control of National Trade Press in 1936, and shortly afterwards Mr Wallace joined our board. In that capacity he rendered valuable services to the organisation in many directions. His death removes a figure we shall always remember with deep affection and respect, shared by a wide circle who knew him and who worked with him.

TRIBUTE TO STAFF

As is customary the final paragraph, last though by no means least, is devoted again to thanking the staffs of all our companies for a continuance of their most excellent services during the year. This I do most sincerely on behalf of the company, and I am sure of the shareholders too. I have so often testified to the loyalty and able work of the personnel that its repetition may appear merely conventional. This is not the case, however. The board are deeply mindful of the loyalty and family spirit ruling throughout the organisation, and appreciate what that means in efficiency and smooth working. What I have already said about our hopes and plans on the question of pensions reflects the earnest wish of the board to do all that is possible in the years ahead to reward good and faithful service.

The report and accounts were adopted.

LEWIS BERGER AND SONS, LIMITED

RECORD PROFITS

The sixty-ninth annual general meeting of Lewis Berger and Sons, Limited, was held, on the 6th ultimo, in London.

Mr Thomas Litley, vice-chairman, who presided in the absence through indisposition of the chairman, Lord Greenwood, read the latter's speech, in the course of which he said:

The accounts cover approximately 20 months. They include, for the first time, group consolidated figures. Once again your chairman is able to report record profits.

DEVELOPMENT OF SUBSIDIARIES

The continuing and growing success of the company even during periods of restriction and control is supplemented by the active development of the earning power of subsidiary companies overseas; construction of new factories and improved production equipment; scientific research into alternative raw materials and the formulation of specialised surface coatings; sales policy which both supports and uses the practical services rendered by a highly organised distributive trade and enthusiasm of the company's staff, noticeable both in executive and factory operative.

The group consolidated profit and loss account shows a trading profit of over £2,000,000 for the period and a profit before taxation amounting to £1,868,000. The taxation charge of £950,000 is more than one-half of the profit earned even though it is reduced by amounts previously provided which are no longer required. The resulting net profit, for the period of approximately 20 months, is £918,000.

Each main production unit of the group has contributed record profit earnings to this account. In the world of today it is satisfactory that so large a proportion of the company's trading profit is earned from factories so widely dispersed overseas.

SUCCESS OF BOARD'S POLICY

The foundation of the company's trade has been the marketing of paint products for decorative and industrial purposes under brand names which have become known for the outstanding results which can be achieved by the user. During periods of raw material difficulty the group has avoided the temptation to debase the products sold in order to increase the quantity available for sale.

I believe this policy is now beginning to show results by reducing the effects on the company's trade of what is popularly supposed to be a current change from a sellers' to a buyers' market.

The popularity of "Pompeian" Enamel Paints, of "Matroil" Oilbound Distempers, and of "Lifeguard" Paint products for the amateur decorator is still the valuable security for profits which Berger factories give to stockholders.

The position disclosed by the accounts would seem to allow the directors to declare an interim dividend later in the year of 8 per cent. Thus distributions to ordinary stockholders during the calendar year 1948, subsequent to the FBI recommendations, would total the same rate of 33 per cent.

The group consolidated balance sheet shows that the stockholders' capital of £927,000 is now represented by net assets which total nearly £4,000,000.

Current assets exceed current liabilities by nearly £2,000,000. Liquid cash assets are maintained as adequate for immediate requirements of the company's business. It is doubtful whether continuance of the Board's policy of retaining profits for use in the business will be sufficient to provide for the planned increase in capital assets.

The report was adopted.

JAMES HOWDEN AND COMPANY, LIMITED

EXPANDING DEMAND

MR C. W. HUME'S REVIEW

The forty-second annual general meeting of James Howden and Company, Limited, was held, on the 8th instant, at 195, Scotland Street, Glasgow, Mr Crawford W. Hume, M.I.N.A., the chairman, presiding.

The secretary, Mr James S. Niven, read the notice convening the meeting and the report of the auditors.

The following is the Chairman's statement circulated with the report and accounts for the year to April 30, 1948:—

The accounts this year show very little material difference in form as compared with previous years, although now in the form required by the Companies Act, 1948.

In the appropriations made by the directors, you will notice that the sum transferred to the general reserve is double that of the previous year, and amounts to £60,000, increasing this reserve to £245,000.

TAXATION AND RESERVES

As will be seen in the consolidated balance sheet, the amounts reserved for taxation have been subdivided. The amounts due for all taxation up to April 5, 1948, including profits tax on the accounts to April 30, 1948, are shown under current liabilities, while the income tax for 1948-49 and that for 1949-50, not due till January 1, 1949 and 1950, respectively, have been included in the reserves.

The capital reserves are shown under subheadings. The excess profits tax postwar refund (shown on the assets side of the balance sheet as recoverable) has been added to the amount as credit last year. A further provision has been made for deferred repairs to cover the increased costs necessary to carry these out since the original estimates were made.

During the year the company purchased the goodwill and patent rights of a business allied to its own, the proprietor of which was a good friend with whom the company had worked for many years in close association on technical matters. This transaction is shown under the heading of goodwill and the book value of which was increased during the year by the purchase price and has now been reduced by a corresponding appropriation from the profits for the year.

INCREASING PRODUCTION

The company's order book, which, as you already know, reflects the demand for equipment, for power stations and ships, continues to mount and the company's capacity to meet this increasing load is being correspondingly increased.

The increased production per man-hour which is necessary to maintain our standard of living is mainly dependent on increased mechanisation of industry with consequent increased power consumption. The company is fortunate that its products are mainly used in the generation of power, and the high rate of expansion of the power supply industry, which is bound to continue for many years, offers a steady home market for our products. The company therefore continues to operate under the highest priorities for most of its products for the home market, and at the same time has a large export business amounting to nearly one-third of its total sales.

PURCHASE TAX

The output of our MacLellan Street factory was seriously retarded during several months

of the year by restrictions on the supply of material, and also near the end of the year under review by the imposition of 66⅔ per cent purchase tax on certain products of that factory. An appeal to the government to reconsider the tax was successful to the extent of having this reduced from 66⅔ per cent. to 33⅓ per cent. During the two months of negotiation, however, part of the business of this department was brought to a standstill and the company was involved in some loss of profit. It is regrettable that after previously giving official encouragement to undertake this new class of work, the government should suddenly change its policy. Such arbitrary and rapid changes are not conducive to the efficient management of business nor to the peace of mind of those employed in it.

Given freedom from such interference and assurance of supplies of essential materials, and provided the industrial activity of the country continues, the company should be fully employed for a long time.

The company has continued to enjoy the loyal support of the administrative and executive staff and the workpeople, and I am happy on your behalf to thank all the employees of the company for their faithful service.

The report and accounts were adopted; the proposed dividend was approved; the retiring directors, Mr Crawford W. Hume, M.I.N.A., and Mr Archibald Macfarlane, M.I.N.A., were re-elected and the auditors, Messrs. Wm. Hart, Jr. and Wilson, were reappointed.

SENA SUGAR ESTATES, LIMITED

DEMAND EXCEEDS SUPPLY

The twenty-eighth annual general meeting of Sena Sugar Estates, Limited, was held, on the 7th instant, in London, the Rt. Hon. Sir Francis O. Lindley, G.C.M.G., C.B., C.B.E (the chairman), presiding.

The following is an extract from his circulated statement:—

The crop turned out better than in the previous year and amounted to 56,537 tons of sugar compared to 46,529 tons. This increase was due to a variety of causes, the principal ones being a better climatic season and a larger acreage of land ploughed. Prices obtained for our sugar sales were much the same as in the previous year, and I regret to say that no increase in price in Portugal has yet been authorised. The increased revenue obtained from the bigger sugar crop was to a large extent offset by an increase in cost of production due to the high prices now being paid for replacements, bags and chemicals and an increase in native wages.

The demand for sugar for native consumption, both in the local market and neighbouring territories, continues to expand and, in spite of our increased crop, we were unable to meet it. This year's crop is turning out satisfactorily in spite of a dry season and the factories started crushing early in May.

The Lisbon refinery operated intermittently during the year as the raw sugar allotted to us is insufficient to meet the capacity of the plant, and the price obtainable does not encourage us to exceed our quota.

The profit on trading for the year amounts to £265,445, compared to £238,027 in the previous year. The net profit, after providing for depreciation, comes out at £102,397. Your board recommend the payment of a dividend of 12 per cent. on the ordinary stock.

The report was adopted.

ANGLO-PORTUGUESE TELEPHONE

RECONSTRUCTION AND REHABILITATION OF SYSTEMS

SIR ALEXANDER ROGER'S REVIEW

The sixty-first annual general meeting of The Anglo-Portuguese Telephone Company Limited, was held, on the 9th instant, at Derwent House, 2, Arundel Street, London, W.C.

Mr A. N. Rye, M.I.E.E. (one of the joint managing directors) presided in the absence of the chairman of the company, Sir Alexander Roger, K.C.I.E., and read his speech which was as follows:—

During 1947 the stability of the sterling-escudo exchange was maintained and the currency accounts have accordingly been converted at the rate of Escs.100 to the £, which has been the case since 1940.

Expenses, including interest on loans, interest on the 5 per cent. and 5½ per cent. debenture stocks, and the sinking fund instalments on these two stocks amount to £700,863 compared with £627,998. Revenue amounted to £758,675, as against £687,519.

In conformity with the consulting engineers' recommendation the amount for depreciation, which is included in expenses, again provides a contribution towards the exceptional wear and tear on the plant during the war years

PROFIT AND DIVIDENDS

Net profit at £57,812 compares with £59,521 and after providing for the usual dividends of 8 per cent. less tax, on the ordinary stock, and "A" ordinary shares, amounting to £57,172, the carry-forward is £42,732, against £42,092 brought in

Fixed assets now total £3,431,714. The provision for renewals stands at £1,031,165, which is equivalent to over 31 per cent. of the plant value.

The provision for renewals and the small reserves which the company has been able to build up in the past years are all invested in the business which undoubtedly assists the economical operating and financing of the service to the advantage of the Portuguese telephone community.

Your company and the Portuguese public continue to obtain considerable benefit from the connection with the Telephone and General Trust. Although your company has ceased to be a legal subsidiary of the trust, the close and helpful relationship between the two remains undisturbed and indeed it has been strengthened. Your company, with the trust, is associated with a group of companies which has a long and world-wide experience of the financial, technical, engineering and administrative requirements of the telecommunications business, and is able to draw to the utmost on these and to profit from the research activities of the group.

At December 31st last your company was in debt to the trust to the extent of £405,646 and at September 1, 1948, it amounted to £581,000.

EXPANSION AND DEVELOPMENT

With the limited amount of material which has been available to telephone undertakings in all parts of the world during the war years it was not possible to avoid overloading the plant in the endeavour to fulfil the demands of the service. For the purposes of correcting this and expanding and improving the service generally our gross expenditure on capital account alone during the two years 1946 and 1947 was over £900,000. Thanks to the co-operation and assistance of our manufacturing associates which we much appreciate, we have shipped from Great Britain during this period material to the value of £584,000. In addition we have expended in Portugal on purchases of locally manufactured material 18,500 contos (£185,000).

We do not limit our requirements for material to Great Britain. We extend our inquiries to all countries which manufacture telephone material whenever we think there are possibilities of supply. So far, however, our experience has been that with a few minor exceptions Britain is still in advance of the others when price, delivery and specifications are all taken into account.

STATION GROWTH

A further 8,361 stations were added in 1947, making a total at December 31st last of 80,546. This is equivalent to a growth of 11.5 per cent. For the two years 1946 and 1947 the number of stations has been increased by 15,341.

Station growth does not alone describe the heavy work performed by the company in Lisbon and Oporto in the reconstruction and rehabilitation of the systems generally. Considerable expansions and extensions of exchange equipment and cable plant were also undertaken which added materially to the work involved.

We have now 147 exchanges of various capacities throughout the company's concessionary areas in Lisbon and Oporto, but in spite of this great expansion the waiting list today is about 21,500, which is the highest it has yet reached.

Notwithstanding the vast quantities of telephone material which since the war years have been manufactured for civilian use the demand for telephones in every country continues to be in excess of the ability of the world's factories to supply, and is likely to be so until the shortages of the war years are overtaken. Certainly in the case of Britain it is intensified by the necessity for exporting the greater part of the telephone plant manufactured here, and Portugal is very high in the list of those countries which benefit as a result of this.

HIS EXCELLENCY DOCTOR OLIVEIRA SALAZAR'S TWENTIETH ANNIVERSARY

Since the last general meeting I have been to Portugal on three occasions, in October, 1947, and in April and July, 1948. My April, 1948, visit coincided with the celebrations then proceeding in commemoration of His Excellency Dr Oliveira Salazar's twentieth anniversary of his accession to office.

Expressions of goodwill and congratulations reached His Excellency from all over Portugal, Metropolitan and Colonial, and from many countries abroad.

I ventured to send to the Portuguese newspapers a public tribute to His Excellency on behalf of your company, the Lisbon Tramway Company and other interests with which I am connected in Portugal, and I was gratified to find that it was widely given front page publicity. It was pleasant to be able to say that we shared in the confidence which the people of Portugal have for their great Prime Minister, who had steered his country through all the perils and difficulties of the past years with such consummate skill, wisdom and integrity, and who had earned the respect and regard of Britain and many other countries.

During that visit I had the honour of being received by His Excellency and was able to give personal expression to the good wishes and congratulations which had been conveyed to him. I also had the honour of being received by His Excellency during my July, 1948, visit.

NECESSITY FOR TARIFF ADJUSTMENT

The purposes of my two visits to Portugal in 1948 were principally to explain to the Portuguese authorities that the necessity for an adjustment of telephone rates, owing to our great expansion programme and the continued rising costs of labour, materials, and all expenses, had become increasingly urgent since the company had first broached the subject to the Government in 1945.

I have found a ready understanding of the company's difficulties and the nature of our problems.

Our case is now being examined in detail by the Government representatives in co-operation with the representative of your company and we are hopeful of a satisfactory outcome at an early date.

It will be appreciated that until this matter is settled our plans for future financing must necessarily remain in abeyance.

EXCHANGE OF VISITS

Mr Hollyer accompanied me to Portugal during my visits. In the early part of the year, Wing-Commander Hulbert was able to see our properties in Lisbon and Oporto and meet our personnel there.

Mr A. F. Roger, who knows Portugal well through his other business interests there, has paid a further visit since his appointment. Senior officials from Portugal were in England at various times during 1947 for consultation and exchange of views, particularly on engineering technique. Clearer understanding and co-operation and avoidance of delay results from these personal contacts.

CONDITIONS IN PORTUGAL

Conditions generally in Portugal improved during the year. A determined and successful effort was made by the Government to check the serious postwar inflationary tendencies caused by a scarcity of consumer and other goods which was seriously affecting the living standard of most classes. Luxury imports were reduced to a minimum and imported food stuffs increased from various countries.

The Government continued to press on with their plans for further industrialising and modernising the country.

From my personal knowledge of Portugal which has been acquired over a number of years, I am able to pay a sincere and appreciative tribute to the progress made.

All the large schemes, such as those for supplying hydro-electrification plant for supplying current to the country, the electrification of the railways, and the expansion of the mercantile fleet are steadily going forward. The harbour works, docks, Custom houses and storage buildings, in Lisbon and Oporto, have improved and expanded, greatly aiding the loading and unloading of cargo and assisting passengers services.

New business and residential premises are constantly increasing in all the big towns and the roads, both highways and byeways have much improved.

For the twentieth year in succession Portugal has had a balanced budget, and its financial resources and reserves create confidence that the industrial and agricultural development of the country will proceed satisfactorily.

It is essential that the telecommunications services of the country should be maintained at the highest level of efficiency so that they can assist the national economy by facilitating the commercial, social and cultural life of the community in harmony with the Government plans. Your company continues to do its utmost to help the Government in every possible way.

DIRECTORATE AND STAFF

Mr A. F. Roger was appointed to the London Board in April last. He has been connected with the telephone business and has been a director of other telephone companies for a number of years, and his knowledge and experience is greatly welcomed.

We also welcome to the directorate Doctor Augusto de Castro, who was appointed to the local Board in July of this year, and is a valuable addition to its strength.

The company is truly fortunate in its direc-

torate in Portugal. The chairman, Senhor Branco Cabral, who is ably supported by his colleagues, has a wide and successful experience of public utility administration and is indefatigable in his work for the company. Our legal adviser, Dr. Bustorff Silva, is also a tower of strength and gives us unstintingly of his time.

Snr. Antonio Calem, who so admirably represents the directorate in Oporto, was appointed a Commander of the Order of the British Empire last September, and we take this public opportunity of congratulating him.

Mr Thorp has been with the company for 23 years, the last two years and more as general manager. The directors in London and Portugal have complete confidence in his ability and qualities.

All the personnel and staff met the demands of the year with great willingness and in the earnest desire to give satisfaction to the company and to the public we serve. On your behalf I thank them all for their work.

Our employees number over 3,000, of whom 99 per cent. are Portuguese, and we continue to do all we can to further their interests and welfare within the capacity of our resources.

The report and accounts were unanimously adopted.

WM. CORY AND SON, LIMITED

INCREASED PROFIT

The Rt. Hon. Lord Leathers, P.C., C.H., Chairman of the Company, presided, on the 9th instant, at the fifty-second annual general meeting of Wm. Cory and Son, Limited, held in the Council Chamber of the Chamber of Shipping of the United Kingdom, E.C.3.

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

The net profit for the year is £679,207, against a corresponding figure for last year of £440,669.

In conjunction with Powell Duffryn, Limited, we have acquired the share capital of John Kelly, Limited, Belfast, and a number of other companies under the control of the Kelly family.

The distribution of coal in this country has been more than maintained in the year under review, and our river properties, including our large fleets of tugs and lighters, were employed to the maximum. Our fleet of coal-carrying steamers has continued to run at full strength.

The export of coal from the United Kingdom has moved forward during the year, and while still relatively insignificant, should steadily increase.

The company's oil trade has reached a new high level in spite of the serious shortage of all oil products which developed in the course of the year.

The coal trade in South Africa has continued to suffer from a short supply of railway wagons, in consequence of which the output of our Natal Collieries shows a marked reduction. This wagon shortage has become more pronounced in the last few months, affecting more especially deliveries of coal for export, and causing great delay to the vessels loading coal cargoes at Durban and Lourenco Marques.

Decisions will shortly be taken to increase the output of our Natal Collieries to meet an expanding demand in the Union for coking coal. The sinking of a new pit and the erection of the ancillary machinery will take several years, and by that time it is expected that our output will no longer be restricted by shortage of wagons.

For the current financial year there is a noticeable falling off in the demand for coal for certain industries, only part of which is seasonal, and the stocks of these consumers as well as some of the public utilities are larger than for some time past.

Negotiations have opened between the National Coal Board and the Distributors and Exporters to fix the terms and conditions of sale and the remuneration to attach to the distribution of coal in this country and for export.

The report was adopted.

SILENTBLOC, LIMITED

CONTINUED PROGRESS

The thirteenth annual general meeting of Silentbloc, Limited, was held, on the 9th instant, in London, Mr Harold Vezey Strong (chairman) presiding.

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

The trading profit for the year ended May 31, 1948 by comparison with the previous year, has increased by £26,601, or 29 per cent., and, for your information, combined sales have increased by 25 per cent., depreciation has risen by 119 per cent. due mainly to heavy purchases of plant and machinery, including that bought from the Ministry of Supply, but taxation on the actual year's profits has risen from £38,108 to £52,318, an advance of no less than 37 per cent., leaving a net profit increase for the year of £4,162 or 12 per cent.

After making all the provisions we deem necessary, providing also for a final dividend of 4d. per share, less tax, and bringing in the balance from the previous year of £18,017, there remains a balance on profit and loss account of £22,314 which we propose to carry forward into the current year.

In the last prewar year our customers numbered 739, today they number 1,728, which indicates the widening spread of our products over the field of general engineering. Moreover, we are exporting to eighteen countries at the present time—not in large quantities but in a nice steadily expanding way. In the field of rail traction and of rubber suspension our engineers are closely co-operating with electric and diesel locomotive builders in evolving designs—incorporating our products—to introduce resilience where desirable into bogies and traction wheels, and also for the suspension of coaches by entirely new methods.

We have acquired new rights, we have entered into reciprocal agreements between us and our American friends with the inventor of the original silentbloc—Leon Thiry—as the connecting link, and we have formed our own companies in Canada and Australia to produce and market components both of British and American design, according to the respective needs of the British and American firms now established or to be established in these two Dominions. These steps forge sound new links in a chain which we believe will in due course be further strengthened and extended.

THE ANDRE RUBBER COMPANY

To date—and remember it is still very early days—the company has received orders for its "rubbers" from 127 British mills; deliveries have been made to 68 of these mills and repeat orders are being received. The largest woollen mill in the country, which has co-operated with your subsidiary for over two years, has placed orders for the re-equipment of the whole of its condensers with "Andre rubbers" in place of leather, which fact after many months testing we feel we may regard as an outward and visible sign of the superiority of the Andre product. This order alone is of sufficient magnitude to indicate the potentialities ahead. Satisfactory first orders have also been received from Sweden, Holland, Belgium and South Africa, and just recently two Swiss mills have placed initial orders for testing purposes.

In addition the company has produced the "Andre Synthetic Condenser Tapes" which are already in use in a number of important woollen mills, while rubber "pickers" for the Northrop type of loom have also been successfully developed. Increasing business is now being obtained for both these new products.

The report and accounts were unanimously adopted and the dividend as recommended of 4d. per share (making 7d. per share for the year) was approved.

NOTICES

UNIVERSITY COLLEGE, SOUTHAMPTON

Applications are invited for the post of Lecturer in Economics and Statistics. The commencing salary will be at the rate of £650 per annum. Further particulars may be obtained from the Registrar, to whom applications should be sent as soon as possible.

BIRMINGHAM CHAMBER OF COMMERCE (INC.)

Applications are invited for appointment as Secretary on retirement of present occupant of the office. Candidates, preferably between 35 and 45, must have had wide experience in secretarial and administrative work; a University Degree or some knowledge of legal work an advantage but not essential. Post, which also carries with it the secretarial responsibility for the Birmingham Section of the British Industries Fair, is a whole-time pensionable appointment. It offers considerable scope and a particularly interesting type of work to the selected candidate. Remuneration is commensurate with the high degree of responsibility involved and the prestige of the office.

Present occupant will remain in Office for a period of time to enable the selected candidate to take over smoothly and efficiently.

Applications, stating age and giving full particulars of qualifications and experience together with the names of three referees, and present remuneration, should be addressed to the President, Birmingham Chamber of Commerce, 95, New Street, Birmingham, 2, marked "Private and Confidential." They must be received NOT LATER THAN first post on October 1, 1948. Canvassing either directly or indirectly will disqualify.

B.A. (Com.) girl, 21, wants post in London. Willing to be trained for Market Research, Sales Intelligence, business or administration. Intelligent and hard working.—Box 811.

THE EASTERN BANK LIMITED

The Transfer Books will be CLOSED from September 17 to October 2, 1948, both days inclusive. By Order of the Board,

C. L. MANNING, Secretary.

2 & 3, Crosby Square, London, E.C.3. September 8, 1948.

U.K.-DOMINION Wool Disposals Ltd. (The Joint Organisation) requires a qualified Economist/Statistician to take charge of its Statistical Department. Preferably applicants should have some administrative experience and be capable of interpreting international commercial statistics. The Joint Organisation is responsible for the orderly disposal of the stock of Dominions' wool accumulated during the war and at the same time operates a system of reserve prices for Dominions' wool coming on to the market in Australia, New Zealand, South Africa and the U.K. Applications giving particulars of qualifications, experience and salary required should be made to the Secretary, U.K.-Dominion Wool Disposals Ltd., 8, Moorgate, London, E.C.2.

FIRST-CLASS Book Salesmen required by important London Publishers. Experience of selling to the Book Trade essential. Advantage to have knowledge of Export work. Men selected will be trained in London with a view to sending overseas later if opportunity arises. Not over 35. Applicants should apply in writing giving particulars of experience, qualifications, age and salary required, to Box No. E197, c/o Streets, 110, Old Broad Street, E.C.2.

A COMPREHENSIVE service for industrialists: The Advertiser specialises in the planning and conduct of political, social and economic surveys, public relations and public affairs, personnel relations: he has wide experience at home and abroad, and is accustomed to operate at high levels and on a big scale; preliminary consultation need incur no liability; highest possible references, of course.—Box 809.

STUDENT urgently requires sound copy Arnold Plant's "Some Modern Business Problems."—Box 818.

Statistical Summary

GOVERNMENT RETURNS

For the week ended September 4, 1948, total ordinary revenue was £50,339,000, against ordinary expenditure of £82,634,000 and issues to sinking funds £2,945,000. Thus, including sinking fund allocations of £7,509,000 the surplus accrued since April 1st is £250,384,078 against £212,741,229 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand) April 1 to Sept. 6, 1947	April 1 to Sept. 4, 1948	Week ended Sept. 6, 1947	Week ended Sept. 4, 1948
ORDINARY REVENUE					
Income Tax	1309150	350,389	369,319	18,458	17,345
Surtax	90,000	17,055	22,950	250	450
Estate etc., Duties	160,000	73,579	79,300	3,500	2,650
Stamps	55,000	20,780	24,685	1,500	1,100
Profits Tax	250,000	12,920	49,310	640	3,600
E.P.T.		94,486	51,250	7,400	1,850
Other Inland Rev.	1,000	110	90	10	...
Special Contributn.	50,000	...	11,450	...	950
Total Inland Rev.	1915150	569,119	608,354	31,558	27,945
Customs	820,600	333,539	350,107	15,170	18,038
Excise	726,550	255,200	329,320	1,800	3,039
Total Customs & Excise	1547150	588,739	679,427	16,970	21,077
Motor Duties	50,000	10,215	9,456	236	311
Surplus War Stores	102,000	78,697	22,371	699	73
Surplus Receipts from Trading	57,000	25,000	826	...	...
E.P.U. (Net Receipts)	...	1,730	660	650	400
Wireless Licences	11,000	3,190	3,300	...	...
Crown Lands	1,000	440	390	...	...
Receipts from Sundry Loans	14,000	15,316	9,035	1,547	...
Miscell. Receipts	68,000	161,600	73,894	2,749	533
Total Ord Rev.	3765300	1454046	1407711	54,308	50,339
SELF-BALANCING Post Office	150,200	59,550	64,400	1,650	1,800
Income Tax on E.P.T. Refunds	16,000	11,303	3,371	208	109
Total	3931500	1524899	1475482	56,166	52,248

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Sept. 6, 1947	April 1 to Sept. 4, 1948	Week ended Sept. 6, 1947	Week ended Sept. 4, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	245,953	233,570	42,768	38,176
Payments to N. Ireland	26,000	9,644	8,792	764	938
Other Cons. Fund Services	8,000	3,318	3,225	...	25
Total	534,000	258,916	245,587	43,533	39,139
Supply Services	2142670	974,806	904,251	43,200	43,495
Total Ord. Expd.	2976657	1233722	1149818	86,733	82,634
Sinking Funds	...	...	7,509	...	2,945
SELF-BALANCING Post Office	150,200	59,550	64,400	1,650	1,800
Income Tax on E.P.T. Refunds	16,000	11,303	3,371	208	109
Total	3172857	1301575	1225098	88,591	87,488

After increasing Exchequer balances by £263,605 to £3,228,237, the other operations for the week increased the gross National Debt by £43,768,923 to £25,707 million.

NET RECEIPTS (£ thousand)

Tithe Act, 1936 (sec. 26)	87

NET ISSUES (£ thousand)

P.O. and Telegraph Acts, 1946 and 1948	550
E.P.T. Refunds	134
Overseas Trade Guarantees Act, 1939, sec. 4(1)	5
Housing (Scot.) Act, 1944, sec. 4(2) and Housing (Fin. Prov.) (Scot.) Act, 1946, sec. 13(2)	400
Local Authorities Loans Act, 1945, sec. 3(1)	3,400
New Towns Act, 1946, sec. 12(3)	6
War Damage: Board of Trade	500
War Damage Commission	3,000
Finance Acts, 1946 and 1947, Post-war Credits	357
	8,352

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	6,058	Nat. Savings Certs.	100
2½% Def. Bonds	293	3% Def. Bonds	*1,310
Tax Reserve Certs.	6,357	Other Debt:—	
Other Debt:—		External	892
Internal	11,503		
Ways & Means Advances	7,360		
Treas. Deposits	14,500		
	46,071		2,302

* Including £841,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Sept. 6	2190·0	2466·4	369·6	4·75	1304·0	6334·8
1948						
May 22	2210·0	2626·6	297·8	14·8	1362·0	6511·1
,, 29	2210·0	2620·2	303·3	...	1377·5	6510·5
June 5	2210·0	2616·7	283·2	3·5	1410·0	6523·5
,, 12	2210·0	2608·9	281·7	1·0	1423·5	6525·2
,, 19	2210·0	2635·1	274·0	11·3	1443·5	6573·8
,, 30		4817·3	270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
,, 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
,, 24	2210·0	2632·8	294·6	13·3	1429·5	6580·1
,, 31	2210·0	2620·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5
,, 14	2210·0	2355·6	287·0	...	1429·5	6282·0
,, 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
,, 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Sept. 5	170·0	276·8	170·0	10 2·54	46
1948					
June 4	170·0	295·8	170·0	10 1·20	40
,, 11	170·0	277·5	170·0	10 1·70	49
,, 18	170·0	259·6	170·0	10 1·89	57
,, 25	170·0	279·7	170·0	10 1·65	48
July 2	170·0	286·8	170·0	10 1·45	45
,, 9	170·0	276·5	170·0	10 1·48	48
,, 16	170·0	279·7	170·0	10 1·55	48
,, 23	170·0	294·3	170·0	10 1·31	43
,, 30	170·0	291·8	170·0	10 1·34	42
Aug. 6	170·0	288·1	170·0	10 1·50	44
,, 13	170·0	269·1	170·0	10 1·91	53
,, 20	170·0	272·7	170·0	10 1·87	52
,, 27	170·0	268·1	170·0	10 3·05	53
Sept. 3	170·0	295·8	170·0	10 2·43	41

On September 3rd applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 41 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. £170 million (maximum) of Treasury Bills are being offered for September 10th. For the week ended September 11th the Banks will be asked for Treasury deposits to the amount of £110 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended Aug. 30, 1947	Week Ended Aug. 28, 1948	Totals Apr. 1 to Aug. 28, 1948
Savings Certificates:—			
Receipts	4,500	1,800	48,150
Repayments	2,400	2,600	57,100
Net Savings	2,100	*Dr.* 800	*Dr.* 8,950
Defence Bonds:—			
Receipts	815	635	16,975
Repayments	728	922	19,187
Net Savings	87	*Dr.* 287	*Dr.* 2,212
P.O. and Trustee Savings Banks:—			
Receipts	10,972	10,886	257,396
Repayments	10,179	11,638	266,589
Net Savings	793	*Dr.* 752	*Dr.* 9,193
Total Net Savings	2,980	*Dr.*1,839	*Dr.*20,355
Interest on certificates repaid	432	468	10,184
Interest accrued on savings remaining invested	2,242	2,286	49,276

BANK OF ENGLAND RETURNS

SEPTEMBER 8, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1248,206,261	Other Govt. Securities	1288,218,833
In Bankg. Department	52,041,572	Other Secs.	761,245
		Coin (other than gold)	4,822
		Amt. of Fid.—Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	397,479,291
Rest	3,929,140	Other Secs.:—	29,843,532
Public Deps.:—	60,280,174	*Discounts and Advances*	*8,522,624*
*Public Accts.**	*10,540,767*	*Securities*	*21,321,508*
H.M. Treas. Special Acct.	*49,733,407*		
		Notes	52,041,572
Other Deps.:—	401,610,474	Coin	1,008,393
Bankers	*308,128,932*		
Other Accts.	*93,481,542*		
	480,372,788		480,372,788

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

COMPARATIVE ANALYSIS

£ million

	1947 Sept. 10	1948 Aug. 26	1948 Sept. 2	1948 Sept. 9
Issue Dept.:—				
Notes in circulation	1389·6	1253·3	1249·0	1248·2
Notes in banking department	50·6	46·9	51·3	52·0
Government debt and securities*	1449·4	1299·2	1299·2	1299·2
Other securities	0·6	0·8	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Value at s. per fine oz.	*172/-*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	12·8	16·9	10·1	10·5
Treasury Special Account	...	33·4	48·6	49·7
Bankers	293·5	300·3	307·0	308·1
Others	95·4	90·1	94·8	93·5
Total	399·7	440·7	460·5	461·8
Securities:—				
Government	320·6	383·7	401·0	397·5
Discounts, etc.	16·7	5·4	3·9	8·5
Other	17·8	22·0	21·7	21·3
Total	355·1	411·1	426·6	427·3
Banking dept. res.	65·0 %	48·0 %	52·4 %	53·0 %
"Proportion"	15·7	10·8	11·3	11·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Sept. 2	45½	75	172 14	118 8
,, 3	45½	75½	Unquoted	118 0
,, 4	Markets	Closed	174 4	116 8
,, 6	46	Closed	Market	Closed
,, 7	46	75½	Market	Closed
,, 8	46	75½	172 13	114 0



New Business Contacts

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By Order of the Board,
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State and Public

THE Trades Union Congress at Margate may have demonstrated the solidity of the British Labour movement. But it also demonstrated the hollowness of Socialist doctrine. Socialism—in Britain at least—long since ceased to be a device for equalising wealth by confiscating property. Sir Stafford Cripps told the trade unionists that they could no longer hope to equalise wealth by raising wages at the expense of profits. And the Congress itself voted against the principle of workers' control of industry. If a Socialist is not a man who believes in confiscating wealth, who does not believe that the national income can be substantially re-distributed in favour of wages, who does not believe in workers' control of industry, what then is he? Perhaps the most accurate answer, so far at least as this country is concerned, is to say that a Socialist is a man who believes in the nationalisation of industry—or at least of some industries—but who has abandoned all the original reasons for that doctrine and is therefore dependent on a number of *ex post facta* rationalisations for what has long ago become an irrational instinct.

The latest example of this is to be found in the article that Mr Herbert Morrison has contributed to the new Labour Encyclopaedia. Mr Morrison says that there are two *prima facie* "qualifications" for socialisation that an industry can possess. The first is that it provides a common service for industry generally or is basic in character. The second is that it is a monopoly, or that owing to its nature or to the muddle into which private ownership has brought it the public interest can best be served by its becoming a monopoly. To put the same idea more briefly, the candidates for socialisation are those industries that are basic, that are monopolies or that are in a mess.

There is nothing very novel about this doctrine. It has long been a commonplace of the moderate, or pragmatic, school of Socialists. Indeed, something very much like it would probably be found acceptable by a wide range of people who would hesitate to confess themselves Socialists of any kind. But that does not make it true. In fact, as soon as the Morrison doctrine is closely examined it can be shown to be entirely dependent on a number of assumptions, each one of which is decidedly shaky.

For example, the doctrine that an industry or service which "provides a common service for industry generally or is basic in character" should be socialised clearly rests on the assumption that the state can far better protect the public interest in such a basic industry than anyone else. Indeed, in most Socialist thinking and writing the state is simply equated with the public interest. There are of course cases in which the state is the only effective protector and organiser of the public interest. In wartime, for example, and, to a large extent, in a postwar siege economy the state alone has the reach and the power to ensure the public interest. But as a general proposition for permanent and universal application, it certainly cannot be accepted that the state always acts in the public interest. It is far nearer the truth to say that "the state" merely consists of a number of government departments, each of which

tends to put its own interests above those of the public. No one would dream of asserting that the state's interest and the public interest are identical where the civil and political rights of the individual citizen are concerned. Indeed, the history of freedom is one long list of devices—from trial by jury and *habeas corpus* to the judges' rules of evidence—based on the assumption that the state can *not* be trusted to serve the public interest. No one would advocate dismantling these defences of justice simply because the executive organs of government are nowadays responsible to a democratically elected parliament. Yet in economic matters the doctrine appears to be accepted that whatever a Minister of the Crown may take it into his head to do is *ipso facto* in the public interest.

*

There really is no evidence for any such naïvely trusting view. Indeed, evidence is beginning to accumulate for the directly contrary view. For what is the overwhelming public interest in an industry, the more overwhelming the more basic the industry? Clearly that it should be conducted with the maximum economic efficiency. What does the public require of transport, or of electricity, or of steel? That they should render their services, or produce their materials, as cheaply as is possible without exploiting their labour or under-maintaining their capital. There is no other public interest that comes within a hundred miles of this in importance. Now what reason is there for believing that the public ownership of these industries and services will lead to their rendering their services or producing their materials more cheaply? In specific cases there may be good reason for so believing. But if what is sought is not specific judgments on the merits of particular industries but a sweeping generalisation of universal application, then it can only be said that nationalisation will generally lower the economic efficiency of an industry. There are three reasons for saying this. The first is that a nationalised industry, being a political structure, will almost certainly be cumbrous and slow-moving; of that there is already evidence. The second is that a nationalised industry will almost certainly be far too weak in its relations with the unions; it will tend to grant too much pay for too little work and recoup itself by putting up its charges (that is, at the expense of the public interest). Of this, too, there is also now plenty of evidence. And thirdly, a nationalised industry is inevitably more of a monopoly, and much more protected in its exercise of monopoly powers, than what it replaces. Protected monopolies are notoriously inefficient and there is no reason to suppose that they will be less so if they are publicly owned.

These are the debit entries that must be entered immediately on an industry's account when it is nationalised—they are being exemplified by the first-year deficits that one nationalised industry after another is showing. There are no correspondingly automatic credit entries. But if every nationalisation account, starts, other things being equal, with a deficit, then it would seem logical to conclude that the more basic an industry is the less, not the more, it should be considered a candidate for nationalisation. By the same reasoning, if an industry is economically inefficient under private ownership, it is, as a general rule, likely to get into a still worse mess when brought into public ownership.

There is a similar lack of logic about the argument—so specious at first sight—that if an industry already is, or should be, a monopoly, it should be made a public monopoly. Once again, the assumption is that a state-owned monopoly will *ipso facto* serve the public interest better than a privately-owned monopoly. But there is really no reason to suppose that this is so. It is true that a state-owned industry is subject to control by Ministers, who are answerable to Parliament. But no privately-owned monopoly would dare to be as obstinately deaf to public complaint as a Government department. Let anyone who doubts this compare how he is treated by his bank and his post-office, his electricity company and his telephone exchange. The way to treat monopolies is to avoid them if possible, to break them up where they are unnecessary, and where they cannot be avoided, to give them some direct incentive to efficiency, such as a sliding scale relating profits, and possibly wages too, to the charges they make to the public. This is far more likely to be effective than a simple belief, contrary to all the evidence, that monopolists, if only they are appointed by Ministers, can be trusted to know the public's interest better than the public itself.

The truth is that there are no general principles for socialisation—though there may be some against it. The only practical basis on which a policy of nationalisation can be logically built is a strictly opportunist one. Nationalisation is worth while where it can be shown that some basic change of policy is needed in an industry which the state both can and will bring about and nobody else can. Nationalisation will pay where it can be shown that there is some *strategic* gain to be secured through public ownership large enough to outweigh the inevitable *tactical* losses of a cumbrous and vulnerable form of industrial organisation. In the case of coal, most people were finally convinced by the Reid Report that there was such a strategic gain to be had through a thorough concentration of the industry, which its private owners could not and would not undertake. In electricity there are technical reasons for expecting real economies from a concentration of ownership. In transport, a theoretical case can be made on paper, though neither the Minister nor the Transport Commission have given any public sign of understanding what it is. There may be other industries—including some that have never appeared on the Labour Party's lists—where similar real economies would result from public ownership and would offset the wastes of bureaucratic, politically-minded organisation. But the essential point is that the case must be proved, industry by industry, with the onus of proof on the nationalisers, before it will be accepted by the public at large.

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Within a few weeks the debate will open on the Steel Bill. It will be for the Government to prove their case. It will not be an acceptable argument to say that the steel industry is basic, or important. If that were all, it had better be preserved from the grip of the octopus. Still less will it carry conviction to say that, in its present organisation, the steel industry represents a "dangerous concentration" of "irresponsible power." The public should ask "power to do what?" and "what reason is there to believe that the Minister of Supply will exercise it any better?" It will be of no use to argue that the private steel industry is, or has been, imperfect in its organisation and policies; the question is whether the state would do any better. It will not carry very much conviction to say that the steel industry is a monopoly; the proper answer is to ask whether and how it can be made less of a monopoly, and what measures—the relaxation of protection against imports or other devices—can help to secure that it does not abuse its monopoly. None of these things would be a whit less necessary if the industry were publicly owned; Mr George Strauss cannot hold a candle to the power of competition as a guardian of the public interest. The ultimate test is very simple—if the steel industry were nationalised, would it produce better steel more cheaply?

On these issues the central body of opinion still has an open mind. Most people are waiting to see what sort of case the Government will make. But if the attempt to nationalise steel is not to torpedo the Labour Government, the case made for it will have to stick close to ascertainable facts and strict logic and eschew mere doctrine, even of the moderate Morrisonian variety, like the plague.

Mr Bevin's Two Minds

AFTER weeks of debate, often stormy debate, the Organisation for European Economic Co-operation has reached at least a provisional solution of the two main issues which have eluded agreement for so long. Marshall aid for the current year has been divided and into the division has been woven a plan for stimulating Western European trade by the provision of generous inter-European credits. The details of this settlement are given in an article on page 466. They demonstrate the wide scope of the agreement, and in particular they underline the sacrifices that Great Britain and Belgium are prepared to undertake. Belgium, Europe's principal creditor, will receive $250 million and make $207½ million available in francs. Britain, in return for an allocation of $1,263 million, is to provide sterling credits to the extent of $282 million. This readiness to provide unrequited exports at a time of great stringency at home—in Britain a stringency bred of absolute shortage, in Belgium of threatened inflation—seems clear proof of the earnestness with which both nations, and their partners in varying degrees, are accepting the obligations of mutual help.

There can be nothing but satisfaction at the immediate political implications of the agreement. The danger of deadlock has been averted and nothing could have so blighted the prospects of the Recovery Programme as a failure to agree on the distribution of American aid. But of the more lasting political consequences, it is less easy to be satisfied. The agreement has been reached against a background of very great American activity and pressure and the impression has been created that without the strongest possible action by Mr Hoffman and Mr Harriman, agreement might not have been reached at all. It would be unwise to overlook the amount of impatient criticism that has found its way into the American press in the last weeks or to ignore the fact that Britain, as the natural leader of Western Europe, has received the lion's share of disapproval on the grounds of its alleged "hesitancy" and "half-heartedness." These criticisms are unfair. Indeed, the generosity of the British credit policy ought to silence attack. But what is politically important is not the fairness or unfairness of the attacks but their existence, not that they are right or wrong, but that they happen at all.

Lack of confidence between the United States and Western Europe—and what after all is the perpetual undercurrent of criticism but a lack of confidence?—is obviously dangerous. The two segments of the free world belong together today with that fatality of destiny which the risk of destruction creates. If American aid ceases next year, who knows what political catastrophes may follow Western Europe's resulting distress? If the United States fails to back to the full the efforts of Western Europe to organise its own survival, the political balance of power can almost of its own weight bring Russia to the Atlantic. These are the stakes in Europe today and the nations of Western Europe must play with them constantly before their eyes.

They must also recognise that the United States, their most powerful partner, has strong views on how the game shall be played. The Governments of Western Europe may inwardly regret that America is not as willing to succour a queue of separate sovereign states as it is to support a unified and increasingly integrated European team. But they cannot change the decided cast of American policy. Nor can they change the visions and generosities of the American heart. Public opinion in the United States can be won for a great new venture which seems to confirm all over again the wisdom of the Founding Fathers. A Western Europe moving towards a federal experiment might conceivably find its Marshall aid doubled. A Western Europe falling apart in national rivalries may find America withdrawing first from aid, then from Germany and finally from any participation whatsoever in the European scene. These are not vague generalities. They are the immediate risks of American policy, whatever party is in power.

It is these major political issues—the overwhelming necessity of ensuring America's sustained co-operation and the certainty that closer union in the West is the best way of doing so—that make the policy of the British Government so bewildering. In one sense Britain is committed to closer Western association. Mr Bevin may not sound as enthusiastic about it as he did in January but once again in the House of Commons this week he has stated that a wide Western Union is his aim. Moreover, the payments agreement reached at Paris is some proof that the Government is ready, when pressed, to make a considerable economic sacrifice to bolster European solidarity. But it is also clear that nothing like the maximum political advantage has been gained from the sacrifice since public opinion in America, in Continental Europe and in Britain alike remains honestly confused on the question whether the British Government is really in earnest. To the straight question: does Mr Bevin or does he not accept Western association not merely as a desirable but as an imperative aim of British policy, the answer must still be: we do not know.

One can only speculate on the reasons for this hesitancy. It surely does not lie in fear of public opinion. The nation as a whole seems more united on the question of Western Union than is usual on any issue of foreign policy. All public opinion polls show a majority in favour of association, even those conducted

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by newspapers notoriously hostile to "continental entanglements." It cannot be fear of hostile reactions in Parliament. Almost the only widely supported non-party motion put down in the Commons this year was one calling for sweeping measures of integration in Western Europe and it is clear that real enthusiasm for a wide project of Western Union would quickly spring up on both sides of the House.

If public antipathy is ruled out as an explanation, must one fall back on the possibility that the Government in fact think Western Union a bad idea? It may be after all that they are not convinced of the need of firing America's imagination and of thus ensuring its continued support. They may have genuinely weighed the risks of closer association with Europe against the risks of American withdrawal and have decided that closer links with Europe represent the greater evil. They may be reinforced in this judgment by an underlying belief that the Americans are not after all serious—or that they cannot be relied upon to continue being serious—in their demands for European Union, that fear of Russia will in any case keep them in Europe and that meanwhile a number of gestures—albeit expensive gestures such as the new credits scheme—will be sufficient to ensure continuing American support.

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This explanation can almost certainly be ruled out. In the first place, it assumes that the British Government is pursuing a dishonest policy. To believe that Western Union is in reality undesirable but to make gestures in favour of it so that Marshall aid may continue would be, after all, to base a major issue of policy upon a lie. In the second place, such a policy would be a stupid policy. So wide a gap between gesture and actual performance could hardly pass unnoticed for more than a year at the longest, and the difficult appropriations of aid to secure from Congress will come up not in 1948 but in 1949 and 1950. These are also years in which complete American solidarity with Europe will be politically and strategically essential. If British policy were based on pretence, it would be precisely in these years that the pretence would be wearing transparently thin.

If honesty and duplicity are dismissed—as clearly they must be—one is left with the uneasy feeling that the reason for British fumbling is that although the Government sincerely believes itself to be pressing forward in the direction of Western Union, it has neither the clarity of mind nor the strength of leadership to turn that aspiration into policy. A sustained effort to secure an integrated Western Europe requires in the first place ability in the Cabinet to make firm decisions on general policy. It then requires the capacity within Whitehall to gather together the different threads of Britain's strategic, economic and commercial policies in support of the general line. Last of all, it demands vigorous political imagination to project that line both to public opinion at home and to Britain's partners in Europe. Unhappily the British Government today is hardly competent to achieve any of these three conditions. In the Cabinet, in spite of the existence of an inner Cabinet group, Ministers still tend to conduct their independent departmental policies and nowhere is the "separateness" of foreign policy more vigorously asserted. At the next level, policy is made by permanent officials whose function is very properly not to propose great lines of change but to straighten out technical difficulties. One consequence of this is the extent to which economic technicalities have taken the place of the wider political perspectives in all recent discussion of European co-operation. Last of all, there is no member of the Government who can speak for Britain and Europe, as Mr. Churchill once spoke for resistance and victory. Great ventures cannot be launched in little words and under the babble of voices speaking of multilateral compensation and off-shore purchases and unrequited exports there is a great silence in which the ordinary man's reserves of daring, imagination and hope are in danger of draining away. This vacuum cannot be filled with exhortations to caution or excellent reasons for inability to act. Nor can the British Government evade a position of responsibility which, alone among the nations of Western Europe, it is fitted to fill. Mr Bevin has in the past shown some sense of the wider perspective, of the historic moment. This instinct was never more needed nor have the risks of faltering ever been as great.

Labour and the Nation—III

Joint Consultation

IN the first of these articles it was pointed out that, admirable as is the new attitude of organised labour towards increased productivity, the directives of the TUC are no substitute for the growth of a spirit of confidence between the individual employer and his workmen. One important factor in the creation of confidence is a more exact relation of wages to output, which will permit the employer to reward the quick more generously than the dead and enable economies in production to have their effect upon production costs, undistorted by trade union pressure for general wage increases, which take no account of merit. The other factor of equal importance is the development of a spirit of responsibility among workpeople for the economic process in which they are involved. This has a dual importance: on the one hand it creates in the workmen a feeling of individual worth and importance which is essential to the survival of Britain, not only as an industrial society but as a society of any kind. On the other it enables the employer to develop technical improvements without the suspicion and resistance of the workers which has generally accompanied such efforts in the past.

It is the latter aspect, the result of the urgent necessity to increase productivity per man hour, which has forced the Government, the Federation of British Industries and the Trades Union Congress to place special emphasis upon joint consultation in industry. But among the unions and workers themselves, it is naturally the former motive—the desire to be treated as the equal rather than the servant of management—which is uppermost. It is the natural result of increased power, higher educational standards and a dawning belief in the connection between industrial policy and full employment.

It is becoming apparent that out of the confusion of thought which has habitually surrounded the topics of profit-sharing, workers' control and industrial co-partnership some kind of order is beginning to emerge. Profit-sharing, for all its attractions as a principle, is difficult to apply in practice, and can, it is obvious, only be developed gradually, until the workers are mentally prepared and economically able to bear the risks and losses as well to enjoy the fruits of enterprise. It is successful already in certain small firms where by reason of a good tradition an almost family relationship exists between the employer and his workpeople or where other specially favourable economic and social circumstances permit. But it would be hopelessly optimistic to pretend that any principles have been discovered which would be valid for the whole of industry. The pressure for workers' control or ownership persists mostly in the industries which are or may be nationalised, and is a relic

of the syndicalist teaching of early socialism. It has been tacitly abandoned by the leaders of the Labour Party and the TUC, and has been openly recanted by such keepers of the party conscience as Professor G. D. H. Cole. As a result, attention has become increasingly centred upon the device of "joint consultation" as the best means of achieving industrial democracy both in the free and in the nationalised industries.

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Joint consultation has had a chequered history. It received its initial impetus from the report of the Whitley Committee of 1917 which recommended a system of works committees, but by the early 1920's the support from these and for the joint industrial councils had disappeared, owing partly to the indifference of the employers and partly to the suspicion of the Trade Unions who feared both a loss of independence and the rise of a competing loyalty to unionism. It was not until 1940 that joint consultation re-emerged in the somewhat altered form of Joint Production Councils, concerned not so much with settling matters of policy and environment, as with finding better ways of giving Mr Churchill the tools with which to finish the job. After the war, however, although both the unions and the employers showed a distinct tendency to allow the machinery to rust, maintenance of full employment and the gravity of Britain's economic position have effected a revival of interest which may establish joint consultation as a permanent feature of British industry.

An immense vagueness surrounds the whole idea of joint consultation. A mention of it, buttered with such words as "industrial goodwill" and "co-operation" is good for a paragraph in any Cabinet Minister's week-end speech, concealing the fact that the phrase can cover anything from a canteen committee to a fully fledged industrial parliament. The government is determined to force the pace at which some kind of consultation is established in all firms and industries without inquiring too deeply into real and apparent success. In this, although it hopes for great things, it can not in fact do more than create a climate of opinion whereby the company or plant which makes no attempt at joint consultation will feel itself compelled to explain why. To the real problems which such consultation presents the work of the National Joint Advisory Council (the astral level where the TUC and the Employers Confederation meet), of the Regional Boards for industry or of the Development Councils can make only a slight contribution. This is a problem which can only be settled within the fifty-one thousand establishments which make up the British industrial economy.

It is difficult to generalise and impossible to dogmatise about the form that joint consultation should take, for to be successful it is essentially a product of local and spontaneous action. In its lowest form it is merely an aspect of works publicity; some constituent committee of the workers exists to which management can explain the company's policy, announce impending changes in organisation and keep the workpeople in touch with developments. While this does avoid some of the major causes of frustration, it provides nothing much more than an animated bulletin board. A more evolved technique calls for a joint body upon which representatives of the various departments or trades meet on equal basis with the management to discuss questions relating to management, although wages are normally excluded as being covered by the union machinery, and welfare as being the affair of a separate department. In its highest form a joint production or consultation organisation discusses not only questions of organisation but also of policy, and represents not only management and the workers, but the board of directors and—a frequently forgotten group—the technicians, junior management officials and foremen.

Joint consulation is no substitute for efficient management nor for the firmness and justice which is the outward sign of good leadership. But it is an undoubted fact that the greater the confidence which management can bring itself to repose in its workpeople, the greater will normally be the response in zeal, in adaptability, and in increased production. Equally, while the burthen of making it a success rests as much on labour as on management, the responsibility for initiating joint consultation must come from management, for it is the keeper of the mysteries of finance and policy. Only to the extent to which it is prepared to trust its workpeople with some of these secrets will joint consultation be effective. It may be as some have maintained, that its value is mainly psychological and that the sense of responsibility and loyalty which it develops is of greater value than any actual practical result that emerges. Whether that be true or not, the fact remains that joint consultation is an attempt to break down the barrier between management and labour, which is erected with particular ease in Britain where the social structure conduces naturally towards stratification and not towards equality. It is a deliberate attempt, requiring both patience and skilled diplomacy. The pitfalls are legion, and only those who are prepared for them can hope to make joint consultation a permanent feature of British industrial life. But the rewards of success are very great for any procedure which can break down this barrier must in the end teach management and labour that they are involved in a common conspiracy to wring the greatest possible creation of wealth out of the economic process in which they participate.

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Since joint consultation depends for its success upon the efforts of the individual workshop or factory, it follows that it does require some modification of the existing structure of the trade's union. If the emphasis is on direct negotiation within the firm, the shop steward or the workers' representatives on the works committee gain in power and importance at the expense of the local branches upon which the union hierarchy (except in certain trades such as printing) was built up. The growth of the shop steward's prestige is a natural result of the extension of joint consultation since, once management is prepared to discuss with the workers policy and issues broader than mere welfare, a workers' representative on the job gathers greater support than a union lodge or branch situated outside the place of work, which only some twenty per cent. of the workers will take the trouble to attend. The old defence rôle of trades unionism required massed battalions: its newer and more constructive rôle requires specialization in the affairs of particular industries and firms, and if it is to maintain this attitude it will involve painful readjustments in the Transport and General Workers' and other omnibus unions. But if the union movement is wise it will insist upon the need for such adjustments, since organization through the place of work rather than by trades or by geography, represents in the long run their best chance of keeping the loyalty of the working class and of harnessing it to higher output and a higher standard of living.

It is impossible to gauge the extent to which effective joint consultation is being developed within British industry. The inquiries of the Ministry of Labour show only those industries which have completed national agreements to institute it and cannot evaluate the firms where it is a mere formal show and those in which it is really effective. One hindrance to its growth is a transient working population, and it is fair to say that as the pattern of British industry becomes more settled and employees remain longer with the same firm, the opportunity for successful joint consultation becomes greater. But beyond giving publicity to the instances in which it has been successful, and of teaching by example, any attempt to force the pace by statutory obligation, such as has been adopted in France, would be the surest way to damp the voluntary enthusiasm which is essential to its success.

The day of the simple paternal relations between employer

and employed has long since disappeared. Only twenty per cent of the workers are now in firms of less than a hundred employees and while the number of small firms is declining the percentage of those employed in the very large firms of more than a thousand employees has increased from twenty-two to thirty in the past twelve years. The putative satisfaction of a craftsman in his craft is disappearing before continuously simplified productive techniques involving not skill but routine. Only a deliberate effort on the part of employers, and an equally deliberate response from the employed, can overcome the frustration, the indifference and the dead-levelling of character which is the characteristic disease of industrial societies.

Trade Between East and West

ON September 27th, the *ad hoc* Committee on Industrial Development and Trade set up by the Economic Commission for Europe will meet to consider a report prepared for it by the Commission. The full report has not been released and the Committee's discussions will be private, but some of the data upon which the Commission's recommendations are based have been published and seek to prove that whatever the political obstacles in the way of developing a greater volume of trade between Eastern and Western Europe, the economic advantages which both sides might gain are considerable. In general, Eastern Europe throughout the Report excludes Russia and Western Europe includes Great Britain.

In Eastern Europe it is the whole rate of development that is at stake. In all the states of Eastern Europe, industrialisation is the first aim of each national programme of reconstruction. But the ambitious plans for developing manufactures, drawing the surplus population off the land and mechanising agriculture, all demand an investment in capital equipment which heavy industry in Eastern Europe cannot begin to meet. The Soviet Union has not proved a more promising source of supply. Western Europe and North America are for the time being the only trading partners likely to provide the kind of equipment Eastern Europe is most anxious to buy.

The Western interest in increased trade is, perhaps, not quite so obvious since other sources of supply for the foodstuffs and raw materials which are Western Europe's lasting need do, in fact, exist. The difficulty lies in paying for them. The Report of the Economic Commission for Europe points out that if Eastern Europe were still supplying the exports sent to the West in 1938—valued at $2,100 million at 1947 prices—the sum would be equivalent to one-quarter of Western Europe's imports from the New World. The shrinkage in Eastern European exports by some $1,400 million in 1947, as compared with 1938, equals more than one-fifth of Western Europe's uncovered trade deficit with the Western Hemisphere. Nor is the importance of East-West trade simply a question of what might have happened in 1947. There are three reasons for stressing its importance in the future. The first is the likelihood that Western Europe will not be able to buy all that it needs from the New World owing to continued difficulties in finding the necessary currency. As an earlier Report of the Economic Commission for Europe has pointed out, in the 1950s Western Europe's most likely bulk export will be heavy machinery and this is of all exports the most difficult to place in the United States. It is, therefore, practically certain that increasing access must be secured to non-American sources of supply.

This necessity supplies the second reason for Eastern Europe's significance as a trading partner. When the nations of Western Europe make a systematic estimate of the non-dollar areas that are open to them, they will discover that one of the most profitable of such areas in the prewar world—South East Asia—is not likely to return to its old patterns of trade. The Far East may conceivably become within the next five years a stable area producing large surpluses of food and raw materials for Western consumption, but it would clearly require very great optimism to make such a prospect the sure foundation of Western trading policy. It seems more probable that the degree of political and economic disintegration in the Far East will reduce very sharply the scale of surpluses for export and that the flow of rice and oil and sugar and tin may be both smaller and more erratic than in the twenties and thirties. If this should be the case, the importance of Eastern Europe as a non-dollar source of supply is much enhanced.

The possibility that the world's areas of supply for foodstuffs and raw materials may be severely reduced reinforces the third reason for considering the importance of Eastern European resources. The extent to which Western Europe's present difficulties are due to unfavourable terms of trade—in other words to the high cost of all primary products—is generally admitted. But if the present shortages are to continue, the unfavourable shift in the terms of trade may be more than a passing consequence of post-war dislocation, and the urgency of expanding production of food and raw materials in order to bring down the price of primary products becomes a first priority for Western Europe. In such a situation, Western Europe should neglect no possibility of increasing supplies of primary products, and Eastern Europe is almost certainly a potential field of expansion.

These various reasons certainly add up to a case for considering carefully the development of trade with Eastern Europe. It is a non-dollar area of supply. Its chief need—capital equipment—is the type of manufacture of which Western Europe can best produce an export surplus. An increase of supplies in Eastern Europe could offset to some extent the possible decline in trade with non-dollar areas such as the Far East and, in so doing, could help to reduce the present pressure of unfavourable terms of trade. Theoretically, the case for increasing exchanges between Eastern and Western Europe is thus clear. But when the Committee meets in Geneva next week, it will have to study a formidable list of difficulties.

Some go back to first principles. How, critics may ask, can the intensive industrial development of Eastern Europe and the relative neglect of agriculture reflected in all Eastern European national plans lead to an expansion of agricultural surpluses for export? Are not the nations of Western Europe being asked to assist in the creation of competitive industrial economies in Eastern Europe and thus to ensure an even more unfavourable development in the terms of trade? The replies given to such objections by the Report must be read in the light of the fact that the Commission, poised as it is between East and West, has a strong institutional interest in proving the importance of trade between them. Nevertheless, the arguments the Report brings forward merit careful consideration. In the past, industrialisation and mechanisation have tended to increase not lessen the yield of agriculture. In an interesting comparative table, the Report shows that output in agriculture is in inverse ratio to the amount of manpower engaged in agriculture: the countries of Eastern Europe, where between 60 to 80 per cent of the population work on the farms, produce far less per head of the total population than countries such as Australia, New Zealand or Denmark, where only between 20 and 35 per cent are directly engaged in agriculture. Again, the Report remarks on the fact that highly industrialised communities such as Sweden, Britain and even the United States have not ceased to be bulk exporters of primary products such as iron ore, timber, coal and grain. It cannot be said, therefore, that increased industrialisation in the East will *a priori* lead to a reduction in primary production.

Critics have also raised the point that Eastern Europe's lands are, in any case, not particularly well endowed and have asked whether it is wise to situate a "development area" in a place from which, in a world of free movement, people would naturally emigrate. This argument can, however, be pressed much too far, since parts of Eastern Europe are exceptionally fertile. The Report goes further and gives general data on the value of Eastern Europe as a source of supply. The figures are somewhat misleading, since the percentages exclude Western Europe's very large trade with its colonial dependencies. But they are worth quoting to confound those who believe no good can come from beyond the Iron Curtain. Even with the backward methods of production prevalent before the war, Eastern Europe was responsible—to give only a few figures—for 23 per cent of Western Europe's non-colonial imports of bread grains, 55 per cent of its potatoes, 28 per cent of its butter, 85 per cent of its eggs, 100 per cent of its flax, 77 per cent of its logs and sawn wood, 92 per cent of its wood pulp, 100 per cent of its bauxite and 100 per cent of its coal and coke. Yet between 1934 and 1938, Eastern Europe was in a depressed condition. Even without improvement in technique, the output of the twenties could be reached again. With improvements to bring agricultural production say, to the level achieved in East Prussia, Pomerania and Silesia—an area of comparable soil and resources—the Report estimates that output in wheat and barley could be increased by over 60 per cent, oats by 46 per cent, potatoes by over 30 per cent.

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Possibilities of expansion thus exist and their development could stimulate East-West trading on a healthy basis of mutual self-interest, Western Europe assisting Eastern Europe to higher technical levels in both industry and agriculture, Eastern Europe in return supplying primary products in place of dollar supplies to mitigate the present incidence of the terms of trade. So much is clear—and encouraging. The difficulties and obstacles will begin when the Committee attacks the practical problem of how this expansion in trade is to be carried out. At present, trade between Eastern and Western Europe is suffering from difficulties identical with those which hamper trade *within* Western Europe. Only gold and the dollar are universally acceptable currency and, after a revival of multilateral trade during 1946 on the basis of reserves of hard currency and the extension of credit, 1947 saw a contraction similar to the contraction in Western Europe. Today, such revival of trade as is taking place is more and more based on bilateral trade treaties which inevitably restrict trade to the amount each pair of countries can balance between them. The details of the pattern of East-West trading prepared by the Commission are incomplete since, among other lacunae, Russia would not disclose its trade with Germany; but, allowing for these gaps, the Report estimates that in 1947, 74 per cent of the trade between East and West was on a strictly bilateral basis. Yet on such a basis, the kind of expansion envisaged in Eastern Europe is in the short run unthinkable. On the contrary, the growing rigidity of trade is likely to throw the Eastern European nations back on their own resources—and those of Russia—and to lead to a steady contraction of East-West exchanges.

The Report's recommendations for the ending of this present trend are not published, but it is clear from the published figures that the Commission believes some advantage could be gained by attempting to work out a wider system of multilateral compensation. It is self-evident that the larger the number of countries included in a compensation plan, the greater the chances that some general balance will emerge and that countries will show a smaller tendency to fall into permanent positions of debt—or credit. The Report estimates that if, in 1947, compensation agreements had covered both Eastern and Western Europe the amount of trade thus conducted on multilateral lines would have increased from 10 to 18 per cent for Eastern Europe and from 11 to 18 per cent for Western Europe. It should thus be worth the Committee's while when it meets next week to examine whether an effort to negotiate a more general compensation agreement—possibly in an international conference such as assembled to draft tariff reductions in Geneva last year—might not have some effect in increasing and improving the flow of East-West trade.

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Such an effort would, however, touch only the fringe of the problem. Clearly the disequilibrium in European trade is at present too deep for purely financial mechanisms to set it right. If present trends continue unchecked, Eastern and Western Europe will pull apart, the West in dependence upon the New World, the East in a hampering autarky. If the large, sustained and expanding exchange of Eastern primary products against Western manufactures—for which theoretically there is so strong a case—is to be brought about, it can be done only by systematic agreement, by long-term contracts which specify in broad outline the kind of industrial deliveries the West will be prepared to make in return for guaranteed exports of food and minerals and timber. It has been suggested in *The Economist* that the machinery for such a trading plan now exists—in the organisation for European Economic Co-operation (OEEC) in Paris, in the planning Ministries of Eastern Europe and in the Economic Commission for Europe. Next week's meeting of the Committee on Trade and Development might be a first step to bring this machinery into action and to prepare for a general conference between Eastern and Western planners on the long-term problems of East-West trade.

Yet it is useless to conceal the fact that the first difficulty which such a conference would meet would be the difficulty that has all but halted the development of commercial cooperation inside Western Europe—the lack of credits. Any long-term plans for the development of Eastern European surpluses must demand in the first years unrequited exports from Western Europe in the shape of machinery and seed and fertiliser. But how are these unrequited exports to be financed? The capacities of Britain, Belgium and Western Germany are for the moment fully extended in making credits available to their Western partners. A little Marshall aid may reach Eastern Europe via offshore purchases. The World Bank may finance one or two concrete projects such as the plan to increase the output of East European timber by the export of Western lumbering equipment. But of credits for a massive "Five-Year European Trade and Development Plan" there is today no sign at all. It is certainly a great gap in the West's economic strategy that no attempt has been made to determine where capital investment will give the highest and quickest return in terms of production and whether, on such an estimate, machinery despatched to Poland might not give a speedier result than the same machinery invested in Tanganyika—or France. But for the time being, terse primary decisions have been made and the West's spare capital is already fully allocated.

One reason for this is, naturally, political. Behind all questions of economic policy lurks the doubt whether the West can afford to build up the economies of States which make so little secret of their hostility. To answer to this question—which lies beyond the competence of next week's conference—is in the end the determining factor. The Committee meets under the shadow of Berlin, and however devoted its labours and clear and cogent its results, the final issue of East-West trade are being decided elsewhere.

NOTES OF THE WEEK

The Order of Release

Tuesday's debate upon the Address was a vernal rather than autumnal mixture of light and shade. It began with Mr Leslie's sunny account of conditions in Sedgefield, moved through Mr Symonds' scholarly account of the representation of Cambridge to Mr Oliver Stanley's urbane witticisms and broke into an abrupt and chilling shower with Mr Morrison's statement on defence. In a speech that was regretful almost to the point of apology, he expressed the Government's conviction that the international situation no longer justified them in continuing with the demobilisation plan and that those not already passing into the demobilising machinery would be retained for a further three months. As a result of this closing of the exit valve the size of the Armed Forces would be greater by 80,000 at the end of the year than if the demobilisation machinery had been in normal operation. He continued by making an appeal to men of standing to use their influence to speed up a return to the Territorials and the Auxiliary Naval and Air Forces. He promised a quickening in the supply of equipment and in particular of fighters, and in the pace of Civil Defence reorganisation.

The slowing down of demobilisation arises not from an immediate necessity to increase the size of the mobile reserve but from the need to increase the percentage of trained men, who could provide the instructional cadres were a sudden further expansion necessary. Presumably this will be followed by some permanent system of slowing down demobilisation for if it applies only for the time being the extra 80,000 would be dissipated by a return to the previous demobilisation rate. The retention of extra men in the forces could be a pure farce if they were employed as batmen and squadron clerks. The only justification of such a deprivation to the industrial manpower of Great Britain is either that they should be serving—or releasing others to serve—in the danger spots or else employed within an intensive training programme.

Mr Morrison, walking an already narrow tightrope, made no announcement regarding the raising of the term of national service. If the international situation is very serious in January, 1949, when a decision must be made, the Government will be assured of full national support; meanwhile, they prefer to avoid a party quarrel. As it was, it was only the shadow of an impending election which made the Parliamentary Labour Party swallow the deferment of demobilisation with no more than a wry grimace. Undoubtedly Mr Morrison was right in placing great emphasis upon a return of the millions of trained ex-servicemen to some kind of volunteer reserve. But are the Government prepared to create the conditions upon which men will willingly return to spare-time service, the chief of which is a highly organised training programme and a sufficiency of modern equipment? No one will give up hard won leisure to listen to lectures on mess etiquette or train with papier mache armoured cars and wooden dial sights.

By those few reluctant sentences Mr Morrison has altered the whole balance of the special session. The chimera of "Peers versus the People" looks very wan beside the possibility of an embattled nation. It could be given life if the members of the Upper House were known to be the hirelings of a foreign power, instead of, for all their political failings, a body of men conspicuous for their patriotism and individual military courage. This is the time to distinguish between the real and the imaginary enemy.

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Second Front in the Cold War

Mr Bevin must really take more trouble with his speeches, or make trouble for those who draft them. He has had leadership in western Europe thrust upon him, and in that distinguished role he cannot afford to give his views to the world in a bloodless, matter-of-fact style which seems to reflect nothing but the monotony and pallor of the British diet. Before the House on Wednesday he very properly defended what Britain has done to promote co-operation and self-sacrifice in the West; it is in many respects an admirable record, but the form in which he presented it offered little to warm or brighten the despatches of European correspondents in London who have to fight for space in their newspapers. The argument that the pace of Western co-operation must be restrained until the Dominion Prime Ministers have met is wearing thin; there is no published evidence at all that his Commonwealth colleagues distrust or resent his Western Union policy.

What surprised the House and flustered Mr Dalton in his reply to the debate was the attention given to Malaya and a hint dropped about possible troubles in Africa. Yet Mr Bevin was quite right to include the situation in south-east Asia in his review, since the late Mr Zhdanov made no bones about pointing to that region as "the rear of the capitalist camp." One would like to think that Mr Bevin will consult with his Dutch and French colleagues about the Communist strategy in this area of common interests. The Brussels Pact provides for such action.

As for Africa, Mr Bevin or Mr Creech Jones should sometime develop the hint given on Wednesday. Among the signs that the African colonies are due for Communist attention are the size and activity of the Soviet Embassy in Addis Ababa; the interest of the Communist Party of India in the 170,000 Indians of British East Africa; attacks by Mr Tsarapkin in the Trusteeship Council, and the form taken by native trade union movements in the North Rhodesian copper belt, in the Belgian Congo and in East Africa. Russian propaganda has given wide publicity to a resolution of the British Communist Party condemning "the drive of East African white settlers against the African people," and there is plenty of other evidence of Communist interest in any signs of African resistance to the white races. It will be a tragedy if the cold war is extended to the African territories of the Western Powers, and it is a possibility that they should combine to avert.

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Exhausted Patience, 1948

Just ten years have passed since Hitler was about to invade Czechoslovakia on the pretext of restoring law and order there. Indian troops have now marched into Hyderabad with the same proclaimed purpose, and oratory has been coming from the mouths of Indian politicians curiously reminiscent of the Fuehrer's exhausted patience. The Indian Minister of Works, Mr Gadgil, declared that it was time to complete the victory of Khadia won by the Marathas over Hyderabad in 1795; then the Deputy Prime Minister, Mr Patel, announced that "if Hyderabad did not behave properly, it would go the way of Junagadh"; and then Mr Nehru felt impelled to rattle the sabre at a press conference on June 17th, when he said that India had delivered its final terms "and the Nizam can sign on the dotted line as and when he likes. . . . Hyderabad, situated as it is, cannot conceivably be independent and India can never agree to it, whatever happens and whatever may be the consequences."

After all that has been said, there is nothing surprising in India's action. Official India had made up its mind quite deliberately to conquer Hyderabad by force if the Nizam would not submit to its demands. Whatever may be thought of the merits of the controversy over Hyderabad's accession, the fact remains that India has used force against an independent state in circumstances which exclude the justification of self-defence. It is true that India has described the invasion as a police action and claimed that Hyderabad is "part of India," so that it is all an internal affair. But legally there is no doubt that Hyderabad is an independent state, even though it has not received diplomatic recognition from other nations; for the Independence Act, whereby sovereignty was transferred from Britain to India, excluded the Indian States except in so far as they voluntarily acceded. Hyderabad has appealed to the Security Council—a move which must have been foreseen in Delhi—and the Council, which refused to recognise the fighting in Java as an internal affair of the Netherlands in spite of its unabrogated legal sovereignty in Indonesia, cannot logically accept such a plea with regard to a territory over which India has no legal right whatever.

It is difficult to see how Uno can come out of this affair without discredit. If the Security Council orders Indian troops out of Hyderabad, India will presumably refuse to comply; if the Council tries to make a "settlement," with Indian troops in occupation of most of Hyderabad, it will merely show its incapacity to prevent successful military aggression—as the League of Nations did in the Manchurian and Abyssinian crises. Whatever India may gain from a conquest of Hyderabad, it can only be at the expense of the international organisation for peace of which India is a member. Even more serious is likely to be the exacerbation of conflict with Pakistan which must result from India's action and the possible renewal of large-scale communal rioting and massacres which may ensue in India itself.

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The Passing of Mr Jinnah

Of the three principal figures of the Indian scene a year ago—Mr Gandhi, Mr Jinnah and Mr Nehru—the first two are now dead. Gandhi, to whom all Indian nationalists pay at least lip-service as a saint and as the father of national independence, perished by the bullet of an assassin spiritually armed by the Hindu chauvinism which has come more and more into the ascendant in Indian politics since the Mahatma's death. Mr Jinnah has died from natural causes, but there can be little doubt that his death was hastened by the news of the impending Indian invasion of Hyderabad and the intense nervous strain of deciding Pakistan's policy in the crisis.

Mr. Jinnah was no pacifist and he was politically the antagonist of Gandhi, who aimed at a united India including both the Hindu and Moslem communities. Yet Gandhi opposed the use of force to bring Moslems into a united India, and he urged toleration and fair treatment for the Moslem minority in India as the means by which the Pakistan Moslems could be shown that they had nothing to fear from Hindu Raj and ultimately induced to come in of their own free will. Between Gandhi's India and Jinnah's Pakistan reconciliation was indeed possible. But the trend in India has been lately towards a more and more aggressive and uncompromising mood which has darkly overshadowed the prospect of future relations between the two Dominions.

The Pakistan national movement was far more dependent than was Congress nationalism on the leadership of one man, and the passing of Mr Jinnah has brought a great danger of confusion, faction and hasty decisions in a new nation swayed by strong emotions but lacking experience and tradition of framing policy. A good start has been made, however, with the appointment of the Prime Minister of East Bengal as Governor-General, an arrangement which links East Pakistan more closely to Karachi while at the same time allowing Liaqat Ali Khan to continue as Pakistan's Prime Minister. The fact that Liaqat Ali Khan did not claim the office of Governor-General for himself indicates that he wishes it to be in future more constitutional and less a position of executive power than it could be when Mr Jinnah held it.

Pakistan has officially avoided any commitment to aid Hyderabad, but popular feeling is naturally inflamed and will make it harder for the Government to yield in any way over Kashmir. The Kashmir question remains the greatest single issue confronting Pakistan. If India were to use the prestige acquired by military success in Hyderabad to cover a settlement favourable to Pakistan in Kashmir, the way would be open, in spite of all that has happened, to a fresh understanding between Karachi and Delhi. But there is a danger that success in Hyderabad might make India more, and not less, intransigent over Kashmir. If that turns out to be so, full-scale war between India and Pakistan will become again an imminent possibility.

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Snail's Pace in Moscow

There seems to be no reason why the negotiations with the Soviet Government about Berlin should end for some time. While Marshal Sokolovsky uses boorish hustling tactics in Berlin, Mr Molotov uses polite delaying tactics in Moscow. This diplomatic method has a long history running back to Napoleon and Frederick the Great via Hitler; but none of those great rascals ever held such an ideal position for two-handed work as Mr Stalin holds in Berlin. It is not at all surprising that he has gone off on holiday and that Mr Molotov should show himself unable to answer quickly the questions put to him by the Western envoys early this week. He will find it still more difficult when the General Assembly of Uno starts meeting next week, and it would seem to him only common sense to suggest that the Council of Foreign Ministers should talk about Berlin and Germany generally in the limelight of Paris.

The Western envoys are gradually slipping into the position of negotiating "under duress"—the very thing they said they would not do when they went to Moscow nearly two months ago. The duress is being aggravated in Berlin, where the economic and administrative position of British, Americans, and French is being nibbled away. Things have now reached the stage where General Kotikov refers to himself as "military commander of the city of Berlin" and where Soviet officers publicly incite German crowds to violence against the Western authorities. As the position of the Western Powers in the city weakens, their prestige with the Germans rises, a development which only narrows the possibilities of a future settlement.

An air lift sufficient to deliver 4,500 tons of supplies daily throughout the winter has now been promised by the Americans. The stage is set for a winter siege during which prolonged bad weather might freeze Berliners out of their work places and supply aircraft out of the skies. From the Soviet point of view such a dramatic trial of nerves is worth waiting for; and there seems to be no reason why Mr Stalin should deny himself this experience—especially when he hears General Clay saying that he sees no war "just round the corner."

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Italy's Colonies

As the result of a tiresome spectacle staged this week by Mr Vishinsky, the case of the Italian colonies is to go to the United Nations Assembly. This is the unsatisfactory end to an unprofitable two years of wrangling. For the Assembly, owing to its addiction to voting for reasons that have nothing to do with the rights and wrongs of the case in hand, is the wrong body for dealing with backward peoples. Yet no other end to the wrangle was in sight. The Big Four were in disagreement about every issue except the future of Somalia (which all were ready to assign to Italian trusteeship). But Russia refused to subscribe to any solution that did not form part of a complete whole. Few people, therefore, hoped for an eleventh-hour settlement even when the Kremlin, promising fresh proposals, called a meeting just before the appointed zero hour, which was September 15th.

This meeting, to which the other three travelled sceptically, took place in Paris from Monday till Wednesday last. The "new" Russian proposal was a reversion to the American proposal of 1946 for a UN trusteeship everywhere. But those were the days when words like Potsdam and Yalta still stirred a warm feeling in American breasts. In 1946, it was the practical Russians who were against mixed management. "If a baby has seven nurses," then said Mr Molotov, "you cannot expect it to grow up." In 1948, Trieste and Berlin have taught the Americans this home truth (the British and French, with their greater experience of mandates and condominiums, have always believed it). So that, this time, the proposal met a Western stone wall. At a guess the Russian purpose was to reduce the likelihood of awards of trusteeships by the Assembly to any single Great Power. The gambit may turn out to have been a mistake. The Assembly, cumbered as it will be with revelations of its incapacity in Palestine, is not likely to vote for more multilateral commitments. The Russians might have gained more by consistency.

The snag to an Assembly decision is, as has already been mentioned, the proneness of voters to think primarily of some domestic political consideration, and only secondarily of the intrinsic merits of the case and of the Africans whom their vote affects. Many tend to forget that Libyans, Eritreans and Somalis are men with legitimate hopes and fears, likes and dislikes, and all the rest of the human make-up. Thus, while the State Department takes a sober view of African welfare, Mr Dewey's first thought is, he has shown, the Italian vote in the states. The same thought weighs upon Brazil. Some of its neighbours also like pleasing Italy in the belief that to do so is to please the Pope. Many Asiatics want to make a gesture to Ethiopia.

*

Who is to choose amongst this gaggle of contestants? What they need is a clear lead from somewhere. There is one group well entitled to give such a lead—the countries which fought in the areas in dispute. Why cannot they strike a new note by presenting themselves as a composite candidate for the three trusteeships? They are a relatively harmonious group. Even if they add Egypt, as an interested neighbour, to their number, agreement is not beyond their grasp. They could promise the Assembly to work out as between themselves who should administer this area and who that, where they shall work jointly and where delegate power to one administrator. Their candidature would win many supporters who, at present, do not know for whom to vote. To the Russian critics of such a scheme the cogent answer would be that, as on the Danube, so in Africa, those who have not fought are not heard.

* * *

The TUC Goes Right

Any lingering fears that Communism was gaining ground within the trade union movement have been dispelled by last week's conference at Margate. The Communist candidates for the General Council were defeated, including Mr Arthur Horner,

the miners' leader, who is respected for everything except his political views. His defeat was not unexpected, but the size of the hostile vote came as a surprise. Throughout the conference hostile references to Communist tactics were sufficient to ensure the rejection of a resolution. Thus in a rather pointless debate on steel nationalisation, a motion, which was alleged to be purely Communist-inspired, calling for immediate emergency measures to take over the industry, was rejected in favour of the steel-workers' own amendment, leaving the method and timing to the Government.

Communism's biggest defeat came on international affairs, when, by an overwhelming majority, a seemingly innocuous resolution calling on the TUC to reaffirm its support for the World Federation of Trade Unions was rejected. Mr Arthur Deakin, smarting no doubt under the Communist pinpricks during the London dock strike, as well as the attacks upon himself in the Soviet press, abandoned all restraint, and in a speech of towering rage demanded a free hand in determining future relationships with the Soviet-dominated WFTU. The British TUC has always been the most internationally-minded of labour movements and fathered the present World Federation. The fact that it now seems quite happy to abandon its misbegotten offspring is a measure of the revulsion of feeling which Prague and Berlin have contrived to bring about.

The only near-success scored by the Left came on the Civil Service purge. Here the purge itself was not in question, but the right of an accused civil servant to be represented by a union official before the Advisory Committee. The block vote had to be swung over to the General Council, in order to save it and the Government from embarrassment. On the wages issue also the usual Communist-controlled vote of around a million was swollen by over another million votes. But this was partly due to the intentional confusion with which the subject was presented, since many unions with wage claims pending supported the official policy.

As a result of Margate, the TUC has rallied itself in support of gradualism and democratic socialism, the only major European labour movement which has not been split by the Communist issue. It was good that the issue was squarely faced, but whether mere anti-Communism will serve to maintain its unity is more doubtful. Had Congress shown as much enthusiasm in the debate on production the Communists would have suffered a more lasting rebuff.

* * *

Experiment at Health Centres

The British Medical Association have published a valuable report on the planning of health centres based on an investigation into existing private practice among doctors. Health centres were one of the features of the new health service which attracted the greatest public interest and consequently occasioned the keenest disappointment when their erection had to be delayed. Moreover, the report follows the dispute between the Minister of Health and the Birmingham City Council about the admission of paying patients to the single experimental centre which the council are erecting.

The report examines the existing family doctor system and the various forms of partnership practice which already exist, and stresses the irrational and inefficient division of functions between the family doctor and the various medical and preventive services provided by child welfare clinics, ante-natal clinics, health visitors, the school medical service and so on. The case for unifying these services in a single centre is overwhelming. The case for relieving the doctor (and his wife) of the demands of a 24-hour service, and providing him with better equipment than he could individually afford and with adequate secretarial and ancillary services is also very strong. But there are practical disadvantages for the patient, some of which are dealt with in the report, and still great dangers of extravagance, ignored in the report, which must be carefully weighed against the advantages. For example the individual patient will normally have to travel much farther to a centre than he now does to his doctor's consulting room ; when he gets there it will be much more difficult to create the same sense of privacy and friendliness as is achieved in a doctor's own house. Nevertheless these disadvantages are outweighed by the benefits, provided that the centres are skilfully and economically administered. The lay staff of hospitals has been growing recently, and since the start of the national health service has grown even more. There is a real danger that the economies of joint organisation in the health centres will be absorbed by an excess of clerks, receptionists and filing cabinets, or the duplication of services more proper to the hospitals.

These reservations do not make a case against the setting-up of health centres, but they do argue in favour of a careful watch on costs and the maximum of experiment in different types and sizes of centre, and in different part of the country, before further centres are built in any large numbers.

* * *

The Recruitment of Nurses

The belated Minority Report of the Working Party on the Training and Recruitment of Nurses, over the solitary signature of Dr J. Cohen, differs from the Majority Report over a limited but highly significant part of the Working Party's terms of reference. The majority, according to Dr Cohen, made the common mistake of considering the problem of the community's nursing needs in a vacuum, without relating it either to the other calls upon womanpower or to any objective criterion of nursing "productivity." They also took, in his view, an unwarrantably pessimistic view of the speed at which reform could be accomplished.

The problem of assessing, in any scientific and objective way, the need for nurses as compared with the need for teachers, industrial workers, typists and so forth, remains unsolved and probably unsolvable in any but the roughest and readiest way. Dimly one discerns behind Dr Cohen's generalities a yearning for the planned society of docile automata moving from job to job at the orders of an all-wise scientific hierarchy—of course, with every possible adjunct of vocational test and training. But short of this planners' Utopia there can hardly be more than a consensus of opinion (a notion Dr Cohen abhors) as to the proportion of the nation's human resources which should ideally be devoted to nursing. More positively useful is his suggested test of nursing efficacy. How long does it take, at various ratios of hospital beds to nurses, to cure and discharge the average patient ? Making allowances for the various types of hospital, Dr Cohen examines the data and concludes that if all hospitals had a nurse-to-bed ratio as high as the best, the average patient's stay would be shortened by one day—a saving of some 1½ million "patient days" at the cost of the employment of 5,600 extra nurses. (These figures refer to the year 1938.) Rough calculations lead him to conclude that this expansion would nearly pay for itself in production gained. Dr Cohen would be the first to agree that much more research is needed to establish a reliable accountant's background to the problem of the optimum nursing force ; but he has at least provided a test of "productivity" in a field where it is generally considered not to be measurable at all.

Refinements can wait. No contempt for mere unscientific "opinion" can alter the fact that, whatever the ideal, there simply are not enough nurses now. Dr Cohen agrees with his ex-colleagues in blaming "wastage" during the training period ; a wastage partly due to inadequate vocational guidance, but mostly unmistakably to be ascribed to the banes of the student nurse's life—near-prison discipline and near-workhouse food, the reign of the Old Battleaxe in the ward, the common-room and the hostel, and of Bumble in the kitchen.

* * *

Towards a Scandinavian Alliance ?

It is unlikely that the recommendation of the Foreign Ministers of Denmark, Norway and Sweden last week that their Governments should set up a committee to study military collaboration marks any real progress towards an effective Scandinavian alliance. The phrase is indeed a contradiction in terms. Co-operation on local security work there may be ; but an effective partnership for war is impossible not least because the partners have different views on the likelihood of their being involved in war. There are no signs that Sweden will abandon its belief in both the desirability and the possibility of continued neutrality. Equally Norway and Denmark, however much they may wish to keep out of a war, show no inclination to revise their opinion that they will be unable to do so. Between states whose policies are so fundamentally opposed there can be no genuine collaboration.

The result is that Norway and Denmark prefer not to prejudice their chances of eventual support from the West by subscribing to the Swedish doctrine of "alliance-free neutrality." For it is only on the assumption of powerful outside help—which means help from the West—that such an alliance makes sense. If Norway and Denmark are attacked and Sweden remains neutral, the alliance is no good to the former states. If all are forced to fight, they have no chance of successful resistance unless outside help is forthcoming.

An influential minority in Sweden has for some time advocated

that policy should be based on these assumptions and not on that of continued neutrality. But their electoral influence is slight and, although next Sunday's elections to the Lower House of the *Riksdag* are likely to bring about a change of Cabinet, they are unlikely to change policies either at home or abroad. Their chief importance is that they will probably register a drop in the Social Democratic representation. The Social Democrats now have 115 or exactly half the seats in the *Riksdag*. Any decrease in this number would mean that they no longer have the right to form a government by themselves. A coalition is therefore likely. Many combinations are conceivable, but none would radically alter present policies. Any hopes that Sweden's persistence in a policy of neutrality will be modified after the elections will be disappointed.

* * *

International and British Coal Planning

At the meeting of the Economic Commission for Europe last week the Polish delegate, faced with the prospect of coal export surpluses from his country, moved a resolution advocating what would in effect be a European plan for coal output, exports and imports. That Poland should take the initiative is very natural, for it will be the first country to run against the problem of coal export surpluses. But before very long the same problem might face Great Britain.

Shortage of coal has played such a dominant part in the last few years in the economic anxieties of Great Britain and Europe that few people have yet turned the mental somersault needed to face the prospect of over-production in a few years' time. Still fewer have been prepared to face the necessity of working out a plan for Europe as a whole which would ensure the production of coal from the most efficient fields. The fact that over-production, unemployment and dumping of coal caused serious international difficulties before 1939 appears to be forgotten, and the British Government, which has nationalised the coal industry precisely with the object of planning it, seems frightened about taking the lead in European coal plans.

The Coal Board, as Mr Browne's recent speech at the Coal Board Summer School showed, is busy wrestling with the problems of reorganisation in this country. Though the subject of foreign competition is often mentioned, neither his speech nor anything said by Ministers elsewhere indicated that there is any likelihood of international planning.

There are two aspects of international coal planning : one concerns the bargain or agreement made on the political plane ; the other, which properly should precede it, depends on long-term technical planning. Without international agreements about the levels of output and exports, production plans in this country make nonsense. For example, the futures of South Wales and of Northumberland and Durham are closely bound up with the coal export trade. In three or four years' time the coal production plans of European countries will be maturing, and the output of coal is likely to be in excess of demand unless national plans are suitably modified now. It is only by international agreement, based on consultation now between the technical experts of the various national coal industries, that there can be any prospect of stable production and employment. So far there is no sign that the Coal Board has been asked to contribute anything to this problem.

* * *

Bitterness in Newfoundland

The British Government's decision to accept the referendum on Newfoundland's future as final has been hotly challenged by the minority. A referendum on June 3rd showed 22,000 votes for the retention of commission government, 63,000 for confederation with Canada and 69,000 for a return to responsible government. Eliminating the first alternative a referendum on July 22nd produced 77,000 votes for Canadian confederation and 71,000 for responsible government, and on this basis the Commonwealth Relations Office decided, in consultation with the Canadian Government, to start negotiations for the entry of Newfoundland into the Dominion of Canada as a tenth province. With so small a majority and with so little public discussion of the terms on which Newfoundland was to enter Canada it was inevitable that there would be bitter feeling in Newfoundland.

This has now crystallised into a memorandum submitted by the Responsible Government League of Newfoundland and backed in the British press by such *amateurs* of the oldest colony as Sir Alan Herbert. This is a curious mixture of sense and nonsense. It castigates the Commonwealth Relations Office for

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The fable of the star-scraper



A certain Simpleton once climbed a high tree after gold, but just as he was reaching out to scrape a star his foot slipped, and he fell. 'Alas!' cried he, 'Now my life must pay for my folly!' With that he came to rest face downward in a midden. 'The gods are with me after all,' said the Star-scraper, as he clambered up an even taller tree.

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placing Canadian confederation on the referendum when it had been rejected in the constituent convention by a majority of 29-16, without reflecting that this vote was a third of the total and had been supported by the direct votes of a quarter of the electorate. It maintains that any majority vote of less than two-thirds is inadequate for constitutional change, and quotes the American constitution in support, without reflecting that what applies to representative legislatures is not necessarily applicable to plebiscites, which, however undesirable they may be as a permanent feature of government, are the purest way of ascertaining opinion. The League has taken the advice of an eminent firm of Canadian chartered accountants on the issue of confederation without reflecting on the absurdity of asking accountants to pronounce on matters of state.

But on one point the League is on strong ground. Both legally and morally Newfoundland, as a country possessing Dominion status—even though that status is temporarily abrogated—has a right to elect a legislative body of some kind to negotiate the terms upon which she enters the Dominion of Canada. If the question of confederation be considered as settled, Newfoundland would as a Canadian province have a unicameral legislature. There seems to be no insuperable reason why the British and Canadian Governments should not re-constitute it (in accordance with the Canadian pattern) so that it could negotiate the details of Newfoundland's relations with the Canadian Federal Government. Desirable as it is that Newfoundland should unite with Canada, the British Government would be doing a disservice to Canada by permitting even a minority in Newfoundland to believe that they had been a pawn in a real estate deal.

* * *

Franco Casts About

The meeting last month between General Franco and Don Juan, the Pretender to the Spanish throne, on the General's yacht in the middle of the Bay of Biscay, inevitably gave rise to much speculation which the official communiqué issued afterwards did little to satisfy. It merely stated that "greetings and impressions concerning problems of general interest were exchanged," and that the principal object of the talks was to arrange for the education of Don Juan's son, the Prince of the Asturias, who will begin his studies in Madrid next term. But speculation points to at least one possibility—that Franco offered to recognise Don Juan's son as heir to the throne provided that Don Juan himself renounced his own claim. Such an arrangement would result in twenty years of undisputed rule for Franco—until the Prince of the Asturias reached the age of thirty, when he would be entitled to ascend the throne—while irrevocably depriving Don Juan himself of any chance of becoming king.

If such an offer, which blatantly puts all the trump cards into the General's hands, was in fact made, it simply reflected the undoubted strength of Franco's political position at home. Inside Spain the monarchy commands only passive support, and the Republican Government in exile hardly any at all. The opposition parties inside the country, driven underground, are ineffective and only too prone to squabble amongst themselves. Above all, Spaniards of all classes and all parties are afraid of the prospect of another civil war.

But Franco must be beginning to realise that there are grave disadvantages in political rule, however undisputed and undivided, over a country whose economy is rapidly going downhill. The denial of Marshall Aid was a bitter blow for which the Franco-Perón Protocol of mutual economic assistance was a poor recompense. Argentina may be able to provide Spain with food, but it cannot provide the agricultural machinery by which Spain can improve its own food production, nor the rolling stock and railway equipment with which to repair and modernise Spain's transport system, which daily becomes more of a menace to those who are forced to use it, nor the equipment to modernise Spain's factories, mines and power-stations. The present state of the iron ore mines is only one illustration of the present parlous condition of Spanish industry. The rich surface deposits in northern Spain are nearing depletion, and their further exploitation requires much new machinery. On the other hand, the deposits in the south are still easily workable, but cannot be exploited for the export trade because the port facilities available are hopelessly inadequate, and there is no equipment with which to modernise them.

In fact, it is estimated that at least $500 million worth of materials and equipment must be pumped into the Spanish economy in order to bring it back into working order. Private loans can only touch the fringe of what is needed, and Franco must realise that only the United States Government is really in a position to give him what he wants. He is therefore anxious to make any gestures which will help to reverse the verdict which has put him outside the community of Western European nations, and which will smooth the way for his admittance to the United Nations—possibly at the forthcoming meeting of the General Assembly—and then to a share of Marshall Aid. But his empty gesture to Don Juan will deceive nobody, and the recent announcement that municipal elections will be held throughout Spain next November will remain an equally empty gesture so long as the Falangists remain the only legal party and all others are either driven underground or into prison. Nor are the obstacles to aid only political. While nothing is done to halt the mounting costs of production which makes most of Spain's exports so expensive that nobody wants to buy them; while nearly half the national budget continues to be spent on the armed services and the police; and while all economic effort continues to be stifled and stultified by a monstrous bureaucratic growth, the Americans may well feel that their money can be more usefully loaned elsewhere.

* * *

The Airlines Meet at Brussels

The international air transport business is on the road to bankruptcy. This is shown by the description of its cost and revenue trends which Sir William Hildred, Director-General of the International Air Transport Association, an organisation representing no fewer than 66 airlines, gave in his annual report in Brussels on Tuesday. There is plenty of time to turn off the road. But the trouble is that the vehicle has dual control. Governments, which are swayed by considerations of policy and national prestige, have a pilot's seat as well as the airlines which heed commercial factors. And the routes which the airlines fly and the way in which they fly them are becoming increasingly a matter of official regulation.

The growing cost of airports and navigational facilities is charged more and more to the airlines. Yet the airlines are under pressure—or orders—to act so that costs rise and incomes fall. The Governments in conference shorten the flying time of aircrews and impose stricter standards of airworthiness at the expense of payload. Individually they cut mail subsidies and reject increases in fares. The airlines cannot meet greater costs from smaller revenues and still stay in business. No wonder that Sir William put in a plea for more realism and more co-operation in these matters as a step towards lower costs.

In more detail the report gives interesting information on a variety of subjects. The Association is contemplating the early introduction of a second-class service, largely to compete with the increasing and successful activities of non-scheduled operators. At the beginning of October a Universal Air Travel Plan whereby the holders of Air Travel Credit cards can fly on credit over the lines of the companies subscribing to the plan will come into effect. It is expected to increase business by making it easier to fly.

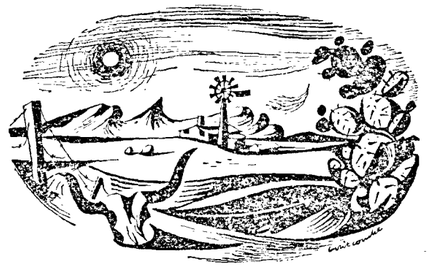
The size of the international air transport system may be judged from the fact that at the end of 1947 there were about 500,000 route miles and nearly 2,000 aircraft in operation. The annual earnings of the industry totalled £250,000. About 1,000 airfields are in regular use now, representing an investment of over £825 million and an annual cost of about £60 million. The figures, which are rough but reliable estimates for the whole world outside Russia, show how small a business air transport really is—a fact which its political importance conceals. The struggle between political and commercial considerations, which has been frequently brought home to the taxpayer, is now going in favour of politics. It is not for nothing that a section of the report on the work of the Financial Committee of IATA which deals with the specialised air agency of Uno—the International Civil Aviation Organisation—is headed "Keeping ICAO's demands to a reasonable minimum."

* * *

Recalcitrant Engineers

The Amalgamated Engineering Union is in an awkward dilemma. Its delegates to the TUC conference opposed the Government's policy of wage stabilisation. This was only a fortnight after an industrial court had awarded the engineering workers a rise of five shillings out of the thirteen shillings which they claimed. The national executive of the union, which was bound by tradition to accept the ruling of the court, is now finding difficulty in exercising any control over its constituent parts. In London the Shop Stewards National Council of Engineering Trades issued what was tantamount to a threat of direct action to gain the full thirteen shillings, and in Glasgow they have

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COURTAULDS
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BEFORE 1914 Courtaulds began to study the possibility of creating a new material from which textiles might be woven and knitted. They had already made a great success of continuous filament viscose rayon (then called "artificial silk"), and the use by some firms of waste from this product indicated the need for a properly produced rayon staple, made by cutting continuous filaments into regular lengths in standard deniers.

In time, research established the techniques whereby this viscose staple could be manufactured in bulk and spun into yarn on all types of existing textile machinery (cotton, silk, flax, wool, jute, *et cetera*) and then woven or knitted into a limitless variety of cloths each with its own distinctive qualities.

So to widen the use of the new product, which they called "Fibro", Courtaulds in 1934 acquired Arrow Mill, Rochdale, a typical 27-year-old cotton mill; it had been idle for four years. Here, with an open door, they demonstrated how easily "Fibro" could be spun on cotton machinery; and before long the cotton industry was using it in large quantities not as a substitute for other fibres but on its own hard-earned merits.

Thus Rochdale has played a leading part in introducing this entirely new, home-produced raw material to Britain's textile industries. Since Arrow Mill started to encourage other spinners to use the new product, the British output of rayon staple has increased more than thirty-fold to 84 million pounds a year, a major contribution to the national economy.

Of over 24,000 people directly employed by Courtaulds in the United Kingdom, over 400 work at Arrow Mill, Rochdale, not merely producing spun rayon yarns but also assisting others to do the job as well and exploring even newer fields of research and development.

This is one of a series of statements to inform the public of some part of the contribution made by Courtaulds' industrial enterprise to economic well-being in various districts of the United Kingdom.

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decided on a token stoppage on Monday as a protest against the court's award.

This is very distressing to the national executive of the AEU, which has sent a stiff note to its branches, pointing out that all the recent stoppages have occurred without the sanction of the executive, and in some cases without the approval of the district committee. They strongly condemn any unofficial strike, but it is very doubtful what the executive council can do about it. This illustrates very clearly the twin weaknesses of the union movement as at present organised. In the first place, the national executive can only represent and cannot control its members and branches. It is the head of the hammer and not the guiding hand determining where the blows shall fall or whether they shall be withheld. Secondly, this lack of national control is intensified in industries such as engineering where the shop steward, the representative at the place of work, has displaced the union branch as the centre of local loyalty and support. Consequently the national executive of the AEU is aware that it must both respond to the pressure of its membership and seek to outbid the shop steward movement in pressure for higher wages or else face the break up of the union. It is an awkward position for the men at the top, who face either the possibility of a debacle which will ruin their lives' works and lose them their jobs or else the certainty of permanent unpopularity in Whitehall, Smith Square and Tothill Street.

* * *

The Ghosts' Charter

The hankerings of the National Union of Journalists for a closed shop are unmistakably exemplified in its directions to its members, endorsed at last week's annual conference, that sports reporting shall henceforward be handled only by regular journalists, any stories by sportsmen themselves would be acceptable only if submitted by a union member whose remuneration for the story in question must be at least equal to that of the athlete concerned. There is, perhaps, something to be said for a Ghosts' Charter. The gifted reporter or feature writer who seeks out the latest horizontal heavyweight, extracts from him a dozen monosyllables on Why I Lost, and works them up, over the appropriate signature, into a narrative masterpiece compact of thrills, humour and human interest, is surely worthy of his hire. But the honest hardworking spectre and the mere Petrillo-style stand-in are not the same thing. Mr Harold Abraham and Mr Noel Baker are quite capable of writing, unassisted, better articles on the Olympic Games than any Fleet Street professional; the merits of a Cardus or a Newman are not dependent on union status. As lately as last year the secretary of the NUJ, giving evidence before the Royal Commission on the Press, explained that while the regular editorial staff on any paper ought, in the NUJ view, to be union members, this did not mean that outsiders should be prevented from contributing on special subjects; and while he and other NUJ witnesses supported the idea of a Press Council, with power to register and to "disbar" staff journalists, no attempt to eliminate the freelance was apparently considered. Those nasty suspicious minds, however, who saw in this proposal the first step to a closed shop, now find themselves justified. Why, after all, stop at sports writers? The amateur is just as dangerous and deplorable a blackleg when he writes on art, science, fashion, household hints, religion or politics. If he happens to be better informed, more intelligent, and more skilled in the use of words than the general run of professional journalists, and thus all the more worth printing and reading, his competition becomes all the more undesirable. From the union point of view, the only satisfactory outside contributor is indeed the inarticulate celebrity, whose name can remuneratively cloak a ghost in good standing at his local chapel. Accepted without protest, the NUJ direction points the way to a *Gleichschaltung* of journalism as potent and as pernicious as that of any totalitarian state.

Letters to the Editor

Industrial Productivity

SIR,—May I correct the impression that is likely to be made by the British Iron and Steel Federation's comment on Dr L. Rostas's figures for the comparative productivity of the UK and US steel industries? The Federation's *Bulletin*, quoted in your Note last week, refers to the well-known figures published in the *Economic Journal* in 1943. The National Institute will shortly be publishing Dr Rostas's full-length inquiry into comparative industrial productivity, and in this the figures for the steel industry do not differ substantially from the 1943 ones. I would like to stress that neither in his earlier paper nor in this later work does Dr Rostas take ingot production as his basis, as the Steel *Bulletin* suggests. The following passage from the forthcoming book makes this clear.

> The steel industries of two countries will probably have a different product structure in the sense that the proportions of light and heavy steel products having different labour contents, as well as the number of finishing processes applied to particular products, will differ. For example, in the one industry, re-rolling may have been carried one or two steps further than in the other. There will also be quality differences, even though the product may have the same name in the trade.
>
> For these reasons a comparison of the weight of output produced or the weight of steel ingot "treated" will not give a satisfactory basis for comparison of output, and it is necessary to allow for differences in the balance of production as well as for the different types of finished products.

With regard to Mr Ryan's points in his letter in *The Economist* of September 4th, I think he will find that for tin containers the physical comparison of output per head is based on 1937 in both countries, not on 1935 and 1939 as is suggested. Also the physical comparison is supplemented by a comparison of the net value of output per head in the tin container industry. This makes certain allowances for the quality factor. On the important point of "quality" *versus* "quantity" Mr Ryan will find that consideration is given to it throughout the book.—Yours faithfully,

F. S. STONE, Secretary,
The National Institute of Economic and Social Research

2 *Dean Trench Street, Smith Square, Westminster, S.W.1*

Industrious Designers

SIR,—I was much interested to read the article on Industrial Design which appeared in *The Economist* of September 4th; and I should like, if I may, to answer some of the "minor criticisms" of the present reorganisation of the Royal College of Art, put forward in the last paragraphs.

To provide the specialised and concentrated training demanded by modern industrial conditions, it was, I think, essential to subdivide the very comprehensive Design School which existed previously. But any divisions must to some extent be arbitrary in so far as all branches of design overlap one another, and it would be surprising indeed if all practising designers with their varying talents and experiences were to agree with those which were made. Whatever these divisions, it is necessarily of the first importance to ensure flexibility in the courses provided and to see that they are so planned as to bring out the individual student's aptitudes.

The expediency of teaching in South Kensington such subjects as Jewellery and Engineering (product) design raised by your correspondent—and he might well have added Textiles, Pottery and Glass—raises many large issues and indeed the whole *raison d'etre* of the College itself. One of its functions is undoubtedly to enable the talented student who has received a full technical training in the Provinces, whether in Art, Architectural or Technical Schools or in industry, to broaden his outlook and sharpen his creative faculties in a livelier and more competitive atmosphere, and this alone justifies continuing and developing courses in the subjects mentioned. Apart from that, however, London in its own right is one of the largest centres of the Jewellery and Silversmithing industries, as it is also of Furniture and of Light Engineering; and South Kensington with its Museums both of Science and Art, and with its other facilities, is surely the ideal place in which to train potential designers for them. On the other hand, as your correspondent suggests, it is most desirable and it is the intention of the College to establish the closest union with other centres of industry and with the educational and research establishments therein.

The title of "Publicity Design" is admittedly most unsatisfactory and is provisional. On the one hand, it was chosen to avoid that of "Commercial Art," so often criticised for its unpleasant ring, and on the other to include such subjects as Display, Photography, etc., which it is hoped to include as soon as accommodation permits and which your suggestion of "Graphic Design" is not sufficiently comprehensive to cover. Additional suggestions would, however, be most welcome.

Finally, the School of Architecture has never, I think, existed to train Architects and Architectural draughtsmen, but has provided a general educational background and an ancillary technical training to that given in other departments. Both functions are important and are capable of considerable development, and both demand direction by someone of high calibre. I think all who have had close connection with the College would agree that to have got rid of a Chair of long traditions which has had many distinguished occupants would have been as regrettable as it would have proved unwise.—Yours faithfully,

ROBIN DARWIN, Principal

Royal College of Art, South Kensington, London, S.W.7

SIR,—The author of "Industrious Designers," in your issue of September 4th, has issued a challenge which should not be allowed to pass unnoticed. It is easy to reduce the tempo of praise until it becomes condemnation, and no attempt has been made in the article to face squarely the inherent difficulties of the problem of industrial design. It is impossible, in the compass of a letter, to detail the difficulties. Let me quote one—the growth of specialisation. This affects not only the manufacturer himself, in mechanical and engineering complexities, but also the other experts of industry, packer, salesman, advertiser, transporter, and so on. Manufacturer and designer can and should have much in common, but the need for specialisation confuses issues which, a century and more ago, were comparatively simple.

The efforts of the Royal Society of Arts, a pioneer in industrial design, of the Design and Industries Association, the Society of Industrial Artists, the Faculty of Royal Designers for Industry, the Council of Industrial Design, and other collaborating bodies, represent attacks from various angles on the core of the problem; and the co-operation of the Royal College of Art in training the designer by new methods is welcomed. None of these efforts merits the labels "apathetic" or "over-genteel." They represent expert attempts to meet an extremely complex problem to which there is no single or simple solution. Certainly the author of the article does not attempt to propound one.

The Royal Society of Arts was responsible for the exhibition "British Art in Industry" held at Burlington House in 1935 and for organising the Faculty of Royal Designers for Industry in 1936; it encourages students of industrial design by means of scholarships; it shares with the Council of Industrial Design and with the Faculty of RDIs the responsibility for organising a new exhibition, "Design at Work," to be held at Burlington House this autumn—an exhibition which will illustrate the chief problems of industrial design and the methods by which manufacturer and designer can and do solve them in close co-operation. The efforts are being made all right and progress is being achieved.—Yours faithfully,

H. A. LINDSAY

Royal Society of Arts John Adam Street, Adelphi, London, W.C.2

The Dutch Spectator

SIR,—The Dutch spectator, whose views on the Malayan situation filled half a column in *The Economist* of August 14th, certainly exists. At the recent elections, he and his fellow-critics of the Right failed to reach 20 per cent of the vote. The Communists and extreme Left, dismissed with nearly two lines, got about as much. The remaining two-thirds are perhaps less interesting from a journalistic point of view, because they show neither much sympathy with Communist rebels, nor with diehard colonials. It would have been only fair, however, to grant them five or six lines in order to explain their point of view. They still remember the BBC news in Dutch, the voice of their Queen speaking from her British exile, the British paratroopers at Arnhem and British soldiers liberating the South of their country. Also they are reasonable enough to understand British troubles around VJ-day. This majority of the Dutch people fully back their Government in its policy towards a peaceful co-operation with the Indonesian nations.—Yours faithfully,

J. SANDEE

Pansierstraat 44 Scheveningen, Holland

Student Nurses' Pay

SIR,—The last of your "Shorter Notes" in your issue dated August 14, 1948, states that "to grant a rise to cover the new insurance contributions would create a dangerous precedent."

With this statement I would not quarrel except that it occurs in connection with a claim by student nurses.

Surely one reason which could have been advanced to account for the notoriously poor pay of the nursing profession as a whole is that sickness costs them nothing. Under the new act they must now pay for "free" treatment (admittedly there are other benefits, most of which are of exceedingly doubtful value to a student nurse). The proper procedure surely is not to grant them more pay but to exempt them and others in the similar professions from all or part of the contributions under the new Act. This would or should have the effect of leaving the student nurses in the same financial position as they now are, a not unreasonable situation. Student nurses, not one assumes being economic experts nor perhaps concerned with creating dangerous precedents but mainly with learning their jobs and trying to support life at the same time, not unnaturally have taken a short cut and asked for more money.

I should add that I have nothing to do with the medical or nursing profession.—Yours faithfully,

I. A. ESTRIDGE

47 *Lichfield Court, Richmond, Surrey*

[Mr Estridge has apparently fallen into the popular error, which the Ministry of Health is continually trying to correct, of thinking that the health service is paid for from the national insurance contribution. Actually only a very small proportion of the cost of the health service comes from the national insurance fund, the great bulk of it being met by taxes. To exempt student nurses from that part of the national insurance contribution which goes towards the health service, if it were practicable, would only save them 6½d. a week from the 3s. 10d. they are required to pay.—EDITOR.]

Tobacco Shortage

SIR,—Why do we not adopt the Dutch system of a combined sweet and tobacco ration, so that those who want more tobacco do without sweets, and those willing to forgo tobacco can have more sweets? It works well in Holland; why not here?—Yours faithfully,

STANLEY UNWIN

40 *Museum Street, London, W.C.1*

From *The Economist* of 1848

September 16, 1848

ABUNDANCE of raw material, improved skill, and cheaper methods of production, the consequence of competition—have combined to make manufactured goods cheaper now than at any former period of our history; and this is the sole cause why we have not suffered from the disturbed state of Europe so much as we were entitled to apprehend. To those changes in our laws which have removed all impediments to the supply of raw materials, which cheapened them as much as possible by the repeal of all import duties—to that increased skill which competition has promoted—and to the large accumulated capital of the country which gives to its possession no income unless profitably occupied—the working classes of this country are indebted for the striking improvement in their condition, at a moment when neighbouring countries are distracted by revolutions and internal convulsions, so injurious to our general trade. No one who recollects the serious losses, difficulties, and sufferings of 1842, can see the comparatively prosperous state of the country at this time under circumstances, in whatever light we view them, of an infinitely aggravated character, without recognising in the legislative changes which have taken place since then, causes of a great mitigation in the suffering to which this country would otherwise have been exposed during the two last years. What should we have done in 1847 and 1848 with the sliding scale of corn laws—with live animals absolutely, and provisions practically prohibited—with considerable duties upon all the raw materials of our manufacturers, and the duties upon the chief articles of colonial produce double the present rate? We all know the evils we have suffered. None can tell those we have escaped.

Books and Publications

Churchill Gives Judgment

"The Gathering Storm." By Winston S. Churchill. Houghton Mifflin Company, New York. 784 pages. $6.00. To be published by Cassells, London on October 4th. 25s.

MR CHURCHILL is a disciple of Gibbon. The urbanity, the irony, the very scale of his work refer him back to a serener age; above all, his olympianism lifts him above the modern world in which he seems a sole but confident survivor from the settled past. And this sense of continuity, being dynastic and not personal, reaches back far beyond his own time. The course of affairs after the first World War was familiar to him from the start. He had experienced it all before, personally during that war, mentally in his historical studies. Therefore he understood it and felt equal to handling it, while other politicians to whom such a world was new and strange naturally foundered. Now that history has vindicated him, Mr Churchill feels alone entitled to judge it.

Such is the spirit that informs Mr Churchill's new work It is a spirit that might easily slide into complacency, but never does. Serene, confident, exact, he passes through the twenty years from war to war, judging tolerantly but firmly and finally, the "decent easy men" and the earnest muddled men who excluded him from power. Why was he so excluded? we naturally ask; and to this mystery his narrative suggests one insufficient but human answer. While a private member of Parliament he yet never ceased to be an elder statesman: insistent, omniscient, and above all right, we find him advising ministers, foreign ambassadors, foreign governments on the correct policy to adopt, the proper weapons to employ. "Is it from you that I am to learn the state of the French artillery?" the French Premier once asked him. To M. Blum he was not a competitor —to Baldwin and Chamberlain he was.

But allowing that they had the wish, how had they the power to exclude him? A politician who frightens the reigning leaders requires public support. This Mr Churchill lacked. At one time he maintains that he was mustering it, but that his defence of Edward VIII was fatal to him: "All the forces I had gathered together on 'Arms and the Covenant' . . . were estranged or dissolved, and I was myself so smitten in public opinion that it was the almost universal view that my political life was at last ended." Whether such a consequence flowed exclusively from such a source may be doubted. Another question raised but not solved by this history concerns Mr. Churchill's entourage. He shows that "in my long series of campaigns for British re-armament I was by no means ill-informed." But by whom? A few names are mentioned, but casually and not enough. Was it his friends who estranged him from his potential colleagues?

The second part of the book deals with the "Twilight War." Mr Churchill was then First Lord of the Admiralty, and we are reminded that the sea and sea-warfare are yet another of the elements in which he is at home. "It was a strange experience, like suddenly resuming a previous incarnation"; and yet in this again his experience was unique: "No one had ever been over the same terrible course twice with such an interval between." The sea enriches his vocabulary and vivifies departmental minutes with sudden metaphors. "It would be very good," he writes to the First Sea Lord after the defeat of the *Graf Spee*, "if all the returning forces could scrub and search the South Atlantic on their way home for the *Altmark*"; and when the *Altmark* was traced to the Norwegian fiords he writes again, "Surely another cruiser or two should be sent to rummage the Skagerrak tonight." The book ends with the Norwegian campaign and the fall of Chamberlain's Government; here alone a scene vivid in Hansard is calmed by Mr Churchill's discretion—for he was both loyal to the falling Government and its obvious heir. Stubborn to the last, Chamberlain would have preferred Lord Halifax. There is a quiet but dramatic account of the cautious interview between the three in which the problem of the succession was resolved. "At last I had the authority to give directions over the whole scene. I felt as if I were walking with Destiny, and that all my past life had been but a preparation for this hour and for this trial."

Reading this book one can see that like Gibbon Mr Churchill is a happy man. That is one thing which makes the book so good. Even his misfortunes now seem fortunately designed, his years in the wilderness a liberation from party antagonism. This is the happiness of understanding. One thing only he cannot understand, and mentions prospectively with ironical perplexity: his ultimate fall. At the beginning of the book, referring to Clemenceau, he quotes Plutarch's words, "ingratitude to their great men is the mark of strong peoples"; and at the end he reverts to the same thought: "Thus . . . I acquired the chief power in the state, which henceforth I wielded in ever-growing measure for five years and three months of world war; at the end of which time, all our enemies having surrendered unconditionally or being about to do so, I was immediately dismissed by the British electorate from all further conduct of their affairs." This, for him, is the insoluble enigma.

America in the Mediterranean

"The Mediterranean: Its Role in America's Foreign Policy." By William Reitzel. Harcourt Brace, New York. 185 pages. $2.75.

THIS book is, naturally enough, primarily for American readers. It publishes as news many thoughts that have long been second nature to Britons. The man who needs to drink it in is the one who is ready to applaud slogans such as "We need mid-Eastern oil" or "We must spread democracy and check Communism" without thought of what these ends entail in the shape of American commitments overseas. It makes plain the hard fact that they cannot be pursued simply by paying third parties such as Greece, Turkey or even Great Britain to do the bluffing and, if need be, the dying. If America is to pursue them efficiently, it must make, in the Mediterranean, the choice between underwriting the British position, and with it British policy; or else developing an equivalent American system of bases, checks and balances; or else "relieving the British in agreed sectors." Mr Reitzel plumps for this last—for what he christens a "Siamese twin policy." It is the best and cheapest way, he thinks, to avoid the creation of a vacuum resulting from the diminution of British power, and the consequent inflow of some less desirable influence.

He writes tersely and well. He has personal experience of Italy, Greece and French North Africa. He is weaker on the Middle East. Though he has grasped its main attributes, he is hazy about detail. And—here is the biggest defect of his book—he virtually omits the problem of Palestine, which should be a key point in his theme, since it is the one place in the Mediterranean where his Siamese twin policy has not worked, and threatens not to work—for reasons that have often been set out in *The Economist*.

He divides his book into three parts, which are of unequal merit. The first is an admirable survey of American policy from the moment of the North African landing until President Truman sprang his doctrine of aid to Greece and Turkey in March, 1947. Remembered events are neatly slipped into their right perspective. Part Two analyses foreign interests, international tensions and local problems. Here the Palestine gap is serious. Part Three searches for an American policy that will "stabilise the Mediterranean" on a regional basis. But is this possible? At one point Mr Reitzel admits that it is not—that any string pulled there rings a bell at Abadan, or Mombasa, or Vladivostok. But despite this correct admission, he goes on to argue that a regional policy for the Mediterranean can and ought to be planned of a piece.

But despite some defects, the book is important. No other covers the same ground. It is full of a sense of the American responsibilities that devolve from American power, and of the dangers of letting home pressures sway foreign policy.

Russia and Its Neighbours

"Russian Economic Policy in Eastern Europe." By T. E. M. McKitterick. Fabian Publications, Ltd. 40 pages. 2s.

THE worst that can be said of this ambitious and interesting pamphlet is that the author is not quite fair to American policy as expressed in the Marshall Plan, and too ready to accept east

European statistics at their face value. The best that can be said of it is that it is clear, well argued and so far unique.

Mr McKitterick is trying to establish by deduction what should be—but which cannot be—established by direct inquiry: that Russian policy in eastern Europe has beneficent and fairly unselfish aims. He draws a very effective contrast between the present policy of the Soviet Union towards its western neighbours and that of the Germans towards the same countries between 1933 and 1940. His general conclusion is that Russian policy has three objects: to help in carrying out long-term industrialisation plans which are to raise productivity and standards of living; to organise a division of labour within the East European area which will stabilise markets and eliminate competition; and to encourage trade with the rest of the world in order to secure the capital equipment necessary for industrialisation—with the proviso that eastern Europe must not become dependent on the west.

Mr McKitterick can see no master plan dictated from Moscow and argues convincingly against the view that eastern Europe is destined to become an autarky. He states that trade with the west "would be accepted by the east European countries as a long-term feature of their economic life." It is a pity that this pamphlet gives so little space to study of the agricultural policy of the area, and its author may yet regret his insistence that bilateral trading will continue because of Russian distrust of multilateral trade and its implications. He admits in the introduction that his conclusions are "largely tentative"; he should have added that the difficulty of getting accurate information makes them even more so.

Europe on the Move

"Europe on the Move. War and Population Changes. 1917-47." By Eugene M. Kulischer. Columbia University Press. (London, Geoffrey Cumberlege.) 377 pages. 27s. 6d.

THE greatest change in the map of Europe produced by the Second World War was the re-establishment of the line from Denmark to the Adriatic as the western limit of the Slav world. As Eugene Kulischer points out, this is in effect a reversion to the situation which existed eleven centuries ago. The eastward conquests of Charlemagne in the eighth and ninth centuries were not undone till Hitler "destroyed the dam which had barred the human ocean of Eurasia from the rest of Europe."

Although Mr Kulischer sees all humanity at all times as a restless sea swept by waves of migration, he emphasises the fact that "all the so-called great migrations of past epochs are trifling in comparison with what happened in the nineteenth and twentieth centuries." And up to 1914 there were two great outlets for Europe's mounting population: North America and Siberia. The watershed dividing these two human streams ran through Lithuania, Byelorussia and the Ukraine, provinces from which emigrants flowed both east and west. This steady outpouring helped to keep the peace of Europe; the only sufferers were the indigenous peoples of America and Russian Asia.

Nearly a million Europeans went overseas every year before 1914; by 1924 this flow had fallen to one-tenth. In this simple fact Mr Kulischer sees the source of the Second World War. His account of the population movements between the two wars and up to 1947 is both detailed and clear. He re-states many points which need re-stating, and brings out others which have received little attention. Among the latter is the interesting fact that in 1937-38, in spite of the Nazis's efforts to strengthen their "ethnic wall" in the East, there was a record migration of Germans from East Prussia and Silesia to more western parts of the Reich.

There is no disputing Mr Kulischer's conclusion that there can be no peace unless outlets are found for migratory pressures, and that the success or failure of the United Nations' International Refugee Organisation is the test case. But he is over-simplifying when he defines war as "a violent movement of masses of people which stems from differential population pressures." The counter of heads must never forget the clash of ideologies which goes on inside them.

Colonial Populations

"A Demographic Survey of the British Colonial Empire. Vol. I. West Africa." By R. R. Kuczynski. Oxford University Press. 821 pages. 75s.

THE lack of reliable data on colonial vital statistics has been particularly disadvantageous since the colonial development and welfare policy was begun, for how—to take an obvious example—can educational and medical services be planned in the absence of knowledge about infant mortality, the rate of increase of the population, and so on? Before he was appointed demographic adviser to the Colonial Office, the late Dr R. R. Kuczynski had almost completed his survey of the whole colonial empire, of which this volume, issued under the auspices of the Royal Institute of International Affairs, is the first.

To call it comprehensive is to be guilty of understatement. It is so comprehensive as to be overflowing with facts, figures and quotations which find their way into lengthy footnotes that often take up more space than the actual text. It takes twenty-three pages to enumerate the sources quoted throughout the book. Dr Kuczynski does not merely give and discuss the results of censuses and other surveys directly bearing on the vital statistics, but also gives a great deal of the history of the colonies and social and medical information as well. The result is a volume which few people will be inclined to read right through, but which many people will dip into and find an abundance of interesting items, such as the history of the early colonisation of Sierra Leone. Still more, moreover, will need it as a reference book, and those directly concerned in colonial administration will find in it a badly wanted corrective for many of the easy assumptions about colonial mortality and fertility rates.

Shorter Notice

"The World of Learning." 2nd Edition. Europa Publications Limited. 824 pages. 60s.

THIS new edition, nearly twice as large as its predecessor, contains information on universities, learned societies and other cultural agencies in more than seventy countries. New sections have been added to give information about Unesco and international societies and about the colonies of the major colonial Powers. Within this volume there is to be found much information that can otherwise only be assembled by laborious research.

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PITMAN

Parker Street, Kingsway, London, W.C.2.

THE WORLD OVERSEAS

How the Commonwealth Consults

IT is a common fallacy in Britain and abroad that if, say, Mr Attlee wants to confer with his fellow Prime Minister in Canada, he simply picks up the telephone and speaks to him direct. This cherished illusion of Commonwealth intimacy fades at once when it is realised that both Mr Attlee and Mr Mackenzie King are each responsible to their respective Cabinets; what they say to each other must be discussed with, and made known to, their fellow Cabinet Ministers. In practice, therefore, consultations between the Prime Ministers of the Dominions take place by cable. The transatlantic telephone is seldom used, and, except on purely personal matters, communications between the Prime Ministers have the formal air of messages between independent sovereign governments.

The moral to be drawn is not that the bonds of the Commonwealth are weakened by the lack of intimacy, but that the insistence in each Dominion, including Britain, on joint Cabinet responsibility means that consultation between members of the Commonwealth is not a simple matter. Major policy decisions must be ratified by the parliaments concerned, and no Prime Minister of any Dominion is free to commit his country to a policy or a line of action without the consent of its people. For this reason the meeting of the Prime Ministers of the Dominions or their representatives in London next month will not be able to produce concrete results immediately and on the spot. The meeting is merely one of the many different forms of consultative machinery which has been evolved in the Commonwealth and which has been shaped by the British conception of parliamentary government.

There are seven different methods by which one Dominion government can consult with another. They range from the cables sent from Prime Minister to Prime Minister to meetings between officials in the various Dominion capitals. They have on the one hand all the formality of exchanges between foreign countries, and yet, on the other, all the intimacy of old friends discussing common topics over the coffee cups.

When Official Meets Official

The methods of consultation fall naturally into two parts: those between officials, and those between politicians. Under the former heading comes first the appointment of High Commissioners from each Dominion to each of the other Dominions. The High Commissioners are, in effect, ambassadors, and they fulfil much the same functions. The South African High Commissioner in Canberra, for example, watches over South African interests in Australia, consults with and is consulted by members of the Australian Government, and serves as a sounding board for South Africa's probable reactions to suggestions which are not ripe enough for more formal conferences. In all the Dominions the offices of the High Commissioners are, in fact, the principal channels through which the Dominions deal with each other.

Next, under the heading of officials, come the meetings between civil servants of the governments. Each High Commissioner has on his staff a number of officials covering the various aspects of government business—economics, foreign affairs, defence, immigration and so on. These officials meet their fellow officials in the various government departments several times a week in order to discuss the day-to-day details of administration. Officials of the External Affairs Department in Canada House in London, for instance, are frequent visitors to the Foreign Office and discuss with the "man on the desk" the particular problems of foreign relations in which they are interested. Finally, there are the visits of senior Civil Servants from one Dominion to another. They are usually connected with specialist or technical matters which can only be cleared up by direct consultation.

Generally speaking, it is when officials deal with officials that liaison between the Dominions is closest. But officials are not responsible for policy, and, because of the constitutional limitations already described, somewhat different and more formal methods of consultation have been evolved for the policy-makers —that is, for the politicians.

There are a number of different ways in which the politicians can discuss matters with each other. First, there are the telegraphic exchanges between Prime Minister and Prime Minister. Then there are the visits of Cabinet Ministers from one Dominion to another, the formal exchanges between Dominion Governments —something like the exchanges of Notes between foreign countries—and, at periodic intervals, the meetings of all the Prime Ministers in one or other of the Dominion capitals.

The choice of method of consultation is in no way fixed, nor is there any obligation on any of the Dominion Governments to discuss policy before it is framed. The New Zealand Government recently increased the value of the New Zealand pound without reference to London and with only a personal message to Mr Chifley. Mr Bevin frequently makes statements on foreign policy with often not more than 24 hours' warning to the rest of the Commonwealth.

This freedom of the Dominion Governments to do as they please is an essential feature of Commonwealth relations. It has obvious drawbacks and sometimes causes embarrassment, but without an unwelcome tightening of the ties between the Dominions it can hardly be avoided. The drawbacks are being gradually overcome, however, by the development of the Commonwealth committee system.

There are now roughly twenty different Commonwealth committees in more or less permanent session. They are composed sometimes of officials and sometimes of politicians, depending on the nature of what they are discussing. They cover a wide range of topics from the special economic committee on ERP to the Imperial War Graves Commission. Their work is a mixture of fact-finding and of advising the Commonwealth governments on policy. And it is in these committees that the main opportunity exists for evolving a joint Commonwealth policy and for ensuring that the Dominions speak with one voice when the need arises.

The two most important committees are the special economic committee and the committee for co-ordinating scientific research on defence. The economic committee is concerned with the problems arising out of ERP, with the sterling area financial arrangements, and with bilateral trade agreements. It cannot, of course, bind the Dominion Governments to its decisions, but the standing of the officials on it is sufficiently high to ensure that their advice will not be neglected. Other committees deal with such subjects as agriculture, communications, civil aviation and trade. Some are purely regional such as the South Pacific Commission—which also includes American and French representatives—and are limited to the Dominions directly concerned.

Foreign Affairs and Defence

The obvious gap in the system is the lack of committees for foreign affairs and for defence. The nearest approach to a foreign affairs committee is the meeting in Downing Street of the High Commissioners every fortnight when members of the Foreign Office are available for consultation. This is not an entirely satisfactory arrangement. It exists more to keep the Dominions informed than to frame foreign policy. Moreover, because of Britain's greater resources and larger diplomatic organisation, the Foreign Office in London inevitably overshadows the smaller and much younger External Affairs departments of the Dominion Governments. There is, too, the hard fact that in world politics the overseas Dominions rank at best as middle Powers. They do not yet equal Britain in military or economic strength, and as a result, much as the overseas Dominions might resent it, Britain must and does take the lead in foreign affairs. Nevertheless, the Dominions are becoming more and more able to take their share in world politics—particularly in their different corners of the globe—and there is as strong a case for joint Commonwealth action in the foreign as in the economic field. As the Dominions are sovereign states, there can, of course, be no question of forming a common diplomatic service, but there is very little reason why there should not be close co-operation at the fountain head of foreign policy-making.

On defence matters co-operation is in the hands of liaison officers of the equivalent rank of brigadier, and again it is technical and informative rather than consultative. The Imperial Defence Committee was disbanded at the end of the war, and nothing has yet been involved to take its place. The Chief of the Imperial General Staff may himself co-ordinate Commonwealth defence by personal visits to the Dominions, but that is not an adequate substitute for a defence committee in permanent session. On the other hand, much has been done with joint training schemes. Officers from the Dominions attend staff courses at the various staff colleges in Britain, and there is a continual flow of technical information between the Dominions. Indeed, on the technical side of defence, co-operation is almost as good as it can be. But, as in foreign affairs, since the overseas Dominions are so much weaker than Britain, the main burden of planning defensive strategy rests on the United Kingdom defence committee in London.

The Dominions have gone a long way towards perfecting the machinery for working together. They are more closely knit than any other group of foreign countries. But they are not, and probably never can be, a homogeneous unit. It may be that out of the system of Commonwealth committees and as a result of more frequent meetings between the Dominion Prime Ministers, the Commonwealth will become more single-minded than it is. It is allergic to external planning, and complex as the present methods of consultation and co-operation are, nothing less empirical and more orderly seems likely to fit the heterogeneous collection of peoples involved. There are now three British Empires—the old Dominions, the Asiatic Dominions and the colonies—and no simple plan for co-ordinating their activities will quite suit them all.

Recovery in Austria

[FROM OUR SPECIAL CORRESPONDENT]

IN Austria the Four-Power machine runs smoothly. French, Russian, American and British flags fly over the Control Commission building in Vienna. Though there is some hard hitting, Allied meetings take place regularly in a friendly atmosphere and much constructive work is done. But the Commission can no longer be called a "control" commission. Its functions are now more those of an "advisory" commission working beside the Austrian Government, and in spite of the ten-year gap which has resulted in a noticeable lack of men of experience, the Austrians have acquired a national identity, a sense of responsibility, and a wish for independence.

Austria suffers from a world-wide disease—inadequate production—caused by war damage, occupation, the need to reconvert factories to peacetime manufacture, exhaustion of the soil, reduced productivity of labour and shortages of road materials, food and fuel. The effects show themselves most clearly in the foreign trade balances. Exports are still only about half of what they were in 1937 and do not cover more than half of total imports. In 1946, however, exports were only one-fifth of total imports, so there has been a noticeable improvement since then. In 1946 the monthly average of exports amounted to 18 million schillings; in 1947 they amounted to 70 million schillings; and in May and June this year, they reached 163 million schillings and 161 million schillings respectively.

The Austrians have a long way to go before they can pay their way, and they have no hope of beginning to do so until they have changed the composition of their imports. Prewar imports of food and livestock made up 27 per cent of their imports, whereas today they amount to 39 per cent. Domestic deliveries of foodstuffs have been extremely low. It is, therefore, one of the country's principal economic tasks not only to restore its agricultural production but to ensure that the maximum amount consistent with the producers' legitimate needs is delivered through official channels for the use of the rationed population.

Hopes of a Good Harvest

During 1947 the Government introduced a number of measures intended to encourage farmers to part with their produce at better prices and to have confidence in their currency. There should be a very good harvest this year, and there is hope that the farmers will be induced to deliver far more food officially, thus reducing import needs and providing foodstuffs with which to purchase sorely-needed raw materials. Prices have been raised by 60 per cent, and the subsidies needed to bring about a fairly modest improvement in deliveries are going to cost something like 500 million schillings (or about 11 per cent of the national budget). The Government hope to get permission to use the schilling proceeds of sales in Austria of American relief supplies, but, as they are also hoping to use this money for reconstruction purposes, there is a danger that they may spend more than they get.

The coal picture is brighter. Total imports, which are financed largely from foreign assistance (the British taxpayer paid for Austria's coal right up to the end of last September), are at the high level of 400,000 tons of hard coal equivalent a month. As a result heavy industries have gone ahead, and production is about 20 per cent above what it was in 1937. Light industries and consumer goods are still hopelessly behind—only half of the 1937 output—but the availability of coal should lead to a sharp recovery here, too. Before the war, two-thirds of Austria's imported coal came from Silesia and one-third from the Ruhr. During the war, beginning with the huge Hermann Goering works at Linz, and subsequently—induced by Russian occupation—a gradual but definite move of Austrian industry to the West has taken place. The shortest haul is now from Germany and the smallest quantity of coal comes from Poland.

Oil is a closed topic, tied up with the Treaty, but it is sufficient to say that all Austria's production and refining is in the hands of the Russians. The United States are bringing in a certain amount of petrol and lubricants under interim aid. Transport is handicapped by the shortage of locomotives, wagons, new vehicles and replacements, but the use of diesel engined road transport is increasing, and is out of all proportion to what it was before the war.

Taken all in all, one can point a cautious finger of congratulation and encouragement at one corner of Europe.

Can Cyprus Think Straight?

THE Left wing in Cyprus, having failed to secure for the island a constitution that would suit it while discomfiting the Right, has adjusted its sails and set off on a fresh tack. Till a month ago its cry was for complete self-government. The strikers whom it prompted to demonstrate politically in August were all for this. Now its spokesmen, who are the five Communist, or *Communisant*, mayors of the chief towns, plus the leaders of two Greek trade union groups, have altered their slogan. They have this week presented the Governor with a memorandum condemning his present "autocratic regime which is not to the credit of His Majesty's Government," and extolling *enosis*, or union with Greece. They cannot possibly desire union with the present Greek Government. They are therefore poaching to the extent of appropriating a rallying cry that has for some time been the preserve of the Right. They have no doubt done so with a view to catching some *enosist* votes at the municipal elections, which are due next year. They feel that it is time to begin thinking about these, for the Right has clearly gained ground of late, thanks to better organisation in Church political circles as well as to a general fall in Russian stock since the Czech coup and the Tito incident. Unless the Left stirs its stumps it cannot hope to repeat its success at the last municipal elections, which were in 1946. Adoption of the catchy *enosis* slogan is the start of its election campaign.

The extremes of Cypriot politics, therefore, appear to be in harmony over their opposition to British rule and British autocracy, whereas in fact they are at loggerheads on every other count. Could British policy have avoided throwing them together? The circumstances in which the British Government

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lately offered Cyprus a constitution were described in *The Economist* of May 29th. After laborious explanations that an island which has not governed itself for many centuries had best not try to run before it can walk, it offered a larger measure of representative government than many Cypriots expected (and than some of them want if any party opposed to their own is ever to hold power). This constitution was accepted by the Consultative Assembly that had been called to frame it, but only by a remnant of that body—a rump so small as to be quite unrepresentative. What was the Governor, Lord Winster, to do? Was he to say the vote was unrepresentative and to ignore it, or was he to take a plunge, put matters to a wider test, and hold a general election for the intended Legislative Assembly with a view to giving moderate opinion a chance to show itself? Admittedly, the second course involved risks. These would have been easier to take if the international situation were not so precarious, if there were not so much Russian money available for bribing ignorant voters, if there were a British governor more capable of capturing the island's imagination by dint of a bigger personality or better publicity, and if the moderate Cypriots were not so loth to do the tub-thumping which, in the island, passes for politics.

But none of these hypotheses existed. Sad to say, therefore, Lord Winster and Whitehall between them chose the cautious line. On August 12th they announced that the Consultative Assembly had become a dead letter, and was dissolved, that London, having given "ample proof of its sincere desire to give Cyprus a constitution," must perforce govern as before, and that the offer of a constitution remained open to any "responsible and fully representative political leaders" who cared to take advantage of it. They added that no change in the island's status was contemplated, meaning that there was no foundation for talk about union with Greece.

As was only to be expected, demonstrations followed and were well reported. A point that is less publicised is that Mr Creech Jones and Lord Winster, in choosing the course they did, have deprived the moderates, who are a shy lot, of all chance of showing their numbers and expressing their view. When the record of the present plodding governorship comes to be written its errors will be seen to be those of omission, not commission.

But Lord Winster is not the only person responsible for the current flare-up of anti-British opinion. King Paul of the Hellenes must take a share of the blame. In the last days of July, for some reason, he told Mr Cyrus Sulzberger of the *New York Times* that the gift of Cyprus might be a suitable exchange for Anglo-American bases in Crete. Why did he say so? No Greek royal purpose is served by stirring up Cypriot emotions just now. Sensible Greeks know it. Mr Sophoulis, who is one of them, at once cleared the air with a pronouncement which, while remaining respectful, pointed out that claims to Cyprus, made in the present state of European affairs, "can only harm Greece's international position." There are plenty of Philhellenes in Great Britain. Many of them are in a position to put the facts across to friends and relations in Athens. King Paul can with good reason be told, either via Whitehall or from Balmoral, that to accept British help with one hand while disposing of a British colony with the other is not the way to keep a throne. For Greeks without thrones to lose, and particularly for Cypriot Greeks, the facts are that tranquillity in Cyprus is in the interest of all those who want no change in political holds on the eastern Mediterranean—that is, of everyone except the Russians and their camp followers. Despite the superficial unity of Cypriot Left and Cypriot Right against Great Britain, their fundamental aims are as different as are those of Markos and King Paul or, indeed, of any other left and right in Europe. Therefore to offer an unpractised island anything more than the considerable first step in representative government that was offered by the British in May is, at a blow, to jeopardise Mediterranean security and to expose an inexperienced people to all the ills that Greece and Trieste and other disputed areas are enduring already.

New Vistas in Greenland

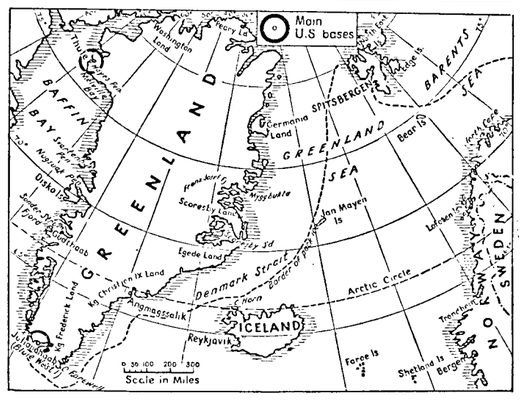
[FROM OUR COPENHAGEN CORRESPONDENT]

GREENLAND, the biggest island in the world, has for centuries been governed through a state monopoly. No one—except for a few explorers—was permitted to enter the country without being a functionary of the state. All trade went in Danish ships via the Danish monopoly in Copenhagen, the Board of Greenland (*Grönlands Styrelse*). All food had to be bought through the monopoly. Probably no other part of the world has for so long a time been under so strict a rule as Greenland. This policy was introduced centuries ago to protect the few thousand Eskimos (now numbering 18,100 against 400 Danes) from annihilation, and it is without doubt due to this policy that the Eskimos in Greenland are not demoralised and are, in fact, a very vigorous and healthy race. From a moral point of view the monopoly's authoritarian rule has been well founded. But for decades the monopoly with its complete isolation of the country has been strongly criticised. Greenland is a rich country. The critics warned that this wealthy area could not in the long run be kept as a closed land, especially when modern means of communication made access more easy.

The war gave great weight to this argument. When Denmark was invaded by the Germans in April, 1940, every link was immediately cut between the motherland and the colony. The Danish Ambassador in Washington, Mr Henrik Kaufmann, signed an agreement with the American Secretary of State, Mr Cordell Hull, according to which the United States took Greenland under its protection in return for the right to establish bases there as long as "the present danger" existed. The war then meant two things for Greenland: thousands of American soldiers came to the country—and it was proved that such an influx of foreigners could take place without harm to the native population. Secondly the Greenlanders realised that it was not at all necessary to ask Copenhagen for permission each time they wanted to enlarge a harbour or build a new house.

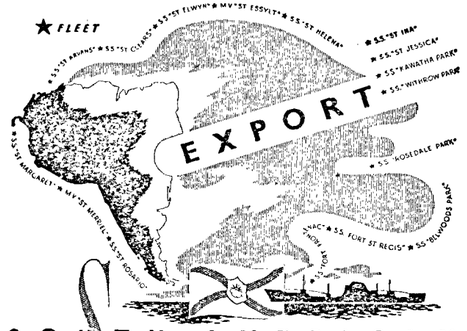
When the war was over there were two important questions for the Greenlanders to settle. One was to get rid of the Americans—and that was of equal importance to the Government in Copenhagen—the other was to get a new status for Greenland inside the Danish state.

It has from time to time been reported—and Greenland is not a country from which news comes every day—that there existed



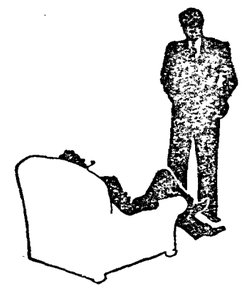
a "to America" movement. There have also been reports of Nazi and Communist movements amongst the natives. These movements have all proved to be very short-lived, headed by young Hotspurs without any backing from the population, which, it now clearly appears, does not want any break with Denmark. But the natives wanted emancipation and a centralised administration with more responsibility for Greenland itself. A few months after the war the Council of Native Eskimos (*Landraadet*) met in their biggest settlement, Godthaab, and passed a number of resolutions, demanding amongst other things this centralisation. A delegation went to Copenhagen, but clever politicians and the Board of Greenland managed to get a compromise accepted by the delegation—a compromise disappointing both to the Eskimos and to those Danes who had been working in Greenland during the war.

A five years' plan, however, was laid down for speeding up reconstruction in Greenland, for building schools, hospitals and cultural institutions, and for carrying out research into new ways of utilising the richness of Greenland. Three months ago the first report about the achievements of this five years' plan was published. It shows that the progress of the reform has been much quicker than anticipated. Denmark has spent money lavishly. In the last year before the war only £40,000 were spent on construction work. This year the budget shows that £450,000 will be used, and the yearly volume of consumers' goods sent from Denmark has doubled since 1939.



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Of prime importance is the change of mind that has taken place in Danish political circles and amongst the civil servants governing Greenland. Whether it is the astonishing prospects which the five years' plan has opened up, or the fact that Greenland has suddenly moved from the arctic background to the front of the world stage, that has produced the change is uncertain. But the fact is that the Government—with the full backing of all political parties—has set its hand to nothing less than a revolution in the relations between Denmark and the only Danish colony.

At the end of July the Prime Minister together with the chairman of the Parliamentary Greenland Committee and an audacious female member of this Committee made the long journey to Greenland to start negotiations with the Council of Native Eskimos. Before leaving Denmark the Prime Minister told the public that he would discuss with the Greenlanders the opening of the country to private initiative and also offer them two seats in Parliament. In Godthaab, on August 4th, the Prime Minister met the Council and the result of the negotiations was so promising that a spokesman of the Council declared that August 4, 1948, would live forever in Greenland's history as the "day of liberation." Mr Hedtoft had in mind when he left to suggest that there should be created either a purely Greenlandic co-operative society or a state-controlled Danish-Greenlandic Company in which the state owned 50 per cent and private Danish capital 50 per cent. Nobody wanted to lift state control so suddenly, least of all the Greenlanders. They know themselves that they are still not ready for that. For the same reason they also thankfully refused the offer of having two men elected for Parliament. They prefer to be represented by the Parliamentary Greenland Committee.

As a result of the Prime Minister's visit to Greenland—where he has everywhere been received as a "liberator"—a working party will now be set up so that Parliament will be able in the coming session to pass the bills which are going to change Greenland from being a sanctuary or "kindergarden," as the Greenlanders themselves called it, to a modern community.

There still remains the question of the Americans in Greenland. As early as 1946, when the United States had not yet given any signs of its intention to leave Greenland, the Danish Government asked in Washington that negotiations be opened concerning the annulment of the agreement. These negotiations have gone on ever since but without results; and even this summer Congress passed appropriations for enlarging the bases, of which America has six on the west coast with a total garrison of somewhere between 1,700 and 2,200 troops. It is also reported that the Americans intend to send troops to the east coast, near Angmagssalik. It is true that Denmark at the end of the war was not able to take over the meteorological stations which have proved so vital for the Atlantic shipping and the air traffic. But 23 stations which were established by the Americans are now fully taken over by Danish crews who have been trained by the Americans and are now operating under their supervision.

This meteorological service will place a heavy financial burden on Denmark's shoulders. Yet there is little inclination to heed the voices which suggest that Denmark should sell Greenland to the United States. If the costs are too heavy, Denmark would prefer Uno to share the burden. It is after all a service performed for the benefit of all the nations of the world.

AMERICAN SURVEY

National Health Programmes

(From Our US Editorial Staff)

"THE question of how a social idea, such as a national health plan, may work when transformed into a social institution can never be settled by conflicting theoretical charts. Such charts have certain of the touches and devices used by the ancient cartographers. There are areas of unknowns; by some they may be drawn in dark and forbidding colours, inhabited by monsters; by others they would be pictured in attractive pastel shades." This comment by Dr Nathan Sinai, in the introduction to his analysis of the Emergency Maternity and Infant Care programme carried on during the war, might have gone further. In the current conflict of views on how better health and more widely diffused medical facilities may best be obtained by the people of the United States, there is evidence that the cartographers of one view have on occasion sketched in monsters over the pastels of the cartographers of other views, with the surreptitious malice of the people who add moustaches to the figures in advertisements on the Underground.

But at the moment a number of map makers are including actual exploration in their activities. There is no doubt that a national health programme is slowly accumulating, with the massive, glacier-like motion by which all major pieces of legislation take form. Mr Truman, in his attack on the Eightieth Congress, will doubtless continue to refer to such a measure as part of the unfinished business which the Republican majority has allowed to be deferred. The variance in view between the two parties was given precision in the two Bills introduced in the 1945-1946 session. The Wagner-Murray-Dingell Bill, sponsored by the Administration, called for coverage of all employed or self-employed persons, and their dependants, by a system of compulsory insurance whose benefits would include doctors' care, hospitilization up to 60 days, some dentistry and home nursing. The US Surgeon-General would administer the plan under the Federal Security Administrator. The Bill would allow doctors to take part or not, as they saw fit, and to be paid in a variety of ways, by salary, fee, or on a *per capita* basis. Patients could choose among participating doctors.

The Republican alternative, introduced by Senators Taft, Smith and Ball, would extend services, not by compulsory insurance, but by increased federal aid to the states, so that they could provide medical care for those unable to pay, or able to pay only in part. The states could also make payments to physicians to induce them to take up practice in low-income areas. The programme would be handled by an independent National Health Agency, whose head would be a doctor of medicine.

Supporters of these different measures are more or less in accord about the deficiencies they are designed to meet. American health has made enormous gains since the turn of the century, in public sanitation, in reduction of communicable diseases, in decline in maternal and infant mortality, in increase in public practice of preventive medicine, with the result that life expectancy in the United States is now about 65 years. But the extent of medical service, and the incidence of disease and death, vary widely from area to area—from remote farm or forest county to densely populated city, from income group to income group within the various areas, from race to race. Moreover, while progress in reducing the incidence of certain diseases has been great, other disorders have been on the increase, and still others have not been declining to the extent that would be possible if available knowledge were more widely distributed and used. In an ageing population, chronic diseases are bound to be more numerous: 28 per cent of Americans are now over 45 as against 18 per cent in 1906. Of the 1,402,000 deaths occurring in 1945, 1,014,000 were from chronic disease —424,000 of these from heart disease. Statistics like these stimulate the relatively new science of gerontology. Figures on mental health give as much cause for thought: over half the patients in hospitals on a given day—some 600,000—are mental patients. The number of physically or mentally unfit in the country can be estimated from the rejection of some 5,000,000 men examined under Selective Service during the war. The yearly loss of work-time because of bad health, with its contingent losses in income and production, is estimated at 4,300,000 man-years.

Three main areas of action seem to be indicated, in all of which there are proposals for legislation to provide government funds and some measure of government administrative responsibility. The need for fundamental research to push forward the frontiers of science was stressed in the report of a Presidential Committee at the end of the war, and medical research is included in the pending Bills for a National Science Foundation as well as the Bills concerned primarily with health. The need for medical manpower and facilities was recognised in respect of hospitals in the Hospital Survey and Construction Act of 1946, which provides aid to states for new construction on the basis of $1 for every $2 found by the states. The present bottleneck in the production of medical manpower, with each of the country's bulging medical schools turning away hundreds of applicants while the demand for doctors is acute, cannot be broken overnight. The Association of American Medical Colleges and the Council on Medical Education and Hospitals of the American Medical Association are making surveys to determine how the quantity of such education can be expanded without deterioration of quality. Stress is also being laid on the integration of facilities so that a chain of relationships from rural clinics to community and district hospitals to medical centres may permit the widest use of existing apparatus and specialized skills.

The third need is for adequate individual purchasing power for medical service. At the high income levels of the postwar period, the percentage of families in various income brackets was as follows in 1946:

Gross Cash Income	Percentage of Families
$1,000 or less	12·8
$1,000 to $2,000	15·4
$2,000 to $3,000	19·5
$3,000 to $5,000	31·4
Over $5,000	20·9

Probably about 70 million people—half of the US population —belonged to families whose income was under $3,000. The difficulty—the impossibility in many cases—of meeting the cost of medical care at this income level has led to a number of private co-operative efforts to meet expenses, as well as to proposals for government aid.

On July 1, 1947, 20 per cent of the US population was enrolled in Blue Cross Hospitalization plans, which provide service benefits for limited periods in semi-private accommodation in their 3,800 member hospitals. Hospitalization insurance has spread very rapidly in recent years; so have co-operative plans for more general medical care undertaken by labour, farm and industrial groups. Mr John L. Lewis's health and welfare fund for the miners has attained rather more than its share of publicity; many other trade unions have long provided medical services for their members, and many industries have regarded group health insurance as a sound investment from a business standpoint. During the war when collective bargaining was largely confined to "fringe" issues, joint contributory plans were particularly frequent as an item of agenda. All three major farm organizations have active programmes in effect among their members.

Coverage on a community rather than on an occupational basis has in the last years been increasingly offered through county medical societies. The American Medical Association's attitude toward compulsory insurance under state auspices has been markedly similar to that of its British counterpart forty years ago. But the extent to which the medical cartographers are beginning to supplement their theory with actual exploration of the area of health insurance is shown by the AMA's publication, on August 20th, of a "Report on the Study of Consumer-Managed Prepayment Health Plans." It contains summaries of 69 plans, from all parts of the country and types of area, analyzed in great detail. Preceding this analysis is a series of suggested preliminary standards for consumer-managed voluntary prepayment medical care plans, offered by the AMA's Council on Medical Service.

The plans thus summarized are private plans. Almost simultaneously a government insurance proposal was released, a report to the President by Mr Oscar R. Ewing, Federal Security Administrator, on "The Nation's Health." This ten-year programme is prepared in the ostentatiously written-down style which government administrators fondly imagine will be persuasive to a wide audience, with frequent use of the word "We" meaning the public—*l'état, c'est nous*. (This is an election year, and Mr Ewing is an ardent Democrat.) Nevertheless, it contains very considerable substantiation of the needs noted above, and a series of recommendations for meeting them, including a plan for compulsory insurance. In this plan, some of the same moderation is noticeable as in the AMA report. A "tooling-up" period of three years is advised before insurance should be put into effect, and there is realistic recognition that new medical facilities can be offered only as the present supply is expanded and located in the places where it is needed.

The third recent publication on the subject, and one which takes an enhanced interest from the fact that its chief author is Governor Warren's adviser on health matters, is "EMIC — a Study of Administrative Experience," published by the Bureau of Public Health Economics of the University of Michigan and written by Dr Nathan Sinai and Dr Otis Anderson. EMIC —emergency maternal and infant care—was a war programme that at its peak delivered one out of every seven babies born in the United States. The attitude toward public medical care for service men has always been a thing apart: the medical care offered by the Veterans Administration has been accepted by the country and the medical profession with little or no theoretical sorrow. The VA runs 126 hospitals and 71 regional offices, 12 infirmaries and domiciliary institutions; in 1947 it spent $393,036,497, for 533,000 admissions to hospitals and 5,260,000 out-patients' medical and dental treatments; 65 per cent of the men were hospitalized for ailments unconnected with their military service. EMIC was half-way between a service and a civilian operation; it was run by the Children's Bureau through the Public Health Services of the states. Dr Sinai has used its experience most ably as a laboratory for the administrative problems of a public health programme of larger scope: problems of payment, quality, service, means tests, administrative controls.

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American Notes

The Unsolid South

Mr Elmo Roper, the most reliable of the "pollsters," has decided that the outcome of the Presidential election is so obvious that there is no longer any interest in reporting on the campaign. Paradoxically, in the South, where this is customarily true, the campaign this year is exceptionally exciting. The traditional certainty has vanished with the traditional solidity; there are three Presidential contestants for the Democratic vote and, in consequence, the Republicans have high hopes of winning in some of the Southern States for the first time in twenty years. In 1928 they owed their success to Southern revulsion against the Catholicism of the Democratic candidate, Mr Al Smith. This year any success they may have will similarly be due to the insistence of the official Democratic candidate that civil rights for negroes must be enforced by federal authority, an equally heretical belief in the South. But Mr Dewey is as unorthodox in this matter as is Mr Truman, and not many Southerners will be sufficiently blinded by their indignation to vote Republican. However, in some states such as Kentucky, West Virginia and Oklahoma, which are border states both geographically and politically, there may be enough Democrats who are either blind or unwilling to go to the polls, to ensure a Republican victory in the Congressional elections and therefore a Republican majority in the Senate.

In the true South, Democrats will be able to express their sense of outrage by voting for the Dixiecrats—the undignified but adhesive name given to the rebellious States Rights' Democrats by a reporter searching for a word to fit a headline. It looks as if Governor Thurmond, the Dixiecrat candidate, will be on the ballot in all of the five Southern States which the Republicans carried in 1928—Virginia, Tennessee, North Carolina, Florida and Texas—and all of which the Republicans can carry again if the Democratic vote is equally divided between Mr Truman and Mr Thurmond. In Virginia, North Carolina and Kentucky, the Dixiecrats have already succeeded in getting the names of Presidential electors pledged to Mr Thurmond on to the voting paper alongside those pledged to Mr Truman. In Texas, which, with its 23 votes in the electoral college, is the most important and the most independent of the Southern States, the official Democratic electors may be pledged to the Dixiecrats, who will otherwise try to put their own list on the ballot. In Florida half, in Tennessee one quarter, and in Alabama, Mississippi, South Carolina and Louisiana all, the Democratic electors are committed to Mr Thurmond. In Georgia the electors are unpledged and the State's Democratic leaders, although favourably inclined to the Dixiecrats, will probably not commit themselves until there is no danger of choosing wrongly.

All this adds up to 45 of the 266 votes in the electoral college which are needed for victory, with the Dixiecrats at least on the ballot in at least four more States. Mr Truman obviously cannot afford to let this threat go unchallenged. The Democratic National Committee is expected to take court action in an attempt to get his name on to the ballot in those States where Mr Thurmond has been chosen as the official Democratic candidate, so that the people of those States shall not be deprived of their chance of voting for Mr Truman. The Committee also is trying to frighten the Dixiecrats into instructing their pledged electors to vote for Mr Truman after all, by stigmatising them as "bolters," a stigma which in the South is almost irrevocable, and by promising official party status to any organisation supporting Mr Truman that is set up in the States where the Dixiecrats have captured the official State Committees. It does not look as if the Dixiecrats will be able to achieve their aim of having the best of both worlds, of defeating Mr Truman without losing their standing in the Democratic party.

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Civil Rights Come Home to Roost

In view of the increased attention which the Democrats are giving to the Dixiecrat threat, it seems permissible to doubt whether Mr Truman has in fact cancelled his tour of the South because it is unnecessary, as is officially stated. It may be that he feels it would be unnecessarily hazardous, since he could not hope to escape direct tests on civil rights, which he could not pass to the satisfaction of both Northern and Southern Democrats. Mr Wallace will be on the ballot in some (it is not yet known how many) Southern States, but it was to win votes in the North that he dramatised the question of racial segregation when he opened his campaign in the South, where he can hardly have expected that campaign to gain him much support. Northern interference is always resented in the South, and the heckler, who cried "I don't want to go to no school at all," represented the attitude of many of those Southerners whom Mr Wallace is so anxious to rescue from their present ignorance and poverty. Even Southern negroes do not want to estrange themselves permanently from the Democratic party by supporting him; the more far-sighted of them must realise that their hope for the future lies not in Mr Wallace, but in the possibility that the Dixiecrat revolt, if it survives the present election, may lead at last to a genuine two-party system in the South, by giving independence to the liberal Democrats who have already done much to improve the position of the negro.

These liberals have recently shown their strength by the blow they have dealt to the Crump machine in Tennessee, but the Democratic primary election in Georgia has dealt them an even more severe blow. This election has justified the fear that Mr Truman's civil rights programme and Mr Wallace's championship of the negro would do more harm than good, and has given a new seriousness to the Southern revolt. As he left the South, Mr Wallace jovially promised that all the eggs thrown at him would be paid back with interest by his special breed of prolific hens. But far more sinister chickens, also bred by him, were already coming home to roost in Georgia, wearing the robes of the Ku Klux Klan and bringing fiery crosses to the hillsides and coffins to the doorsteps of negro voters.

Georgia is one of the Southern States where the poll tax has been abolished and negro voters are registered there in unprecedented numbers. But the State's progress towards liberalism has been arrested by the choice of the reactionary Mr Herman Talmadge as Democratic, and therefore as successful, candidate for the Governorship. If Mr Talmadge follows the precedent set by his notorious father, and by himself when he attempted to seize the Governorship by force two years ago, the set-back to liberalism in Georgia will last far longer than the two-year term of the present election. The most unusual feature of this election was that Mr Talmadge won by a clear popular majority; Georgia votes on a county unit system, which, besides being easily and habitually corrupt, favours rural districts at the expense of urban ones and enables candidates to be chosen on a minority vote. Mr Talmadge fought on the straight issue of white supremacy and evidently won the support of townspeople as well as of the backwoodsmen who had always followed his father. His successful appeal was to the fears of those poor whites, whom Mr Wallace wants to educate and enrich, but who are far more concerned with maintaining the racial superiority which gives them their only advantage over the negroes who surround them.

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Bank Reserves and Business

The Federal Reserve Board last week resumed its efforts to provide curbs against credit expansion, within the limits permitted by the unwillingness to allow long-term 2½ per cent issues of the Government to fall below par. Under the authority given by Congress in the special session, reserve requirements for member banks in the Reserve system have been raised both for time and demand deposits on a scale which is estimated to immobilise almost $2 billion of bank cash in reserve balances. On September 1st, these banks held reserves of more than $900 million in excess of their legal requirements, and the sale of no more than $1 billion or so of government bonds can thus restore their earlier capacity to make new loans or advances.

Clearly, this move by the Reserve Board is no more than a temporary check. None the less, it came as a surprise to many banking houses, since it followed quickly on the adjustment of the short-term rate from 1⅛ to 1¼ per cent, and announcement of the new curbs for instalment credit which come into force next week. With government advisers now taking a more cautious line on price prospects (Dr Nourse, chairman of the Council of Economic Advisers, said recently that the present "creeping advances" were "mildly reassuring"), no fresh curb on credit had been looked for before next month at the earliest.

On the surface, at least, inflationary forces do seem to be losing some of their earlier force. Falling farm prices have now brought the Bureau of Labour index of wholesale commodity prices (1926 = 100) down by almost 2 points from the 1948 peak to 167.4; the sensitive Moody index of daily commodity prices has now sagged for some weeks and is midway between the high and low points of 1948 at about 420 (1931 = 100), while the Dow Jones futures index is thirty points below the 1948 peak at 140, and near the low point for the year.

There are, in fact, many indicators to suggest that the most feverish phase of the postwar boom is over. The fall in farm and food prices follows not from any collapse in speculative excesses, but from a fundamental correction in the supply deficiencies which have plagued the United States—and the world at large—for the past three years. In the long run, though not for some time, that influence could far outweigh other components in the consumers' price index, and thus deflate the power of organised labour to enforce yet another general round of wage advances.

The Truman Administration, however, which raised such a clamour for anti-inflationary controls at the special session, can hardly afford to be caught napping—as it was in May, when, at the insistence of the Treasury, the money market was given the green light precisely at a time when inflationary forces were once again dominant following the commodity weakness in February and March. Even this modest measure of control, coupled with seasonal tax collections, can exert a mild pressure for some weeks ahead. And with bank loans still rising, and many business equipment programmes still incomplete, it would be foolish to neglect any action which may serve as a stabilising influence while the postwar boom is working towards an inevitable correction.

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Wanted: A Policy for Surpluses

This year's cotton crop, now estimated at 15.2 million bales, presents the Administration with a difficult decision. The aim of agricultural policy in the thirties was to raise farm prices by cutting down production; that was the time when every third row of cotton was ploughed under and there took place the famous massacre of baby pigs. In this year of meat shortage the baby

pigs are more precious than jewels; they represent the earliest hope of lower meat prices. But the cotton crop, the largest since 1937, promises, in the face of declining domestic demand and dollar poverty abroad, a carry-over of 6,000,000 bales, twice that of last year, some 4,000,000 of which are likely to go under government loan.

Crop restrictions were lifted in 1943 and 1944 when it became clear that American and world demand could absorb everything the farmer could produce. Has the time now come, in cotton, at least, for a return to restriction? The Agricultural Adjustment Act prescribes a farmers' referendum on acreage limitations and marketing quotas when supply exceeds "normal demand" by 7 per cent. The Department of Agriculture, now making its estimates, must decide by November 15th whether this surplus exists in cotton. The growers themselves are strongly opposed to any revival of restrictions and are said to be capable of rallying the one-third vote needed to defeat the proposal. It is small wonder. Under the new law passed in June, next year is the last of support prices at 90 per cent of parity for a commodity so manifestly superabundant as cotton. The cotton farmers naturally wish to make the best of the last of the fat years by increasing, rather than reducing, their sowings. Even acreage restrictions, without compulsory marketing quotas, are likely to be ineffective; concentration on better land and more scientific farming, aided by good weather, have raised yields from 185 bales per acre in 1935 to an estimated 313 this year.

In their platform the Democrats promised other New Deal remedies for dealing with farm surpluses: adequate financing for the school-lunch programme and their use in improving low-income diets through the food-stamp plan. But at today's high prices for farm products, both prevention and cure of surpluses will be much more expensive than they were in the thirties.

The relation of farm prices to the cost of living is certain to be a central issue in the campaign; but it is confused by the natural desire of both parties to woo both farmer and housewife. Thus though Mr Stassen made a manful endeavour to shift the responsibility for high prices from Congress to the Administration, he did not dare to attack the farm price support programme. And the Administration, which a month ago was attacking Congress for postponing downward revision of price support levels, now professes to detect a "sinister plot" to destroy farm supports and has rushed to their defence. Governor Dewey has yet to enter the arena, but he is believed to favour early readjustments which would be reflected in lower living costs. Any sign of a return to an artificial "economy of scarcity" at this time on the part of the Administration would no doubt be used to bolster up the Republican case that the Democrats are deliberately engineering high prices.

* * *

Unions on the Party Line

While the Committee on Un-American Activities pursues its inquiry into atom-bomb spies, and the ten indicted Communist leaders tour the United States to raise money for their defence, a sub-committee of the Labour Committee of the House of Representatives has turned the red spotlight on Communists in trade unions. It summoned for questioning Mr Fitzgerald, president of the United Electrical Workers, the largest of the unions reported to be Communist-dominated; and Mr James Carey, recently deposed Right-wing president of the UEW, national treasurer of the Congress of Industrial Organisations, and leader of the anti-Communist fight in the World Federation of Trade Unions. Mr Fitzgerald was, not unexpectedly, blandly and comprehensively ignorant of Communist tendencies in his union, but Mr Carey, though he appeared under protest, gave his investigators more than they asked by testifying, not only that the Electrical Workers acted as a Communist front on many issues, but that some managements actually dismissed anti-Communist workers in an attempt to appease the union leadership.

The limelight was more welcome to the sub-committee than to Mr Carey; for his testimony brought him a vote of censure from the union's convention, and his effort to persuade the convention to follow the national executive of the CIO in endorsing Mr Truman was overwhelmingly defeated. It is nowhere contended, however, that the union's membership, as distinct from its leadership, is Communist. Although most of the union's officers are working for the election of Mr Wallace, the convention refrained from officially endorsing his candidacy, frankly recognising that it would split the membership. The Transport Workers Union, where a fierce struggle for control is going on between Left and Right, has also repudiated Mr Truman but failed to endorse Mr Wallace. This means that Mr Wallace will have the official support of none of the large CIO or American Federation of Labour unions, though a number of smaller Left-wing CIO internationals support him.

The House Labour Committee comes late to the scene of Labour's own efforts to clean house. With every encouragement from the national organisation, a vigorous purge has been going on, with notable success in the Automobile Workers and the National Maritime Union. In this battle, even union critics of the Taft-Hartley Act admit that its requirement of anti-Communist affidavits has been useful. Unions whose officers are afraid, for reasons of perjury, to take the oath, may not take part in elections held by the National Labour Relations Board; they have lost valuable contracts to rival unions; and have not been able to put the grievances of their members before the Board. The result has been substantial secession from unions still on the party line to those like the Automobile Workers, who have shaken themselves free of it.

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Defence Responsibilities

The Secretary of Defense, Mr Forrestal, has once again disentangled the lines of responsibility for the three Armed Services. They were supposed to have been straightened out last March at his Key West conference with the Joint Chiefs of Staff, but the different interpretations put upon the decisions then reached made it clear that, whatever was accomplished in theory, in practice the confusion was soon as bad as ever. This time Mr Forrestal has warned top-ranking officers of all three Services that the decisions must be "followed through with the aggressive intent to build, and not to mar, mutual confidence." Regular conferences, and co-operation on such matters as research, procurement and intelligence, are said to be lessening the bad feeling among the Service commanders and perhaps this improvement may in time sweeten the rivalries at lower levels.

The controversy centres on the strategic application of air power, discussed by General Spaatz in his first (and last, since he has retired) annual report on the Air Force as a separate Service. The Navy has been challenging the right of the Air Force to deliver the knock-out blows—the atom bombs—on the enemy's vital centres. The challenge became armour-plated when Congress approved Naval plans for a 65,000-ton aircraft carrier, designed for strategic bombing and regarded by the other Services as a white elephant. The official solution, reached at the recent conference at Newport, is to give the Air Force undivided authority in this "great new area" of warfare, while the Navy has undisputed power over anti-submarine defences. However, each is required to mobilise for its primary mission the maximum resources available from the other Services: the Navy can borrow Air Force planes to track down submarines and the Air Force can apparently launch its strategic bombing attacks from the Navy's aircraft carriers.

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Apart from its white elephant, the Navy has in fact been concentrating on its allotted task, spurred on by the Secretary of the Navy's statement that there is a nation (presumed to be Russia) which has to his certain knowledge more than 250 submarines. The Navy has put one of its only two active battle ships into reserve, in order to have enough men to recommission an aircraft carrier and eight more destroyers for use against submarines. The emphasis in its current construction programme is on aircraft carriers, submarine chasers and submarines. The Navy and the Air Force between them have announced orders for 3,366 planes, costing $2 billion. The orders are being spread by means of subcontracts among a substantial number of firms in order to give them experience. The National Security Resources Board is also planning to show key industries what will be expected of them in the event of war. It is going to send "ghost orders," to be carried out on paper only, to manufacturers of machine tools and other vital equipment, in order to find out where difficulties are likely to develop.

Armament orders, according to some reports, have not so far been as large as was expected when the rearmament programme was introduced last spring. But they are to show a steady increase from now on. New Service orders to a value of $6 billion are to be placed during the current fiscal year, a rise of 250 per cent over last year. So far they have not caused any serious difficulty in the supply of materials and parts, and it is not expected that compulsory powers will be needed. The voluntary plan for the allocation of steel products to manufacturers holding defence contracts has at last been approved and provides for 1,230,000 tons of steel to be divided among such manufacturers during the year, whether or not they already have adequate amounts of steel on hand.

THE BUSINESS WORLD

European Payments Scheme

THE immense task of allocating direct Marshall Aid from the United States and mutual aid between the ERP countries was completed by the Council of the Organisation for European Economic Co-operation at its meeting in Paris last Saturday. Even then, after the long bargaining that had been proceeding in committees, approval was not unanimous, for Greece and Turkey both had reservations to make about their shares. The picture presented by the agreed allocations of direct and indirect aid, can best be shown, as in the following table, by combining the two and indicating what each recipient will have after his receipts of direct aid have been increased or diminished by intra-European mutual aid.

DIRECT AID AND EUROPEAN CONTRIBUTIONS
(In Million Dollars)

	Direct Dollar Aid	Intra-European Contributions(−) or Receipts(+)	Net Aid
United Kingdom	1,263	−282	931
France	989	+323·3	1,312·3
Italy	601	− 20·3	580·7
Netherlands	496	+ 71·7	567·7
Bizone	414	− 10·2	403·8
Belgium-Luxemburg	250	−207·5	42·5
Austria	217	+ 63·5	280·5
Greece	146	+ 66·8	212·8
Denmark	110	+ 6·8	116·8
French Zone	100	+ 0·8	100·8
Norway	84	+ 31·8	115·8
Eire	79	...	79
Turkey	50	− 19·7	30·3
Sweden	47	− 25	22
Trieste	18	...	18
Iceland	11	...	11
TOTAL	4,875	...	4,875

Note.—Contributions and receipts shown in column 2 are dollar equivalents of local currency surpluses and deficits.

To complete the picture, it should be added that Britain's net contribution of $282 million to other European countries will be supplemented to the extent of a further $218 million by unrequited exports to European countries to be financed by allowing those countries to draw on their sterling balances. It follows therefore, that according to present calculations, Britain—with the assistance, of course, of the sterling area—will be making unrequited exports to Europe equivalent to about $500 million in the twelve months to June 30th next and will thus be passing on to Europe nearly 40 per cent of its direct aid from the United States.

The means chosen to link direct Marshall Aid with the intra-European mutual aid scheme were described in last week's issue of *The Economist*; the details which have since emerged do not affect the basic criticism to which the payments scheme was there subjected. It should, however, be pointed out that the conditional dollar grants that will be made to countries which are net contributors in the intra-European payments scheme, will not apply to unrequited exports which are financed by drawing upon existing currency balances. In this way the legal risk of an infringement of the Economic Co-operation Agreements which would have occurred if a direct link could have been established between the grant of Marshall Aid and the repayment of external debt of a recipient country, has been carefully avoided.

The figures given in the table above speak for themselves. They show the real order of precedence among the recipients of aid and they indicate, more clearly than any dialectics could achieve, which countries of Europe are pulling their weight and making the fullest contributions to the cause of European co-operation and recovery.

Last Saturday's meeting of the Council of OEEC left two points on the agenda unsettled. The first was the mechanism of the intra-European payments scheme, by which the contributions of the creditor countries and the drawing rights of the debtors are to be operated. The second concerned the principles of commercial policy which should be applied by the participating countries while the payments scheme is functioning.

The more important of these two items is the payments mechanism and on this some basic differences of opinion still persist. The main issue is whether the contributions and drawing rights agreed last Saturday—which are based on calculations of no less than 110 prospective bilateral balances of payment—are to be exercised in a purely bilateral sense, or are to be "multilateralised." To illustrate the point, the question is whether, say, France's agreed drawing rights of £50 million on the United Kingdom must be used solely to meet its deficit in the sterling area or whether they can be used to pay a third country which is prepared to accept sterling in return for its exports to France.

The British negotiators have throughout insisted on strict bilateralism in the use of these drawing rights. Certain other European nations, with encouragement from the United States, have argued in favour of the elasticity, convenience, and efficiency of multilateralism. This second school of thought reasons as follows. Contributions and drawing rights are based on estimates which, with the best will in the world, can be regarded only as intelligent guesses. It is almost certain that the course of intra-European trade in the current year will not result in surpluses and deficits corresponding to the agreed contributions and drawing rights. It follows therefore that in many cases trade between the Sixteen will have to be forcibly contracted within the strait jacket of the agreed figures. In consequence, if the agreed contributions and drawing rights can be used only in a strictly bilateral manner, part of them will be left unutilised. To the extent that contributions may be unutilised, the conditional Marshall Aid grants, based on these contributions, will be cut down and Europe will thus be depriving itself of part of Marshall Aid, which even at the present figure of $4,875 million will be inadequate to cover its urgent needs. Therefore—so runs this argument—the real interests of Europe will be served by introducing the principle of transferability to the European payments scheme—in other words, by allowing drawing rights which cannot be exercised in the particular country for which they were intended, to be transferred elsewhere.

To all this highly plausible reasoning, the British representatives have put up adamant resistance. They still view the scene of international exchanges in terms of the convertibility crisis of 1947—and who shall blame them for that? The illustration already given provides a clear clue to the British attitude on this subject. If France should in fact be at liberty to transfer her sterling drawing rights to Belgium, the result would be to increase Belgium's holdings of sterling beyond the limit which that country has agreed to hold, and Belgium could be depended upon to take the surplus in gold. Britain is now working its international exchange arrangements (outside the transferable account system) on a bilateral pattern, tempered with "administrative transferability"—which broadly interpreted means that Britain will allow sterling to be transferred from one non-sterling to another non-sterling country only if it suits the circumstances of the moment and will ensure that no gold is lost as a result. In the British view, therefore, the contributions and drawing rights under the European payments scheme should fit into this bilateral pattern of payments. Transferability may be authorised where it does not endanger the "gold points" in Britain's payments arrangements with individual countries. It should be stressed in this context that all discussion on this new European payments scheme has proceeded on the express assumption that the new arrangements will not be allowed to supersede existing payments agreements between European countries.

Britain has signified its agreement to the mutual aid figures subject to a satisfactory payments scheme being evolved. If, therefore, the existing cleavage of views on the transferability of drawing rights is allowed to drift to a complete deadlock, and if the only retreat from this were to be a concession to the point of view of the multilateral school, the figures of British contributions to the various recipients in Europe would have to be reconsidered, and undoubtedly pruned to a point at which the menace of gold convertibility would lose any real force. This fact, allied to the magnitude and fairly wide dispersion of British contributions to other ERP countries, has brought a number of interested supporters for the British view. The opposition to that view is, as might be expected, led by Belgium, though, as might also be expected, the main philosophic inspiration behind the multilateral school of thought comes from Washington.

On the assumption that the scheme of European payments is evolved on terms which prove satisfactory to Britain and which therefore will allow the proposed figures of British contributions to stand, a new and quite weighty factor will have been introduced into the balance of payments position. There is a tendency in official quarters to regard with equanimity the prospective $500 million (or £125 million) of total assistance to Europe from the sterling area as a whole, to treat it as if it involves no threat to Britain's ability to maintain exports to hard currency areas, and as if Britain itself will not ultimately have to seek a reckoning with the sterling area. This complacency denotes either that the figure of the promised commitments to Europe is not taken very seriously (a supposition which can surely be dismissed) or that an extremely hopeful view is taken of the course of production and British exports in the months ahead. The achievements to date in the expansion of industrial production and exports, and particularly the developments of the last few months, do not justify unquestioning confidence in this optimism.

On the basis of the balance of payments forecast for the first half of 1948 in the "Economic Survey," the running down of sterling balances and other capital transactions reflecting unrequited exports should be running at an annual rate of about £170 million. It would be surprising if a figure as large as that indicated by the prospective unrequited exports to Europe had entered into these earlier calculations, even after making allowance for the fact that the prospective unrequited exports of £125 million to Europe for the twelve months will in part represent exports from the rest of the sterling area.

The two main impressions which, therefore, emerge from the British mutual aid contributions are, firstly, their magnitude and the substantial aid they represent to the European Recovery Programme, and, secondly, the effort of production and export which they will demand from Britain and the rest of the sterling area if their promise is to be fulfilled.

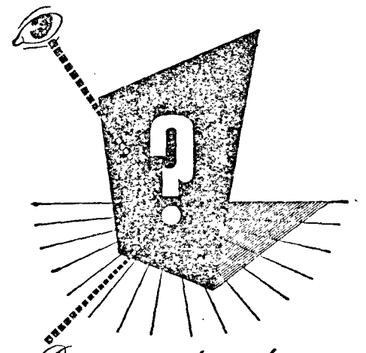
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Business Notes

Rearmament and Markets

It takes, apparently, even more than the serious announcement of rearmament by Mr Morrison to move security prices today. On Wednesday, there was the inevitable response in aircraft shares—they had been creeping up quietly during the slack holiday period—but public interest was evidently small. Yields of 6½ per cent on Bristol, 5½ per cent on De Havilland, and a little under 7 per cent for Hawker Siddeley leave perhaps a little to "go for", on the assumption of a large measure of rearmament for the air forces. But the buying which has so far occurred has been based on the expectation of sufficient Government orders to maintain the industry's business, rather than upon a tremendous expansion of plant and turnover. If control of contract prices were not enough, limitation of dividends would certainly rule out any expectation of increased returns on aircraft shares.

Perhaps the most curious feature of the first day of the new account was the confidence in the Funds. There were no inhibitions about buying the "undated" 2½ per cent stocks, despite the deterioration in international politics, and no attempt to discriminate between fixed interest and equity stocks. In this, the market evidently showed practical wisdom, for, with only a handful of exceptions, all securities today are either fixed interest or limited dividend issues. To argue about the damage caused by inflation to the one and the alleged benefit to the other is merely to shut one's eyes to the plain fact that, in the context of active rearmament, the demand for control of profits and dividends will become even more insistent. There is, indeed, no effective choice which investors can exert between the two classes, and Wednesday's dealings appeared to suggest that investors realised that fact.

This firmness does not reflect confidence so much as the pressure of uninvested funds. That is marked, too, in the gratifying response to new issues. The Imperial Chemical Industries issue has resulted in a "heavy oversubscription"; final figures for the response to the issue (of slightly more than 10 million shares at 40s. 6d.) are awaited, but it is clear that the terms attracted a satisfactory demand for excess shares, in addition to the exercise of rights. This week, too, the Agricultural Mortgage Corporation's debenture issue and the offer of Hackbridge Cable Holdings ordinary shares have been conspicuously successful. No doubt these successes can be interpreted, to some extent, as the counterpart of the payments for South American utilities, which amount in fact or in near prospect to perhaps £150 million or more. But they are significant of the investor's growing wish to get invested.

To complete the appearance of cheerfulness, there have been active dealings in bus shares—though not at the highest prices in the middle of the week, when speculative interest seemed to boil over—and in mining issues. Here the feature has been a positive outburst by New Pioneer, a share introduced to the London market only a few months ago, which in five days has jumped by 15s. to 48s. 9d. on the result of a borehole which the mining experts regard as being a promising portent for the future of the Far Western Rand. The promise may be there, but it must take a long time to translate into performance.

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Disinflation Now?

To attempt, at this early stage, to measure the effect of rearmament on the British economy is a task full of hazards. To what extent is industry to be put on a near-war footing? Will the programme, at this stage, extend very far beyond the aircraft industry? How much slack can be taken up in the Ordnance and Ministry of Supply factories? What is the size of the extra demand for manpower for armament work? Where will it be found—at the expense of production for the home market, or for exports, or for existing Government work? What are the likely reactions of the new programme on the general pattern of Government finance?

A recital of questions such as these at least illustrates the scope of the problem. It is true, as the Chancellor of the Exchequer claimed last week, that the nation's manpower is being used to the limit, the extra labour required for re-armament can come only from existing uses, or be met by an increase in productivity —for which, indeed, there is plenty of room. No estimates of manpower engaged on work for the Supply Departments have been published since March, 1947. At that date, the total number of employees of insurable age was 6,650,000; of these 429,000 were estimated to be engaged on work for the Supply Departments, 4,777,000 on orders for the home market, and 1,440,000 on export orders. (These estimates, of course, are subject to a fairly marked degree of error since they are based on voluntary returns from industry which has obvious difficulty in allocating particular workmen to particular orders.) In June this year total employees were 6,921,000, of which 4,938,000 were engaged on work for Supply Departments and home orders (the total not being sub-divided) and 1,983,000 on export orders. Thus the increase in numbers employed between March, 1947, and June, 1948, was 271,000; defence and home orders absorbed (jointly) 268,000 fewer, and export business 543,000 more. Without question, the numbers employed on home orders alone must have expanded during the period, so that the fall in work on defence orders can be put at 300,000 at the very least. On these calculations (and given all the defects from which the figures suffer) it may well be that employment on work for the Supply Departments is little more than 100,000. An expansion of 50 per cent in the total would be small in terms of absolute size, but that alone would be equivalent to an extra labour cost on the Budget of perhaps £25 million in the full year, and conceivably double that sum when the cost of materials is added in. And this crude estimate includes nothing for the additional cost of the forces themselves.

A transfer of labour, even on this scale, will obviously mean a serious burden to add to the pressure for exports to the hard currency areas and from unrequited exports to the European deficit countries under the new payments scheme. It opens up possibilities of further control of labour, particularly for home industries. It also prompts the question whether the Government will be prepared to relinquish any part of its own demands for labour, now used for civil and Civil Service purposes. For it is crystal clear that Britain cannot add to its present commitments a rearmament programme of even moderate size without risking economic apoplexy. That conclusion is fortified by a simple consideration of what an additional £50 million of expenditure in the Government sector would mean to the Chancellor's financial policy of disinflation. That policy, already weakened by concessions of various sorts, has been whittled down to the point where gross investment may well exceed gross savings—in other words, to the point of further, if modest, inflationary pressure. What shall be sacrificed to make room for defence? Are industrial capital projects to suffer a further lamentable postponement? Will the Government have the courage to go more slowly on housing and social services? Will it seek the easy—and dangerous—way out by drawing further on the dollar and gold reserves? Has it any room left for further taxation and cuts in consumption? The Chancellor will be hard put to it to find a satisfactory solution to these questions.

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Financing the OEEC Grants

One of the subsidiary aspects of the European payments scheme (the main features of which are discussed in an article on page 466) which remain to be settled, is the method by which the European creditor countries will finance the grants they are to make in local currency to the debtor countries. Until the formal procedure has been defined and the whole plan approved by the ECA, it will be impossible to know the precise repercussions which the grants will have upon the domestic credit structures. Naturally, the effects will not be uniform in all countries concerned, but it is already possible to indicate in principle how they will be exerted on the banking system in Britain. Two cases must be distinguished. The dead-weight burden of the grants (or, for that matter, of the releases from European sterling balances) upon the economy will not be felt until the money is spent on goods or services which are taken out in the form of unrequited exports. Britain will bear only part of that dead-weight burden; to the extent that the money granted by Britain (or released from balances) is spent on unrequited exports from elsewhere in the sterling area, the immediate burden will be borne there. In the first case, the financing of the grant will involve a corresponding increase in the British Government's active borrowings through the money market and banking system, and is likely to be accompanied by a parallel expansion of deposits at the commercial banks. In the second case, any such repercussions upon the commercial banks are improbable, except momentarily.

This is only another way of saying that the grants (and releases) will cause an increase in domestic inflationary pressure only to the extent that Britain furnishes the goods—and does so without being obliged to curtail either the volume of exports (other than grant-financed exports) or the programme of capital formation. When funds are put at the disposal (e.g.) of the French Government the money will presumably be re-lent to the British Treasury until required; but as soon as it is paid to the British exporters to France it will increase the level of active bank deposits in Britain—unless the Government is simultaneously taking separate steps to neutralise the pressure by curtailing its own (or industry's) domestic outlays. If, however, the funds are paid to (e.g.) exporters in the British Dominions they will quickly reach the central monetary authorities of those countries and go to swell their accumulated sterling balances. As these are not customarily held in cash at the commercial banks but are lent to the British Treasury by purchases of tap or tender Treasury bills (or, in some cases, against Treasury deposit receipts), this portion of the financing will involve neither an increase in borrowings from the commercial banks nor an increase in active bank deposits.

Despite the official hopes, it is likely in both cases that the grants will involve some loss of dollar earning power, either because the unrequited exports comprise goods which would otherwise be sold for dollars, directly or indirectly, or because they have some dollar "content." To this extent the immediate burden of additional inflationary pressure will be less than the amount of the exports. But as soon as measures are taken to make good this new inroad into the central reserves, the full burden would at once be felt—and most of it would probably fall upon Britain, whatever the source of the original unrequited exports.

* * *

Recourse to Special Account?

These fundamental effects, it seems, must arise whatever the precise mechanics of the financing. The visible effects, notably those shown in the Exchequer return and the Bank return, will of course depend on the particular method adopted. One possibility which has been discussed but has not yet been decided is that the creditor countries might be permitted to finance the OEEC grants by release of funds from the Special Accounts which hold the segregated local currency counterpart of ECA dollar grants. In Britain, if the ECA authorities gave permission for the use of the reserved sterling for this purpose, such an arrangement would present no complications—nor would it alter the basic effects, outlined above, on the commercial banking system. In this matter, however, as in form of the ERP bilateral agreements, the ECA authorities will doubtless wish to maintain as great a degree of uniformity as is practicable in the arrangements with the European countries concerned. And British experience is no guide to what would be practicable or expedient elsewhere.

In Britain, thanks to Sir Stafford Cripps's prudent budgeting, with its prospect of a large and genuine surplus on current account, the broad objectives which the Americans had in mind when insisting upon the device of the Special Account were already assured—so far as anything can be assured in the present conditions of international tension and rising military outlays—without any specific safeguards required by ECA. Here, therefore, as *The Economist* has repeatedly pointed out, the mechanism of the Special Account—to the extent to which the Americans authorise its use for debt redemption—serves simply the purpose of duly recognising, in formal fashion, that the underlying disinflationary obligations upon Britain have been faithfully fulfilled. In some other countries, however, where these objectives are far from being assured, and where the legal and political limits upon Government borrowing through the domestic banking system are being closely approached, the Special Account mechanism is far from being the merely formal device which it looks in London; it may be, on the contrary, a powerful brake upon unsound Governmental finance. Evidently, the relationship of the Special Accounts to the system of OEEC grants is likely to be decided rather by reference to the complicated cases than to the simple case which Britain presents.

If, notwithstanding these difficulties, the use of the Special Account sterling were to be permitted for the financing of the OEEC grants, the effect would be to enable the British Government to make them without any increase in its total borrowings. The funds on the account would to that extent be used, not for the purpose of redeeming the special interest-free Treasury Notes which are the technical counterpart of the funds held at the Bank of England, but in payments to British or sterling area exporters, as explained above. In principle, since the payments would be made by drafts on the central bank, the immediate effect would be to increase the commercial banks' cash by the full amount of the resultant expansion in their deposits. Hence neutralisation devices would have to be at once employed by the Bank of England, following its ordinary day-to-day technique, to prevent a glut of credit in the money market; and the net effect would be seen in a transfer of Government securities to the money market and the banking system. On the other hand, if recourse to the Special Account is not permitted for this purpose, the effect on the commercial banking system will be just the same, but the additional securities it takes up will represent, not releases from the Bank of England's portfolio, but direct additions to the global total of outstanding Government debt. In that event, the national debt would be restored to its original level only as and when the ECA duly authorised the application of the Special Account monies for the purpose. It may be noted, too, that if the Americans were to insist upon their application for active purposes, such as additional capital projects, the effect would be not only to prevent the retirement of debt but to generate yet another source of inflationary pressure.

* * *

The Task in Coal

Holiday interruptions are now largely over, and the mining industry has 16 weeks in which to hit the 1948 target—200 million tons of deep-mined coal and 11 million tons of opencast. Can it be done? Not, it would seem, unless there is a substantial increase in deep-mined coal during the rest of the year. Output for the 36 weeks to date totals 133.8 million tons; for the remainder of the year, output will have to run at an average rate of 4,140,000 tons a week if 200 million tons are to be secured. Last week's output was 3,815,000 tons, and only 43,800 tons were lost through holidays, disputes and breakdowns. The fact is that the industry, with 9,100 more workers on the books, and 3,500 more workers at the coal face, compared with a year ago, is still showing an unduly high rate of voluntary absenteeism, particularly among face workers For the week to August 28th, the figure was 8.42 per cent, and for the following week 8.06 per cent, compared with 6.73 per cent for the week ended September 6, 1947. This deterioration in attendance has more than cancelled out the improvement in output per manshift.

Opencast production to date amounts to 8,512,00 tons, leaving the average weekly output required to obtain the target output at about 156,000 tons. Given reasonable weather, this should be achieved fairly easily, for output in recent weeks has been well over 200,000 tons a week. But a success in opencast budgeting will not compensate for a failure in deep-mined, simply because the former is low quality coal, unsuitable for export or for high-grade industrial purposes. Meanwhile, the export figures themselves do not afford any case for undue satisfaction. The original programme was to supply 16½ million tons, of which 7,000,000 tons were for bunkers, 6,900,000 tons were earmarked for ERP countries in Europe (in this connection the resumption of exports to France, held up for nearly a year owing to currency difficulties, is an event much to be welcomed) and the rest was bound to find no lack of markets if it was of the right quality.

In view of the trend of output, Mr Gaitskell's hint about exporting coal from stocks is timely, and infinitely more reasonable than some earlier comments which suggested that the domestic consumer should be the last to suffer if output fell short of total needs. The Minister of Fuel and Power observed this week that "we entered 1947 with unusually high stocks"—a point made in *The Economist* at the time when it urged the resumption of exports and the reduction of stocks to a more seemly figure. He suggested that there would be no serious risk in letting stocks fall over the year by 2,000,000 tons. The stock figures certainly support this conclusion: distributed stocks are now 15.1 million tons, compared with 13.3 million tons a year ago; and every branch of industry has higher, and apparently adequate, stocks. Mr Gaitskell observed that Britain was now exporting coal at the rate of 20 million tons a year—the actual figures for the first 35 weeks this year are just over 10 million tons, equivalent to slightly under 15 million tons per annum. He hoped "eventually" to get back to 40 million tons—in which hope he will be joined by the country and by Europe. But to obtain the extra 20 million tons will call for a revolution of thought and practice in the industry.

* * *

Agreement in Copenhagen

Trade negotiations with Denmark were concluded in Copenhagen this week. This year, unlike last, there was no hitch, because Britain was able to offer larger supplies of coal and steel.

During the next twelve months, Britain will receive 60 per cent of Denmark's exportable surplus of butter, which will mean an import of between 65,000 and 70,000 tons. This is nearly double the 40,000 tons scheduled for this year under the agreement reached last February but the price has remained unaltered at 321s. 6d. a cwt. Exports of Danish bacon to this country will also be considerably increased. For the next four years Britain will get 90 per cent of Denmark's export surplus; in the first year this should mean some 50,000 tons. Again the price is the same as that agreed upon last February—225s. a cwt. But these quantities are still well below Britain's prewar level of imports from Denmark, when it took 118,000 tons of Danish butter and 170,000 tons of Danish bacon each year.

The increase in supplies—welcome as it is—will, however, hardly be sufficient to raise the domestic ration. The weekly consumption of butter on a 3 ounce ration averages under 5,000 tons while the present bacon ration means a weekly distribution of 4,100 tons. But the agreement should mean that the present ration levels for bacon and butter are assured as a minimum for 1949. Improved supplies of feeding stuffs in the world generally will undoubtedly assist the expansion of Danish livestock, but this must inevitably take time. Bacon production may not regain its prewar level until after 1950 and butter production is likely to take still longer to recover.

The success of these negotiations has been due to Britain's offer of coal. Denmark is to receive during the next year 1,600,000 tons of coal and 500,000 tons of coke, compared with 870,000 tons of solid fuel in 1948. Moreover the quantity of steel has been raised from 50,000 tons to 65,000 tons, and Denmark is also to get £5,000,000 worth of petroleum products. The Danish import programme of British manufactured goods will be expanded to £45 million (fob) a year against this year's estimated total of £28 million, but the details have not yet been worked out. The agreement, however, represents a real attempt to break down the inherently restrictive nature of bilateralism, and in this it promises to be successful.

* * *

National Savings—Gross and Net

Some detailed statistics of National Savings issued last week for the first twenty-two weeks of the financial year give a much clearer picture of the underlying trends than can be seen from the customary weekly figures. The object of the National Savings Committee in making this more comprehensive interim survey of the year's progress is to draw attention to the extent of new saving which has been taking place despite the depressing performance of the net figures computed after deduction of repayments and withdrawals. In measuring the part which National Savings play in the balance sheet of disinflation it is, of course, only the net figure which is significant; and it is for that reason that it generally receives most attention in week-to-week comment. But the effect of this spotlighting of the net dis-saving, especially noticeable in recent weeks, has been, as Lord Mackintosh said last week, to spread something akin to alarm and despondency among the workers and organisers in the movement. It deserves to be emphasised, therefore, that although in the twenty-two weeks "net" saving was a minus quantity—amounting, on the official basis of computation, to £17 million—new gross saving was proceeding throughout the period at an average of some £15 million a week. The gross total for the period was £330 million, compared with £421 million in the corresponding period of 1947—when, however, the receipts were swollen by the effects of the raising of the limits upon individual holdings.

The second object of the survey was to put the problem of withdrawals and encashments into perspective. Although encashments have been heavy during the holiday season, their total for the financial year to date is actually rather less than the corresponding figure for 1947—the totals are £347 million and £364 million respectively. A comparison over a rather longer period shows similar results; encashments and withdrawals in the calendar year to date have totalled £526 million, compared with £543 million. To some extent, this reduction in repayments must be due to the increasing volume of Defence Bonds which have fallen due and been repaid at maturity. These redemptions, which are not included in the official figures of "repayments," have totalled nearly £80 million in the current calendar year, compared with £56½ million in the first thirty-five weeks of 1947. Altogether, therefore, the cash demands of small savers have this year been larger, but not markedly so, than in 1947.

From the point of view of sustaining the morale of its workers, the National Savings Committee is undoubtedly right in drawing attention to these facts. The volume of dis-saving, it also points out, ought properly to be related to the total volume of accumulated savings, now standing at over £6,000 million, rather more than four times the prewar level. Thus the rate of dis-savings in the past twelve months, expressed as a percentage of the accumulated capital, has been no more than 15.1 per cent—a somewhat smaller percentage than that for the year to March, 1947, and an appreciably smaller one than for 1937-38, when the figure was 19.0 per cent. In 1920, it is interesting to note, it reached 29.3 per cent. It is evident, therefore, that the extent of net dis-saving is not attributable to any unreasonable or unexpected volume of withdrawals. Yet, in relation to the scale of the nation's capital balance sheet, the repayments are absorbing very large sums, equivalent to an annual rate of some £820 million. They would wreck any hopes of successful disinflationary budgeting if they were not being mainly offset by new gross savings. Obviously, it is to be hoped that the net balance of the week-to-week figures will soon be restored to a steadily increasing positive quantity—for the new burdens which Britain is assuming for national defence and European Recovery are adding greatly to the inflationary pressures, making saving now at least as important as it was during the war. But, even if the trend of savings is no better than it has been in the past few months, the workers in the National Savings Movement will still be entitled to feel they are doing a worthwhile job.

* * *

Development Councils Again

It was symptomatic of the wide interest among Government back-benchers in the establishment of development councils that this should be the first subject to be raised on the adjournment on the first day of the new session. The debate opened with special reference to the establishment of a development council in the pottery industry, accompanied by the familiar arguments of overriding social interest, the pooling of industrial experience between efficient and less efficient concerns, and the rich contribution to be expected from the workers' side on problems confronting the industry. There is no doubt that the patience of some Labour members is wearing thin as a result of the protracted negotiations on the setting up of development councils. Equally, there is more than a suspicion that some back-benchers claim—just as some employers fear—that the Industrial Organisation and Development Act is capable of being used as a kind of backdoor to nationalisation.

Mr Wilson, the President of the Board of Trade, was evidently anxious to rebut these claims and fears in his reply. Many of the doubts about development councils imposed by order under the Act stem from their statutory nature; there are many employers' bodies who would be quite content with a non-statutory advisory council. And sometimes they have carried the unions with them—as they did for a time in pottery and in the boot and shoe industry. In pottery, at any rate, the two sides have now swung apart—the employers adamant against a development council, set up under the Act, and the union equally insistent upon one. In other industries, too, there are sharp divisions—as in hosiery, wool, clothing and cutlery. In furniture, a development council may be functioning by the end of the year, if present discussions go favourably; talks are proceeding in china clay and jute, and there is a technical hitch in jewellery.

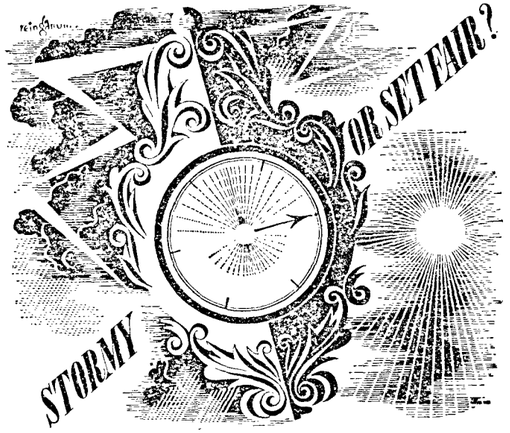
"We cannot," declared Mr Wilson, "delay some settlement of this problem for very much longer." The President of the Board of Trade has power under the Act to set up a development council by order, provided that he is satisfied that its establishment is desired by a substantial number of persons engaged in the industry. But wisely enough, he is still attempting to get agreement and to assuage such fears as "half-way house nationalisa-

Fact-finding

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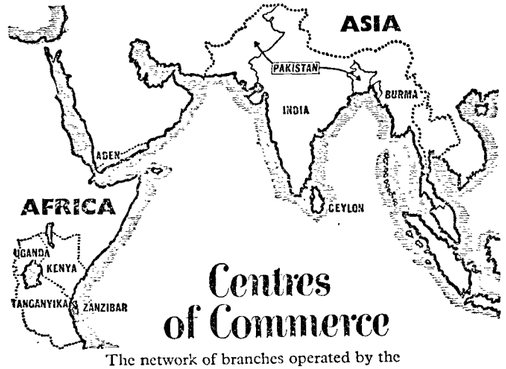


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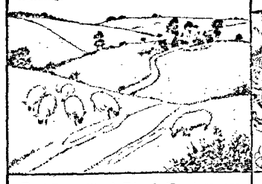
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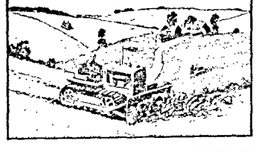
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tion," the supersession of trade associations and Government intervention under cover of a development council. It may be true that development councils can do little harm; but the doubts in some employers' minds are evidently concerned with the question whether they can do much good.

* * *

Bank Court and the TUC

Amid the stream of discussion on the major subjects of controversy at Margate last week, one incident has attracted less attention than it deserves. The National Union of Bank Employees moved that the Court of Directors of the Bank of England should include a representative nominated by that Union. The resolution was defeated, though by a relatively narrow majority of just over one million. The significance of the incident, however, lies not in the result of the voting but in the fact that Sir George Chester, when opposing the resolution on behalf of the Council, disclosed that the Chancellor of the Exchequer had given an informal assurance that the Council of the TUC would be notified or consulted when there was a vacancy on the Court of the Bank, and the Council would take into account the views of the Bank Employees' Union.

This, on the face of it, is a rather remarkable assurance. Since the nationalisation of the Bank of England, members of the Bank Court are appointed by the Crown. Naturally, the Government when tendering advice on the matter is not obliged to follow the wishes of the TUC whatever assurances may be given about "consulting" with it. Nor, for that matter, does it follow that the TUC Council would necessarily endorse the views of the National Union of Bank Employees. But, if the Chancellor's assurance was intended to have any real meaning, it raises an important question of principle. In seeking to draw a parallel between the banking industry and the nationalised industries—the Boards of which do include former trade union officials—the NUBE is implying that technical expertise in banking is the proper and necessary qualification for membership of the Bank Court. Opinions will differ about the extent of purely banking knowledge which is necessary —and also, incidentally, upon the fitness of the NUBE to pronounce upon it, for expertise in day-to-day banking technique is a very different thing from wisdom in central banking, even in its technical aspects. But it is certainly a little paradoxical that this particular argument should be urged from circles of the Left now that the Bank of England has been nationalised. In the bad old days when the privately-owned Bank of England was attacked by Labour for its wicked machinations, the cry always was that it was dominated by a Court comprising mainly banking and financial interests—though not, admittedly, representatives of the big joint stock banks.

It is not on these grounds alone that the principle implied in the Chancellor's assurance is bad. Though the Bank of England is nationalised, the commercial banking system is not; and even if it were, the Bank of England's relationship to it would not be comparable to that which subsists between a nationalisation Board and the industry which it controls. The Bank of England, even before its nationalisation, had become, and still is, in effect part of the central administration of Government. In the execution of Government policy the Bank may, indeed, exercise control over the banking system as a whole, but it does so in its capacity of central bank and not because it is part of the banking "industry" The interests of the banks and bank employees deserve no greater weight in the determination of central banking policy than the interests of any other section of the British public, and the interests of the whole are not to be secured by sectional representation. That principle was indeed strongly reaffirmed by Dr Dalton at the time of the passing of the Bank of England Act when he said that members of the Bank Court, if chosen from particular sections of the community, would not act in the capacity of representatives of that section. Perhaps Sir Stafford Cripps's assurance last week was intended to be merely a diplomatic way of rebutting an embarrassing proposal which he knew ought not to be taken seriously.

* * *

Cement and Dollars

On the face of it, the Ministry of Works' decision to allow the import of German cement and cement clinker is startling. In the next three months some 100,000 tons are to be shipped from North German ports and Rotterdam to Scotland. The Ministry explains that these shipments will permit "the increased supplies of cement which have been programmed recently for Scotland to be maintained without detriment to other recipients of British cement, notably in the Colonies and Dominions." The nature of this "programming" deserves fuller scrutiny. No extraordinary increase in Scottish demand has occurred recently, although Scottish cement consumption, especially for hydro-electric development, is higher than it was before the war. There were temporary shortages in April, but these were remedied later when transport difficulties were overcome. Are the "wash outs" on the North-East coast route now causing difficulty?

This is not the first occasion on which topsy-turvy conditions in foreign exchange have led to abnormal trade. For instance, some months ago Dutch rayon was imported in order to enable British rayon exports to earn hard currency. But in this case the flow of currency is reversed, as in the first purchase of grey cotton cloth from Japan for dollars. Bizonia, too, will presumably get the equivalent of dollars in order that Britain may earn sterling from the colonies.

The clue to the transaction appears to be that without British supplies, the colonies would be forced to import from Belgium, the only other source of supply. The implication, evidently, is that the Treasury regards the Belgian franc as being a shade harder, if anything, than payments to Bizonia. But why is the British industry unable to meet home and export demands fully? The demand for cement extends to nearly every country and sellers still rule supreme. British cement is a profitable and competitive export and its quality has earned it a high reputation. The answer seems to be twofold. First, cement is subject to export restrictions in the interest of the home building programme. These restrictions are lifted every autumn, and reimposed when the building season begins in the spring. Secondly, the industry has found it difficult to expand. The chairman of Tunnel Portland Cement complained this week that two new works had been held up by the authorities. Associated Portland Cement have had three extensions and two new works delayed for eighteen months. One of the new Tunnel works should be in operation in the spring of 1949 instead of this year as was hoped, while the first of the new Associated plants will not be ready before 1950. Over and above the abnormal demand occasioned by capital expansion abroad, there is a general trend towards greater use of cement in substitution for timber and steel.

* * *

Rhodesia and Copper Supplies

The Rhokana copper mine and mill had to close down completely last week for five days and the smelter operated only one reverberatory furnace. Production at Nchanga also had to be curtailed and the electrolytic refinery was working at only 25 per cent of capacity. The cause was a recurrence of the shortage of coal due to the lack of rolling stock on the Rhodesian Railways system. Last year's interruptions to Rhodesian copper production were sufficiently serious for the Government to give priority for delivery of locomotives and trucks to the Rhodesian railways. Much of this equipment has arrived in Africa, but not all of it is yet in use. Transport is, however, expected to improve considerably during the coming months.

An improvement will be welcome in view of the importance of Rhodesian copper output to Britain and the United States. Up to July the output of copper in Rhodesia had shown a satisfactory expansion; according to the British Bureau of Non-ferrous Metal Statistics, production reached 19,900 tons in that month, making an average for the first seven months of the year of 18,150 tons a month compared with the average of 16,200 tons a month for 1947. Smelter production has expanded on a similar scale, but the output of refined copper from primary refiners, after reaching a peak of 6,151 tons in March, fell to 5,026 tons in June and in July dropped to as low as 3,356 tons. Even so, the average up to July of 4,900 tons a month was still above last year's level of 4,600 tons.

Consumption of virgin copper in the United Kingdom has been on a smaller scale during the past two months owing to the summer holidays. But the general level has so far been some

Next week's issue of the *Records & Statistics* Supplement will include the Annual Survey of British insurance, covering recent trends in life assurance, marine business, and the investment problems of insurance offices.



Joseph Priestley *Yorkshireman, Doctor of Divinity, theologian and pamphleteer, owes his fame to chemical discoveries made in his leisure hours as a relaxation from writing sermons and political broadsheets. His first success as a practical chemist was the accidental discovery of soda water. While living next door to a brewery in Leeds, curiosity led him to investigate the process of brewing. In doing so, he found that carbon dioxide gas, which is produced during the brewing of malt beverages, could be dissolved in ordinary water to make "aerated water". The success of this experiment set him on his chemical career and he acquired a renown which matched his considerable reputation as a theologian.*

His appointment as librarian to Lord Shelburne at Bowood in 1773 gave him ample time and opportunity to develop his scientific hobbies and his most important work was done during the following eight years. In this period he discovered, prepared and studied a vast number of gases — all of them highly important — including oxygen, ammonia, nitrous oxide (the "laughing gas" of the dentist's surgery), hydrogen sulphide, hydrogen chloride and sulphur dioxide. Priestley's inventive genius was of a type that is typically British. As a practical experimenter he has had few, if any, equals, and the gases he discovered have proved of immense scientific and commercial importance. He died in 1804 in Pennsylvania, U.S.A.

ICI

"Glad you like this sherry —it's South African

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Now you're delving into history. They used to be very popular. But in 1860 Mr. Gladstone removed the Colonial Preference and sent the South African wine industry into the wilderness.

Is that likely to happen again?

I hope not. Imperial Preference has encouraged the South African wine growers to tremendous efforts. The British Government is not likely to lead such an important Empire Industry up the garden again. It wouldn't make sense.

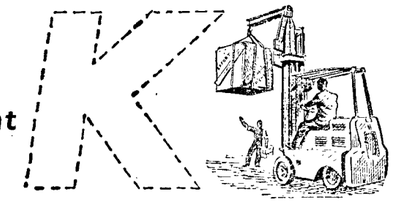
So we can look forward to several kinds of really fine wines from South Africa?

You certainly can, and very soon, too."

SOUTH AFRICAN WINE FARMERS ASSOCIATION
(LONDON) LIMITED

SAWFA

Weight without wait . . .



K.L.M. are the "hauliers of the air". More than fifty of the most important marketing centres of the world are served by fast K.L.M. freighters carrying anything from livestock to heavy machine parts.
Full particulars from all freight agents, or from K.L.M. Royal Dutch Airlines, 194 Sloane St., S.W.1 (Tel: Sloane 9656) and at Manchester, Glasgow & Dublin.



It's time you flew it K·L·M

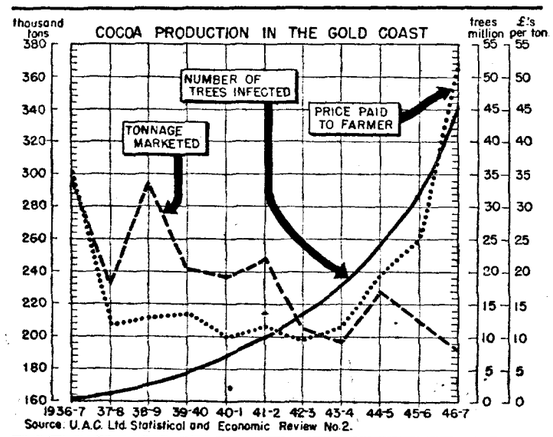
4 per cent above last year's average of 29,200 tons, and the consumption of secondary copper has also increased. Imports of unwrought copper into Britain were very heavy in July, and at the end of that month total copper stocks in the country amounted to almost 100,000 tons—the highest figure since the beginning of the year; of this quantity 77,000 tons consisted of Government stocks. Britain, however, is still dependent on dollar sources for its supplies of electrolytic copper, which comprise 56 per cent of its copper imports, and the shipments from Canada and Chile, for this year at any rate, are being paid for by ECA dollars. The immediate problem in Rhodesia is clearly to ensure a steady flow of coal to the mines and smelters. But the longer-range problem for the sterling area is to expand its output of electrolytic copper so that imports from dollar countries can be reduced as far as possible.

* * *

Gold Coast Cocoa Production

The price for West African cocoa was increased last Wednesday from 50s. to 65s. per load of 60 lb. at the buying stations. But the higher price, welcome as it may be to the cocoa-growers, will do little to help solve the problem facing the Gold Coast cocoa industry. That problem is one of disease—"swollen shoot"—spread by mealy bugs from tree to tree. As these bugs can be carried considerable distances by wind, the infection is able to spread in all directions and at an increasing rate. Before the war it was estimated that one million cocoa trees a year were killed by the disease. Between 1939 and 1945 the rate of killing increased to five million a year, and by the end of 1947 the disease was spreading at the rate of 15 million trees a year. It has been recently estimated that some 46 million trees are infected which will die by the end of 1949. Before the war the total stock of cocoa trees was thought to be under 400 million; no accurate census has ever been made. This present high rate of killing thus means the virtual extinction of the Gold Coast cocoa industry within twenty years unless remedial action is taken.

The accompanying chart (reproduced from the recent statistical and economic review of the United Africa Company) portrays the striking relationship between the number of trees affected and the



Source: U.A.C. Ltd. Statistical and Economic Review No. 2.

reduction in tonnage of cocoa marketed. The Gold Coast supplies some 40 per cent of the world's output of cocoa, but its production has been declining at a very marked rate since the beginning of the war—notwithstanding the recent sharp rise in prices paid to farmers. If anything, the graph suggests a direct correlation between the prices paid and the incidence of the disease. This is understandable, as the only method yet known to science of combating the disease is cutting out the infected stock and replanting. As newly planted cocoa trees take five years to bear fruit, higher prices paid to farmers for cocoa beans are clearly a disincentive for cutting out, unless Government compensation is increased commensurately.

But the threat to the cocoa industry has wide economic and social implications. Cocoa is the most important cash crop in the Gold Coast, and its exports account for nearly half of the total value of exports from the colony. Moreover, it is a significant dollar-earner, as some 40 per cent of the cocoa shipped from the Gold Coast goes to the United States. When the problem of "swollen shoot" in the Gold Coast was debated in the House of Lords last Wednesday, Lord Listowel, replying for the Government, said that a new inquiry into the advisability of cutting out infected stock was expected to be made next year by a group of independent scientists of international reputation. In this way it was thought possible to convince the native farmers that only by such drastic action can the disease be eradicated. The results of the cutting-out campaign to date have not been very encouraging.

* * *

Harvest Hopes Materialise

Despite the bad summer in Britain the estimated yields of grain crops this year are well above the 1947 figures and even higher than the ten year averages. According to the Ministry of Agriculture the wheat harvest will yield 79 million bushels compared with 62 million bushels last year. Wheat has withstood the stormy weather better than the other grain crops, but there has nevertheless been a very considerable loss due to shedding and sprouting. The barley crop is expected to yield 84 million bushels compared with 76 million in 1947, while the oats harvest is forecast at 190 million bushels against 176 million bushels last year, notwithstanding the great difficulty which has been experienced in cutting. The total of these three crops is thus expected to amount to 353 million bushels compared with 238 million bushels before the war.

In the United States the harvest yields are proving to be even higher than the first official estimates. The wheat crop is now put at 1,285 million bushels compared with 1,365 million bushels last year, while the maize crop estimate has been increased by a further 22 million bushels to 3,529 million bushels. This figure exceeds the 1947 crop by more than 1,000 million bushels and is an all-time record. The United States Department of Agriculture has stated that American farmers this year will produce the biggest volume of food in the history of the continent. Exports of wheat from the United States during the current season are expected to total 450 million bushels, although the United States Secretary of Commerce has already asked that wheat exports should be limited to 400 million bushels. During the 1947-48 season American shipments of wheat and flour reached the record level of 476 million bushels. The US Bureau of Agricultural Economics has, however, pointed out that an export of 450 million bushels would still leave a carry-over next July of 275 million bushels, which will be the largest stock of wheat the United States has held since the war. A large export of maize is also expected this season and should total at least 200 million bushels.

Europe's import requirements in 1948-49 will in any case be reduced owing to the good domestic harvests. According to the estimates made at the Marshall Plan Conference in Paris last year, imports of bread grains during the current season were put at 750 million bushels and of coarse grains at 400 million bushels. If the American exports of wheat reaches 450 million bushels, Western Europe requirements can be easily covered, as Canada is expected to have an export surplus of 220 million bushels. There should also be little difficulty in meeting Western Europe's demand for feed grains without having to buy large quantities from Argentina. The world supply of grain appears to be so plentiful that the Argentine Republic will certainly have to modify its export prices if it is not to be left with large unsold stocks of both wheat and maize.

* * *

Dollar Stocks and Estate Duty

The official view of the Estate Duty Office on the valuation of dollar stocks for Estate Duty has been made known this week. In their opinion the values returned for United States dollar securities "should reflect the premium which was obtainable at the date of valuation on quotations in the United States." In American dollar securities, of course, the development of a London market with switching facilities has resulted in a fairly uniform rate of premium applicable to all stocks. This premium is now recorded in the Stock Exchange Official List—this week it has been 29 per cent—and it will have to be added to the sterling equivalent of the New York price (converted at the official rate) in order to compute the valuation of the stock for Estate Duty purposes.

In the case of Canadian securities, the problem is somewhat different. There are no opportunities for switching, owing to the ban, and premiums therefore tend to show a wide variation recently, from 5 per cent to 35 per cent. The Estate Duty Office has therefore laid down the principle that "Canadian dollar securi-



For the man of to-day

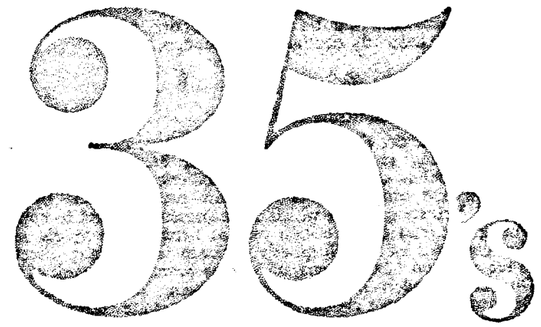
Little time to think about correct posture, even when you do get a chance to sit down! Result — stomach muscles soft, slack and no longer a protection. A Linia Belt gives just the support you need. It tones up the muscles and helps a lot in keeping you fit and energetic.

Wear the
LINIA BELT
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8.30 to 9.30
in the morning
4.30 to 6.00 in the
evening are rush hours
when 2,500,000 Londoners
MUST travel to and from
their work. If you need
not travel at these times
PLEASE DON'T.
You will be helping
the millions
who must.

PLEASE AVOID THE RUSH HOURS

Sell now to the under



and gain customers for life

The under-35's have grown up against a background of war service and of shortages; their growth to maturity as consumers, therefore, has been severely retarded. Now they are forming buying habits which, if you persuade them in time, may give them a lifelong preference for your goods. From this vast potential market (over a third of our adult population is under 35) the Daily Mirror, with a net sale of over 3,700,000 daily, draws well over a million more readers than any other daily paper. Lay the foundations of your future prosperity by selling now to the under-35's. Talk to them through the advertisement columns of the Daily Mirror

Daily Mirror
THE NATIONAL DAILY
WITH THE SECOND LARGEST SALE
1,130,000 more adult readers under 35 than any other national daily paper (vide independent Hulton Survey)
Cost of advertisement space (per column inch per thousand readers) lower than any other national daily

ties should be valued on the basis of the Canadian price, converted at the current official rate of exchange, or of the price obtainable in London, whichever is the higher."

The letter of the Estate Duty Office to the Stock Exchange, which sets out these official views, declares that they are based on the well-established principle that for estate duty purposes an asset should be valued on the assumption of a sale in such a manner as to realise the best possible price. Under the rules, it will follow that an American security will be valued *cum* premium, even though it may not enjoy a market in London, whereas Canadian securities will be valued at parity, unless there is a higher price currently obtainable in London.

* * *

Colliery Compensation Delays

A Note under this heading in *The Economist* of September 11th, referring to the statement of Mr M. K. Burrows to the shareholders of the Manchester Collieries, declared that Mr Burrows had complained of the slow progress made by the Central Valuation Board which is at present engaged in apportioning the total compensation sum as between the 21 districts. The emphasis of Mr Burrows's criticism was actually directed to the slowness of the preparatory steps towards the work of the District Valuation Boards. The following extract from Mr. Burrows's statement should make the point quite clear:

> The proceedings before the Central Valuation Board started in May last but with all the speed that is consistent with a fair hearing for all parties, the announcement of the apportionment of the Global Sum to the twenty-one districts cannot be expected before the end of this year. It is becoming apparent that the most serious, and in my view, the least excusable delay is in preparing the way for work of District Valuation Boards. The appointment of the members, other than the Chairmen, of the District Valuation Boards has not yet been made or at least has not yet been announced and therefore no steps leading to the valuation of collieries and particularly of the ancillaries can be taken.

* * *

Middle East Oil Enterprises

Among recent signs of the still growing interest taken by American companies in the oil-bearing areas of the Middle East, the Kuwait concession negotiated by American Independent Oil Company is perhaps the most notable. The company was formed last year with an authorised capital of $100 million by eleven independent producers in the United States, including Phillips Petroleum Company and Sunray Oil Corporation; Mr Ralph K. Davies, who was formerly Deputy Petroleum Administrator for War and vice-president of the Standard Oil Company of California, was appointed president. The parent group consisted of companies which had in the past produced, as well as marketed, their oil in the United States, and their interest in the Middle East was taken to mean that they were anxious to secure additional sources of supply for the American market. Presumably they do not intend to undertake refining in the Middle East.

Negotiations between the Sheik of Kuwait and various oil companies had been proceeding for some time for the right of exploitation of the Sheik's half-interest in the Kuwait-Saudi Arabian neutral zone. This area of about 2,000 square miles lies on the Persian Gulf immediately south of Kuwait, and was reputed to be the richest oil-bearing region still unallocated. Mr Davies has announced that his company has secured the concession. He has evidently succeeded in outbidding the major oil companies, and the reported terms, indeed, are handsome for the Sheik. They are said to include a bonus of $7,000,000, an annual rental of $600,000 until production starts, and royalties of about 33 cents a barrel. As Mr Davies has stated, this is the first time independent producers have entered Middle East oil production on such a large scale. The Saudi Arabian half-interest in the neutral zone has been secured by the Arabian American Oil Company, and negotiations are reported to be proceeding between the two American companies for co-operative exploration and exploitation of the area. Estimates of Saudi Arabian oil reserves have risen lately following the completion of a big well by the Arabian American Company at Ain Dar, 25 miles west of the Abquaiq wells.

Between the neutral zone and Bahrein there are important off-shore fields still to be exploited, and the Superior Oil Company of California has been negotiating with King Ibn Saud for these submerged areas; a British company, Central Mining and Investment Corporation, has been reported to be co-operating with the Superior Oil Company on this project.

Another area in which oil exploitation has lately been active is the Sinai peninsula. Production at the Sudr oilfield is expanding, and is likely soon to reach 10,000 barrels a day. South of Sudr a well is about to come into operation in the new oilfield (as yet small) at Asl. The Sudr and Asl fields are operated jointly by Anglo-Egyptian Oilfields (a company of the Royal Dutch Shell group) and Socony Vacuum Oil Incorporated.

Shorter Note

In connection with the implementation of the financial scheme of Petrochemicals, Ltd., outlined in *The Economist* on August 8, the "B" noteholders at an extraordinary meeting this week agreed to the conversion of the £900,000 4 per cent. "B" notes of Petrocarbon, Ltd., into ordinary shares of a similar amount in Petrochemicals, Ltd. At another meeting shareholders confirmed the appointment of General Sir W. G. Lindsell, hitherto a director of the company, as chairman of Petrochemicals, Ltd.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Amalgamated Anthracite; Tootal Broadhurst Lee; International Tea; Fisher and Ludlow; Triplex.

Prices, Year 1948 Jan. 1 to Sept. 15 High	Prices, Year 1948 Jan. 1 to Sept. 15 Low	Name of Security	Price, Sept. 8, 1948	Price, Sept. 15, 1948	Net Yield, Sept. 15, 1948 (a) £ s. d.	Gross Yield, Sept. 15, 1948 £ s. d.
		British Funds				
101⅞	100⅛	War Bonds 2½% August 1, 1949-51	101⅛	101⅛	...	1 5 4e
101⅝	100⅞	Exchequer Bonds 1½% Feb. 15, 1950	100⅞	100⅛	0 6 8	1 3 3
102⅛	100⅜	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 8 2	1 10 9e
103	100	War Bonds 2½% March 1, 1952-54	102	102⅛	0 15 9	1 18 4e
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	103⅛	103½	1 2 11	2 16 2
102⅛	99⅞	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	1 0 3	2 2 10e
103⅛	100⅛	Funding 2½% June 15, 1952-57	103	103	1 3 11	2 9 2
105⅜	100⅛	National Def. 3½% July 15, 1954-58	104⅛	104⅞	1 4 0	2 10 11
105⅛	101⅛	War Loan 3½% Oct. 15, 1955-59	104¼xd	104⅜xd	1 4 8	2 10 10
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	102⅛	102⅛	1 9 4	2 16 11
101⅞	96⅜	Funding 2½% April 15, 1956-61	99⅝xd	99⅝xd	1 7 8	2 10 01
103⅜	98⅛	Funding 3½% April 15, 1959-69	102⅛xd	102⅛xd	1 10 5	2 17 01
114⅛	110⅛	Funding 4½% May 1, 1960-90	114⅛	114⅞	0 19 2	2 13 11e
102⅛	97⅞	Savings Bonds 3% Sept. 1, 1960-70	101⅛	101⅛	1 11 1	2 17 10
97½	92⅛	Savings Bonds 2½% May 1, 1964-67	97⅛	96⅛	1 12 1	2 15 9
115⅞	112⅛	Victory Bonds 4½% Sept. 1, 1920-76	114⅞	114⅛	1 3 11	2 16 9*
101⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	101	101⅛	1 12 1	2 19 11
111	107⅛	Consols 4% (after Feb. 1, 1957)	109⅛	109⅛	1 0 2	2 14 11f
106⅜	102⅛	Conversion 3½% (after Apr. 1, 1961)	104½xd	104½xd	1 9 9	3 0 3f
83⅛	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	76½xd	77⅜xd	1 15 8	3 4 10f
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	94⅛xd	94½xd	1 14 11	3 5 5f
100	93½	Redemp. Stk. 3% Oct. 1, 1986-96	95½xd	98⅛xd	1 14 0	3 5 1
85⅜	74½	Consols 2½%	77⅛xd	77½xd	1 15 6	3 4 6
101⅛	96	British Electricity 3% Gtd. 1968-73	100⅛xd	100⅞xd	1 12 4	2 19 2
99⅛	93½	British Transport 3% Gtd. 1978-88	99¼	99⅜	1 13 10	3 1 3
101⅜	95⅞	British Transport 3% Gtd. 1968-73	100⅜xd	100⅞xd	1 12 6	2 19 4

Prices, Year 1948 Jan. 1 to Sept. 15 High	Prices, Year 1948 Jan. 1 to Sept. 15 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Sept. 8, 1948	Price, Sept. 15, 1948	Yield, Sept. 15 1948 £ s. d.
		%	%		**Other Securities**			
104⅛	101½	(d)	(d)		Australia 3½% 1965-69	104¼	104½	2 19 0e
94½	91½	(d)	(d)		Birmingham 2½% 1966-71	93½xd	93½	2 19 4f
60	50	*c*	50	*c*	Anglo-American Corp. 10s.	6½	6⅜	3 16 3
10⅜	7⅛	5	*a*	25 *b*	Anglo-Iranian Oil £1	8⅛	7⅞	3 16 2
76/6	62/4½	15	*c*	15 *c*	Assoc. Port. Cem. Ord. Stk. £1	73/–	72/6	4 2 9
38/6	29/6	40	*c*	40 *c*	Austin Motor 'A' Ord. Stk. 5s.	35/–	35/–	5 14 3
84/–	72/9	7	*a*	7 *b*	Barclays Bank Ord. 'B' £1	76/6	76/–	3 13 8
10⅜	8⅛	†20	*b*	†5 *a*	Bass Ratcliff Ord. £1	9⅞	9⅜	2 14 10†
104/9	85/–	12	*b*	8 *a*	British Oxygen Ord. £1	100/–	98/9xd	4 1 1
46/11½	36/–	2½	*a*	5 *b*	Courtaulds Ord. £1	41/–	40/3	3 14 6
32/6	25/1	20	*a*	7½ *b*	Distillers Co. Ord. 4s.	27/3	27/6xd	4 0 0
32/10½	27/9	8	*c*	8 *c*	Dorman Long Ord. £1	30/9	30/9	5 4 1
79/9	68/–	15	*c*	15 *c*	Dunlop Rubber Ord. £1	74/–	74/–	4 1 1
53/–	44/–	3	*a*	7 *b*	Imp. Chem. Ind. Ord. Stk. £1	45/–	44/9	4 9 5
19½	13½	*b*		13½ *a*	Imperial Tobacco £1	5⅞	5½	6 5 8
48/9	40/3	10	*c*	10 *c*	Lancs. Cotton Ord. Stk. £1	44/4½	43/9	4 11 5
56/6	44/10½	10	*c*	10 *c*	Lever & Unilever Ord. £1	48/9	48/9	4 2 1
61/3	47/6	12½	*c*	10 *c*	London Brick Ord. Stk. £1	53/9	53/9	3 14 5
25	20	*c*		31½ *m*	P'chin J'son Ord. Stk. 10s.	54/–	54/–	4 12 6
35½	30½	†7½	*b*	†7½ *c*	Prudential 'A' £1	32½xd	32½	2 7 6†
59/3	49/9	12½	*c*	12½ *c*	Stewarts & Lloyds Ord. £1	55/7½	54/6	4 11 9
85/7½	73/11½	12½	*a*	†5 *b*	"Shell" Transp. Ord. Stk. £1	77/6	76/3	1 19 3†
7⅞	5½	12½	*b*	12½ *a*	Tube Invst. Ord. Stk. £1	6⅞	6¼	4 1 8
11½	3½	*a*			Turner & Newall Ord. Stk. £1	77/–	77/–	3 17 11
90/9	73/3	15	*a*		Woolworth (F. W.) Ord. 5s.	81/–	79/6	4 8 1
93/3	77/–	55	*b*					

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (a) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) To latest redemption date. (m) 15 months. Yield Basis 25%. † Free of tax.

COMPANY MEETINGS

INTERNATIONAL TEA COMPANY'S STORES, LIMITED

RECORD FIGURES

The annual general meeting of the International Tea Company's Stores, Limited, will be held in London on the 5th proximo.

The following is an extract from the annual review by the chairman, Mr Guy Collier, circulated to shareholders.

The company's trading year (53 weeks) to May 1, 1948, has produced further record figures in its long and successful history. I feel I should give you some idea as to the special features which have enabled your company to produce these results. Fundamentally, our business is dependent upon turnover. Let there be no misunderstanding on this point. Without continual effort on the part of the board and our buying and selling departments, this record profit could not have been made. In order to safeguard and expand turnover the questions of registrations and stocks of points goods to attract both registered and non-registered customers must receive our constant attention.

Our registrations show a great increase, and our stocks of points goods are maintained at the highest possible level and quality, bearing in mind the limitation of supplies. Only by day-to-day attention to these very important functions of management can good results be achieved. At the same time, it is essential to have the right type of staff throughout our business if we are to give the service to which our customers are entitled. Our margins of profit, nearly all controlled, are meagre, our expenses are considerably higher than last year, but I say again, turnover, registrations and service are the foundation on which these results have been achieved and upon which our business is maintained.

UPWARD TREND IN PRICES

Another point I must stress is the upward trend in prices of many commodities in the period under review. The resultant inflation of stock values is a question continually and prominently in our minds. There may well come a time when a downward trend in prices will set in, and for that reason we have considered it prudent to set aside the sum of £100,000 as a reserve to meet possible future depreciation in stock values.

The general economic conditions, the scaling down of imports from hard currency countries, the fact that large sections of the world are still either non-producing or are erecting price structures against this country, render it imperative for us to consider our position as distributors of essential foodstuffs from every angle. At times there is an apparent easing of our difficulties, not infrequently followed by some new regulation which takes us back to where we were, or places us in a position even inferior to that which prevailed one or even two years ago. These difficulties which are felt not only at head office, but which reflect through the staff at the branches, and eventually result in dissatisfaction on the part of some customers who cannot obtain their needs, have led us to offer incentives by way of competitions, on what might be described as the "friendly rivalry" basis, to our various selling outlets. The trading profit I am sure you will feel is satisfactory.

Our factories at Southall and Belmal Green and all our subsidiaries have contributed greatly to our success. We, in common with all companies, have been requested by the Treasury and the Federation of British Industries to refrain from increasing the rate per cent. of distribution by way of dividend. As one of the leading houses in our trade we must observe that request, although we could on this occasion have increased the dividend had we been entirely free to act.

TATA IRON AND STEEL COMPANY, LIMITED

MR J. R. D. TATA'S SPEECH

The annual general meeting of the shareholders of this Company was held on the 24th ultimo at Bombay.

Sir Ardeshir Dalal presided owing to the indisposition of the chairman (Mr J. R. D. TATA) and read the chairman's speech, which surveyed the economic and political difficulties which India had encountered during her first year of independence, and stressed the urgent need for steps to restore confidence and revive production.

The steel company's own production had declined from 753,000 tons to 664,000 tons, and production of most other industrial goods had also declined. On the other hand, both prices and the volume of money in circulation had risen to record heights.

NEED FOR INCREASED PRODUCTION

To check inflation, the first necessary step was to increase production. Nevertheless, attempts by the Government of India to reduce the number of man-days lost through industrial disputes had not been successful. On the Government of India's handling of this most vital problem would depend the prosperity of the country for many years.

The wage structure of the Steel Company's works at Jamshedpur had been further revised at a cost of Rs. 104 lakhs in the first year, rising to Rs. 162 lakhs annually. In spite of this, and in spite of the increases in dearness allowances and food rebates, production had not increased.

Transport shortages had also affected production, and, while the coal supply position had improved, shortages of certain essential raw materials continued.

The following figures were given as an indication of steeply rising costs, costs for the year 1939-40 being taken as 100:—

Wages	297
Coal	265
Iron ore	172
Total cost	257

As against that, the selling price index was 180. This represented a smaller increase than in any other country, except possibly Australia. This and other facts in relation to costs and prices were being brought to the notice of the Tariff Board.

The cost of maintaining the town of Jamshedpur has risen from Rs. 1.41 lakhs in 1939-40 to Rs. 40 lakhs in 1947-48, and for next year it was estimated to be Rs. 41.46 lakhs. The Government of India had accepted the principle (but had so far not implemented this) that part of the burden should be borne by them.

NEW PLANT

The company had an agreement of over 10 years' standing with Messrs Stewarts and Lloyds for the manufacture of tubes in India. Under this agreement the company was to instal a skelp mill (estimated to cost Rs. 165 lakhs) and was to share the cost of a tube mill (which would probably cost Rs. 125 lakhs) with Messrs Stewarts and Lloyds in the proportion of 60:40. The company had also under consideration the manufacture of alloy, tool and special steels.

The Government of India had decided to build one or two steel works, presumably in pursuance of its policy that all new developments in the steel industry would be undertaken by the State. More steel certainly required to be produced in the country, but it was unfortunate that this complicated and difficult industry should have been chosen by the Government for its venture on nationalisation. The Government had consulted the industry, and the steel company had submitted a scheme based on joint State and private enterprise, which the Government, however, had rejected. The company had started raising coal from its West Bokaro Colliery, and expected to increase raisings to 10,000 tons per month from October, 1948.

ASSOCIATED WEAVERS, LIMITED

INCREASED PROFITS

The twelfth annual general meeting of Associated Weavers, Limited, was held on the 15th instant in London.

The following is an extract from the statement of the chairman, Sir Frank H. Newnes, Bt., circulated with the report and accounts:—

Your directors are again pleased to place before you accounts showing a successful year's trading and increased profits of our group of companies which, for the period ending March 20, 1948, are £145,481 (51 weeks) after profits tax, against £108,163 (52 weeks), after profits tax and excess profits tax, in the previous year. We propose to declare a final dividend of 45 per cent. which, with an interim dividend of 20 per cent. already declared, will make 65 per cent. for the year, which is the same as last year.

YEAR OF EXTREME ACTIVITY

In the year under review the company has been extremely active in new developments necessitating large capital outlay in our carpet and moquette mill in Bradford, our spinning mill at Morley and our new Armoride mill at Earby, and the directors have under consideration the provision of further capital so as to maintain unimpaired the strength of the group's liquid position.

Our moquettes factory shows a 60 per cent. increase in production over last year, and our carpet factory 80 per cent. The demand nevertheless continues unabated and the present year to date shows a further substantial increase in production and turnover. We have brought out new designs which have been well received. The Board of Trade now gives us freedom of design, a relaxation of control we have long awaited and which is very welcome

We have given special attention to exports, I am glad to say most successfully. We again exhibited at the B.I.F. in London and we also showed at the Toronto Fair, where we obtained large dollar orders and were the only British carpet and moquette manufacturers there.

During the war we acquired on favourable terms a mill at Morley, near Bradford, and used it for storage and other purposes. We think it important, with our large and growing requirements, that we should be able to do some of our own spinning and so we have a spinning plant in this mill where moquette yarns best suited to our requirements are being spun.

The erection of the large new plant and equipment at Earby for Armoride, Limited, and its plastic and leathercloth production has proceeded rapidly and we shall soon have the most up-to-date plant of its kind in this country.

The size of our plant, with all the latest improvements in manufacture, will considerably reduce our working costs to enable us to compete successfully both in the home and export markets. The competition in the leathercloth market is perhaps keener than in that of other of our products, but we have every confidence that with our able management and up-to-date methods we shall be able to meet all competitors.

PERMISSION RECEIVED

In moving the adoption of the directors' report and the statement of accounts, Sir Frank Newnes said:—

Since my speech was issued to the shareholders, the Investment Registry and the Ocean Trust have arranged to place an issue of £300,000 four and a quarter per cent. notes, the permission of the Capital Issues Committee having been received for this issue, which has been placed largely with financial institutions. This additional finance is required to provide for new plant and machinery, and as further working capital to finance the company's increasing production.

The report was adopted.

DAWNAYS, LIMITED

YEAR OF PROGRESS

MR H. THORNE'S REVIEW

The thirteenth annual general meeting of Dawnays, Limited was held, on the 10th instant, at the Dorchester Hotel, London, W. Mr. Harry Thorne (chairman of the company) presided.

In moving the adoption of the report and accounts the Chairman said:

Again it is my pleasure to present to you a report and the accounts of the company which I am happy to state reveal the further progress which has been made during the current year. I say progress advisedly as my attention has been drawn to a reference in the Press which quite wrongly attempts to make the result look otherwise, no doubt some of you have seen or are aware of the report to which I refer and I, therefore, propose to direct your attention to the true position as shown by the figures set out in the profit and loss account which is before you.

INCREASE IN GROSS TRADING PROFIT

The gross trading profit for the year 1947-48 is £157,291, plus investment interest of £1,593, making a total of £158,884, which constitutes a profit record for the company and shows an increase of £32,583 over last year's gross trading profit.

OVER £7,000,000 OF CONTRACTS

During and following the war years we carried out contracts to the value of approximately £7,000,000, a large proportion of which contained costing clauses which were very onerous and it became necessary that we should make provision for possible repayments after costing; this we did to the extent of approximately 3 per cent. on these particular contracts.

Finalisation of these contracts being practically completed we find that £63,043 so provided has not been required and, therefore, that sum (less £34,268 which is placed to contingencies reserve) is brought in to the year's profit and loss account.

INCOME TAX PROVISION

The income-tax payable on the amount brought in amounts to £25,500 and tax on our present year's profits £51,500, making up the sum of £77,000, which you will find on the debit side of the profit and loss account.

NET SURPLUS

As mentioned above, our trading profit for 1947-48 is £158,884, against which we have charges for depreciation, audit fees, directors' remuneration and taxation of £107,496, leaving a net profit for the year's working of £51,388, out of which the dividend of 22½ per cent. is met leaving a surplus of £19,967, equivalent to a further 14 per cent. on the dividend.

The comparable net profit figure last year was £43,068. Balance of provisions brought in after deducting tax applicable brings the net profit available to £54,663, the figure shown in the directors' report.

I trust that this rather lengthy explanation of the figures, which I felt was necessary to set aside any wrong impression that might have been formed by those who read the report to which I previously referred, has removed any doubt in the mind of any shareholder that our profits were insufficient to meet our dividend.

I repeat that it has been a year of progress and my one regret is that we are not able, this year, owing to dividend limitations, to recommend an increase in the final dividend.

LIMITATION OF DIVIDENDS

In this connection I feel strongly that any attempt to limit or freeze dividends must necessarily check progress in industry and is contrary to what, in the long run, is good for the country. Unquestionably, as in the past, our whole future depends on a full and generous flow of private enterprise unhampered by restrictions, and the Government should do everything to create conditions which would stimulate rather than stultify this movement.

INCREASED TURNOVER

The improved result of the year's trading is mainly brought about by a satisfactory increase in turnover, the percentage return on sales being only very slightly up on last year.

The directors are pleased to inform you that the works at Hull, to which I referred in my speech last year, will be in production at the end of this month, the buildings, sidings and plant being practically complete. The capital commitment mentioned in the balance sheet of £53,000 is chiefly in respect of these works, and I have no doubt at all that when the works is in full production, as it will be shortly, it will prove a very sound investment.

ORDER BOOK

We have an exceedingly full order book of high priority and export work, and I am confident, in the absence of any national calamity, that I shall have the pleasure to report further progress at our next annual general meeting.

Our two subsidiary companies acquired during the year are also expected to produce good revenue. The Steel Concrete Company, Limited, of Southern Rhodesia, is already making satisfactory profits in a field where the opportunities are great. The machine-tool making company of Henry Pels and Company, Limited, which became almost dormant during the war, is quickly rehabilitating itself and, following the production of complete working drawings, very shortly now a good range of the world-famous Pels machine-tools will be available to meet the large demand, of which we have received ample evidence during the last few months.

A successful business such as yours could not continue to expand as it is doing without executives, staff and craftsmen of the highest order. We are fortunate in possessing such employees, and once more it is my great pleasure to publicly acknowledge the loyalty and quality of the service which we have received from them during the year.

FREER MARKET FOR COMPANY'S SHARES

In an effort to make a freer market in the company's shares a resolution will later be proposed for the £1 shares to be split into four units of 5s. each. I am advised this proposal has met with general approval on the Stock Exchange and I feel sure will prove of benefit to the shareholders.

The report and accounts were unanimously adopted and the resolution proposing that the £1 shares be split into four units of 5s. each was approved.

WILLIAM HANCOCK AND COMPANY, LIMITED

TAXATION AFFECTS BEER CONSUMPTION

The sixty-first annual general meeting of William Hancock and Company, Limited, was held, on the 16th instant, at Cardiff, Col. J. G. Gaskell, T.D., D.L., the chairman, presiding.

The following is an extract from his circulated statement:—

It is proposed to pay a final dividend on the ordinary stock at the same rate as last year, that is to say, maintain the dividend for the year at 16 per cent. During the year in question the output of the company's breweries has been restricted to 85 per cent. of the output for the year ended March 31, 1946, but in January, 1948, the output was further restricted to 82 per cent. of the output for the year 1946.

As a result of application to the Ministry of Food, an extra allocation was allowed in May of this year to firms operating in industrial areas, so we are now restored to the position at which we started. Even so, it is inadequate for our requirements.

The cost of beer and cigarettes has now reached a totally unreasonable figure, and a reduction in trade, therefore, can be expected, but, in view of the popularity of our own beers, I do not think we shall feel the effects for the time being, and I am hopeful that we shall still be able to maintain our output.

We have been developing that side of our business which is concerned with residential hotels which show satisfactory results, and in our catering business, too, the results have been most satisfactory, in fact, the best we have ever achieved, and is a branch of our business where there is great scope for advancement.

There are tremendous developments in connection with the steel trade taking place in Aberavon, a town where, fortunately, we have a representative number of licensed houses. There are similar developments at Llanelly, although not on quite such a large scale, where we are well represented. But it is to coal that we must look for the future; coal and everything that goes with it, such as shipment of coal and the manufacturing of steel and so forth. Also, there are new factories completed, some occupied and some not, but the amount of labour employed in these new industries bears no relation to the employment in the coal trade. When producers of coal realise their tremendous responsibility then we shall have little fear of the future.

The report was adopted.

NOTICES

THE IMPORTANCE OF TRAVEL AS A FACTOR IN INTERNATIONAL TRADE

Lecture by Sir Frederick W. Ogilvie, LL.D., Principal of Jesus College, Oxford, Author of "The Tourist Movement," at the Royal Empire Society, Northumberland Avenue, London, W.C.2, on Thursday, September 23, 1948, at 4 p.m.

Admission tickets obtainable free of charge from The Secretary, The Travel Association, 64/65, St. James's Street, London, S.W.1.

THE TRADES UNION CONGRESS invites applications for the position of Assistant in its Research and Economic Department. Knowledge of economics and related subjects essential. Further particulars of the appointment may be obtained before September 25, 1948, from Vincent Tewson, C.B.E., M.C., Trades Union Congress, Transport House, Smith Square, London, S.W.1.

GENTLEMAN, public school, single, requires situation with progressive Company, Kenya or West Indies. Excellent trade connections B.W.I. Advertiser now in W. African import export trade. Highest references.—Box 822.

EX-SERVICEMAN, 24, single, B.Sc. (Econ.), widely travelled seeks interesting administrative post with prospects.—Box 824.

COMPANY Group Headquarters, 14 miles west of London require business Statistician. Write full details, salary, etc.—Box 789.

YOUNG man, 21, B.Com., good education, bilingual English-French, no previous experience, seeks commercial position with training and good prospects.—Box 826.

APPOINTMENTS—Home and Overseas—Over two hundred are advertised in the current issue of "The Municipal Journal and Local Government Administration." Est. 1891. Price 1s., weekly or 1s. 2d. post free. Published by "The Municipal Journal," Ltd., 3-4, Clement's Inn, London, W.C.2.

Statistical Summary

GOVERNMENT RETURNS

For the week ended September 11, 1948, total ordinary revenue was £37,690,000, against ordinary expenditure of £35,375,000 and issues to sinking funds £560,000. Thus, including sinking fund allocations of £8,069,000 the surplus accrued since April 1st is £252,139,215 against £211,126,218 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand)			
		April 1 to Sept. 13, 1947	April 1 to Sept. 11, 1948	Week ended Sept. 13, 1947	Week ended Sept. 11, 1948
ORDINARY REVENUE					
Income Tax	1309150	354,157	375,564	3,768	6,245
Sur-tax	90,000	17,605	23,300	550	350
Estate, etc., Duties	160,000	76,829	82,200	3,450	2,900
Stamps	55,000	21,630	25,485	850	800
Profits Tax	250,000	13,870	54,011	950	4,700
E.P.T.		102,168	52,650	7,682	1,400
Other Inland Rev.	1,000	110	90	...	...
Special Contributn.	50,000	...	12,050	...	600
Total Inland Rev.	1915150	586,369	625,349	17,250	16,995
Customs	820,600	348,970	366,588	15,431	16,481
Excise	726,550	257,600	332,800	2,400	3,480
Total Customs & Excise	1547150	606,570	699,388	17,831	19,961
Motor Duties	50,000	10,343	9,456	128	...
Surplus War Stores	102,000	78,697	22,378	...	4
Surplus Receipts from Trading	57,000	25,000	826	...	...
P.O. (Net Receipts)	...	2,380	760	650	100
Wireless Licences	11,000	3,190	3,300	...	...
Crown Lands	1,000	440	39	...	...
Receipts from Sundry Loans	14,000	15,383	9,074	67	39
Miscell. Receipts	68,000	162,473	74,484	873	591
Total Ord. Rev.	3765300	1490846	1446401	36,800	37,690
SELF-BALANCING					
Post Office	150,200	61,200	66,500	1,650	2,100
Income Tax on E.P.T. Refunds	16,000	11,481	3,533	178	162
Total	3931500	1563527	1515434	38,628	39,952

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Sept. 13, 1947	April 1 to Sept. 11, 1948	Week ended Sept. 13, 1947	Week ended Sept. 11, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	249,336	236,746	3,385	3,175
Payments to N. Ireland	26,000	9,644	8,792	...	...
Other Cons. Fund Services	8,000	3,318	3,225	...	...
Total	534,000	262,300	248,762	3,385	3,175
Supply Services	2442675	1009706	936,431	34,900	32,200
Total Ord. Expd.	2976657	1272006	1185193	38,285	35,375
Sinking Funds	...	...	8,069	...	560
SELF-BALANCING					
Post Office	150,200	61,200	66,500	1,650	2,100
Income Tax on E.P.T. Refunds	16,000	11,481	3,533	178	162
Total	3172857	1344687	1263295	40,113	38,197

After decreasing Exchequer balances by £114,533 to £3,113,794, the other operations for the week decreased the gross National Debt by £3,433,765 to £25,701 million (revised total).

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	10
Cotton (Centralised Buying) Act, 1947, sec. 21(3)	5,500
	5,510

NET ISSUES (£ thousand)

P.O. and Telegraph Acts, 1946 and 1948	550
E.P.T. Refunds	198
Overseas Trade Guarantees Act, 1939, sec. 4(1)	56
Local Authorities Loans Act, 1945, sec. 2(1)	2,700
New Towns Act, 1946, sec. 12(3)	100
Finance Acts, 1946 and 1947, Post-war Credits	342
	3,946

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Nat Savings Certs.	750	Treasury Bills	13,365
2½% Def. Bonds	373	3% Def. Bonds	*677
Tax Reserve Certs.	259	3% Ter. Annuities	1,667
Other Debt:—		Other Debt:—	
Internal	1,079	External	6
Ways & Means Advances	4,820		
Treasury deposits	5,000		
	12,281		15,715

* Including £160,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Sept. 13	2190·0	2499·9	357·1	4·25	1296·5	6347·7
1948						
May 29	2210·0	2620·2	303·3	...	1377·0	6510·5
June 5	2210·0	2616·7	283·2	3·5	1410·0	6523·5
,, 12	2210·0	2608·9	281·7	1·0	1423·5	6525·2
,, 19	2210·0	2625·1	274·0	11·3	1443·5	6573·8
,, 30	4817·3		270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
,, 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
,, 24	2210·0	2632·8	294·6	13·3	1429·5	6580·1
,, 31	2210·0	2620·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5
,, 14	2210·0	2355·6	287·0	...	1429·5	6282·0
,, 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
,, 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
,, 11	2210·0	2378·7	297·0	2·0	1460·5	6348·2

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Sept. 12	170·0	269·7	170·0	10 2·85	51
1948					
June 11	170·0	277·5	170·0	10 1·70	49
,, 18	170·0	259·6	170·0	10 1·89	57
,, 25	170·0	279·7	170·0	10 1·65	48
July 2	170·0	286·8	170·0	10 1·45	45
,, 9	170·0	276·5	170·0	10 1·48	48
,, 16	170·0	279·7	170·0	10 1·55	48
,, 23	170·0	294·3	170·0	10 1·31	43
,, 30	170·0	291·8	170·0	10 1·34	42
Aug. 6	170·0	288·1	170·0	10 1·50	44
,, 13	170·0	269·1	170·0	10 1·91	53
,, 20	170·0	272·7	170·0	10 1·87	52
,, 27	170·0	268·1	170·0	10 1·95	53
Sept. 3	170·0	295·8	170·0	10 2·43	41
,, 10	170·0	284·6	170·0	10 2·84	48

On September 10th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 48 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. £170 million (maximum) of Treasury Bills are being offered for September 17th. For the week ended September 18th the Banks will be asked for Treasury deposits to the amount of £120 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended: Sept. 6, 1947	Week Ended: Sept. 4, 1948	Totals Apr. 1 to Sept. 4, 1948
Savings Certificates:—			
Receipts	3,000	2,050	50,200
Repayments	2,800	2,150	59,250
Net Savings	200	*Dr 100*	*Dr 9,050*
Defence Bonds:—			
Receipts	800	610	17,585
Repayments	749	786	19,973
Net Savings	51	*Dr 176*	*Dr 2,388*
P.O. and Trustee Savings Banks:—			
Receipts	13,178	11,870	269,266
Repayments	10,659	10,645	277,234
Net Savings	2,519	1,225	*Dr 7,968*
Total Net Savings	2,770	949	*Dr 19,406*
Interest on certificates repaid	504	387	10,571
Interest accrued on savings remaining invested	2,242	2,286	51,562

BANK OF ENGLAND RETURNS

SEPTEMBER 15, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1243,624,020	Other Govt. Securities	1288,180,516
In Bankg. Department	56,623,813	Other Secs.	796,254
		Coin (other than gold)	8,130
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	395,823,941
Rest	3,953,783	Other Secs.:—	29,343,972
Public Deps.:—	62,075,086	*Discounts and Advances*	*7,919,115*
*Public Accts.**	*9,312,512*	*Securities*	*21,424,857*
H.M. Treas. Special Acct.	*52,762,574*		
Other Deps.:—	402,344,635	Notes	56,623,813
Bankers	*307,767,313*	Coin	1,134,778
Other Accts.	*94,577,322*		
	482,926,504		482,926,504

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

COMPARATIVE ANALYSIS

£ million

	1947	1948		
	Sept. 17	Sept. 2	Sept. 9	Sept. 16
Issue Dept.:—				
Notes in circulation	1382·2	1249·0	1248·2	1243·6
Notes in banking department	67·5	51·3	52·0	56·6
Government debt and securities*	1449·3	1299·2	1299·2	1299·2
Other securities	0·7	0·8	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Value at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	9·6	10·1	10·5	9·3
Treasury Special Account	...	48·6	49·7	52·8
Bankers	290·6	307·0	308·1	307·8
Others	93·6	94·8	93·5	91·6
Total	393·8	460·5	461·8	464·5
Securities:—				
Government	312·4	401·0	397·5	395·8
Discounts, etc.	12·6	3·9	8·5	7·9
Other	17·7	21·7	21·3	21·4
Total	342·5	426·6	427·3	425·1
Banking dept. res.	69·8	52·4	53·0	57·8
	%	%	%	%
"Proportion"	17·7	11·3	11·4	12·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

1927=100	Sept. 9, 1947	Aug. 24, 1948	Sept. 7, 1948
Cereals	110·9	120·8	120·9
Other foods	138·7	138·8	138·8
Textiles	141·5	179·7	178·9
Minerals	228·8	247·9	247·9
Miscellaneous	150·3	155·4	155·6
	148·5	162·1	162·0
1913=100	*204·2*	*223·0*	*222·9*

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Sept. 9	46	75½	173 4	114 8
,, 10	46	75½	174 14	114 8
,, 11	Markets	Closed	175 10	115 0
,, 13	46	75½	178 4	115 0
,, 14	46	75½	178 0	115 0
,, 15	46	75½	178 0	115 4

WE INVITE YOU

to make use of the services of this Bank's Travel Commercial Intelligence and other departments, if you intend visiting Australia or New Zealand. Advices from a network of branches enable us to give practical and up-to-date information on all aspects of industrial, commercial and social conditions throughout Australia and New Zealand.

Established 1837

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Head Office: 71, CORNHILL, LONDON, E.C.3

Branches throughout Australia and New Zealand

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability.)

Established 1832.

General Office: Toronto, Canada.

Paid-up Capital	$12,000,000
Reserve Fund	$24,000,000
Total Assets over	$700,000,000

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C. G. WEBSTER, Manager.

REFUGE ASSURANCE COMPANY, LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS	£17,500,000
ASSETS EXCEED	£102,000,000
CLAIMS PAID EXCEED	£189,000,000
(1947 Accounts)	

NATIONAL COAL BOARD

Applications are invited from young ECONOMISTS for a post in the ECONOMIC SECTION of the Board's Headquarters staff in London. The successful applicant will be expected to undertake economic investigations and will be given considerable scope for initiative. Candidates should be economic specialists with a good honours degree; research experience will be an asset. Applications giving age, particulars of education, degree(s) taken (stating special subjects in examinations, dates and class of honours) experience and names of two economists as referees should be made as soon as possible to National Coal Board, Establishments (General) Branch, Hobart House, Grosvenor Place, London, S.W.1., marking envelope TT/88. Original testimonials should NOT be forwarded.

EMPLOYERS' ASSOCIATION: APPOINTMENT OF DIRECTOR

An important textile industrial organisation with headquarters in Manchester requires a Director of wide administrative and industrial experience. Candidates should be capable of expressing with clarity, firmness and moderation the views of the industry in its negotiations with the Government, Government Departments and Statutory Authorities on the one hand and Labour and Industrial Organisations on the other hand. No difficulty need be anticipated in arranging remuneration appropriate to the qualifications and standing of the applicant. Applications including full details of experience and career should be sent to Employment Manager, The Federation of British Industries, 21, Tothill Street, London, S.W.1.

CHARTERED Accountants, 30-35 years of age, wishing to widen their experience are invited to submit application for an appointment with a well known industrial organisation. Candidates who have served in the Forces and hold a University Degree would be given preference. The post requires good personality and administrative ability. Commencing salary up to £1,500 per annum with excellent prospects of advancement. Full details of qualifications and experience to—Box 823.

BUSINESS executive of outstanding ability with intimate knowledge of all Continental countries, South America and India, speaking five languages fluently, able to assume entire responsibility for Home and Export sales, seeks post where his unique organising abilities would be of service.—Reply to, Brownlie, Watson & Beckett, Solicitors, 241, St. Vincent Street, Glasgow, C.2.

THE BOND STREET STAMP AUCTIONS

The H. R. Harmer Saleroom is the Mecca of all serious Philatelists. The auctioneers of the "Hind" and "Roosevelt" Collections invite you to contact them if you have fine stamps or Collections for disposal. If you wish to buy, write for Catalogue subscription blank. Airmail editions of Catalogues are available six to seven weeks in advance of Sales. To all serious Philatelists, the H. R. Harmer Service is indispensable.

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No Peace—No War

IT is clear that after two months of negotiations on the issue of Berlin, the Western Powers and Russia have hardly departed from their respective starting points. The Russians have no intention of raising the blockade. The Western allies believe that the airlift will enable them to stay in the beleaguered city. Indeed, Mr Bevin told the House of Commons on Wednesday that expert opinion now believes it possible to carry on the airlift through the worst of winters—although at the cost of "some discomfort for the people of Berlin." In other words, the crisis in Berlin has reached a settled deadlock, and no further despatch of Notes to Moscow and not even the reference of the matter to the United Nations is likely to resolve it.

One fact has, however, been made clear by the negotiations. They dispel any last lingering illusion about the possibility of talking the Russians into a peaceful settlement. They will talk, they will go through the motions of negotiation, but they make no concessions themselves and each concession made to them is simply the prelude to a further demand. Mr Bevin was insistent on this point.

> We are dealing with a people from whom you cannot buy peace. It reminds me of 1940, after Dunkirk, when Mr Churchill was discussing the position we were in and said "Whatever you do and wherever you go to meet the demands of the Nazis, you can't settle."

In these circumstances, Mr Bevin argued, there is no point in making further concessions. There is, in fact, no point in negotiating at all.

The implications of this position were clearly uppermost in members' minds when the House of Commons went on to discuss Mr Bevin's statement. If, in the face of implacable enmity, the limits of negotiation have been reached, what is the next step? If the Foreign Secretary has gone so far as to compare his adversaries with the Nazis and to speak of avoiding "another Munich," must the people of this country seriously consider the risk of war? Clearly, if Russian policy were exactly moulded on the Nazis', war would be inevitable. But there are differences between the Brown and the Red—not, indeed, in scruple or morality, or even perhaps in ultimate ambition, but in recklessness of method. Hitler was in a hurry and wanted war for its own sake; the Soviets have shown that they will avoid it if they can and wait upon events, which they believe to be moving inexorably in their favour. And, in spite of the hysterical attacks upon "American fascist imperialism" and the blind belief in Communism's world mission, the diet of words fed to the Russians is still very different from the glorification of militarism and war which was stuffed into the ears of the German people. These are differences which must be carefully considered before Mr Bevin's analogy is accepted as precisely exact. The Russians are not taught to seek war as such, and in the past their leaders have known when to stop. In this lies a reasonable basis for a continuing belief in peace.

The Western Powers must, however, realise that without considerable prompting on their part, the Russian leaders may not know where to stop in the future. Hitler might or might not have been able to halt the wild career of German aggression, but after the collapse of his Western

adversaries at Munich, he had little inducement to do so. The way seemed open and on he went. Similarly, today, if the Soviet leaders believed that no Western opposition would be encountered, whatever they did, they too might succumb to the temptation to expand. Dictatorship is most prone to adventurous action and least hampered by ordinary men's shrinking from violence. In these conditions, it is clear that the Western Powers' best hope of peace lies in making it perfectly clear at what point Russian action might precipitate a war.

Such a policy—one might call it a policy of armed vigilance—is nothing new in diplomatic history. In the past, Great Britain has based a large part of its dealings with Russia on precisely such an approach. The Eastern Question which was a permanent feature of nineteenth-century diplomacy was simply based on Russia's desire to expand to Constantinople checked by its knowledge that such an advance would lead to war with Britain. In seventy years, this tension did not lead to war. On the other hand, it very rarely slackened. The two nations simply lived with it—as one might with a tiresome relative.

If this analogy is exact, it is possible that the Western Powers are facing not so much a repetition of Hitler as the recrudescence of the Eastern Question on a much larger and more troublesome scale. To counter it they need to leave Russia in no doubt that further expansion means war but that, short of war, some sort of living together is possible and even desirable. To accept such a diplomacy means the abandonment of dreams of complete, untroubled peace. Vigilance, resolution and armed preparedness are the price the West must pay. But equally it does not entail the certainty of war. It is true that so long as the boundary between the two worlds runs across the living heart of Germany, no balance can be anything but unstable—the whole German people will have an imperative interest in upsetting it. It is also true that the state of "no peace—no war" is particularly trying to the temper of democratic states where people's longing for peace makes them impatient with half-peace and unwilling to accept its burdens. But in a world where total peace is unattainable and total war is its alternative, the Western Powers should be ready and even grateful to settle for perpetual vigilance and an "Eastern Question."

The practical application of this policy to Europe is, in the main, straightforward. It involves a formal warning to Russia that any further advance will lead to war. It involves the conclusion of a Western Defence Pact to include the United States and the Commonwealth and the acceptance of an agreed and pooled policy of partial rearmament and of general military preparedness. It also demands the political and economic consolidation of Western Europe. On the other hand, it should be accompanied by a general willingness to work with Russia, inside and outside the United Nations, on all issues which further the world's economic and political stability.

None of this is new. But it is now clearly urgent to pursue the policy with a new vigour, speed and enthusiasm. The line must be clearly drawn and the world—including the Russians themselves—must be given the conviction that any infringement of it will be resisted to the utmost. Only when that confident conviction has been created, will it be safe to enquire whether there is a balance of advantage or of disadvantage in permanently maintaining Berlin as an outlying garrison of the Western world.

Progress Report

SIR STAFFORD CRIPPS enjoyed a triumph in the House of Commons on Thursday of last week. His supporters have been heartened more than by anything else that has happened since the fuel crisis, and even the ranks of Tuscany could scarce forbear to cheer. Partly this was the welcome that any report of even moderate cheer can expect after a long siege of gloom. But in the main it was a deserved tribute to the masterly exposition of a very considerable achievement. Twelve months ago the last reserves of Britain's solvency seemed to be running out with alarming speed. Sir Stafford Cripps, coming to the Treasury in November, has been chiefly responsible for the measures that have stayed the flux and restored the position—not, indeed, to where it ought to be, but to where it was before. He has had good luck as well as bad; but his merits are the greater because he has had more of the bad than of the good.

The salient figures in the White Paper can be easily summarised. In 1947, Britain's payments to other countries for goods imported and services received were no less than £630 million in excess of receipts. This gigantic deficit has been reduced in the first six months of 1948 to £140 million—that is, at the rate of £280 million a year, which compares with £370 million two years ago. Moreover, within this general improvement, there has been a particular improvement in British trade with the Western Hemisphere (which is not quite the same thing as the dollar area). The deficit in this trade in the first half of the present year, when corrected to an annual basis, is less than half the deficit of 1947 and only a little larger than that of 1946. Furthermore, as a third improvement, the outflow of reserves to pay for capital transactions (as distinct from the current trade of which the previous figures consist) has also been arrested. In 1947 the loss of gold and dollar reserves was over £30 million a month greater than the deficit on current account; the corresponding figure for the first half of this year is little more than half as much. This final figure of the net change in gold and dollar reserves is, of course, the all-important one. In 1940 the country was losing gold and dollars at the rate of £19 million a month. In 1947 the rate of loss rose to £85 million a month. And in the first half of 1948 it was down again to £42 million a month.

One more statistical comparison may be of general interest. The deficit on visible trade—that is, in goods—is now almost exactly what it was in 1938. But the surplus on invisible account—that is, the net export of services—is now barely one-eighth of what it was ten years ago. The detailed figures are as follows:—

	1938	1948 (Annual Rate)
	(£ Million)	
Visible trade	−302	−312
Shipping	+ 20	+ 66
Interest, profits and dividends	+175	+ 36
Films	− 7	− 14
Travel	− 12	− 20
Government overseas expenditure	− 16	−114
Other invisibles	+ 72	+ 78
Invisible trade	+232	+ 32
Total Deficit on Current Account	− 70	−280

Nearly the whole story is in these figures. The deficit in visible trade has been brought back to the prewar figure—but only with heroic efforts, since the shift in prices has been such as to require an increase of 30 per cent in exports, and a decrease of 19 per cent in imports, both by volume, to achieve the same money balance. But the invisible account, instead of almost covering the visible deficit (1938 was not one of the best prewar years) now covers only one-tenth of it. For this the great increase in the overseas expenditures of the Government and the even greater fall in investment income are to blame.

These figures are subjected to detailed examination in an article on page 504, and there is no gainsaying the fact that the process modifies some of the satisfaction that is natural at first sight of the improvement that has occurred since last year. But Sir Stafford Cripps was right, in the whole community's interest as well as his party's, in thinking that this was not the time to dwell on what is still unsatisfactory but rather to engender some pride in what has been done. British self-confidence is not very high at present and it deserves a boost. The fact is that great efforts have been made and that they have produced results.

It is not often realised, either in this country or, particularly, in the United States, how well the British record in the last three years shows up in comparison with that of other countries that found themselves in a roughly similar predicament. The reading of almost any comparative document, such as the "Survey of the Economic Situations and Prospects of Europe" published some months ago by the Economic Commission for Europe of the United Nations, or the Annual Reports of the Bank for International Settlements, brings this out very clearly. There is a chart in the former document showing, for each of the European countries, how the volume of exports has moved since 1938 in relation to the volume of imports—as fair a test as any of a country's willingness to stint itself and make efforts to pay its way. In that diagram, the United Kingdom is in a class by itself. Is there another country in the world that has been willing to impose such crushing taxes on itself for the sake of financial rectitude, or that has been willing to carry on its own reserves the burden of other countries' trade deficits? It is the knowledge of these things, incidentally, which creates resentment in London when accusations are heard from America that Britain is "dragging its feet" in European recovery. Judged by any absolute tests of what is necessary or desirable, there are many defects in British economic policy, which have not been passed over wholly in silence in these columns. By the relative test of what others have done, the record is magnificent.

*

It is, however, unfortunately a cold, hard and unjust world. In the long run, the test of British economic policy will not be whether it has involved effort and abstinence in meritorious degree, or whether it has been as good as others; the test will be whether it has matched the need, whether it has succeeded in restoring independence and self-respect to the British economy. The figures that Sir Stafford Cripps gave to the House of Commons last week are proof that there is no longer any need for panic. Enough time has been won for sober policies. But they also need examination for the light they shed on the future prospect.

How is the battle for independence going? It is certainly going better than it was last year, when it was being lost hand over fist. But beyond that there is equally certainly no cause for rejoicing, and still less for throwing caps in the air. For one thing, all that has been achieved has been to get back to the position of 1946. Gold and dollar reserves are still being used up at the rate of £42 million a month, and though the flow of Marshall dollars—as long as they last—will reduce these drafts, the figure still stands as a measure of the deficit that we should have to meet if we stood alone. And the total reserve of gold and dollars stood on June 30th at only £473 million. To spend at a rate that would bankrupt us in twelve months is an improvement on last year's rate of loss, which would exhaust the present reserves in less than six months. But it is hardly a sufficient ground for complete confidence in the future.

Secondly, the improved results of the present year, such as they are, have been achieved only by such a severe restriction of imports as would be quite intolerable as a basis for permanent policy. A future prospect which holds out no hope of relief from food rationing, from the newsprint shortage, from petrol rationing, from the restrictions on foreign travel and from all the rest of the paraphernalia of austerity is not one on which permanent prosperity can be built. The wonder is that it has been endured so long.

The third reason for insisting that the battle is not yet over is that the whole matter completely depends on the maintenance of the present very high level of exports. Miracles have been performed in the export drive, and are still being done every day. But the world is still living under the sign of the sellers' market. With one or two exceptions, it is still true that if goods can be produced, they can be sold. These conditions will not last for ever. Some day—and perhaps some day soon—supply will catch up with demand. It takes a high degree of hardihood in optimism to believe that, when that day comes, British exports will stay up at the level of 130 per cent of 1938, or the even higher figures that are posed as targets. If they do not, there is no telling what may happen to the British economy. But they will stay at these levels in a buyers' market only if British goods make a sufficient appeal to the buyer. They must not be content simply to hold their place in competition, for their place—the place they occupied when last there was a buyers' market—is only 100 per cent of 1938. They must undercut the world.

It is difficult to reach any conclusion about whether British exports are, at present, competitive— that is, about whether they would be competitive if there were any competition. The evidence is conflicting. But there is no evidence at all that they are undercutting the market. Moreover, when the buyers' market comes, there are many other countries that will prove much nimbler at reducing their prices than Britain. There are a number of countries where it is not considered heresy to reduce wages, or where the search for economies in production is far keener than it is here, or where internal competition



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still puts a sharp edge on ingenuity. In addition, most other countries, if they are put to it, can reduce their selling prices by devaluing their currencies; the pound sterling, if it were devalued, would be followed down by most of the other currencies of the world. Indeed, the last time that device was tried, the pound was out-devalued by the dollar itself within eighteen months.

From now on, the factor that governs Britain's ability to survive is costs of production. Hitherto the need has been for increase of production, cost what it might. The achievement has been great, but it has also been costly. Not much more can be done—or at least done quickly—in pushing up the physical volume of production, the official campaign of exhortation to the contrary notwithstanding. What can and must be done is, while maintaining the volume of output, to effect a real reduction in the costs at which it is produced. Sir Stafford Cripps knows this. It would be encouraging to detect a sign that anybody else in the Labour movement knows it too.

Testament of Bernadotte

POLITICAL assassination is always a horrible thing. But last week's deed in Jerusalem is horrible even to this brutalised generation. The thought of who it was that was killed, of what his purposes were, of what he symbolised and of how much harm his death will do, most of all to his killers, inspires only exclamations of incredulity that men can be so wicked and of pity that they can be so foolish. Yet how many delegates to the Security Council and Assembly, as they have stood to honour the memory of Count Bernadotte, have asked themselves the immediate and vital question which will write his epitaph: Is the man with the tommy-gun to dictate to the United Nations what is to happen in Palestine? For Count Bernadotte left not only a memory but also a testament, which now lies before the delegates to the United Nations and was signed just before his death in their service. His report makes the two essential points with great clarity. The first is that it now rests with the United Nations whether a solution can be reached without further bloodshed. "The conclusion is inescapable," he wrote, "that at some juncture vital decisions will have to be taken by the General Assembly." His second point is that the juncture has now arrived. "Not even increased numbers of observers could for long maintain the truce in the city of Jerusalem if it should appear likely that a settlement would be indefinitely deferred." His murder merely serves to underline the need for decision and despatch. The issue which it sets before all delegates and their governments is whether or not to use force to back their will. Nothing else will be respected in the pass to which Palestine has come.

The fact is unpleasant, but not new. The murder of Count Bernadotte and Colonel Serot is but the sequel to those of Lord Moyne and the British sergeants Paice and Martin. Unwillingness to apply a solution unachievable by consent was the cause, after twenty years of effort in other directions, of Britain's abandonment of the problem. Now the United Nations must face the same issue or else surrender to the Stern gang. For, as matters stand, the Zionists are the only people possessing both the will and the tools to enforce an end in the affair. The Arabs lack the latter, the United Nations lack both. Unless, in Paris, they hasten to repair this omission, they have no option but to surrender to the tommy-gun.

Count Bernadotte's posthumous service to the United Nations is not merely that his death brings out, in relief so clear that none can ignore it, the supreme importance of the moral issue of exerting authority. He has also told the United Nations what to enforce. His report contains a proposed solution for the problem of Palestine that is both precise and practical. His scheme takes into account existing conditions on the spot, such as Israel's successful expansion in northern Palestine, and the myth still current in the Arab states (owing to their Governments' lack of the courage of honesty) that the truces baulked the Arab armies of victory. The report shows plainly that the most that the Arabs could hope for from a fight to the finish would be a stalemate, which, since it would imply the existence of a Jewish state, would be a Jewish triumph. The matters of fact that it establishes beyond dispute are first, that the zigzag partition line prescribed by the 1947 Assembly is a dead letter, along with the plan for economic union that was its corollary; and secondly, that the Jewish state is, within a circle of gunfire, a "living, solidly entrenched and vigorous reality." In short, there must be partition, with a fully sovereign Jewish state.

So much the fighting has made finally clear. But does it follow that the line of partition must follow the line of truce? The first truce, from June 11th to July 9th, froze a position in which the Arab armies dominated large parts of the territory labelled Arab by the 1947 Assembly. But in the ten days after they decided to resume fighting, they lost all western Galilee and a considerable Arab area in the central coastal plain. Count Bernadotte did not ignore the lessons of this trial by arms. But he was unwilling to concede that military conquest is a complete title. If future harmony in the Middle East is to receive any consideration, the boundaries cannot be frozen quite as they stand. The report makes out the case in equity for handing back some areas that were one hundred per cent Arab until armed Jews ousted their inhabitants two months ago. It therefore proposes the redrawing of the map to form two states (each containing one free port) and one international city. The proposals—sketched on the opposite page—prescribe that the Jews shall retain their gains in Western Galilee but shall renounce, in the south, larger but less fruitful districts formerly assigned to them in the Negev. The report proposes that they shall withdraw from the Arab cities of the plain, Ramleh and Lydda, and that Haifa sea and airport (in Jewish territory) as well as Lydda airport (in Arab territory) shall be free ports. It seeks to remove Jerusalem from the dispute by making it an international city.

A glance at the maps is enough to show that the Bernadotte proposals are an improvement on the Assembly scheme in practicability and on the adventitious truce line in justice. But as experience has proved time and again, and as Count Bernadotte was plainly aware, a new map is not a solution. The Palestine problem is not an exercise in history, or geography, or economics, or even in abstract equity, but in politics. A solution that will work has an insuperable advantage over all others; and one that will not work is useless, be it never so perfect on paper. For any plan to work, two conditions are necessary. The first is that it should be by its nature such that the Arabs and the Jews, though they will not voluntarily accept it now (the time has long since passed when it was possible to think of a solution that would be immediately acceptable to both sides), can reasonably be expected to accommodate themselves to over a period of time. This test the Bernadotte plan passes fairly well. A great majority of the Jews would have thought themselves lucky if they had been offered as much at any time before military success turned their heads. And those Arabs who have digested the lessons of the past five months may now count themselves lucky to have so much left.

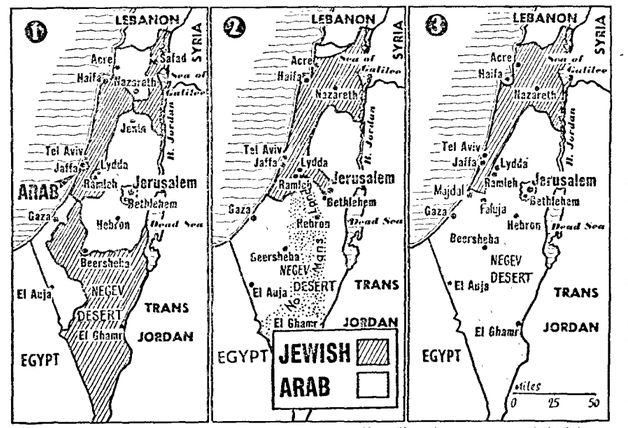
The second condition that any plan must fulfil before it has a chance of working is that some outside power should have sufficient confidence in it to enforce it while one side is swallowing its pride and the other is moderating its ambitions—that is, until it becomes freely accepted. The "outside power" used to be Britain alone, and now that it bears the name of the United Nations nothing can be done without the agreement of the British and American Governments. The great advantage that the Bernadotte plan has over all previous proposals is that it has been accepted both in Washington and in London.

This fact at once creates a new hope. But it is not by itself enough. For great though the moral effect of agreement between America and Britain, endorsed by the United Nations, would be, the problem of Palestine is far beyond the stage at which it can be solved by moral means alone. Physical force will be needed. Even if both Jews and Arabs can be persuaded, cajoled or compelled to put their names to it, Count Bernadotte's report points out the necessity for the enforcement by the United Nations of a wide separation of the troops of both sides through the formation and policing of demilitarised zones.

Moreover, there is very little real reason to expect acceptance of the Bernadotte proposals—that is an acceptance sincere enough to stand up against the temptation that would be provided by the absence of enforcement. Those who, running in blinkers, still hope for a different way out, place hopes in the headline news of Israeli hunts for assassins. They see a chance of the triumph of lawfulness over terrorism in Irgun's agreement to disband. Undoubtedly, there are, inside Israel, many men and women who would like this to happen—who fled, when they fled Hitler's Europe, the ascendancy of the very doctrines for which the Stern gang stands. But to assume that their wishes will be fulfilled is wishful thinking. The professed objective of the Stern gang is a Jewish Jerusalem, and though many Jews may privately accept that this is unattainable, none can fail to sympathise with it or dare abandon it in public. Moreover, fugitives from justice can always find shelter amongst a population accustomed, by the habit of centuries, to help co-Jews to evade pursuit. Retreat underground is easy in a country teeming with newcomers and well provided with shelterers. Above all, the Stern gang is not composed of brawns without brain; it can be skilfully stirred up or soft-pedalled by men who are fired with a sense of mission and with memories of "martyrs" in their cause; their oaths to preserve Jerusalem from any but Jewish hands need to be taken seriously. Their threats endanger not only foreigners but also Israelis who have any truck with compromise. The Arab refugees created by the fighting are also, paradoxical as it may sound, an obstacle to Israel's moderation. Count Bernadotte's report makes it clear that a restitution not only of status but also of property to these 360,000 hapless people must be an integral part of a peaceful settlement. Nothing else would be just; but it would also be difficult and costly for Israel.

Count Bernadotte's testament provides a better hope than ever before of a solution to the thorny and exasperating problem of Palestine. But it also leaves no doubt at all in the mind of anyone who reads it that the hope will not be realised unless the United Nations is at last willing to grasp the nettle of enforcement. The force may not, in the event, have to be used. But the inescapable implication of all Count Bernadotte's findings is that only a seriously meant, and seriously taken, threat of irresistible force, and nothing short of it, can bring the parties to consider a negotiated settlement.

But if the nations now assembled in Paris are to quicken into action, they need a lead from some quarter. The application of force needs to be disinterested and accepted as such; it could not come from Britain. It also needs to come from someone in a position to implement a share of the responsibilities entailed. It must come from a power able to use political and, if necessary, physical force. Why should a small power—bereaved Sweden, for instance, or Belgium—fill a role that great powers are shirking? Russia, which hopes for the total ascendancy of a Communist Israel, does not want to fill it. The only possible candidate for saving the United Nations from surrender to violence is the United States. The role is, for the American Government, unenviable. It might entail the pitting of armed American umpires against Israeli soldiers — a thought almost unthinkable when a presidential election is less than two months away. Yet to shirk the initiative is to fall victim to the voice that seduced weak men to Munich and Vichy and that has heralded every disaster of our times.



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1. UN proposal—November, 1947
2. Approximate position during second truce July-September, 1948
3. Count Bernadotte's proposal—September, 1948

Last week's murder has produced, in America as elsewhere, a revulsion of sentiment against the state of Israel which, if it was not consciously condoning terrorism, was all too ready to receive its loot. What the world must hope for is that this reaction in American public opinion will go far enough to permit Mr Truman and Mr Marshall, with Mr Dewey and Mr Dulles, not merely platonically to accept the Bernadotte plan but to put all the influence and strength of the United States behind it. If so, then those who mourn Count Bernadotte will be able to give themselves the only consolation that can bring any comfort, the knowledge that he did not die in vain.

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The War of Europe's Ear

WHEN the thirty-three nations concerned with the distribution of long and medium radio wavelengths in Europe and the Mediterranean gathered in Copenhagen in June, the chances of securing an agreed plan seemed small. Although the disposable waveband—that is to say, the sum of available wavelengths—had been made rather larger at an earlier conference in Atlantic City, there were still not sufficient wavelengths to meet the nations' demands. Nor was there any agreed yardstick or formula upon which to base the new allocation; the existing basis—an agreement reached in Lucerne in 1933, but since modified by the disorganisation of war—was an uncertain starting point, for it did not include the Soviet Union.

It was generally expected that this need to find room for Russian wavelengths, and to do so on an agreed basis, would very probably break up the conference. In 1946, when the nations had assembled in Brussels to include Russia in radio's international body, the *Union Internationale de Radio*, the Russians insisted that the Baltic Republics, Karelia and Moldavia should have equal voting rights. At this the British and six other delegations walked out, and the Russians set up a new unrepresentative *Organisation Internationale de Radio*. At another preliminary conference in Brussels, the Russians staked out a claim for an unduly high number of wavelengths and demanded that they should all be exclusive (a number of European wavelengths can, technically, be shared, two nations taking one end each; thus a number of Britain's medium waves are used on the other side of Europe by stations in Rumania or Jugoslavia). The outlook for the conference was not improved—from the British standpoint—by the tendency of France in these early discussions to support Russia's claims, possibly in the hope of gaining similar backing for its own comparatively large demands.

Country	Wavelengths			
	Medium Exclusive	Medium Shared	Long Exclusive	Long Shared
A.—*Western Powers.*	**20**	**72**	**5**	**2**
Great Britain	2	11	1	...
France	5	13	1	...
Italy	3	8	...	...
Low Countries	3	5	...	...
Switzerland	2	2	...	...
Scandinavia	2	18	3	2
Greece	1	6	...	...
Austria	2	2	...	...
Western Zones of Germany	...	7	...	...
B.—*Eastern Powers.*	**27**	**53**	**8**	**1**
Russia	10	26	5	...
Russian *Bloc*	17	27	3	1
Russian Zone of Germany	...	2	...	...
C.—*Mediterranean Powers*	...	**33**	...	**1**
Iberian Peninsula and Madeira	...	20	...	...
Levant States	...	13	...	1

The first weeks at Copenhagen confirmed the pessimists' worst fears. The assembly divided itself instantly into a closely knit, uniformly voting Eastern *bloc* opposed by a much looser but recognisable Western *bloc*. The usual Russian conference techniques came into play, and for week after week delegates sat for hours listening to ferocious objections on procedural points, violent attacks upon the (unrepresented) Spaniards and repeated attempts to secure representation and full rights for the Baltic Republics and for Karelia and Moldavia. After a month there was not even an agenda; late and early, the Soviet delegation, working with a tirelessness and a precision that aroused a sort of distasteful admiration in the Westerners, shepherded the obedient satellites, outsat everyone in committee and stonewalled on every issue.

Just as the Western delegates were beginning to wonder whether they might not just as well pack their bags, the Russians apparently decided that the endurance test had lasted long enough. In the numerous working parties that spawned off from the general conference to consider technical issues, a hint here and a hint there suggested that they might after all be anxious to secure an agreed plan. Under cover of the war of words still raging on the surface, the process of concrete bargaining began. In the course of it the Russians made genuine concessions. For instance, they abandoned one or two wavelengths and dropped their demand that their wavelengths should be exclusive. A small group of experts worked on the allocation chart, and at the beginning of September a plan was completed which, with certain reservations, satisfied all save seven countries—Austria, Egypt, Iceland, Luxemburg, Sweden, Syria and Turkey—each of whom had a special grievance. This plan will come into force in March, 1950.

Agreement was possible because the chief powers—Britain, France and Russia—had an ultimate common interest in orderly broadcasting, and because each could prevent the others from using disorder to its own advantage. It would have been useless, in the long run, for any power to grab a wavelength not allotted to it, since the other powers could nullify the gain by jamming its broadcasts. Thus the incentives and the deterrents were equally balanced. East could only spite West by action which would lead to West spiting East. The idea of British broadcasts to Europe was no doubt as unwelcome to the Russians at the beginning of the Copenhagen Conference as at the end, but they could have prevented it only at the risk of Britain interfering with all Russian broadcasts to Europe; and if one fact emerged more clearly than any other, it was that the Russians set a very high price indeed upon their channels of foreign propaganda and wish above all to keep their unimpeded access to Europe's ear. When the new plan goes into effect, the Russians will dispose of exclusive long waves, exclusive and shared medium waves. If the allocations to the satellite states are added, the channels used by the Eastern *bloc* will amount to exclusive long waves, exclusive and shared medium waves.

The French delegation showed a tendency throughout the Conference to attempt to act as a "bridge" between East and West. This technique was not unsuccessful, and France emerged from the conference with one exclusive long wave, 5 exclusive and 13 shared medium waves, a total slightly above that of Britain, whose broadcasting services are much more highly developed. Nevertheless, the British delegation, whose rocklike patience was the chief reason why the conference did not break up after the first weeks of procedural battle, secured what they set out to secure—sufficient wavelengths to cover the BBC's present services.

With one exclusive long wave, two exclusive and eleven shared medium waves at its disposal, the BBC need make little change in its present schedules. This fact is in itself a victory, since British services today are being carried on by means of wavelengths one or two of which were "borrowed" during the war, and which might therefore have been lost in any agreed postwar plan. The home services will undergo small changes—for instance, a number of them will drop to lower wavelengths, but their reception should be unimpaired. The only exception is that one of the wavelengths at present used by the Third Programme—203 metres—has had to be given up and a wavelength below the 200 mark—195 metres—accepted in its place. This wavelength is unfortunately just outside the range of many existing wireless sets, though it will be quite easy to extend the range of new sets to cover it.

Over one point only did the British delegation feel compelled to enter a reservation. The wavelengths allotted for broadcasting in Germany are very unsatisfactory. Most European nations followed the Russian lead in declaring that the Germans had forfeited the right to good wavelengths, and there was support for the Russians' entirely inadequate proposal that each Zone should have one medium wavelength only. The British were uneasy at this development. They had in mind the strength and number of long waves available in the East for direct broadcasting into Germany and felt that the Russian plan would leave the Western Powers with no comparable advantage. They were able to get the number of medium waves per Zone increased to two but the coverage is still inadequate and the field appears to remain wide open to Eastern broadcasts on strong wavelengths. The British Government has made an official reservation on this point and attempts may be made to modify the position before 1950, when the plan is to come into effect.

The agreement reached in Copenhagen undoubtedly goes a long way towards avoiding chaos in the air. As a proof of the possibility of agreement, it is to be welcomed. As a technical plan, it is satisfactory. There are, however, two reasons why its results may not prove as promising as they seem today. The first reason is the lack of any international organisation to oversee the working of the plan, to keep nations on their wavelengths and generally to enforce its provisions. The old *Union Internationale de Radio* is anathema to Russia. The new *Organisation Internationale de Radio* set up under Russian aegis has not secured Western adherence since it still includes the Baltic and other republics. Yet the Copenhagen agreement refers constantly to the rights and responsibilities of the "expert international organisation." It does not yet exist.

The second reason is that one large field of broadcasting—shortwave broadcasting—has still to be agreed. A conference will meet this autumn to consider the allocation of short wavelengths and the Russians will undoubtedly seek to absorb most short wavelengths into purely internal broadcasting. Such a step would prevent nations from using short wavelengths to broadcast to other countries and would thus virtually stop British broadcasting to Eastern Europe. Medium waves from this island reach only to the fringes of Hungary; all broadcasting beyond that must rely on short wavelengths. Short wavelengths are in fact the only answer the Western Powers have to the concentration of medium and long waves under Russian control. The Copenhagen Agreement is thus only a phase in the battle for the ear of Europe. The decisive struggle lies ahead.

NOTES OF THE WEEK

The Parliament Bill

After a week of useful debate provided by the Address, the House of Commons turned on Monday and Tuesday to the real business of the short session—the passage of the Parliament Bill, 1947, through its second session. Because there was almost nothing new to say, Monday's six-hour debate upon the second reading was one of the poorest since the beginning of this Parliament, and because there was no possibility of compromise or alteration in the Bill, the speeches were of the *tu quoque* type, but without the gaiety which a university union can generally instil into this kind of argument. Mr. Morrison, drawing strength from the unanimity of the Labour Party on this issue, was concerned not so much to argue the merits of the Bill as to disprove the charge that it is aimed at forcing the passage of the Iron and Steel Bill. Not content with the most earnest of denials, he went so far as to say that even if Lord Salisbury and Mr Churchill gave a signed undertaking that the Lords would not reject the Steel Bill, the Government would still proceed with the Parliament Bill.

It would take more than affirmation to make Mr Morrison's denials convincing. If the Government is interested solely in the curtailment of the power of the House of Lords, the Parliament Bill could have been introduced earlier and passed into law without the necessity of a special session. If it is so anxiously concerned with the proper expression of the people's will, why has it not shown itself more interested in reforming the composition of the Upper House? If the special measures taken to ensure the passage of the Parliament Bill are not designed to protect the nationalisation of iron and steel, what are the unpopular measures which the Government proposes to introduce in the 1948-9 session? Mr Morrison may be a skilful Parliamentarian, but he should realise that to say that black is white upon the floor of the House advances him little if circumstantial evidence and common knowledge show that black is black

If the Government's motive is suspect and the affirmation of its leaders mere bombast, the Conservative argument is little stronger. To insist that it is impossible to discuss the powers of the Lords without reference to its composition, can equally be inverted to show that it is impossible to consider reforming the Lords and yet ignore the question of their powers. If reform of composition was their most earnest desire, they gave up a priceless strategic position—indeed, the only strong one which they have occupied since 1945—by permitting the all-party talks of last spring to break down. The great test of the continuing sincerity of the Conservative desire will come when they are next in office.

The Work of the House

However imperturbable Mr Morrison may appear on the floor of the House, he has apparently found it necessary to defend not only the Government's Parliamentary policy, but the House of Commons as an institution. In a speech delivered last Saturday to the Southern Regional Council of the Labour Party (who probably expected quite a different kind of oration), he explained the functionings of the House of Commons with the double object of showing that the pressure of modern conditions had not reduced the adaptability and efficiency of Parliament as a legislative body, and to refute the picture of an Opposition bound and gagged by the Government's control of business. Out of 171 sitting days in the last session, legislation occupied 83½ days and the Budget and Finance Bill another 21 days, while 55 days (including presumably Supply days and debates on the Adjournment) could fairly be described as deliberately afforded to the Opposition and to private members to discharge their critical functions.

On the time allowed for debate it is true that the Opposition has no ground for complaint. It would be true to say that much of the time at their disposal has not been very well used, were it not for the fact that when a Government has a very large majority there is little that an Opposition can do except expostulate—although the members for Orpington and Torquay have lowered the level even of expostulation. But Mr Morrison evaded the real issue; it is not that the Government has appropriated too much time to legislation, but that it has forced too much into the time available, overtaxing the powers not only of Members of Parliament, but of the Ministries and the Parliamentary draughtsmen. The work of standing committees is no substitute for proper governmental presentation of Bills, as the Transport Bill and the Town and Country Planning Bill showed. Nor does the Government seem to show any concern to better the procedure by which Parliament scrutinises delegated legislation.

If Mr Morrison is anxious to preserve the best traditions of Parliament, the same cannot be said of some of his senior colleagues. Last week both Sir Stafford Cripps and Mr Bevin, charged with the introduction of important debates, read prepared speeches and left the Chamber shortly after their delivery. If a Minister has a pronouncement of policy to make which cannot wait for the reassembly of Parliament or on which no debate is possible, Limehouse or Birmingham are as suitable as Westminster, but if it is intended for the attention of Parliament, Members have the right to expect something better than a press handout and to demand a personal explanation and clarification (by a Minister and not by a junior) of the points involved,

Civil Defence

It would be unfair to blame Mr Morrison for all the implications that were drawn last week from his statement about civil defence. What he told the House of Commons was that "considerable progress" had been made with plans for assisting the population, for the reorganisation of civil defence services and for the preparation of legislation. From the adjective "considerable" some lobby correspondents seem to have been encouraged to leap to the conclusion that equipment, training, evacuation and shelter schemes were all under active consideration. There is unfortunately no reason to believe that they are.

A Ministry of Health up to its ears in the organisation of the new health services cannot hear the Home Office's plea for some thought about evacuation. A Ministry of Supply with its eyes fixed on export targets can easily overlook the existence of instructions which until lately encouraged factory managements to demolish the shelters of the last war. A Treasury as hard-pressed as the British may well be reluctant to face the fact that a supplementary estimate will be needed for civil defence—present funds are insufficient even for the slender training resources now available—and that no meeting has yet taken place with the local authorities to decide how expenditure is to be divided between them and Whitehall. How important this omission is may be judged from the fact that before the war it held up Home Office attempts to start ARP for nearly fifteen months. And there remains the obstinate refusal to allow the Home Secretary to sit regularly on the defence committee of the Cabinet and stake his claim to attention.

This is all quite understandable as well as regrettable. Some of the failure arises out of the immense difficulty of developing simultaneously long-term and short-term defence policies. But if there is to be civil defence, with all that means in new burdens for the able-bodied citizen, then Ministers should take the matter far more seriously. Among other things they should inquire what has been achieved by General Irwin's inter-departmental working parties, and whether training of civil defence cadres can in fact be begun within a reasonable time.

The bright spot in the picture is the progress being made by the army; from private to general, training is being given in the new task of co-operating with the civil population. And when the Territorial Army begins to receive the influx of trained reservists, there will be a good nucleus of trained men to rely on. None the less, there is a grave risk that their civilian colleagues will find themselves without vehicles, premises, training facilities or local organisation. There will be an opportunity to raise these questions with Mr Chuter Ede when the Bill giving him new powers is presented next month.

* * *

M. Queuille's Balancing Act

M. Queuille's Government hangs by the usual thread of the "vigilant" Socialists' wavering and unhappy support. The organised working class is not pacified by the Premier's plan to save the franc—threatened by a budgetary deficit of 114 billion francs—and all unions, Communist and non-Communist, threaten a token strike against the measures which increase taxation by 80 billion francs and cut Government expenditure by 20 billion before any attempt is made to increase wages. The Socialists are shaken by the massive hostility of the workers, and now that the Assembly, reversing a previous vote, has fixed county council elections for October, they fear that the unpopularity of M. Queuille's financial remedies will be reflected in the ballot and that the Socialists' following will be once again reduced. In these conditions their continuance in the Queuille cabinet can probably only be bought by a really important concession to the workers on the wage issue.

Only one event—a tragic one—has played into the hands of moderate government since M. Queuille became Prime Minister. At the weekend, Communist interruptions to a Gaullist rally in Grenoble led to a violent armed counter-attack, in the course of which two people lost their lives. The Government reacted strongly against what they called the General's "private motorised police" and demanded its dissolution. This reminder of the increasingly violent character of extremist politics in France sobered the Assembly and was sufficient to pursuade more than one doubtful deputy that a Third Force government, however vacillating, may be preferable to the strong arm of Right or Left.

Western Europe's Harvest

Latest reports indicate that the early hopes of good harvests in Western Europe this year will be fulfilled, in some cases even surpassed. The picture is very much brighter than last year when the European harvest was consistently bad, and the French, to take only one example, were striking for more bread and were being forced to eat unpalatable maize loaves.

This year bread grain production in Western Europe is estimated to be about 37 per cent above last year and about 88 per cent of the average annual prewar yield. The wheat harvest in the United Kingdom is expected to produce 79 million bushels compared with 62 million last year. In France the total yield of bread grains is still 15 per cent below prewar, but 7,000,000 tons of wheat are expected compared with 3,266,000 tons last year. In Italy also, the total bread-grain production is still 15 to 20 per cent below prewar, but over 6,000,000 tons of wheat are expected compared with 4,674,000 tons last year. The latest reports from Bizonia indicate that almost all the bread grain crops show substantial increases over last year.

The political implications of Europe's bountiful harvest are as important as they are obvious. Hunger is among the most potent allies of Communist propaganda among urban workers, who are easily encouraged to blame their governments alone for their empty larders and to ignore such vital factors as storms and droughts, the world dollar shortage, and even the selfishness of farmers who hoard their produce in the hope of higher prices. M. Queuille's Government would have an even smaller chance of survival than at present if France were faced with another harvest like last year's.

Moreover, last year an already parlous condition was rendered even worse by the acute dollar shortage of many Western European countries, which made it difficult for them to stock their granaries from overseas. This year an improved outlook is made even more cheerful by the Marshall dollars which are available to buy supplementary supplies from the western hemisphere's export surplus. Western Europe's good harvest should in fact much improve the Marshall Plan's chances of success. On the one hand improved rations will help European workers to make that effort of self-help upon which Americans rightly place such stress. On the other, the good domestic harvests should make it possible to spend less of the Marshall dollars on wheat—by the end of August over $305 million had been spent on wheat and wheat flour—and more on such things as raw materials and machinery which are of more permanent value in the reconstruction of Europe.

* * *

India's Five-Day War

Militarily, the defeat of Hyderabad was a foregone conclusion; the only question was whether Uno would try to restrain India from its use of force, and this Uno did not do. The Security Council having decided on September 13th to admit Hyderabad's appeal to its agenda, but having adjourned for four days without calling on India to stop the invasion, the Nizam capitulated on the following day.

From a British point of view there is a clear distinction between the result of the Hyderabad conflict and the method by which it has been brought about. Certainly no British interest, political, economic or strategic, would have been served by the continued independence of Hyderabad as a state occupying an area in the middle of the territory of India and dominated by a minority group unfriendly to the Indian Government. On the contrary, British interests require the existence of a strong, stable and geographically solid India, and the documents which have been published by the Hyderabad Government itself show that Lord Mountbatten in his personal capacity strongly advised the Nizam to agree to accession. There is little doubt that the substance of accession could soon have been obtained if the Indian Government had chosen to treat the terms offered by the Nizam as a basis for negotiation instead of resorting to threats and finally to force. What has been condemned, and rightly so, by British public opinion has been the procedure of coercion applied to a state which, by the terms of the India Independence Act, was unquestionably left independent.

The strong criticism of India which has been voiced in this country, and which has apparently been much resented in India, has not been due either to any injury to British national interests or to any anti-Indian feeling, but to British concern at the damage done by such a military invasion to Uno and the principle of peaceful settlement in international disputes. The war may have been brief and localised; it may have removed a tiresome problem from Indian politics; yet every successful use of force against an independent state is an encouragement to men of violence in a

world which desperately needs the consolidation of the will to peace. Aggressiveness is catching; so is the habit of calling it police action. There is no question of any tutorial or supervisory attitude towards India; the press of this country would have commented similarly on any nation which had taken similar action. Nor should Indians suppose that membership of the Commonwealth requires that members turn a blind eye to each other's misdeeds; the function of the Commonwealth should be to provide its members with special means of peaceful settlement of disputes, not to cover up their acts of violence. It would indeed be a compensating sequel to the Hyderabad episode if the forthcoming Commonwealth Conference were to devise machinery of arbitration to which in future such cases could be referred.

* * *

Planning Act in Difficulties

It has at last been officially admitted that the system of land transactions authorised by the Town and Country Planning Act is not working properly. It is necessary for the Act's success that land should be bought and sold in the open market at its "existing use" value, since when development takes place a charge is payable to the Central Land Board which is intended to scoop off all of the consequent increase in the value of the land. The strict theory of the Act is that no profit should normally be made out of land development by private individuals, who are being compensated once and for all for the loss of existing development values out of the £300 million fund. If owners and developers refuse to co-operate in securing the Act's intentions, one of two things may happen—either desirable development may be held up through lack of sufficient profit incentive, or else the burden may be passed on to the consumer in the form of a higher purchase price or rental for new buildings.

The present grave shortage of accommodation makes the latter alternative only too feasible. This no doubt is the main reason why land is still frequently changing hands at well above its "existing use" value. In many cases, the purchaser is paying the equivalent of the full pre-Act price for the land together with the vendor's claim on the £300 million. Since this claim will not be realisable for some time (and is uncertain in amount), the immediate cost of such land when development takes place and the Board exacts its development charge will be a great deal higher than previously. The dangers of such a situation are obvious.

The Central Land Board has now reluctantly asked the Minister's approval for the exercise of its own powers of land purchase in cases where sales are taking place at prices considerably above "existing use" values. Mr Silkin has given wholehearted approval. The Board is anxious not to use compulsion or to take action on a large scale. Some time ago, Mr Bevan urged local authorities on no account to pay more than "existing use" value for land which they acquired. But if these measures do not have the necessary psychological effect on the market, what then? Compulsory action on a large scale would be contrary to the Act's basic intentions; but it is also becoming clear that its theoretical assumptions are no match for the niceties of the land market.

* * *

Real Wages

Hansard reports Mr Douglas Jay, Economic Secretary to the Treasury, as having said *in the House of Commons on September* 16th: "*The Economist* told us the other day that the British wage-earner by one hour's work was earning more food than any other wage-earner in the world." This is a misquotation of what was written in *The Economist* so serious that it contrives to convey exactly the opposite intention. What we wrote on August 14th was that "a pound of meat, a pound of butter, a pound of bread, costs the British wage-earner less, in terms of hours of work, than it costs almost any other wage-earner in the world—including those of most of the food-producing countries." This occurred in the course of an argument in favour of "rationing by the purse," and the reference was, of course, to the economic absurdity of the food subsidy policy. The moral was the lowness of British prices, not the highness of British output. The British wage-earner does not earn more food in an hour's work than other countries' wage-earners. For the fact that he gets it so cheaply, relatively to his own efforts, he should thank the United States, Canadian and British taxpayers.

The following figures are an interesting commentary on this issue. They show the number of minutes of work required, at representative standard rates of wages for adult males, to purchase various articles in three countries. The columns for the USSR and the United States appeared in the *New York Times* in December, 1947; that for Great Britain was added by the American magazine *Time* in February, 1948:

	USSR	USA	UK
	No. of Minutes Required		
1 lb. wheat bread	70	7½	5
1 lb. veal	315	34½	37½
1 lb. butter	642	48½	30
1 pint draught mild beer	171	6½	22½
Cotton dress	1,911	142	450
Man's woollen suit	34,815	1,684	2,700

The sharp increases in food prices in the United States in the last six months will have altered the comparison, so far as it relates to food, still further in favour of the British worker. A comparison of the food figures with those for clothing shows how strongly the British worker is being induced to shift his consumption towards food—which is a curious thing to do when there is a world-wide shortage of food.

* * *

Communist Manifesto 1948

Last Sunday the executive committee of the British Communist party issued a statement condemning the wage freeze, purchase tax, rearmament, the Malayan campaign and the Marshall plan. The party has apparently come to the conclusion that, great as may have been its defeat at the Trades Union Congress, *advantage can yet be reaped by a concerted attack upon* the positive actions of the Labour Government which are likely to be unpopular with the workers. It thus sees a chance of enhancing its own prestige and of retrieving its reputation with the Cominform for a not very successful year of unrest and agitation. The Communist Party's plan for this year was, first, quietly to withdraw their support for increased production, and later to concentrate on large scale stoppages of work in key industries, especially in shipping and engineering. As it turned out, their programme has not been a spectacular success: the aggregate of working days lost through industrial disputes in the first seven months of 1948 is higher than for the comparable period of 1947 by about 8 per cent; but this is largely accounted for by an increase from 28,000 to 496,000 in the iron and metal trades, and both transport and many of the export industries show a considerable decline. The London dock strike was a worthy achievement but hardly such as to satisfy the Cominform without further success, and thus the Cripps-TUC policy on wages comes as manna from hell.

Frustrated in its attempts to increase its representation in the official hierarchy of British labour, and by the noticeable resistance to Communist activities at the lower level of union activity (although it has lately had some success on the trade councils), the party has obviously decided on more direct methods of agitation. Mr Harry Pollitt writing for the Cominform newspaper in Bucharest on September 1st put it in a nutshell:—

> In leaflets and pamphlets, through its press organs, by the organisation of local petitions of housewives protesting against the cost of living, and for wage advances to meet the constant rise in the cost of living, the Communist Party stands out as the real defender of the interests of the working people.
>
> These campaigns now begin to meet with an increasing response as the immediate reaction of the engineering workers to their being refused a wage advance so clearly proves.

The new line of action is to concentrate the attack upon taxation and upon profits, and to cheer on any union which is pressing for higher wages, while preying upon the very real popular fear of war. But it appears that the party line is not quite straightened out as yet. At a meeting of the London Communist party on September 12th, Mr Pollitt, after offering to apologise if anyone mistakenly thought that increased production was still on the programme, said that it and class co-operation might have been desirable had they been on the verge of a revolutionary situation "but had nothing in common with the present objective situation" and that "no Communist party in the world needed to win allies more than our own." If the Communist party is out to confound the Labour Government, where does it expect to find allies—from the Trotskyists perhaps?

* * *

The Kettle Boils Over in Java

After the weary months of uneasy truce, abortive negotiations and Uno "good offices" which have elapsed since the Security Council checked the last Dutch "police action" in Java,

a fresh crisis has now arisen with the seizure of power by Communists in part of the territory held by the Indonesian Republic. From the beginning the Communists had been active as a section of the Indonesian nationalist movement, but they had made no open attempt to seize power for themselves; indeed, they seem to have tried to remain as inconspicuous as possible, while building up, and gaining control of, various mass organisations of peasants, labourers and youth.

Recently, however, two important Communists, Moeso and Soeripno, arrived from Russia, apparently with fresh instructions. For Moeso on the one hand conducted negotiations for the formation of a *bloc* with other parties and groups of the Left against the Hatta Government, and on the other sharpened the Communist line to one of uncompromising extremism. In highly inflammatory speeches in the early days of September he called for an immediate division of all land among the peasants, for a ruthless struggle against the Dutch—he said that the Communists recognised neither the Linggadjati nor the Renville Agreements concluded by the Republic—and for the alignment of Indonesia with the Soviet Union in the event of the latter being at war with the United States. These speeches were followed by armed revolt; the Communists have captured the town of Madiun with the aid of some regular troops who joined them and irregulars of the Pesindo, the Communist-controlled youth movement. The Hatta Government responded with police action against the Communist *bloc* in places which remained under its control, and the Republican Parliament vested President Soekarno with emergency powers for suppression of the revolt.

The splitting of the Indonesian nationalist movement follows the Communist revolts in Burma and Malaya and coincides in time with the assassination of U Tin Tut, the most able of Thakin Nu's colleagues in the Burmese Government and a man whose friendship with Britain was, unfortunately for him, beyond doubt. In each of the countries where the Communists have resorted to armed revolt, their greatest anxiety has been to prevent any compromise or reconciliation between the more moderate nationalists and the British or Dutch. In Burma, where Britain has conceded full independence, the anti-British campaign has been switched to the economic field, with propaganda to the masses that all will be well for them if only all foreign capitalists are expropriated. In Indonesia, the demand for political independence can still be exploited by the Communists. Hatta has declared that he wants no Dutch aid in dealing with the revolt; if he can crush it, the way should be open to an early settlement with Batavia; but if he fails, direct hostilities between the Communists and the Dutch will certainly follow.

* * *

Socialists Hold Fast in Sweden

The Social Democrats in Sweden have received a vote of confidence from the people. This is the unexpected result of the general election held last Sunday. The recent steady swing to the Right has been halted. It is significant that this should have happened at a time when the country's serious difficulties, so easily attributable to the party that has been paramount for over a decade, laid the Government open to valid criticism. Compared with the steadiness of the Social Democrat vote—it has increased from 1,415,000 in 1944 to 1,750,000, winning 112 in place of 115 seats in the Lower House—the remarkable gain of the Liberal People's Party (*Volkpartiet*), who polled 850,000 votes compared with 390,000 in 1944 and secured 57 seats as against 26, is of secondary importance.

The Liberal success was achieved almost entirely at the expense of the other parties of the Right, which lost heavily. The Conservatives now have only 22 seats compared with 39 and the Agrarians 30 instead of 35. They may derive some consolation from the decrease in Communist representation from 15 to 9. But in other respects the prospect for them is unexpectedly bleak—and the fact that there was a record poll of some 80 per cent of the electorate rules out any attempt to blame absentee voters.

There is now little doubt that the Social Democrats will retain sole power. Other parties' confident hopes of taking a share in office have faded. The Premier, Mr Erlander, has already said he will accept the renewal of his mandate provided by the elections. There is, therefore, scant likelihood of any changes in Social Democrat policy except towards measures which hard facts or political tactics impose.

The powerful Liberal Opposition, under the brilliant but equivocal leadership of the economist Professor Ohlin, will have plenty of opportunity and ammunition for preliminary sharpshooting as the Government goes ahead with unpleasant measures to meet a serious economic situation; but the lack of an absolute majority will prove a more serious difficulty to the Socialists than the attacks of the Opposition. In home affairs they can rely on the Agrarians or, according to circumstances, on the Communists, to support their measures. In foreign affairs all non-Communist parties will collaborate. In controversial measures events had already to a large extent imposed on the Social Democrats the caution which is needed to secure allies from Right or Left. The elections, although important for the future of the various parties, have changed little.

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Defence in the Dominions

The lead given by Britain in overhauling and strengthening its defences is being followed in Canada and Australia. On Sunday Mr Brooke Claxton, the Canadian Minister of Defence, opened a new recruiting campaign, saying that Canada's defence forces were now seven times larger than before the war (although this represents an increase in the army only from 2,800 to 18,000 men) and that they will be built up further to meet the immediate needs of defence. In Canberra the Australian Defence Council has been meeting this week to discuss possible changes in its £250 million defence plans. The withdrawal of Australian troops from Japan has been proposed, and a sub-committee of the Federal Cabinet has been set up to review civil defence measures.

These are welcome signs of the willingness of the Dominions to take a greater share in the defence of the Commonwealth. Both Canada and Australia occupy strategic positions in the world and their ability to defend themselves will relieve Britain of a burden it can no longer bear. Nor are the Dominions moved only by self-interest. The acting Prime Minister of Canada, Mr St Laurent, speaking in the same recruiting campaign as Mr Brooke Claxton, said that the need for military forces was "to defend our country and to take our place in any arrangements for collective security we may assume."

Welcome as are these signs of increasing responsibility of the Dominions for their own defence and the development of regional defence pacts, there is still a lack of central direction of Commonwealth defence as a whole. The abolition of the Imperial Defence Committee at the end of the war has left a gap which needs to be filled. Although the training of staff officers and the development of technical equipment is co-ordinated, the higher direction of defence strategy is still left to the individual Dominion governments. The notable exception is the co-ordination of Canadian defence policy with that of the United States.

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Court Martial Reform

In the Commons on Tuesday, Mr Shinwell announced certain reforms in the organisation of the Judge-Advocate-General's Department affecting both the Army and the Air Force. In form, the apparent scope of the reforms is small. In future, the Judge-Advocate-General will be answerable to the Lord Chancellor and not to the Secretaries for War and for Air. Instead, the Service Departments will set up their own internal organisations to provide advice before prosecution and to deal with the actual prosecutions at the court-martial trial itself. The Judge-Advocate-General's Department will be concerned only with the court itself, and the subsequent review of the proceedings. None the less, these changes are of considerable importance.

A Service trial by court martial resembles most closely the proceedings in a magistrate's court. The prosecuting and defending officers are serving officers probably without legal training. The court itself is also made up of serving officers, who may have a good deal of experience of Service life and procedure but who, again, are probably without formal legal training. The Judge-Advocate-General's Department has, hitherto, played a double role. It has had the duty of advising the prosecution on the preparation and conduct of the case, and also of advising the court itself on any legal points that arise during the trial, as, for example, the admissibility of evidence. It is possible for an individual successfully to divide his mind between these two functions, but if he fails to do so, injustice may easily arise. If a similar procedure existed in civil courts, it would be as though the police superintendent supervising the prosecution in the court had also the duty of acting as magistrates' clerk in advising the bench on any points of law.

The War Office has taken its time in effecting this reform. It was first proposed by a Committee in 1938, and re-affirmed by another in June, 1947. It comes into effect on October 1, 1948.

The Noxious Weed

The subject as well as the substance of tobacco is so inflammatory that it is of value to have a factual survey* of the smoking habits of this country as a check to unsubstantiated assertions about, for example, the greed of women smokers, or the deprivations due to taxation to the working man. The survey is based on 12,600 inquiries collected as an offshoot of the Hulton Readership Survey for 1948. It reveals two particularly interesting aspects of the demand for cigarettes and pipe tobacco, which should be valuable in any controversy about tobacco rationing or tobacco duty. The first shows the comparatively small demands for tobacco made by women. Although 39 per cent of all women over 16 smoke (as compared to 81 per cent of men), they consume only 17 per cent of all tobacco supplies. Even excluding the large proportion of women who do not smoke at all, the average male cigarette smoker consumes 14¾ cigarettes a day and the average woman smoker six cigarettes. Henceforth no man should be able to get away with the theory that his female clerical staff or his wife's friends get an unfair share of tobacco supplies. Any joint rationing scheme for sweets-or-tobacco would have to take account of this very large disparity in demand.

PERCENTAGES OF CIGARETTE SMOKERS IN EACH CLASS AND AGE-GROUP

Age Group	Well-to-do & Middle*		Lower-Middle*		Working*	
	Men	Women	Men	Women	Men	Women
16–24	64	37	60	44	71	47
25–34	61	50	67	52	75	52
35–44	70	52	71	47	77	40
45–64	69	42	69	38	72	31
65 and over	46	22	45	18	43	16

* Based on a combination of social and economic criteria.

Even more surprising is the uniformity in smoking habits between the various income groups as shown in the table. The inquiry was conducted during the first three months of 1948, and does not therefore reflect the most recent tax increases. Nevertheless, the level of taxation at that time was considered to be crippling and to be having a serious effect on working-class morale. In the absence of earlier research, it is not possible to say how individual smoking habits have altered since, say, 1946 or 1947. All that one can conclude from a single survey is the extraordinary tenaciousness of the smoking habit. If in spite of present levels of taxation men earning under £400 a year can still smoke in larger numbers than the higher or middle income groups, the habit is clearly very strong. Even when the figures are broken up, as they are in the survey, to reveal the amount smoked per head between different income groups, the conclusions are almost the same. It is enough to make King James the First turn in his grave.

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Caution in School Planning

The controversy about comprehensive and multilateral schools has recently come into the limelight as the result of the proposals by Middlesex County Council to proceed with a small number of these schools in existing buildings within the county. With a government which is launching into so many social experiments in health and education it is important that they should refrain from imposing standard patterns of development without first testing them out on a small scale. A "caveat" was made about a similar need for caution in a Note on Health Centres last week. It is therefore satisfactory to observe the very sensible attitude of the Ministry of Education towards the development of the equally novel experiment of comprehensive schools.

There is as yet no given body of evidence in this country for or against large schools, which combine under one administration and in one place the functions at present carried out separately in modern technical and grammar schools. There are, indeed, strong social and some educational arguments in favour of the comprehensive schools; but there are also great dangers. The Ministry has therefore adopted the attitude that existing schools can be grouped and used for this purpose provided that there is local backing for each scheme. Against one of Middlesex's proposals, at Ashford, there was the strongest opposition: it was claimed that the only grammar school for the area would thereby lose its quality, character and identity, and a protest meeting was held at which the case for and against was made. Those against the proposal easily won the day, and as a result Ashford Grammar School is reprieved. Middlesex has now been given authority to proceed with three of its six schemes, none of them including an existing grammar school in its embraces.

To the paper planners this will be a disappointment. Nevertheless at a time when it is pre-eminently important to preserve the quality of education, the Ministry's policy seems both sensible and democratic. Parents and local teachers may not be all-seeing, but their opinions ought to carry weight against the more theoretical policies beloved by county authorities.

* Hulton Press, Ltd., 1s.

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Mercury and the Ministry

An impulse to cheer Mercury Aircraft, Ltd., as a David standing up to the departmental Goliath is natural but misplaced. Economically and strategically the arguments are strong for treating scheduled overseas flying services as a unit and for preventing charter companies from chiselling at their market with what in fact, if not nominally, is a scheduled service of their own. Moreover, international agreements to which Britain is party impose on the scheduled services conditions from which the independents are exempt. America itself is far stricter with interlopers than is socialist Britain. In principle, therefore, Mercury Aircraft ought to be rapped on the knuckles, and the loopholes through which they have ingeniously slipped their pseudo-charter service to South Africa ought to be blocked.

The Ministry's methods, however, have been both highly undignified and somewhat sinister. First there was a ban on the picking up of South Africa-bound passengers. Mercury Aircraft flew them to Paris free. The Ministry forbade the supply of petrol to the offending aircraft. They then fuelled abroad for the double trip. The Ministry, thinking fast, drafted an amendment to its order specifying that no commercial aircraft registered outside the United Kingdom should load or unload inside the United Kingdom, except in accordance with agreements existing between the United Kingdom and the state of registration, unless by special permission and under specified conditions; and empowered aerodrome control officers to impound any plane suspected of being likely to infringe it. That should have settled Mercury Aircraft's hash. But no; Mercury Aircraft will fly their passengers in British-registered planes to Paris, keeping their long-distance aircraft safely out of the Ministry's jurisdiction; and there, after some sharp exchanges in Parliament, the matter rests.

This piecemeal legislation *ad hominem* really is unworthy of the British Government. The legislative power of the Crown—at least not since the clumsy and vindictive practice of Acts of Attainder become obsolete—is not an instrument to be used in conducting a vendetta with a private interest. If the Ministry cannot draft a watertight regulation, or reach such agreement with France as would prevent Mercury Aircraft from cocking these snooks from Paris, they would do better to let the matter rest until they can do the job properly. The present procedure recalls the trial scene in "Alice in Wonderland." "All people more than a mile high to leave the Court," was the King's Rule 42. Alice's retort that "that's not a regular rule; you invented it just now," had, it will be remembered, a powerful effect in Wonderland. It would count for little in Britain today, where the law seems strangely equated with the interest of the Government department concerned.

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Shanghai's Shadow of Fear

Reports from Shanghai show that the city has been shaken to its foundations by the economic campaign launched by General Chiang Ching-Kuo, the Russian-trained son of the Generalissimo. It is being pursued according to the rules of Communist technique, and, although attempts to stamp out black market activities may be justifiable, legitimate trade may suffer great harm.

A speech made by the General to the youth movement has caused consternation because its terms were calculated to arouse the passions of the mob, and it showed no intention to seek the co-operation of those with a stake in local commerce and industry. For some time past business men have been harried by visits from the Woosung Garrison Police; now they have to suffer from General Chiang's officials, whose methods are a good deal more drastic. Arrests are made on evidence supplied by paid informers, and owing to widespread fear throughout the business community, trade is paralysed.

One of those at present detained is the owner of several cotton mills who recently attracted attention by transferring some of his machinery to newly erected establishments in Hongkong. This particular person has been accused by General Chiang of making his millions out of the blood and sweat of the workers, and he is

threatened with the confiscation of his factories. Although a number of Shanghai capitalists have managed to join their families in Hongkong, the exodus has now been stopped, as it is impossible to obtain an exit permit without submitting to close interrogation into all recent financial transactions. Lesser lights, such as dealers in commodities, are also being closely watched, and those with goods which have been in storage for over three months are labelled hoarders and their stocks confiscated. How far General Chiang will be able to proceed without colliding with some of the higher officials is a matter for speculation, but it is notorious that most of those in his father's inner circle have been among the biggest operators in Shanghai's financial market. One can hardly visualise them disclosing their holdings of foreign currency as required by the new currency regulations.

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Hongkong and Japanese Revival

The excitement of China's traders over last month's currency reform has obscured the undercurrent of fear of the renaissance of Japan's export trade. Shanghai mill owners and merchants have been genuinely nervous of the effect of competition from Japanese textiles, and in Malaya there was a move to organise an anti-Japanese boycott when the terms of the agreement between the American headquarters in SCAP and the sterling area were published three months ago. In Hongkong a section of industrialists expressed alarm and appealed to the Government to ban the importation of Japanese textiles, but the agitation has long since subsided. There has been a steady influx of woollen and rayon piece goods throughout the year, and neither dealers nor customers regard these goods as tainted. Apart from serge, most of the Japanese woollens have been disappointing, the quality being inferior and the designs those of prewar days. The consequence is that prices have dropped, and it is not expected that there will be much demand until qualities and designs are improved.

Our Hongkong correspondent reports that there is no perceptible resentment there at the revival of Japanese industry. From the way in which the trade between Hongkong and Japan has developed during the past two years, it seems to be recognised by the Chinese community that the sins of the Japanese war party need not be visited on the country's civil population. The colony has close ties with Japan through branches of some of its leading mercantile concerns, both foreign and Chinese; and most of the Chinese business community participating in Japanese trade are quite familiar with the policy of SCAP and the efforts being made to set Japanese industry on its feet.

Shorter Notes

Delegates of Marshall Plan countries and Molotov Plan countries agreed about some important economic proposals during a three day meeting in Geneva last week. In the first meeting of the committee on agriculture of the Uno Economic Commission for Europe they went beyond the obvious problem of production to that of improving co-operation and the exchange of information. They recorded how some European countries have progressed so far in the rehabilitation of their fields and livestock that they can now look ahead to future needs. To do this they need to know more about stable and long-term markets for their produce. It was also agreed to ask countries to draw up lists of agricultural equipment which they require and for which they might pay with farm products over short periods. The dovetailing of any such barter schemes—involving East European governments—with the arrangements to be made between the Marshall countries will need closer co-operation with OEEC in Paris than there has been hitherto.

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If voting of chairmen and vice-chairmen for committees of the Uno General Assembly must be rigged, then more trouble should be taken to produce a reasonable result. What is gained by refusing the Russian bloc a single chairmanship—as happened this week—is not clear, and the hurried conspiracy to get Poland the last of the seven vice-chairmanships made matters worse rather than better. The election of Mr Evatt as President of the Assembly crowns some very energetic and conspicuous activity by the Australian Minister for External Affairs.

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On two occasions in the last few days Sir Frank Whittle has reminded expert audiences that jet-propelled air liners will not be feasible until there is a radical improvement in air traffic control. They cannot be "stacked" safely, if conditions demand that they stay in the circuit above the airfield at low level. Nor does their fuel consumption at present allow the regulation safety margin. The flight to Paris this week of the prototype Vickers Viscount, the first air liner fitted with propeller-turbines, is therefore of particular interest. Until traffic control does improve, this compromise type must be relied on to reap the benefits of jet-propulsion for civilian traffic.

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The habit of accurate and independent newspaper editing is one of the best things left behind in India by the British. Its survival and growth should be assisted by the inclusion—announced this week—of Indian representatives among the trustees and directors of Reuter's, where the newly formed Press Trust of India now joins the Australians and New Zealanders. All internal news from the new Dominion will now be collected and distributed by Indian journalists working for the Trust. The whole story of Commonwealth co-operation in the supply and transmission of news is a creditable one which should receive the attention of the Brussels Pact Powers when they are planning "cultural measures" for Western Union.

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The general election in Southern Rhodesia, held, not because of popular demand, but as the result of an almost accidental defeat of the Government, has been a triumph for Sir Godfrey Huggins and the United Party. After fourteen years in office he has increased the strength of his party from fourteen to twenty-four members out of a house of thirty; has halved the strength of the Liberal Party, and driven its genial leader, Mr Smit, out of politics. The United Party's success was largely the result of the support of British immigrants who constitute about one-third of the white population, and who recognised, in the policy of mild governmental direction of industry and assistance to development, one with which they were more familiar than the extreme *laisser-faire* attitude of the Liberals. The United Party's return means that there will be some measure of co-operation with the other Central African territories and that the demands for unilateral action, complete dominion status, and a more repressive native policy will not prevail.

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General Smuts has this week challenged the new restrictions on immigration into South Africa on the grounds that they will slow down the development of the country. Without adequate statistics it is impossible to say whether General Smuts's charge is justified, but it is true that the rate at which South Africa can absorb immigrants should be governed by the limited facilities for employment and that that rate has probably been exceeded during the past two years. The Nationalist Government may therefore have a sound economic case for restricting immigrants to skilled workers only. The evident reason for the restrictions, however, is not economic but political. The Nationalist Government have made no effort to conceal their desire to keep South Africa not so much for Europeans only as for Afrikaners only—whatever the effect on the economic and cultural future of the country.

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The absence of Mr Chifley and Dr Malan from the meeting of Commonwealth Prime Ministers in London next month robs the occasion of some of its importance. Dr Malan's representative, Mr Eric Louw, will only attend when he can get away from the General Assembly in Paris, and Mr Evatt, who was to have represented Australia, may be unable to leave the chair in Paris. Mr Mackenzie King will be making his last bow as Canada's leader, while the Prime Ministers of Pakistan, Ceylon and India will be making their first appearance. Southern Rhodesia will be represented, but Mr Costello of Eire will not be there, nor has he been invited. The meeting will not therefore present a solid Commonwealth front as had originally been hoped. The gaps are not serious, but it is a pity that, at a moment when international relations are in the balance, the Commonwealth will not be able to show the outward signs of its inward grace. This is particularly unfortunate, since it is not hard for outsiders to notice that all is not well within the Commonwealth. There are quarrels between India and South Africa; there are doubts about Britain's colonial policy; and the relationship of the Commonwealth to ERP and Western Union has still to be straightened out. It is true that the London conference is not empowered to take decisions, but it will be a great pity if the outlines of a political strategy do not emerge.

AMERICAN SURVEY

Support for Farm Prices

(From Our US Editorial Staff)

NO political press agent would feel equipped for a campaign until his store of pictorial releases included a number of shots of "Candidate with Prize Calf," "Candidate with Prize Ear of Corn," and so on. In American folklore the rural life is fondly held to be the purest form of the American way. It is therefore not strange that Mr Truman should have wanted to see the ploughing match at Dexter, Iowa, or that Mr Dewey's first stop on his transcontinental trip should have been at Des Moines. Moreover, as things now stand, each candidate would like not only to present prizes to agricultural winners but to be himself presented with prizes for agricultural prosperity, while awarding responsibility for high food prices to his opponent.

The big wheat harvest is in; the still bigger maize crop is reaching harvest stage. The price of wheat has dropped from its postwar peak of $3.13 a bushel to around $2.12; the bushel of maize that sold to livestock feeders in the heart of the corn belt at $2.30 to $2.35 in June has a December delivery price of about $1.40. Farmers are beginning to wonder if, after one more ride on the livestock merry-go-round, the party will not be over. At the same time, city dwellers, reading of the record supplies of feed and unaware, as one farmer acidly put it, that you can't feed the cattle you have on a crop report and that you can't grow cattle over night, are loud in their complaint that food prices are still exorbitant. The charge is growing that the Government's agricultural price support policy is responsible for keeping them up. The July index of the Bureau of Labour Statistics showed food prices at 216.8 of their prewar level and red meats at 263; since the index for all items was 173.7, the concentration of public interest on the meat counter is understandable.

The agricultural price support policy goes back to the early days of the New Deal, and indeed even further, but its present form dates from the Agricultural Adjustment Act of 1938. This Act provided that the Commodity Credit Corporation might make loans to farmers on "basic" crops—cotton, wheat, maize, tobacco, rice and peanuts—at from 52 to 75 per cent of "parity." Parity prices are those which give the farmer the same return, in the form of the goods he buys, for the crops he sells as the average he would have received during a base period, usually 1909-14. Crops on which CCC loans are given may either be stored by the farmer until a rise in the market price makes it worth his while to sell and repay the loan, or they may be turned over to the CCC after a few months as repayment for the loan. The general effect is thus to prevent prices from falling below the loan rate.

This legislation, originally designed to ensure an adequate income for the farmer in times of agricultural depression, was used during the war by the Administration to encourage greater production for export and by Congress to ensure that consumer price controls did not demand any sacrifice from the farmer. Early in 1941 the loan rate on the six basic crops was increased to 85 per cent of parity, and in July of that year the Steagall Amendment directed the Secretary of Agriculture to support, at not less than 85 per cent of parity, the price of any commodity of which he formally requested increased production. In October, 1942, the Stabilisation Act raised the support level to 90 per cent of parity on all commodities, with cotton temporarily at 95 and permanently at 92½ per cent. By 1944 support at 90 per cent had become mandatory for the six basic and for 14 Steagall commodities: hogs, eggs, chickens, turkeys, milk and butterfat, dry peas, dry beans, soyabeans, flaxseed, peanuts for oil, American Egyptian cotton, potatoes and sweet potatoes. Under separate legislation support for wool was also required from 1947; about 140 other commodities, including fruits, vegetables, sugar beet, and naval stores, were eligible for price support although it was not mandatory.

This system of guarantees was unquestionably one of the major factors inducing the record expansion of output which has brought American farm production to a 1948 yield approximately a third greater than before the war. Yet, even with an increase of this magnitude, supply has been far enough short of demand for inflationary pressures to be felt, and there is solid ground under the feet of those who stress the point that, without the inducements offered by this legislation, inflationary pressures would have been much greater.

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The wartime price support legislation was scheduled to last for the duration plus two years, during which readjustment to peacetime requirements was to have taken place. The fact that the authority for support prices at 90 per cent of parity was due to expire at the end of 1948 gave urgency to the consideration of farm legislation at the recent Congressional session. The Agricultural Act of 1948, in the course of its passage through Congress, illustrated with exceptional clarity the political theory that the Senate, with overlapping terms and longer tenure, gives due consideration to the long-range considerations of the country, while the House, entirely renewable every two years, reflects the immediate wants of the people. The Hope Bill, passed by the House, represented the desire of tens of thousands of farmer constituents to continue to enjoy current benefits and to leave unchanged their patterns of production. The Senate's Aiken Bill gave expression to the foresight of farm leaders—including all the major farm organisations—and legislators mindful of the history of the past. The compromise reached in committee was an Act which provides new basic legislation to take effect in 1950, but continues wartime price supports for another year.

From 1950 on, in determining the parity price of a given commodity, use will be made of a ten-year moving average as well as the old 1909-14 base period. This method of calculation gives considerably lower parity prices for most commodities than does the old method. On June 15, 1948, the parity price of wheat, calculated by the new formula, was 82 per cent of that calculated by the present one; cotton was 87 per cent, maize 88 per cent. The Act tempers the transition from old to new by providing for a maximum decrease of 5 per cent a year until the transitional price reaches the price as calculated by the new formula.

At the same time the Act makes possible lower levels of price support. Beginning with the 1950 crops, the loan rate will vary from 60 to 90 per cent of the new parity, depending on the relationship between existing supplies of the commodity and market requirements. Nor will this support be offered for unlimited supplies. Marketing quotas and acreage allotments were authorised under the 1938 Act, but the only controls of this kind now in use are the marketing quotas established for tobacco farmers. After 1950, the Secretary of Agriculture is authorised to require compliance with acreage allotments, production goals and marketing practices as a condition for price support. If marketing quotas are voted down by farmers, the loan rate falls to 50 per cent of parity.

If the new legislation had been in effect now, the 1949 picture would have been materially different. But these arrangements

are not due to come in for another year and a quarter and by then Congress may well have changed its mind. Meanwhile, prices on a large number of commodities have dropped to the present loan rate, making government loans a major factor in the determination of prices. There has been talk of bringing in the new price supports before 1950, but by the time the new Congress meets, 1949 wheat crops will be in the ground, and any change in price support provisions would mean broken promises.

Surpluses began to appear in a few commodities in 1946 and, by its price supporting activities during the fiscal year 1948, the CCC lost more than $24 million on eggs, $47 million on potatoes, $15 million on prunes and raisins, nearly $12 million on domestic sugar beets and $19½ million on wool. The city-dweller, reading his evening newspaper in the crowded home-bound tram, is sympathetic to criticism of subsidies paid by the taxpayer while potatoes rot in the fields. Now wheat, oats, barley, grain sorghums and peanuts are all selling at below the support price. With an estimated cotton crop of 15.2 million bales, over and above an existing stock of 3 million bales, December futures for cotton are at support levels. But price supports may not cost the taxpayer quite so much as he expects. The cost of the things the farmer buys, from which the parity price is calculated, is expected to drop before long; for instance, the farmer buys feed and feed prices are falling.

The real test will come when the maize crop begins to move. A farmer has three choices. He can sell for cash to the grain trade. He can put his maize into the loan programme—if he can get storage that meets CCC requirements. But his existing corn bins are unlikely to be large enough for his bumper crop and the cost of new storage of a type acceptable to the CCC will run to about 20 cents a bushel. It is lack of storage that explains why farm products are selling below support prices. The CCC used to provide storage but this new charter forbids it to expand its storage space, a provision which has led to the charge that dealers in grain were helpful in writing the measure. Thirdly, the farmer can put his grain into flimsy temporary storage—this year's crop is exceptionally dry—and buy cattle for fattening. He will have to compete with the stockyards for these animals and the initial price will be high. But so, in all likelihood, will be the price he will get for the finished animal.

During these next weeks—these next very political weeks—the Government too will be making some delicate choices. If beet pulp, oats, grain sorghums are counted as well as wheat and maize, the country has perhaps a billion bushels of extra livestock feed because of the fine harvest. There are two chief uses to which this can be put, both politically as well as economically tempting.

Americans want more meat. Supplies available today will give them each about 63 lb of beef and 67 lb of pork in 1948 compared with an average annual consumption before the war of 55 and 56 lb respectively. But the fact that current prices at the counter are about twice what support prices would be if a Government loan programme were in effect shows the financial lengths to which consumers will go to get meat at their present levels of income, however much they may grumble and accuse the Government of holding up prices. The new feed supply can be turned fairly rapidly into more hogs and more milk-producing heifers and, with a longer time lag, into more steers.

Americans also want peace. The political and economic advantages of more foodstuffs in Western Europe, to make existing livestock more productive, to mitigate the battle between the peasant and the grain collecter, to bring nearer the day of whiter bread and higher rations, are plain. The farmer sees these advantages nearly as clearly as does the Department of Agriculture, faced with the prospect of once more having substantial stocks of surplus agricultural products on its hands before long. Thus the problem of farm prices is likely to play as important a part in post-election plans as it does in pre-election promises.

The Midwest and Europe

[FROM A BRITISH VISITOR TO MINNESOTA]

No one, least of all a visitor, should attempt to generalise over an area of the size of the American Midwest (however it may be geographically defined). But those who have been occupied with the study of the public mind of this section over a period of years and who have contributed to moulding it, to no little extent, believe that there has been a great and measurable change—away from isolationism, towards a readier acceptance of the idea that even here, in the midst of nature's plenty, there is no genuine independence of the outside world. Certainly in the editorial columns of the local press (though not in some of the national columnists they reprint) and in such comparatively small but active groups as the local branches of the Foreign Policy Association, one can get adequate discussion of world affairs—even if there are serious gaps in the supply of accurate information.

But against the hard thinking of small groups, and the generosity of the much larger ones who are readily moved when the problem involved has a humanitarian aspect, there is much to be set upon the other side. At the great state universities of this region—monuments to the Midwest's genuine if sometimes misplaced enthusiasm for a democratic educational system—there is not much sign either among faculty or students that the problems of Europe come very close. Experienced teachers deny that the coming of the veterans has increased the political awareness of the student body; rather, as in Britain, the effect has been the reverse.

Much more important is the fact that the political struggle, which is approaching the peak of the election campaigns, is a political struggle essentially waged on internal issues. And there is little doubt that a great deal of what is thought and said about foreign countries is a reflection of hopes and fears about internal developments. What people out here want to know is not whether the British balance of payments problem is being well handled, nor what are the obstacles to Western Union, but whether British socialism is "working." For an answer either way can be used as ammunition for and against the New Deal. And the New Deal, after all, is what the election is about, in so far as an issue can be detected in the welter of personal and party trivialities. It is true that this concentration on internal questions has been made possible by the general and praiseworthy agreement between President Truman and Mr Marshall and their presumed successors on keeping the issue of foreign policy out of the campaign struggle. But this corresponds pretty well to the popular feeling on the subject, even though, by way of the "spy" revelations, the foreign policy issue (which is simplified far too much into the "Russian issue") is injected into party politics, as it were by the back door.

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There is some difference when one comes to the Third Party. Except in Illinois the Wallace movement is nowhere in the Midwest credited with anything like its reputed strength in New York and California. But in a state like Minnesota, with a strong third-party progressive tradition, the Wallace movement has its following, and even a measure of strength among some fairly well defined groups like the miners of the Iron Range, with their predominently Slav and Finnish background and a long history of political revolt. For the Communist core which is the only thing that gives the movement its cohesiveness and its strength, there is, of course, no quesion but that foreign policy is the issue. The American voter is being told he is voting for or against war with Russia. Fidelity to the Soviet view of world issues is the touchstone. But when one gets outside the Communist core to the muddle-headed fringe, particularly strong amongst college intellectuals, one finds substantially the same thing. When pressed for the real difference between their own policies and those of the more liberal wing of the Democratic Party they are prone to reply "foreign policy." And this in turn comes down to opposition to the Marshall Plan as an "extension of the Truman doctrine."

Yet this apparent exception is largely illusory. For the appeal of the Wallace movement, outside Communist and fellow-traveller groups, is not really an appeal based on foreign policy, unless aversion to war and military preparation is a foreign policy by itself. This aversion is, of course, a particularly powerful factor among younger voters (not to mention those too young to vote). For here in the midwest traditional isolationism has always had a strong pacifist tinge. But for the most part the call of the Progressive Party is a straightforward appeal to all who are discontented with their lot, to the personally maladjusted and frustrated and to the minority groups. Indeed, the fact that the intervention of the Progressive Party is likely to, and is indeed primarily intended to, bring about the defeat of genuine liberals in favour of Republicans who may have either isolationist or imperialist leanings or both (like Senator Ball of Minnesota) makes it clear that direct and immediate influence on foreign policy is not what the party is after.

In the case of the two main parties the domination of internal issues is complete; nor is it always clear how questions of foreign policy are going to influence such matters as price inflation, which is, at this moment, the dominant topic of discussion in the midwest. In spite of the prosperity which high prices and a firm demand have brought to both the agricultural community and its ancillary interests, and to the iron mines, it is probable that most people are going to vote as consumers rather than as producers. That is to say, more people are likely to feel that relief to Europe is a thing to be watched because it may raise prices still further here, than are likely to reflect that the United States is creating for itself new markets abroad. The whole idea, of which Communist propaganda has made so much, that the Marshall Plan is simply a method of cushioning the American economy undertaken deliberately out of narrow economic self-interest is far removed from the terms in which these problems are discussed on the spot.

*

It is not the Machiavellianism but the naiveté which persists in such discussions which is depressing. The Russians and their friends certainly give credit to Americans for being much more subtle and scheming than they really are, just as the Americans see a Talleyrand in every rubber-stamp diplomat in the Kremlin's service. What is meant by naiveté is the continued unwillingness to admit that all actions have consequences other than those directly intended. It is still possible for Americans to believe that economic aid can be given to countries without any political responsibilities being undertaken; that even Greece may suddenly find itself possessed of a working democracy; that military commitments can be assumed without consequences in the political and social field. They still tend to regard the problem of relations with the Soviet Union as one capable of being solved by the application of the correct formula, and to talk of "firmness" as opposed to "weakness" without asking "firmness for what?" In spite of the enormous extension of political responsibilities which the United States has undertaken, and in spite of the quite obvious growth in international awareness, there is a lurking desire to escape from the consequences of greatness, a human desire to live and let live which has its appealing as well as its tragic side.

This naiveté is reflected in the intense scepticism and mistrust of expert opinion—American and foreign—a scepticism which is combined with a great measure of credulity if the right note is struck by some acute propagandist.

Easterners, far more than European visitors, are prone to sneer at the midwestern outlook, and with little reason considering their own failure to use their much superior sources of information. What the European senses is rather the extreme difficulty which people have in this section, in trying to understand the material and hence the psychological condition of war-torn Europe. Still less can midwesterners appreciate the powerful influence in a country like France of the fact of having once been occupied, and of having undergone the humiliation of a collaborationist government. The issues of politics rapidly become issues of morals, and a black-and-white etching of the scene is preferred to any use of neutral tints.

It is difficult to be certain whether the general disappearance of the once strongly anti-British trend (the *Chicago Tribune* is not as typical as is sometimes assumed) compensates for an over-simplified view of the world in terms of Soviet influence and resistance to it. But there are good reasons, in the eyes of people well qualified to judge, for thinking that the process of bringing the midwest, intellectually as well as materially, into the full stream of world affairs is proceeding at a fairly rapid pace. How rapid that pace will continue to be in the future will obviously depend in part upon external events, but in part also on the extent to which the midwest feels itself to have a genuine share in the making of the country's foreign policy, how soon it can overcome its instinctive mistrust of Washington and of the east. The forming and upholding of a long-term foreign policy upon which the rest of the free world can rely will largely depend upon the extent to which the country can avoid the strains which threaten its own internal unity and proceed towards an even closer national integration.

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

American Notes

Bipartisan Campaign?

The campaign trains of all the principal contenders are now puffing and hooting their way across the continent in solemn observance of a ritual which Mr Elmo Roper heretically declares cannot change the already sealed inevitability of a Republican victory. Indeed, the use of privileged communications granted to Mr Dulles in Paris to keep in touch with Mr Dewey is almost an official admission of the way the tide is flowing. Mr Truman's course was set long ago. In a gruelling speech-making marathon which, if his throat holds out, may well set a Presidential record, he is warning the farmers, as he warned labour, that under a Republican Administration, Wall Street's "gluttons of privilege" would scuttle the social gains of the past 16 years and starve the reclamation and public power projects which are the hope of the west. But in the brilliant light of farm prosperity, these spectres of the desperate 'thirties are hard to materialise convincingly.

The real surprise has been the detached, almost Olympian, note struck by both Governor Dewey and Governor Warren on opening their campaigns. Senator Vandenberg not long ago reaffirmed the indissoluble unity of America on foreign affairs; the Republican team is now trying on a measure of bipartisanship at home. The admission that both major parties have served America, that neither has a monopoly on progress, and that present problems, at home and abroad, are not wholly due to Administration sins, is a far cry from the Republican slogan of earlier campaigns: "Ten days (or nine or eight) to save the American Way of Life"—and are a shock to the rock-ribbed core of the party. For Governor Warren this broad-mindedness is both natural and prudent; a former candidate for Governor on both parties' tickets in California, he hopes to bring the Republicans a rich harvest of Democratic and independent votes this time.

On the part of Governor Dewey, it is a measure of many things: of a supreme confidence; of a desire to broaden the base of the party by binding to it the independent vote Mr Truman has lost; and of his determination to give no hostages to the Republican past, thus retaining a free hand to deal with problems which he realises no longer admit of purely partisan solutions. The bland assumption that progressive Republicans will take up where progressive Democrats leave off swallows the New Deal at one gulp. If the effect is to make Mr Truman sound a little shrill, a spokesman for special interests rather than the national unity, a nervous challenger rather than serene champion, that too is part of the design.

With his commanding lead, Governor Dewey probably can afford a "high level" approach. But it may seem an expensive luxury to Republican candidates in nip-and-tuck state races, and a form of treachery to the Republican majority in the Eightieth Congress, as well as frustration to the faithful after 16 years of waiting. There will be heavy pressure on the national candidates to come down from Olympus as the campaign grows warmer.

"Save Our Senate"

"S.O.S." is a strange device to find on the banner of a Presidential aspirant who is certain of success before he even starts to climb, but the geographical distribution of the 33 Senate seats that are being contested this year, combined with the fact that the Republican majority in the Senate is only six votes, make it conceivable that Mr Dewey may make electoral history by losing control of the Senate in the year he is elected to the Presidency. Of the 33 seats involved in this year's election, 15 are now held by Democrats and 18 by Republicans. Some of these are fairly secure—for example, 11 of the Democrats' 15 are in the South, which is still considered solid for Congressional purposes, however much the Dixiecrats may affect the Presidential contest. The Republicans are also fairly sure of 12. This leaves 10 doubtful seats—Kentucky, Oklahoma, West Virginia, Wyoming, Minnesota and Illinois now held by Republicans; and Rhode Island, Colorado, New Mexico and Montana now held by Democrats—and if the Democrats can win eight of the ten, they will have a majority in the Senate This explains why the Republicans are concentrating both time and money on the "Save Our Senate" campaign.

Public opinion polls have shown an independent spirit amongst the voters this year, which may lead to an unusual number of "split" votes, in which the elector does not pick candidates from the same party for all the offices on which he is voting. The other side of Mr Dewey's banner bears the maxim "Vote 'er straight in '48"—"'er" being the Republican ticket. It is, of course, most improbable that the threat to the Senate will materialise if there is the expected Republican landslide, and the emphasis which is being put on it is largely explained by the desire to give the Republican workers the feeling that their efforts are really needed.

If his Senate majority were not in question, Mr Dewey would probably not regret the defeat of the particular Republican Senators whose seats are in doubt. All of them, except Senator Cooper of Kentucky, belong to the "old guard" of the party, which is certain to insert a very substantial number of thorns into Mr Dewey's bed of roses. He is stressing the peril in which they stand in order that they may appreciate what he has done for them when they are drawn to victory by the magnetism of his coat-tails. Senators who dare not let go of those coat-tails will at least have only one hand free to prick him in the back.

*

The danger to those Republican candidates who do not swim with this year's liberal tide is most clearly shown in Minnesota and Illinois, where outstanding left-wing Democrats, well liked locally, are fighting Republicans of the most conservative type. Senator Ball, of Minnesota, did come out for Roosevelt in 1944, but that only alienated the official Republican machine, and his reactionary course since then has done nothing to keep the support of the progressive Republicans to whom he owed his original election. Mr Humphrey, the young and energetic mayor of Minneapolis and the champion of civil rights in the Democratic party, has a good chance of defeating him. If Senator Ball does win, he may owe his victory to Mr Wallace's Progressives. Senator "Curly" Brooks, of Illinois, will not have much help from that quarter, since the names of the national candidates of the Progressive Party are not to appear on the ballot in that State, although "write in" votes will be possible. The Democratic candidate, Mr Paul Douglas, may be able to demonstrate to Mr Brooks that the support of the *Chicago Tribune*, practically his only political asset, has at last become a liability.

In Wyoming and Oklahoma, the Democratic challenger is in each case the Governor of the State and both have great reputations as vote-getters. In Oklahoma Mr Rizley, who has replaced the incumbent Senator Moore as Republican candidate, may lose the seat. But Senator Robertson in Wyoming may survive. In West Virginia there is nothing much to choose between the two candidates, Senator Revercomb and Mr Neely, as regards popular appeal, or rather disappeal, but Mr Revercomb, by refusing to change the discriminatory clauses in the Displaced Persons Bill for which he was responsible, went out of his way to affront Mr Dewey, and has thus forfeited not only Mr Dewey's assistance but that of the Jews and Catholics, who are making every effort to elect his Democratic opponent. Senator John Cooper, of Kentucky, gained a sensational victory when he first won his seat in that traditionally Democratic State, but this year the Vice-Presidential candidacy of Senator Barkley, also of Kentucky, will give the Democrats the assistance of local patriotism.

The Democrats' hopes of controlling the Senate do not depend simply on winning some of these Republican seats; unless they can win them all, they cannot afford to lose any of their own four doubtful seats. But their chances of holding these seats are not particularly bright. Neither the 80-year-old Senator Green of Rhode Island nor Senator Johnson of Colorado are inspiring candidates, in spite of their long tenure of office, and both are states which are likely to desert the Democrats in the event of a Republican landslide. In Montana Senator Murray has an excellent New Deal record and strong labour support, but he nearly lost in 1942. In New Mexico General Pat Hurley is once more fighting in the Republican interest the battle he almost won in 1946, but he is by no means certain of defeating Mr Clinton Anderson, who resigned as Secretary of Agriculture in order to replace Senator Hatch as Democratic candidate.

* * *

Spies and Science

The cartoon showing a member of the Thomas Committee pounding the table and demanding "how did atomic energy information ever leak out to the damn scientists in the first place?" must have been received with sombre relish by the members of the American Association for the Advancement of Science gathered in Washington to celebrate its centenary. For it was an apt illustration of the dismal disparity they chiefly celebrated between man's ability to control and know his environment and his inability to control his political self and put that knowledge to its best use.

The feud between the Thomas Committee and the scientists started with the case of Dr Condon, head of the National Bureau of Standards. It is still unsettled, with Mr Thomas insisting that access to executive files would corroborate the committee's charge that Dr Condon was linked to a war-time espionage ring. The committee has drawn a tantalizing veil of secrecy over its present investigation, but it promises a "shocking chapter in atom-bomb espionage" when open hearings are resumed. Its announced aim is to trace back to its origins in the United States the sample of uranium 235 which Dr Nunn transferred to the Russians and hence to rebut the charge that all its highly publicized investigations have failed to prove that there were leakages of vital information.

This offensive against the patriotic integrity of government scientists has already provoked a counter-offensive. Mr Lilienthal, head of the Atomic Energy Commission, insists that the atomic programme is in a "dangerous situation" because of the unwillingness of scientists to undergo the political risks to their reputation that are involved in the Committee's zeal to make its charges public before they are proven; and eight prominent scientists, while admitting the need for security safeguards, have appealed to Mr Truman and Mr Dewey to check the Committee in a course which may deprive the government of its ablest scientists and thus do incalculable damage to the national security.

Scientists are, of course, only a special case of all government employees; but the loss of one leading physicist outweighs that of thousands of clerks and typists. And the expansion of the role of government in financing scientific research has now brought it to a point where it is greater than that of private industry. In 1947 it was estimated the government was spending $625 million a year on research through 60 different agencies in addition to the atomic energy programme, and employing directly 30,000 scientists as well as farming out many projects to industry and the universities. The report of the President's Scientific Research Board recommended that overall expenditures should be raised from just over a billion dollars a year to twice that amount, with the government supplying half.

* * *

The Pattern of Saving

How impossible it is to save, even out of high 1948 incomes, is a complaint common to bank presidents and taxi-drivers; the 10 per cent increase in withdrawals from mutual savings banks in the first six months of 1948, as compared with last year, is evidence that the most liquid form of personal saving is feeling the pinch of the high cost of living. But in part the wide sense of guilt and frustration is the result of a return to the prewar saving pattern. At 6.5 per cent of disposable income in June this year, the proportion of income saved was still slightly above the 5 per cent saved just before the war, though far below the giddy levels of 20 per cent and higher reached from 1942 to 1944. Then, of course, patriotic motives were aided, on the one hand, by rising incomes and on the other by a lack of goods on which to spend them.

The Council of Economic Advisers point out, however, that the over-all figures of net saving conceal the extent to which families in the low-income levels are forced to draw on their savings to meet the high cost of living. The most elaborate study of changes in savings habits is that published in the *Federal Reserve Bulletin* for August, 1948. Using a different definition of savings from that of the Department of Commerce, this study estimates that during 1947 31 million "spending units"—families or groups who pool their incomes and expenditure—saved $25 billion. At the same time, another 13.4 million spending units drew on their savings or went into debt to the extent of $11 billion. This is the greatest amount of "dissaving" since the war; and compared with 1946 these "dissavers" came increasingly from income levels above $3,000 a year. But the prewar pattern has also returned in the distribution of net savings according to income. The wealthiest fifth contributed 93 per cent of net savings in 1947, compared with 64 per cent in 1945 and 88 per cent in 1941. The poorest fifth was "dissaving" or going into debt even more rapidly than in 1941.

The fact that 28 per cent of the spending units were falling back upon their savings or incurring debt has been interpreted as the retreat of the consumer before rapacious living costs. The study is insistent, however, that those who spent their savings or went into debt were not financially at their wits' end; they at least had savings or credit to draw upon. Nearly three-fifths of those who "dissaved" did so to buy automobiles, radios, furniture or appliances. About a third of all consumer units went into debt in 1941, another year of high production of durable goods. It is the four million units who were "zero savers" in 1947 who cause the experts the most anxiety; they could neither save nor go into debt because they lacked both credit and a margin of income over essential spending. They had no choice but to balance their budgets.

In 1941 the boom was financed by hire-purchase. Although twice as many consumers drew on their credit in 1947 as in 1946, instalment buying was not the primary factor. Liquid assets in the hands of consumers at the end of 1947 were nearly three times what they were in 1941 in dollar terms; 30 million families still had some savings, and buying plans for 1948 were still ambitious, exceeding probable production for such goods as automobiles and houses.

Shorter Notes

Correction.—As will probably have been realised, in the last sentence of the second paragraph in last week's American Note, on "A Policy for Surpluses" (p. 464), the figures for cotton acreage yields referred to pounds, not bales.

*

One summer spy scare at least has proved to be a false alarm. In July three minor State Department officials testified before a Senate sub-committee that "hundreds" of foreign agents were using their membership in the United Nations Secretariat as a blind while they pursued subversive activities. The Secretary of State denied the charges, and a committee of three private citizens was appointed to investigate. Their report, which has recently been published, confirms Mr Marshall's denial, and repeats that there were no grounds for the accusations. The committee severely criticised the departmental administration which had made it possible for irresponsible subordinates to make public statements detrimental to United States foreign policy. The Senate committee which had permitted unsubstantiated evidence to be exaggerated in the press was also rebuked in the report. The State Department is taking disciplinary action against the officials concerned.

*

Over 330,000 employees of the General Motors Corporation have had their pay increased by 3 cents an hour—at least for 90 days—in accordance with the contract signed last May with the United Automobile Workers' Union. This is the first wage rise under the company's new "wage parity" formula which provides for wage adjustments every three months to meet the upward trend of living costs. The amount of wage changes is determined by the Bureau of Labor Statistics cost of living index. There is no limit to future wage increases if consumer prices continue to rise, but the average hourly wage of $1.64 could be cut by only 8 cents. This present increase will mean a rise of $21 million in the company's annual payroll.

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THE WORLD OVERSEAS

Perón's Policy in Danger

RELATIONS between the United States and Argentina have again taken a turn for the worse after a brief two-year interval of surface cordiality. President Perón and his colleagues have suddenly become afraid that Washington is using the Marshall Plan to check various forms of Argentine profiteering in world markets. This is not what they expected. They had looked forward instead to a flow of dollars acquired through "offshore" purchases for the Marshall countries. Their reaction to the US failure to provide these dollars was recently summed up by the Argentine Foreign Minister, Señor Bramuglia, who is reported to have said, in anger more than in sorrow: "I have been duped."

More lies behind this sense of outrage than the frustration of legitimate expectations. Today the Argentine economy is threatened by an acute shortage of dollars. Argentine gold reserves, which stood at 1,700 million pesos at the beginning of 1947, had dwindled by August of this year to 600 million, and still outstanding against this residue were some $250 million (equivalent to 1,200 million pesos) due to American banks and exporters. This loss of gold is mainly the result of large-scale imports from the United States, a policy undoubtedly encouraged by the prospect of Marshall dollars. For the first three months of this year the Argentine deficit with the United States reached a record height of 640 million pesos, as compared with 240 million over the same period last year. The bulk of the increased imports took the form of machinery and raw materials which are urgently needed by the ambitious Five-Year Plan.

Demand for Lower Prices

Internally, too, the Argentine Government faces trouble. There has been a 25 per cent increase in retail prices over the past twelve months, and although wages are well in pursuit they still limp behind prices. By the end of August the note circulation had reached 6,200 million pesos, an increase in one year of 20 per cent. But instead of taking vigorous counter-measures, the Government has continued its post-war policy of extravagance. The estimated national budget for 1948 is twice the size of last year's budget, with the lion's share going to the Army and the Five-Year Plan. There has been some attempt to substitute bilateral trade agreements for the large, prestige-building loans which the Government handed out on all sides immediately after the war. But even here the Perón administration has been unable to resist extending an additional credit of 500 million pesos to Spain, from whom it can expect little in the way of essential imports.

It was clearly the hope of Argentine officials that easy dollars through the Marshall Plan would make it unnecessary to pull in their horns. So far, however, ERP purchases from Argentina have amounted to only $356,000 worth of supplies for Bizonia. Before they agree to increase purchases, American officials appear to be suggesting that Argentina meet four conditions. First, Argentine export prices should come down to world levels. Second, Argentina should pay in full for what it has already purchased in the United States. Third, conditions for foreign investment in Argentina should be liberalised, and bound up with this question is a fourth point which concerns IAPI, the trading monopoly of the Argentine Government. The Americans on principle are opposed to state trading monopolies, and in addition they argue that the operations of IAPI have often been responsible for the artificially high Argentine prices.

Results of State Trading

American disapproval has found a response from certain sections of the Argentine public, who have not benefited from IAPI's transactions and who have long suspected that not all the profits were being used to public advantage. This combination has goaded Perón into presenting the first balance sheet since the organisation was set up in May, 1946. The document is not as informative as it might be. It shows that the trading corporation has received considerable loans from government banks and that its outstanding debt now totals more than three billion pesos. At the same time the balance sheet claims that the corporation has made a profit of two billion pesos in the past twelve months. On the assets side there is a substantial item of 1½ billion pesos in the form of government securities.

These figures suggest that IAPI is more than a mere trading company and has in fact become part of the government's financial machine. Those who know the details of Argentina's precarious finances agree that IAPI cannot be dismantled at this stage. Foreign financial experts in Buenos Aires point out that, because of its enormous debt to the banks, its dismantling would merely reveal what they describe as "the bankruptcy of the Central Bank."

There are thus no signs that Perón will abandon IAPI. Indeed, he has seized on this aspect of American criticism as a convenient tool with which to revive the anti-Yankee campaign against "dollar imperialism." But throughout his invective runs a new thread of apology. He recently explained to an assembly of Argentine bricklayers that only through subsidies from IAPI had it been possible to keep down the price to the consumer of bread, sugar and oil.

Meat as the Last Card

This has not been the only admission of weakness. At the end of June, in order to attract some of the despised US dollars, the peso was devalued from 4 to the dollar to 4.85—an overnight rise of 20 per cent. in the value of the dollar. Since then there have been further discouragements. In mid-August Belgium announced the withdrawal of further credit facilities to Argentine importers and thus warned the world's exporters that Argentine exchange difficulties were not confined to dollars. Another blow was the fact that wheat crop reports from the rest of the world have been excellent. It looks as if the seller's market has subsided, at least for the present, and if that is so, the large stocks of wheat being carried by Argentina are a dwindling asset. Much the same is true of Argentine maize and linseed oil.

The weakness of Argentina's current position may induce the government to reach a settlement with the United States. This should not be difficult, since Washington no longer aims at the overthrow of Perón and is concerned primarily to increase world supplies of foodstuffs at reasonable prices. However, if the Argentine Government is unwilling to meet the United States half way, then it must now concentrate on extracting as much as possible from Western Europe for its remaining trump—meat. Even if the Argentine negotiators cannot obtain dollars for meat—a forlorn hope—they will certainly aim to get the maximum amount of scarce capital equipment from European industry. Approaches are already being made to Belgium, but clearly Argentina's real salvation depends on what Señor Miranda is able to extract from Britain when the two parties come to discuss Britain's meat supplies for 1949.

Pakistan Without Jinnah

[FROM OUR KARACHI CORRESPONDENT]

WITHIN a little more than a year after obtaining independence and, in the case of Pakistan, separate nationhood, both Dominions have lost the main architects of those achievements. Yet their respective bereavements are very different in character. Mahatma Gandhi embodied the moral force and inspiration of India, but there was a substantial body of opinion which regarded him as having outlived his usefulness as a practical statesman. Qaid-i-Azam Jinnah was above all a practical leader, and his loss is not merely a psychological shock but will be deeply felt in the inner councils of Pakistan.

From the highest to the lowest there is a feeling here of bewilderment and grief. It is not that Mr. Jinnah was popular in the ordinary sense of the word. Popularity was never a thing he sought and, indeed, there was nothing of the demagogue about him; his personal qualities were such as to arouse admiration rather than affection. Aloof, unbending, westernised in habit and outlook, the secret of his immense prestige in the country he created and in the Muslim world in general lay partly in his complete integrity and partly in the solid fact that he had always "delivered the goods." His unparalleled achievement of attain-

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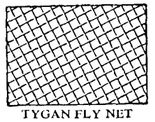
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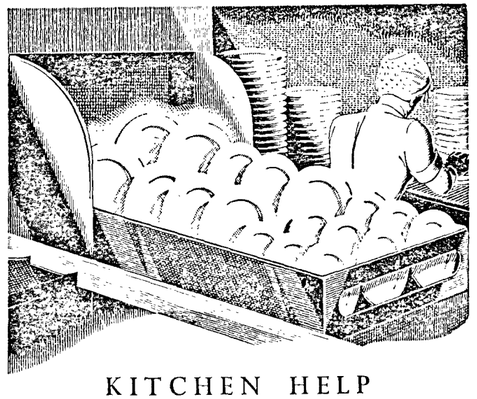
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ing realisation of the Pakistan ideal only seven years after the Muslim League adopted the partition of India as its official programme naturally gained him a unique measure of respect among the Muslims of the sub-continent. The people of Pakistan had unbounded faith in his ability to see them through their difficulties; although in the last few months of his life he took little active part in the administration, there was always in the popular mind a comforting feeling that behind the Central and Provincial Cabinets there was an ultimate authority—not in this case a power behind the throne, but a throne behind the power, and one whose judgment would be final and whose order no one would dispute.

The feeling of security thus engendered was particularly valuable in the sphere of internal affairs; if there was friction between the Centre and the Provinces, if disruptive tendencies appeared to be gaining ground, the Qaid-i-Azam had only to say the word and opposition would melt away. He was the immovable rock amid the shifting sands of politics.

A Match for the Hindus

The simile is apt in another way. For years Mr Jinnah had in a sense played that very role, and he has perhaps provided one of the most outstanding examples in history of the success of a steadfast refusal to compromise. It was this policy, or perhaps it should rather be called this attitude of mind, which brought independent nationhood to 70 million people without recourse to arms. It is safe to say that had there been no Jinnah there would have been no Pakistan, and India would even now have been undivided, for no other man would have held out so unshakably for Pakistan or nothing. In 1946 even Mr Jinnah himself accepted the Cabinet Mission's plan, and it was only when Congress leaders made unguarded speeches which appeared to show that their acceptance was neither whole-hearted nor unqualified that he withdrew. It was never any use trying to throw dust in his eyes. Logical clear-sightedness was another outstanding facet of his character, and the Muslim community, traditionally conscious that the Hindus had the advantage over them in intellectual capacity, had the reassuring feeling that in him they had a leader who would never be "outsmarted" by the most subtle Hindu politician.

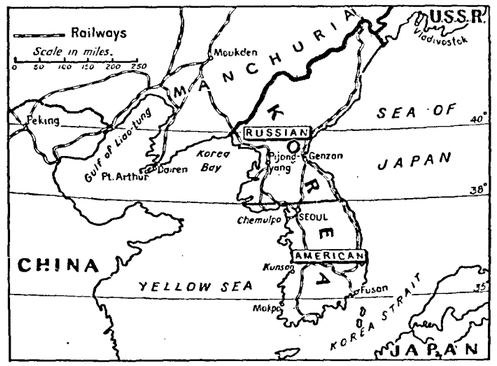
What then will be the effect of his death on the future of Pakistan? His loss will be felt most keenly in the sphere of internal politics. Pakistan has been as severely tested in this as in the foreign field. The menace of separatist tendencies in the outlying areas of the North-West Frontier Province and Eastern Bengal proved to be unexpectedly strong, while "provincialism" in the West Punjab and Sind no less endangered the foundations of the new State. Mr Jinnah dealt vigorously with these threats in the remarkable burst of energy which characterised his activities last spring. Airborne tours of East Bengal and the North-West Frontier, during which his tirelessness astonished all, were great personal successes and did much to consolidate his position, and consequently the position of the Centre. They were followed by the dismissal of the Premier of Sind (a combined blow against the two evils of provincialism and corruption in public life) and a series of ordinances issued by the Governor-General, arrogating for the Centre some of the powers of the Provincial Governments. There has been a growing feeling that provincial autonomy is an obsolete conception so far as Western Pakistan is concerned, and that in the interest of solidarity, economy and efficiency the administration should be centralised; equally there has been a feeling that only Mr Jinnah himself would be able to carry through this drastic reform in the teeth of provincial jealousies and vested interests. The future line of development is now uncertain. No drastic policy changes are expected, and, thanks to the work of internal consolidation put in during the last few months, there is no danger of any sort of *coup d'état*; but a gradual deterioration in the internal situation is not beyond the bounds of possibility.

No Change in Foreign Policy

In the foreign sphere, the most important factor in the situation is that Mr Jinnah was known to be favourably inclined towards the British connection. Though none cared openly to criticise his policy, there was a by no means negligible Anglophobe school of thought which privately dubbed him pro-British. This characteristic is shared by his successor, Khwaja Nazimuddin, but the latter, though in many respects an admirable choice for the post, will have neither the power nor the influence of his predecessor. No sudden reorientations are to be expected; on the whole, indeed, it is unlikely that Pakistan's foreign policy, which has always been guided by practical and realistic considerations, will change at all. Hopes have been expressed in some quarters that relations between India and Pakistan will now improve. It is difficult to see how this can be so. Had both Dominions not been so deeply committed over the Kashmir dispute, there would have been a chance that India would find the present opportunity a fit one for adopting a more conciliatory attitude in the hope of winning Pakistan's friendship, but the rift appears to be now too wide. There is not the slightest possibility that the two Dominions will re-unite.

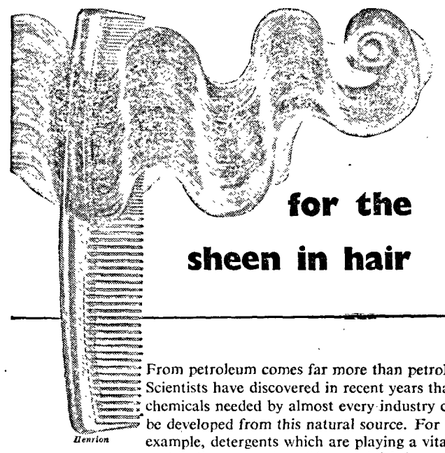
Two Camps in Korea

WHEN in a small country there are two governments, each claiming to be the sole legitimate government of the whole country, there are only three possible ways of deciding between them, short of their own voluntary agreement to merge. The first is to submit to the verdict of the people through free democratic elections; the second is to refer the dispute to an outside authority whose ruling both claimants undertake to accept; and the third is to fight it out by force of arms. In Korea unfortunately there seems little prospect of either of the first two solutions, because the essential fact of the situation is that the Soviet-sponsored North Korean regime repudiates either a verdict by free elections or a decision by the only international authority appropriate for the purpose. Free elections under Uno supervision have already been held in South Korea and have produced the Government which the North rejects; the elections held in the North have been of the familiar "new democracy" type, no political activity being allowed outside a unanimous Communist-controlled bloc, and the Uno Commission was refused entry to the zone or permission to supervise elections there. The Communists, of course, say that the boot is on the other foot, that it is the elections in the South that were rigged; and it is true that police measures were taken against Communist elements which were continually inciting to violence and trying



to prevent elections being held at all. It may also be conceded that in a country with no previous experience of parliamentary democracy and a population still largely illiterate, political choice is in any case likely to be unduly influenced by the party or parties already in power or favoured by the existing authority. When all allowances have been made, however, the fact remains that the attitude of the Russians and their Communist *protégés* towards the principle of Uno supervision of elections has precluded any possibility of an agreed procedure for ascertaining the likes and dislikes of the Korean people. The same attitude also rules out acceptance of a decision by Uno itself, for Russia has declined to recognise any action of the "Little Assembly," and Mr Vishinsky has just been doing his utmost to prevent the Korean question being even put on the agenda of the Assembly itself. Uno can pass a resolution, but it will make no difference in Korea north of the 38th parallel of latitude.

Must the issue then be decided by civil war? What is preventing civil war at the moment is the presence of the American and Russian troops. Any crossing of the demarcation line by substantial Korean forces from one side or the other would bring the American or Russian troops into action in defence of their zone; and the other Power would have either to permit the humiliating defeat of its own *protégés* or else use its own forces and thus bring on a major war. But now Russia has announced

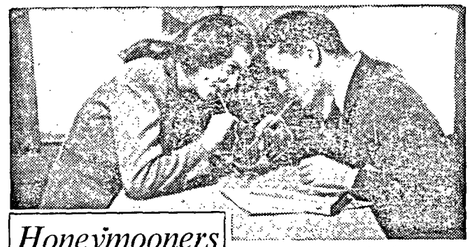


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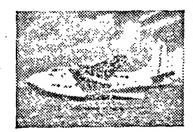
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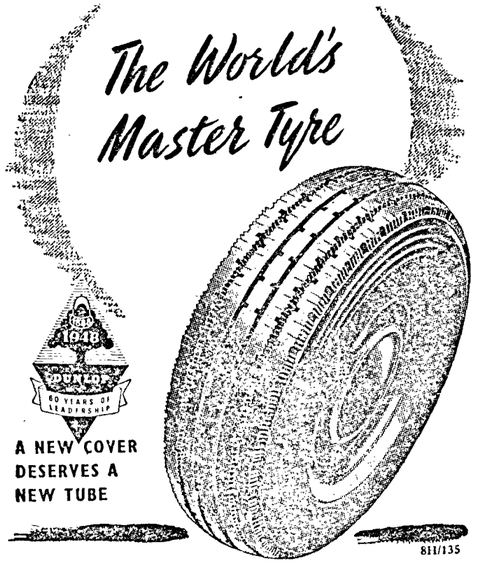
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withdrawal of its own troops from Korea by the end of the year and has challenged America to do the same. By this manœuvre Russia certainly stands to gain a moral advantage; for it can be claimed that, if America keeps troops in Korea after that date, it is not only a violation of the agreement to withdraw occupation after Korean independence has been established, but an admission that the South Korean Government lacks the support of its own people and cannot survive without the support of a foreign army.

The reality behind the formal contention, however, is that from the very beginning of their occupation in Korea the Russians have exerted themselves to the utmost to build up a powerful Communist-officered Korean army. They already had cadres from the Korean community in the Soviet Union, whose men of military age served in the Red Army and had been suitably indoctrinated for military leadership in the Soviet interest in Korea. There were also Koreans of Manchuria who had taken part in anti-Japanese guerrilla resistance, with secret support from Siberia, during the period of the Japanese occupation. With these elements and with local Communist stalwarts the Russians set about organising, equipping and training a Korean army. Detachments of it have fought with the Chinese Communists against Chinese Government forces in Manchuria, thus gaining valuable military experience as well as giving aid to the Communist cause. In spite of the iron curtain enveloping North Korea, American military experts believe that a really formidable army has been created and that it would today be far stronger than any force which the South Korean Government could oppose to it.

When the Americans went to South Korea, they were quite unsuspecting and unaware of Russian intentions, and they had themselves no plan for militarising the Korean nation. They looked on the Koreans as a rather pathetic, downtrodden people who had been liberated from Japanese rule and they relied on the agreement which had made for a Four-Power Trusteeship to prepare the Koreans politically and economically for full self-government. They did not contest the right of the Koreans ultimately to have a national army of their own, but they did not regard it as urgent or as having any priority in a country which had been economically dislocated by the collapse of Japan (even without the economic effects of the demarcation line) and had suffered a 30 per cent decline of agricultural production due to the shortage of fertilisers. Nor was Washington inclined to form a Korean army before there was any properly constituted Korean Government to take charge of it, and in the American view there could not be such a Government until elections had been held or at least there had been American-Russian agreement on a provisional administration for the whole country. But month after month passed, and in the South there was neither Government nor army, while in the North the People's Committees ran everything under Russian supervision and the Communists' army was built up daily. At last the Americans began to get wise to the trick that was being played on them and to realise that the negotiations never would result in any agreement unless it was for Communist control of Korea, which had been the Russian objective from the beginning. So this year zonal elections have been held, a Government formed and Korea recognised by America as an independent state, with the sequel that the formation of an army in South Korea has been taken in hand three years after it was started in the North. But the North has a long lead, and unless Washington decides to abandon Korea altogether, some American troops must be kept there (by the invitation of the South Korean Government) until the Seoul regime is reckoned strong enough to look after itself. Even then, what outcome can there be of American withdrawal except that the two armies will fly at each other's throats as soon as all foreign troops are out of Korea? It is indeed a fantastic situation, perhaps the most fantastic of all the postwar monstrosities, for Korea, after all, was not an enemy country, but was supposed to receive from the Great Powers of the West under a benevolent tutelage the gift of freedom.

Letters to the Editor

Industrial Productivity

SIR,—I think that Mrs Stone's reply to my letter on the above subject is more distressing than the unreality of the original comparison for it misses completely the points at issue. It may be true that Dr Rostas has tried to provide a common base-year for comparing British and American industry, by a theoretical projection from the last available census figures. But the census figures themselves are some years apart, and as stated in my letter, bracket a period which saw in the tinbox trade very significant changes in the relative productivity of the industries of the two countries.

Whatever the statistical niceties, the conclusions drawn from them remain palpably false. The constituents of the two industries do not differ, as Mrs Stone suggests, in quality only (for which some allowance has been made) but in kind. The range of articles manufactured is different and to that extent non-comparable.

The moral of the Rostas figures is presumably that the industrial leaders concerned should consult their American counterparts, to remove what are apparently major anomalies in the relative productive efficiencies. The object of my letter was to point out that this had, in fact, been done many years ago, and that comparative statistics which have been available since that time demonstrate conclusively that, when like is compared with like, the anomalies prove to be non-existent. If Dr Rostas would like to obtain such a comparison he can come and see for himself here and I have no doubt that I could arrange similar facilities in the United States.—Yours faithfully,

JOHN RYAN, Vice-Chairman,
The Metal Box Co., Ltd.

The Langham, Portland Place, W.1

[We suggest that the argument should be suspended until Dr Rostas's full figures are published.—EDITOR.]

Opposition in Israel

SIR,—Your note, "Opposition in Israel," in *The Economist* of September 11th contains certain inaccuracies. Koestler's "Thieves in the Night" was not written in the spirit of exposing the Jewish Resistance movement. It is a study of the integration of the various elements of Jewry of Palestine around the idea of winning Palestine by force against unjustified Arab resistance and the mandatory's policy. Far from exposing the Jewish resistance movement, Mr Koestler views it with sympathy and understanding. British officialdom, and certain fractions of Jewry unable to keep pace with the realistic demands emanating from the situation in Palestine are brought to censure. I can well understand that bringing to light the spirit pervading the whole movement may "expose" it in London, but in Tel-Aviv Mr Koestler's book was taken as a vindication of its aims, and even methods.

The Stern Group had both independent beginnings and career from Irgun Zvei Leumi. It had existed for some time when Irgun came to life as a separate organisation. It is, of course, still difficult to trace the exact story of events; it is certain, however, that Irgun as a separate organisation appears as late as the early months of 1943. At that time a group of revisionists, deportees to Russia, including Menachem Beigin, obtained control of the hitherto insignificant underground forces, and of the political bureau of the party, and eventually engineered a split, which made Irgun completely independent.

To what extent this split was real it is difficult to say. It is quite possible that it was a purely tactical move to exonerate the official organisation from the doings of the underground. Radicals on both wings in Palestine, Irgun, Stern, and the leftist group headed by Moshe Kleinbaum-Sneh understand politics and policies in the purely Machiavellian sense.—Yours faithfully,

KAZIMIERZ GRZYBOWSKI

126 College Road, London, S.E.19

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The Reward of Work

SIR,—In the course of your interesting analysis of contemporary conditions under the above heading, there is a statement in the article of September 11th which calls for comment. Sir Stafford is wise enough *not* to "under-rate the increase in output which could be secured by greater and longer physical work," and he certainly does not "over-rate the potentialities of improved management."

While admitting that there undoubtedly is today a certain slack in the duration and tempo of work, experience over many years has shown that, so far as sustained effort is concerned (and the short spurt has little relevance to Britain's needs today), there is a definite ceiling to the length of the working week, and that diminishing returns set in fairly rapidly thereafter. The ceiling is probably on the under side of 47-48 hours if the tempo of work is high. The tempo of work, however, is mainly a psychological factor, a reflection of morale: this has been proved by many studies. In turn, the level of morale is a direct product of the competence or deficiency of management. This is one important direction in which the potentialities of increased productivity through improved management cannot possibly be over-rated.

Equally, in the field of methods there is considerable scope. The archives of a professional consulting firm are full of examples of over-staffing, ineffective use of manpower, loss of production time due to a bad layout and flow of work, unplanned maintenance of machines, and so on. These are all factors peculiarly within the domain of management. So again there would seem to be ample scope for potential improvements in productivity due to better management and relatively little danger of over-rating the size of its contribution.—Yours faithfully,

7 Park Lane, London, W.1 E. F. G. BRECH

[We seem to be all on the same side. The ceiling of efficient working hours is generally agreed to be around 47-48 per week (in so far as a single figure can be quoted for all industry), but Mr Brech cannot contend that most workers exceed that figure. While we agree that management has a great deal to learn about its own efficiency, the finest management can only make the best possible use of the man hours available to it, and there must come a time when—economies having been made in every direction—increases in production can be achieved only by an increase in man hours.—EDITOR.]

Price Reductions

SIR,—A South Wales miner with whom I was discussing the reduction in prices made by the Co-operative Societies last February commented that, as far as he was concerned, the reduction had an effect the reverse of that intended since it had always been his practice to retain his dividends as savings and these dividends were now likely to be considerably reduced. The amounts saved as a result of the lower prices were spent on non-essentials.

If this is a general practice it would seem that the Co-operative Union's action might have had an inflationary rather than a disinflationary effect.—Yours faithfully,

MALCOLM H. MCDOUGALL

1 Napoleon Road, Twickenham, Middlesex

Railway Slump

SIR,—In relation to the article on "A Railway Slump" in your issue of September 11th you may care to be reminded (particularly as you contemplate reverting to this topic) that it is decidedly misleading to conduct any comparison of present with "prewar" fares on the basis that "railway fares are now (only) 55 per cent above the prewar level." This is true only if one defines "pre-war rates" as those in force immediately prior to the outbreak of war and ignores the fact that there had already been an increase of 5 per cent a few weeks earlier—i.e. on June 11, 1939.

I think you may agree that the average member of the public does not ordinarily construe the term "prewar" so strictly in any general comparison of present conditions with those obtaining before the war; the latter is more usually construed as those applying over some reasonable period.

The fact is that present rates are 63 per cent above the level in June, 1939, a fact that was confirmed to me by the Southern Railway on November 20, 1947. I submit that in the generally accepted sense this represents the more accurate description of the increase over "prewar" rates.

You may, moreover, be interested to observe that in respect of the so-called "cheap fares" the general rate of increase is even substantially greater. A concrete example is a Sunday trip to Gloucester (advertised on page 2 of the *Evening Standard* of September 15th) the present rate of 15s. compares with 6s. 6d. operating for several years before the war, when I was making the journey fairly frequently. Similarly I think enquiry would confirm that many "cheap day" return fares in the London suburban area (certainly that part served by the Southern Region) are up by 100 per cent or so.—Yours faithfully,

C. J. R. WHETMATH

55 The Grove, Twickenham, Middlesex

From *The Economist* of 1848

September 23, 1848

How to prevent revolutions is a new and important problem for statesmen to study. The Austrian, French, and Prussian method of keeping the people under severe control and in pupilage, which has hitherto been admired and followed, has obviously failed. It may do for a short season, but in the long run it is destructive. The best remedy probably is the abatement of that vanity which induces estimable men to deem lightly of society, and very highly of their own abilities to regulate it. Such a cure will be slow, but we are afraid it will be the only sure one. The benevolent intention of all political reformers and of all the administrators of government, now and to be, cannot be doubted; they have no other interest than that of securing their own fame and peace by making the people happy, but the wisest among them are lamentably ignorant of the means. We learn every session of Parliament that single laws, the most carefully drawn and considered, relating to some minute part of society, such as the regulation of the factories, do not answer the intended purpose, and affect many interests which the legislator never intended to touch; and we conclude, therefore, that the attempt to make a constitution at once regulating every part of society, is a wild impracticability. The best interests of mankind accordingly now require us to discountenance and discourage equally constitution-mongers and legislative meddlers . . . . . Governments desirous of preserving their authority, and insuring the peace and welfare of the people committed to their charge, with all the mercantile and industrial classes . . . whose dearest interests are so deeply injured by political change . . . . must now become the advocates of *laisser faire*, and seek security and safety by frowning down the vanity and interdicting the meddling of revolutionary heroes.

THE BUSINESS WORLD

Britain's Balance of Payments

WHEN set against the frightening background of 1947, the latest estimates of Britain's balance of payments—given in Cmd. 7520—portray a striking transformation. In the first half of this year Britain's total deficit on overseas payments on current account was running at an estimated annual rate of £280 million—well under half the catastrophic rate of 1947 (now revised from £675 million to £630 million) and little more than three-quarters of that for 1946. Whatever reservations need to be made about the basis of these estimates and the sources which have contributed to so dramatic a change, there can be no gainsaying that the rake's headlong progress has been checked. The new austerity imposed upon Britain last autumn has had some salutary effects in greatly reducing (though by no means stopping) the dissipation of vital reserves. The Government, flushed with relief and satisfaction at this achievement, may perhaps be forgiven for not recalling that any smaller success would have been calamitous. Some may feel, indeed, that any dispassionate analysis of the sources of this change must be an ungracious, kill-joy exercise. But it would be no service to Britain, and none even to its present Government, to neglect the task.

The truth is that the brightness of the bold strokes on the canvas becomes not a little dimmed when the necessary detail is filled in. The total deficit of £140 million for the half-year is only £4,000,000 greater than the £136 million estimated in this year's "Economic Survey"—a small difference which has been widely acclaimed as evidence both of the accuracy of the Government's forecasting and of the successful progress of its master-plan for Britain's rehabilitation. Those who argue thus have not read Sir Stafford Cripps's exposition, given in Parliament last week, with the attention it deserved. He showed, even if he did not emphasise, that the visible deficit—the portion of the whole account which most clearly reflects the course of the rehabilitation plans—was much larger than had been expected. The error, by comparison with the "Economic Survey" estimates was, indeed, nearly 80 per cent, for the actual deficit for the half-year was £156 million, whereas the estimate was £87 million. This large divergence from the programme seems to have been almost wholly due to the continued rise in import prices. The cost of imports, at £887 million, was £95 million more than had been expected but their volume as a percentage of 1938 volume, at 78 per cent, was only 2 per cent more than the "Economic Survey" postulated. Of this unforeseen burden of £95 million, exports and re-exports carried £26 million; they exceeded estimate by that amount, and this excess was by no means wholly due to the rise in export prices—estimated at 3 per cent, in contrast with 10 per cent in import prices. The achievement of exports is, indeed, very heartening. As Table I shows, they earned £731 million in the half-year, compared with £1,102 million earned in the whole of 1947.

These figures are certainly a tribute to the progress of the export drive. But it needs to be emphasised that if there had been no other sources of unexpected improvement the total deficit for the half-year would have been running at an annual rate of about £400 million—despite the cuts in imports and in industry's capital outlays and despite the new austerity. In other words, the virtual achievement of the target for the half-year's total deficit has been wholly due to the unexpectedly large net receipts from invisible transactions. It is important to recognise both that this improvement was partly adventitious and that it was not directly related to the Government's policy and planning. Otherwise people may jump to the dangerous conclusion that the major changes which were planned in the structure of Britain's economy—changes which have scarcely begun to take effect as yet—are after all unnecessary.

The invisible account as a whole showed a net credit of £16 million instead of an expected net debit of £49 million—an unexpected gain of no less than £65 million. To this gain, Government transactions contributed £13 million; that is to say, the net total of Government expenditure overseas, at £57 million, fell short of the estimate by this amount. It would, however, have exceeded estimate by £16 million had there not been a more than compensating error in the estimates of certain non-recurring credits: disposal of wartime surpluses and inter-governmental settlements of indebtedness arising from the war provided £29 million more than had been expected and financed scarcely less than half the net total of the Government's overseas expenditure on all other accounts, which amounted to £113 million in the half-year, or at the rate of £226 million per annum. This last figure compares with £328 million for the whole of 1947, so that the reduction has been less steep than is commonly supposed.

Up to this point, therefore, the current account, strictly so defined, shows only deterioration by comparison with the estimates—at the annual rate of £170 million, if the non-recurring Government credits are excluded. The really heartening achievement, which has saved the situation and brought the total deficit down to within striking distance of the estimates, has occurred in the traditional items of Britain's invisible income. The cost to Britain of invisible imports—shipping, out-payments of interest and dividends, films (net), tourism (£15 million) and business travel abroad (£9,000,000)—was, indeed, £34 million more than had been estimated, at £174 million, equivalent to an annual rate only slightly less than in 1947. But invisible receipts expanded very sharply, and surpassed the estimate by £86 million. Their total for the half-year was equivalent to an annual rate of £494 million, nearly £120 million more than in 1947 and actually £90 million above the figure for 1938, despite the estimated fall of £50 million in the yield from overseas investments. To keep these heartening gross figures in perspective it needs to be remembered, however, that invisible imports—excluding Government expenditure at a net annual rate of £104 million—were costing £191 million a year more than in 1938. Hence the net yield of commercial and private invisibles was fully £100 million less than in 1938, despite the big expansion of net shipping income in consequence of the rise in freight rates. This income was at an annual rate of £66 million in the first half of this year, in contrast with only £20 million in 1938.

The other big contributors to non-Governmental gross invisible income were the miscellaneous items, including inward travel now shown separately for the first time. These items produced a credit of £22 million in 1947 (instead of the debit of £20 million shown in the initial estimates for that year), but were expected to involve a net expenditure of £11 million in the first half of this year. Actually, they provided a net income of £53 million, and thereby surpassed the forecast by a sum equivalent to an annual rate of no less than £128 million. Part of this big expansion is, however, certainly non-recurring: for example, the residual item includes a notional credit of

£8,000,000 representing the counterpart of goods imported (and included in imports in the visible account) from overseas stocks accumulated and paid for during the war. Inward travel yielded £14 million in the first half of the year (compared with £19 million in the whole of 1947 and £28 million in 1938), and it is expected to be even larger in the current half-year, which includes a larger part of the tourist season and has also benefited from the Olympic games. There is still a net deficit on travel of £10 million in the half-year, but it is much less than in 1947 when, it is now estimated, outward travel cost the extravagant sum of £73 million and even the net figure exceeded £50 million; in 1938 it was £12 million. For the rest, there has apparently been an unexpectedly big increase in income from financial and commercial services and from the overseas activities of the oil industry, though no indication is given of the amount of these receipts.

So much for the current account of Britain's balance of payments as a whole. More reassuring, in some respects are the changes which have taken place in the distribution of payments between the main geographical areas. Despite the rise in dollar prices (which caused imports from the Western Hemisphere to exceed estimate by £27 million for the half-year), the net deficit with the Western Hemisphere—which is not to be identified with the dollar area—was reduced to £195 million, or only £12 million more than the figure forecast in the "Economic Survey." Its annual rate, though still at the alarming level of £390 million is £280 million less than in 1947, a year of disastrous strain upon the reserves. A large part of this improvement was due to the steep fall in the invisible deficit; this totalled £118 million in 1947 but was reduced to only £18 million in the first half of this year, thanks to the cessation of direct expenditure in the Western Hemisphere for account of Germany and thanks, also, to improved net receipts from shipping and oil.

Of particular significance, in view of Britain's large obligations under the new European payments plan, are the radical changes which have occurred in Britain's trade relationships with the OEEC countries. In 1947 Britain had a visible surplus of £34 million, but a final deficit of £30 million, with these countries. In the first half of 1948 the visible surplus had risen to an annual rate of £58 million and the invisible deficit of £64 million had been converted into an invisible surplus at the rate of £22 million, making a final surplus at the rate of £80 million. This large total of British aid for Marshall Europe suggests that the immediate burden of unrequited exports to Europe which Britain is assuming under the new plan will actually be less than the burden which has been carried in the first half of this year; for the Chancellor said in Parliament last week that at least two-thirds of the $500 million of British aid will be furnished by exports from the sterling area.

One other facet of Britain's external accounts is of particular importance—the capital account, shown in the second table. This shows large and contrasting movements. In the first half of this year, Britain has again been attracting capital from the non-sterling world, but this inflow has been financed on balance by a more than corresponding repayment of accumulated sterling balances; these dropped by £142 million (partly in consequence of Argentina's drawings for the purchase of the railways). The total balances of the sterling area countries, on the other hand, rose by no less than £116 million (in contrast with a drop of £147 million in 1947) partly because of their voluntary curtailment of drawings on the central dollar pool. In addition, Britain increased its capital assets in the sterling area by no less than £145 million—a huge rate of outflow of funds which was strongly influenced by the movement of "hot money" to South Africa. This particular movement, however, has now been reversed; and the Chancellor explained that the net outflow of capital in the second quarter of the year was much smaller than in the first. It is certainly to be hoped that this declining trend will continue, for Britain can ill afford to export capital on this scale, especially as much of the outflow is not to be regarded as the genuine accumulation of overseas assets which the accounting might suggest. This item of £145 million is, indeed, a mere residual, and includes such items as the capital taken abroad—estimated at "several tens of millions"—by emigrants.

TABLE I—CURRENT ACCOUNT—SUMMARY
(£ Million)

	1938	1946	1947	1948 First Half Provisional
PAYMENTS				
1. Imports (f.o.b.) :—				
(a) Food and feeding stuffs	...	553	739	427
(b) Raw materials	...	342	525	309
(c) Tobacco	...	71	30	14
(d) Petroleum (civil)	...	54	71	59
(e) Manufactures and other imports	...	72	175	78
Total imports	**835**	**1,092**	**1,540**	**887**
2. Government overseas expenditure :—				
(a) Military	...	379	198	76
less war disposals and settlements	...	*—152*	*—121*	*— 56*
(b) Relief and rehabilitation	...	110	60	9
(c) Germany	...	40	80	12
(d) Administrative, diplomatic, etc.	...	35	36	21
(e) Other Government (net)	...	*—121*	*— 46*	*— 5*
Total Government overseas expenditure (net)	**16**	**291**	**207**	**57**
3. Shipping	80	139	171	84
4. Interest, profits and dividends	30	80	102	59
5. Films (net)	7	17	14	7
6. Travel	40	40	73	24
7. Total payments	**1,008**	**1,659**	**2,107**	**1,118**
RECEIPTS				
8. Exports and re-exports (f.o.b.)	533	890	1,102	731
9. Shipping	100	160	201	117
10. Interest, profits and dividends	205	155	152	77
11. Travel	28	12	19	14
12. Other (net)	72	72	3	39
13. Total receipts	**938**	**1,289**	**1,477**	**978**
14. Surplus (+) or Deficit (—) on current account	*— 70*	*—370*	*—630*	*—140*
Of which : Visible trade	—302	—202	—438	—156
Invisibles	+232	—168	—192	+ 16

TABLE II—CAPITAL ACCOUNT
(£ Million)

	1946	1947	1948 First Half Provisional
I. Net change in gold and dollar resources.			
A. On United Kingdom account	*—342*	*—657*	*—186*
1. *Deficit with dollar Area*	*—335*	*—606*	*—186*
2. Gold and dollar subscriptions to International Monetary Fund	*— 7*	*— 51*	...
B. On Rest of Sterling Area account	+ 45	*—204*	*— 19*
3. Deficit with Dollar Area	*— 34*	*—281*	*— 28*
4. Gold and dollar subscriptions to International Monetary Fund and Bank	*— 8*	*— 7*	...
5. Purchases of new gold from Sterling Area	+ 82	+ 84	+ 9
C. On whole Sterling Area account			
6. Net gold and dollar receipts from or payments to other countries	+ 71	*—163*	*— 49*
7. Total change in gold and dollar resources	*—226*	*—1024*	*—254*
II. Net change in United Kingdom external capital assets and other capital transactions			
A. Non-Sterling Area	*— 71*	+ 66	*— 57*
8. Gold and dollar subscriptions to International Monetary Fund and Bank	+ 7	+ 51	...
9 Repayment of U.S. and Canadian loans	+ 32	+ 36	+ 17
10. Sales and redemptions of U.S. and Canadian securities (net)	*— 36*	*— 21*	+ 4
11. Other capital transactions	*— 74*	...	*— 78*
B. Rest of Sterling Area	*— 34*	+183	+145
12. Australian and New Zealand gifts	...	*— 30*	...
13. Other capital transactions	*— 34*	+213	+145
14. Total change in capital assets, etc.	*—105*	+249	+ 88
III. Net change in sterling balances.			
A. 15. Non-Sterling Area Countries	+ 76	+ 2	*—142*
B. 16. Sterling Area Countries	*— 37*	*—147*	+116
17. Total change in sterling balances	+ 39	*—145*	*— 26*
IV. Summary			
18. Net drain on United Kingdom gold and dollar resources	226	1,024	254
19. Net decrease in United Kingdom external capital assets, etc.	105	*—249*	*— 88*
20. Net increase in sterling balances	39	*—145*	*— 26*
21. Total Overseas Disinvestment	370	630	140

Bretton Woods Twins

THE world's finance ministers and governors of central banks, with their retinues of experts, are gathering in Washington for the meetings of governors of the International Monetary Fund and the International Bank for Reconstruction and Development, which are due to open next Monday. These Bretton Woods twins have had 2½ years in which to thrive and show their mettle since their baptismal feast—the inaugural meeting of governors at Savannah in March, 1946. To assess their performance, it is well to recall this earlier gathering, at which the fundamental issues that were to determine the character of the two institutions, were decided. The most important of these issues concerned the basic character of the Bank and Fund: whether they were to be political or technical institutions; whether they were to provide a meeting place for bankers or for representatives of governments; whether each was to be managed by an international staff owing allegiance to an international institution alone, or by a large concourse of executive directors and their alternates sitting in permanent session and owing allegiance primarily to the governments which appointed or elected them. This last choice involved two issues: first, the siting of the Bank and Fund, whether they were to be in the political or financial capital of the United States (the fact that they should be in the United States at all had been decided earlier, at Bretton Woods itself); the second concerned the powers and incidentally the salaries to be given to the executive directors and their alternates.

The first British Governor, Lord Keynes, felt deeply on these issues and with all the concern of a man who could rightly claim the major share in the paternity of the twins. It is instructive to recall the speech he made at the inaugural session of the Savannah meeting. In this he invoked all the qualities that the good fairies should be bringing to the two infants, at this, their christening; but he added that if by ill chance some bad fairy had not been invited (like Carabosse at the baptism of the Sleeping Princess) it would lay a curse on the twins: "You two brats shall grow up politicians; your every thought and act shall have an *arrière pensée;* everything you determine shall not be for its own sake or on its own merits but because of something else." And Lord Keynes added that if this were to happen "the best that could befall would be for these children to fall into an eternal slumber, never to waken or be heard of again in the courts and markets of mankind."

This danger of the intrusion of politics must be more particularly present with the Fund whose concern is primarily with monetary policy, a jealously guarded preserve of national sovereignty. Looking back at the history of the Fund over the past year it cannot be said that it has altogether escaped the curse of Carabosse. The siting of the Fund in Washington has inevitably tended to make that institution an organ of the US Government and its American executive director an agent of the National Advisory Council, the financial committee of the US Government. While that political influence has been used discreetly and on the whole wisely and constructively, it cannot be denied that the mere intrusion of political influence has caused some resentment and suspicion among non-American members of the Fund and has lost for that institution some of the complete and unquestioned confidence with which it should be held by all member countries. One illustration of political inspiration will suffice—the decision to debar all member countries which are recipients of Marshall Aid, from purchasing American dollars from the Fund. The decision may have had considerable logic behind it; but the manner in which it was made and the obvious American prompting that lay behind it, gave it the appearance of a *diktat* which cut right across the concept of automatic access of members to the facilities provided by this institution, subject to the rules agreed at Bretton Woods.

Since it began operations in March, 1947, the Fund has done valiant work within the limit of its resources in filling the world's dollar needs. Its cumulative operations to date show sales of exchange amounting to $633 million, of which all but $16 million represented sale of US dollars. The scale of these operations has been steadily diminishing, partly because of the barring of ERP countries and partly because some members, including Britain, virtually exhausted their 12-month quota of permissible operations well before the 12 months were over. Since the beginning of the current fiscal year on May 1, 1948, and up to the end of July, the Fund had only sold exchange for $27,528,000 and the month of July itself provided one single operation, the sale of 100 million Belgian francs to Norway.

Looking back over the past year's activities of the Fund, no criticisms or second thoughts suggest themselves regarding the original decision to accept the parities notified by members before the Fund started to operate. However artificial these parities may have been, there was neither the statistical material to calculate true parities, nor the uniformity of economic development throughout the world to ensure that these parities, once calculated, would have remained valid for more than a very short period. The Fund has, in fact, made a good case for accepting the original parities while keeping a particularly open mind in its judgment on requests for changes of parities. The Fund's record is much more vulnerable on the issue of multiple currency practices with differential rates of exchange. One real fight appears to have been fought on that issue, that from which France emerged defiant and victorious. This appears to have broken whatever will the Fund ever possessed to resist infringements of its basic rule, that members should not indulge in multiple currency practices. After recognising experiments made in this direction by Greece and Italy, the Fund has been scattering dispensations from this rule among its South American members. The effect has been to penalise the disciplined and the well-behaved. Multiple currency practices not only call into question the official parities recognised by the Fund; they are also leading to an increasing distortion of the channels of world trade, a distortion which mainly harms the countries which continue to shun these practices.

Neither has the Fund emerged wholly victorious from its battle against differential gold prices. The more brazen proposals submitted by certain members to subsidise their domestic gold production by paying higher domestic currency prices than those corresponding to the official parities, have been suppressed. The grossest and most glaring abuses of international traffic in gold at differential prices have also been stopped; but in fact gold continues to find its way to the free markets of the Middle and Far East in sufficient quantity to make it quite apparent that the edict of the Fund against dealings at unofficial prices is being ignored by some of its members. In the fight against open and hidden transgressions of its rules, the Fund has undoubtedly lost face during the past year.

As for the International Bank, the past year has seen a gradual reduction in the tempo of its activities. The first hopes that it might play some part in the European Recovery Programme have been disappointed; it stands outside the main channel through which American capital is now flowing to other countries. It is perhaps inevitable that the Bank should have to take a back seat in international investment, since the international demand for new capital is almost exclusively for dollars and the Bank's dollar resources are severely limited. It collected about $750 million in dollar subscriptions from the United States and other member countries. In addition it mobilised another $250 million by last year's issue of bonds in the American capital market. It has to date made loans of slightly over $500 million. Since its dollar resources cannot be allowed to run down completely, the remaining scope for dollar loans is modest and will so remain unless Wall Street can be induced to absorb another issue of the Bank's bonds. There is very little prospect of this at the moment. The Bank has undertaken one or two minor non-dollar operations, such as providing a few Belgian francs for Luxemburg and Swiss francs for the Netherlands, but these are abnormal transactions and given the comparatively expensive terms on which they were made are unlikely to provide precedents. For the time being the role of the Bank appears to be to offer modest prospects of dollar loans for Latin-American countries, thus helping to console these for the major direction of US external assistance towards ERP.

While the operations of both Bank and Fund have been slowing down, the same cannot be claimed for the scale on which these two institutions live and provide livings. For the fiscal year to June 30, 1948, the Bank had an administrative budget of over $4,000,000—an outrageously high figure in relation to the actual business done. When the accounts of the Fund for the past year are published this sum will probably be shown to have been exceeded by that institution. The worst fears of those who looked askance at the grandiose scale on which these two institutions were launched are now being realised. The staffs of each appear to be out of keeping with the volume of business which is being transacted. The Boards of Executive Directors with their fourteen full-time directors and fourteen alternates, all of them drawing large tax-free salaries, with quite inadequate work to occupy more than a small fraction of their time, must tend to become lush and convenient pastures where governments put out to grass tired or deserving pensioners. There are honourable exceptions to this tendency, and some member countries have seen fit to keep their representation and the expenses they incur down to the minimum. Apart from the boards, the staffs of these two institutions are becoming unduly inflated. The Fund is reputed to have over 200 employees in its Research Department doing little more than is accomplished by a mere handful of people at the Bank of International Settlements at Basle. The Bank and Fund share a building, but nothing else. They have no common services. On the contrary, they tend to bid against one another for talent. As a result considerable duplication of effort is taking place within the four walls of the same building. What is worse, this inflated scale of administrative expenditure aggravates the dominant problem which these two institutions were formed to cure: the world's shortage of dollars. Their income is provided largely by the poor and the needy. It is they who have to take the Bank's loans and use the facilities of the Fund. Under the Keynes scheme, the excessive creditor would have been paying heavy interest on its large *bancor* balances and would thus have made his contribution to the running expenses of the Clearing Union. But no part of this idea survives and it is the deficit countries which provide the bulk of the income of both institutions. Their outlay, on the contrary, is almost wholly in the form of US dollars, since they are situated in Washington and pay their salaries in dollars. There is therefore a very strong case to be made for a drastic curtailment in the budgets of these two international institutions. By such action they might even provide a salutory example to the even more white elephantine services and off-shoots of the United Nations whose mounting expenditure and increasing administrative inefficiency urgently need reform. Slimmed and stripped of their superfluous fat, the two Bretton Woods institutions would be in better shape to tackle the work for which they were intended and to fulfil the valuable functions that still lie before them.

Business Notes

The Chancellor in Ottawa

The week which Sir Stafford Cripps and his experts have spent in Ottawa appears to have been largely devoted to expounding to the Canadian Government the facts of the British economic position and the short and longer term objectives of British economic policy. More specific issues will no doubt have been introduced, including the freeing of the unspent $240 million balance of the Canadian loan, the status of the interest free loan, the expenditure of off-shore dollars in Canada and the future of the bulk purchase food contracts.

The dominant issue, however, has far outranged these specific problems. It has encompassed nothing less than the future trading policy of Great Britain, the ultimate objectives regarding the convertibility of sterling and the dependence which Canada can therefore place on the sterling countries as a long-term market for its produce and as an assured and sound leg of the tripod on which the Dominion's commercial and financial equilibrium has rested in the past. Canada has watched with suspicion and apprehension the pursuit of the bilateral balancing of trade in British commercial and payments agreements negotiated during the past year. For the time being, the impact of this bilateralism and of non-convertibility has been effectively softened by the freedom with which authorisations have been granted by the Economic Co-operation Administration for British off-shore purchases in Canada. That, however, is not a permanent factor in the economic relations between Britain and Canada; and Canadian Ministers and their experts have shown the greatest and most natural interest in finding out the prevailing British views on what will happen to sterling when Marshall Aid comes to an end. Sir Stafford Cripps appears to have satisfied their curiosity. He has expounded the British plans, so far as they can at present be formulated, for the post-Marshall period from 1952 and what he has told the Canadians is reported to have given them some measure of assurance. Since the Canadian reserve position has undergone an appreciable improvement over the past few months, it is at least possible to hope that agreement may soon be reached on the gradual unfreezing of the balance of the Canadian loan to Britain.

* * *

Resilience in Gilt-Edged

The readiness of the Funds to respond to any symptom of improvement in the international situation could not have been better illustrated than on Wednesday. It was enough, given the pressure of accumulated funds awaiting investment, for the mere hint of a further approach in Moscow to produce a sharp improvement in gilt-edged before Mr Bevin spoke. But the remarkable feature, this week as last, has been the support for the "undated" stocks, like Old Consols and "Daltons." These two issues showed rises of ⅜ and ¼ respectively; Old Consols closed on Wednesday at 78 ex interest, to yield £3 4s. per cent, while 2½ per cent Treasury Stock was a quarter of a point lower, to yield £3 4s. 3d. per cent.

No doubt, the "undated" issues have been left somewhat behind in the long and steady improvement among the dated issues. The latter indeed showed that they were still capable of further slight improvement, giving the lingering hope of a reasonable settlement with the Russians. But for the most part, investment buying has been concentrated, when conditions were thought to be favourable, on the irredeemable stocks. It would not be right to exaggerate the movement, however, for earlier dealings this week showed that a few small sales were capable of causing fractional losses throughout the gilt-edged list. In a market short of the undated issues, however, moderate support is capable of producing a more than proportionate movement in prices.

Meanwhile, politics alone condition the market's behaviour. Neither in gilt-edged nor in equities have investors begun, as yet, to make any serious calculations about the potential effects of rearmament on the British economy as a whole or on the particular industries which may be affected for better and for worse. There

has, of course, been some measure of support for aircraft shares—Rolls Royce, in particular, were prominent and have advanced from 89s. 6d. before Mr Morrison's announcement of the new aircraft programme to 97s. 6d. Speculative buying of road transport and coke oven company shares has also continued on the prospect of acquisition and favourable compensation. But equities as a whole have done no more than maintain their ground. Perhaps the revival of new issue business is playing some part in this steadiness. Whatever the answer may be, the subscription for rights and excess shares of more than twice the money sought for the Imperial Chemical Industries issue is indicative of the volume of funds which awaits investment on favourable terms.

* * *

Australia Invites Success

The expected Commonwealth issue announced this week takes the form of £15,000,000 3 per cent stock 1965-67 at par. Together with cash payments from London funds amounting to £6,252,995, the new issue is designed to redeem £16,082,849 Commonwealth 3¾ per cent registered stock 1946-49 now outstanding, for which notice of redemption on January 1, 1949, has been given and £5,170,146 of Victoria 3 per cent 1929-49 stock due for final redemption on the same date. Cash subscription lists for the new loan (which is, of course, a trustee stock), will open and close on Tuesday next and conversion lists will be closed when the stock has been fully subscribed but not later than October 7th. As in the case of the two previous Commonwealth conversions carried out earlier this year the issue will be underwritten in the market, at ¾ per cent plus an overriding commission of ¼ per cent.

With its short bracketed redemption dates, the new stock follows closely the pattern of its two predecessors and will commend itself particularly to institutional investors on that account. It also reflects the improvement in the credit rating of the Commonwealth during the past three months. The British stock with the nearest life to the new loan is 2½ per cent Savings Bonds 1964-67, which on Tuesday offered a yield of £2 15s. 8d. per cent gross to the latest redemption date compared with £2 17s. 7d. per cent gross on the eve of the Commonwealth issue in May. On the same day, Commonwealth 3 per cent stock 1964-66 which was issued at par in May was standing at 1⅛ per cent premium, so it would seem that the Australian authorities have left themselves a little in hand in the terms for the new issue. Their caution indeed may seem a little excessive, given the fact that the gilt-edged market is so steady, despite all the obscurities of the international situation. Such prudence, however, might easily prove justified under present conditions, whereas in May the Australian authorities were prepared and, as it proved, able, to squeeze the best terms out of the market. Like the directors of Imperial Chemical Industries, who have scored an important success with their ordinary share issue, Australia has preferred to take the line of safety. This impression of caution is borne out by the movement of prices on Wednesday morning when the price of the 1964-66 stock declined ⅜ per cent. If no unexpected disturbance occurs in the market, there is every reason to anticipate that the issue will be a resounding success.

After the present issue and the recent gift of £A10 million to the British Government, Australia's London funds will still exceed £180 million. Further refinancing operations are to be expected. Two 4 per cent state issues 1942-62 totalling over £15 million await conversion and could have been included in the current operation if the required six months' notice of redemption had been given. There is also £6,000,000 of Victoria 3½ per cent 1929-49 stock which is finally redeemable on October 1, 1949, while some £37 million of mixed 3 and 3½ per cent State and Commonwealth loans will become eligible for redemption at three months notice on December 15th next year.

* * *

ECA Loans

Although broad agreement was reached in Washington some weeks ago on the terms on which ECA loans would be made to Britain, the drafting of the specific agreement has taken longer than was expected and has given rise to the usual difficulties which are encountered when lawyers, and especially the legal experts in the American administration, take up their task. The main point of difficulty appears to be the waiver clause which is to be incorporated in all the ECA loan agreements. In the early stages of the negotiations the United States representatives had suggested that if the waiver clause was invoked by the debtor on the ground that exchange difficulties made transfer impossible, interest and capital repayments on the loans should nevertheless be met in local currencies and added to the fund of local currencies set aside by the recipient countries against their ECA grants.

That proposal failed to find favour on this side. The agreement in principle which was subsequently reached in Washington was left particularly loose and amounted merely to an undertaking to enter into discussions about future payments of interest and capital on these loans if the borrowing country found itself in difficulties—in the specific case of Great Britain, if the waiver on the 1945 loan was being invoked. The time taken to translate this general agreement into legal terms appears, however, to have given the opportunity for differences of more fundamental character to emerge. The suggestion appears to have been made from the American side that, if the waiver clause is invoked, ECA shall have the right to take payment of interest and capital in kind, and particularly by additional stock piling of strategic materials. This proposal should prove particularly popular to Congress, but is causing quite natural consternation among the potential borrowers, because they could only invoke the waiver at the expense of cutting down their normal dollar earnings and so making their balance of payments difficulties even worse. This is one of the loose ends in the ECA loan agreement which may be expected to receive the attention of the Chancellor of the Exchequer and his Treasury experts when they visit Washington next week for the meetings of the International Bank and the International Monetary Fund.

* * *

Contributions to Europe

More detailed information about the British contributions to the European Recovery Programme was given by Mr Douglas Jay, Economic Secretary to the Treasury, in the House of Commons on Tuesday. Mr Jay confirmed that for the year ending June 30th next Britain had agreed to make available about £120 million in sterling to the other participating countries. Of this, £70 million would be provided by way of outright contributions and over £50 million by unrequited exports financed out of accumulated sterling balances of the participating countries. These last facilities would be given as follows: £17 million to Sweden, £14 million to the Netherlands, £11 million to Italy, £5,000,000 to Turkey and £5,000,000 to Greece.

Of the £120 million surplus with other European countries, only about £30 million will represent the United Kingdom trading surplus. The rest, and much larger share, will represent the surplus of other sterling area countries with the participating countries. Mr Jay could not estimate how much of this sum the sterling area countries would in turn spend in the United Kingdom, but no doubt *pour encourager les autres* he reminded the House that Australia had made a generous contribution by remitting £8,000,000 of the debt represented by Australian sterling balances. Mr Jay also stressed that the obligations undertaken to Europe would not be allowed to diminish Britain's capacity to export to hard currency countries. On this point, British productivity and export capacity will have the last say.

* * *

Contracts with the Colonies

In their trading strategy the Government are evidently placing increased reliance upon longterm contracts for the purchase of colonial products. A written reply by the Chancellor of the Exchequer has now set out at length the principles which, in the Government's view, should underlie such contracts. It is a statement couched in general terms and not lacking in conditional clauses. Each commodity and each contract will require "individual treatment." Contracts should "as far as possible" be freely negotiated between the producers and the purchasing department; the producers may join together in statutory marketing organisations or they may be represented in negotiations by Colonial Governments and the Colonial Office. On the British side, the Government will be ready to enter into long-term contracts "for many colonial products," for periods varying "according to the circumstances of the individual cases," but extending "where appropriate" up to ten years. There is a special need for guarantees in the case of tree crops, which take many years to come into bearing; this problem is recognised in the suggestion that the extension of contracts in such cases should be considered some years before they come to an end. The justification for this course—and it is hard to rebut—is that "a contract for more than ten years will probably never be practicable (and, indeed, contracts for this length of time present many difficulties)."

Clearly, the two basic considerations in any long-term contract are quantities and prices. On these matters the principles laid down are either self-evident or compact of reservations. Colonial producers will be given "as precise estimates as possible of the future requirements of the United Kingdom for home consumption and for export in manufactured form." But "it will not generally be possible" for Britain to take colonial production in excess of these requirements—which invites the further question: What happens if the estimates turn out to be wrong? Both sides will have in mind the nursing or development of other markets, in which balance of payments will be the controlling factor. All these various conditions, and the "probability of changes in market conditions during the currency of the contract," may make it desirable to fix minimum and maximum quantities.

In the matter of prices, the principles are even more tentative. To fix a price over a period of years, under present disturbed conditions, would be unwise. Where actual prices are to be written into contracts, it is not to be expected that they will match the inflated prices for marginal supplies which are obtainable under present conditions of scarcity on the open market. Producers are warned to have due regard to the security afforded by long-term contracts. Even so, it may be desirable not to fix an actual price, but to agree on a formula by which the price can be varied from time to time, according to market conditions or the terms of other contracts for similar products.

This guarded statement hardly takes matters much further. It suggests so many qualifications (necessary qualifications, be it added) that the determination of each contract is likely to be a matter of *ad hoc* bargaining rather than longterm planning. And on two matters of major importance the statement is silent. The first is the adequacy of guarantees by producing countries that they will provide increased supplies, which themselves must be subject to the risks of deficient or bumper harvests; the second is the provision of capital for the longterm expansion of colonial produce, which surely called for some reference to the principles on which the Colonial Development Corporation is proceeding in its work. That these questions are of more than formal importance is evident from the prolonged—and still uncompleted—negotiations on a rather different plane about the development of Queensland as a future source of meat supplies.

Anglo-Jugoslav Trade Agreement?

There is a strong possibility that trade talks which have been in progress, sporadically, for over two years between the British and Jugoslav Governments may shortly be brought to a successful conclusion and a trade agreement signed between the two countries. The main obstacle has been the amount of compensation that Jugoslavia was ready to pay for British property taken over under the nationalisation law in December, 1946. Unfortunately Mr Bevin, in his after-election glow, threw away Britain's best bargaining weapon by returning unconditionally to Marshal Tito's government between £2,000,000 and £3,000,000 of Jugoslav gold which had been held by the Bank of England.

The American Government were not so forthcoming—with the result that they recently succeeded in negotiating compensation of $17 million for holdings of American companies and individuals which were estimated at only 5.2 per cent of the total foreign capital invested in Jugoslavia. (The Swedes whose holdings represent less than 2 per cent received 30 million kronen, or approximately £2,500,000.) But Jugoslavia offered British investors only £2,000,000 for their much bigger holdings (representing 18.5 per cent of the total foreign investments), compared with estimated values of £12½ million. The highest offer made publicly by the Jugoslav Government has been £3,000,000.

It is now possible that, as a result of the Tito-Cominform dispute, the Jugoslav Government may raise their offer to £5,000,000 or £6,000,000. Marshal Tito desperately needs capital equipment to carry out his five-year plan. Large quantities of machinery promised by Russia for delivery in 1949 will not now arrive. There is a possibility, too, that industrial equipment from Czechoslovakia and Hungary will no longer be supplied to Jugoslavia. Consequently Tito will have to look elsewhere—to the United States or the United Kingdom.

The Jugoslav Government have been anxious to obtain a British loan as part of the trade agreement, but this the British Government were not prepared to grant without various political conditions which the Jugoslavs would in no circumstances accept. Apart from this question, however, the British authorities are no doubt anxious to conclude the talks, which have established a record for length of duration. Extra supplies of Jugoslav timber to save dollars, and feeding stuffs to assist the expansion of livestock herds in this country would certainly be welcome.



A Georgian Crisis

In the unsettled period of the Seventeen Forties, James Martin showed his faith in Britain's future by acquiring the freehold not only of the premises bearing the sign of the Grasshopper in Lombard Street, hitherto rented since Tudor times, but also of the adjoining property of The Three Crossed Daggers. This was in 1741, when the Young Pretender's invasion was so soon to follow. The old private bank was absorbed in 1918 by the Bank of Liverpool, whose title was changed to Martins Bank Ltd. ten years later.

MARTINS BANK
LIMITED
LIVERPOOL LONDON AND 600 BRANCHES



An old Indian word meaning, 'the land of waters' is the origin of the name Guiana—an apt description enough of a country which is intersected by numerous rivers. The most spectacular feature of the inland waterways of British Guiana is undoubtedly the Kaieteur Falls on the river Potaro, where the river plunges headlong into a fertile valley down a sheer vertical drop of 740 feet. In the industrial sphere the interior of British Guiana can show little to match such natural marvels, for it has yet to see the day when the rivers are harnessed for power and its resources of minerals and timber are exploited to the full. In contrast the coastal areas have long been intensively cultivated and the crops they produce—which include the famous Demerara sugar—make an important contribution to the prosperity of the Colony.

Full and up-to-date information from our branches in British Guiana on industrial developments and the state of local markets is readily obtainable on request.

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Argentina's Hard Currency Problem

Argentina's hopes of "off-shore" purchases by the United States under the European Recovery Programme to make good its dollar shortage have been belied. The measure of its dollar stringency may be gauged from the shipments of gold to the United States in the last month or two. The good wheat harvest in North America makes "off-shore" wheat purchases from Argentina unnecessary; the most it can expect is an occasional purchase of raw materials to provide a modicum of dollars. It is doubtful whether Argentina can hope to be relieved of much of its maize against dollars, but purchases of oilcakes, linseed and linseed oil, hides and casein, particularly on account of France, may be possible. But these will not satisfy Argentina's hopes of solving its dollar problem by "off-shore" purchases under ERP.

Indeed, the republic's endeavours to acquire dollars or do without them by purchases elsewhere, have given it the appearance of a harassed debtor. The root of its troubles is to be found in the excess of imports under the five-year plan which was started on the crest of the wheat boom in 1947. When it became apparent that it could no longer continue its heavy imports of machinery from the United States for want of dollars, Argentina turned to Belgium. Trade between the two countries has been on a strictly bilateral basis and the balance of payments was substantially favourable to Argentina before it began to purchase Belgian machinery. The balance then turned very rapidly in favour of Belgium, with the result that Belgium was constrained, last month, to suspend the opening of further documentary credits to finance exports to Argentina.

Nor are Argentina's difficulties with Switzerland more encouraging. Here, too, the balance of payments between the two countries had been favourable to Argentina, and it attempted to use the resultant Swiss balances of about 100 million Swiss francs to purchase "finance dollars" in the Swiss foreign exchange market. These efforts, it would seem, fell outside the scope, as the Swiss authorities understood it, of the Swiss-Argentinian trade agreement and were strongly opposed by them. The situation hardly improved when Argentina seemed to be forcing the pace by cutting off food exports which Switzerland needed, and counted on. These various difficulties have now been largely resolved, in particular as Argentina is at the moment remitting dividends and interest abroad more regularly—a matter of some importance to Swiss holders of public utility interests in Argentina.

The rate at which dividends are being remitted has been raised from 16.20 pesos to the pound to 19.34 pesos—which is tantamount to a 20 per cent tax. Argentine foreign trade relations are based on a complex system of multiple currency rates, the gradual weakening of which reflects current difficulties. Export rates now vary from 13.53 to 20.15 pesos to the pound, the latter being a special rate for exports of manufactures. Import rates range from 15.04 pesos for essential requirements to the auction rate of 19.89 for non-essential goods. These devices illustrate a fundamental disequilibrium in the Argentinian economy, and one which will not be corrected by multiple currency practices.

* * *

Micawber Goes to Cape Town

Rather unexpectedly, it appears that the main parliamentary battle between the Opposition, led by General Smuts, and the new Nationalist Government in South Africa is being fought on economic and financial issues. These plainly call for a firm hand, for the Union is obviously living far beyond its means and no longer finds an eager and adequate body of investors standing by overseas to finance it. Mr Havenga's retort to Mr Hofmeyr's attack in this week's budget debate clearly showed, however, that the new Government is in no mood to take firm measures. Its policy is evidently to delay the necessary retrenchment until every possible alternative has been explored. What is needed is a dose of disinflation of the kind that Sir Stafford Cripps hoped to administer in Britain. Failing that, South Africa is almost bound to do what Britain, with greater justification, did before—seek specific loans abroad. In default of these, the excessive outlays must involve a steady drain upon reserves of gold and foreign exchange until retrenchment becomes inescapable.

That is undoubtedly what Mr Hofmeyr meant when he said that the Union was "heading for trouble"; though he was less than fair in implying that the difficult economic situation which confronts Dr Malan's Government was of its own making. Fundamentally, the position is not more unsound now than it has been for the past two years; but the unsoundness has been brought sharply to light by the hard practical fact that the inflow of "hot money," by which the disequilibrium

was formerly being financed, was stopped—and even reversed—by the political fears aroused by Dr Malan's victory On a longer view, therefore, the stoppage of this inflow, embarrassing though it is for the moment, deserves to be welcomed, as a factor tending to enforce policies of restraint. Mr Havenga, however, is evidently prepared to borrow elsewhere if he can, and meanwhile to go on dipping into reserves, before countenancing such policies. This wait-and-see attitude is proving very costly; Mr Hofmeyr, apparently quoting the estimates given recently by Dr de Kock (and discussed in these columns on July 31), declared that the Union's external deficit outside the sterling area is now running at £5,000,000 a month beyond the amount of gold production.

No doubt it is good and sound business for South Africa—even in these days of world shortage of capital—to borrow abroad for the opening up of the new goldfields; but if the Union needs capital for this purpose and cannot find it sufficiently from spontaneous investment by individuals in Britain, it can hardly expect American agencies to look sympathetically at the projects when they see that much of any capital inflow would be dissipated in quite other directions, including imports of non-essential consumption goods. Moreover, Americans may recall that, during the war, their Government rightly gave only a low priority rating to resources for gold development—a consideration which, in these days of international tension, is by no means irrelevant to the Union's present problem. Dr Malan and his colleagues, instead of waiting too long for something to turn up, as they seem likely to do, should recall the other prescription for which Mr Micawber was famous—in the days before the "new" economics.

* * *

Holidays and Exports

It was expected that the August trade figures would not maintain the high levels reached in July, if only because of the shorter working month. Exports were £17 million smaller at £135 million while imports at £174 million were the lowest since February. More significant, the visible trade gap for the month comparing exports and re-exports f.o.b. with imports c.i.f. increased to £39 million against £34 million in July. On the basis of a standard month of 26 working days, exports in August fell by only 3 per cent compared with July and were at a level a little above that for May; August had only 25 working days.

BRITISH EXPORTS—VALUE
(Standard Month of 26 Working Days)

	£ mn.		£ mn.		£ mn.
Dec.....	114½	March	126	June	139½
Jan.....	115	April	126½	July.....	140
Feb.....	122½	May.....	135	August ..	135½

The volume of exports in August has been provisionally estimated at 133 per cent of the 1938 level. This compares with the mid-year target of 140 per cent and the actual rates of 149 per cent for July and 138 per cent for June. Exports of raw materials fell sharply by £1,900,000 to £5,400,000—mainly owing to smaller shipments of coal. All the items of the manufactured group declined except vehicles but the exports in this class were inflated by an unusually large increase in the value of ships and boats sold overseas which varies widely from month to month. A more heartening feature was the quite modest decline, despite holidays, in exports of cotton and wool manufactures. Machinery exports, however, fell rather sharply, by £4,000,000 to £20 million, and were smaller in value than those of the vehicle group.

Imports of food in August were reduced by more than £4,000,000 to £76 million; supplies of wheat and dairy produce were appreciably smaller than in July although tea imports were much heavier. Imports of raw materials, however, increased by £3,000,000 to £58 million; this increase was mainly due to larger arrivals of raw cotton, wool and oilseeds. These fluctuations in supplies of foodstuffs and raw materials are largely seasonal and should not be read, in themselves, as indicating any trend towards a reduction in food imports in favour of raw materials.

* * *

More Dividends Passed

Light engineering companies continue to provide the main exception to the list of generally satisfactory dividend announcements from public companies, though they may well foreshadow a more general fall in the profits of industrial concerns during coming months. This week Sydney S. Bird and Eustace Watkins, two more companies in this category, have decided not to pay interim dividends. Both companies have suffered a similar reversal in trading conditions. The experience of Sydney S. Bird,

which manufactures electrical components mainly for the radio industry, conforms to the pattern set by other companies in the industry such as A. C. Cossor. This latter company itself is deferring consideration of the payment of the dividend on its 500,000 6 per cent £1 preference shares until accounts are made up for the year ending March 31, 1949. The decision is hardly a surprise, for although the preference dividend was paid for 1947-48, the accounts for that year actually showed a net loss of some £91,463. With the partial relaxation of the purchase tax on radio equipment and the spur given to the production of television sets by the Government's decision to keep to the present system of television for "a number of years," a more hopeful future is being predicted for the radio industry than seemed possible before the Government's policy of disinflation began to wane. Moreover, rearmament on any appreciable scale would imply a useful expansion of the company's radar business. Even so, the company's financial problems will not easily be solved.

Eustace Watkins has a mixture of interests which makes any estimate of future prospects rather difficult. Its adverse results may have some connection with the distribution of Wolseley cars, for which the company holds the sole London agency. There is, however, no mistaking the industrial identity of Bylock Electric despite the variety of its products. In the past few days this company has announced the unsatisfactory news to shareholders that no dividend is to be paid on the 1s. ordinary shares for 1947-48, whereas 360 per cent was paid in the previous year. In June, 1947, 200,000 1s. ordinary shares of the company were offered for sale by Whitehead Industrial Trust at 30s. per share; this week the price has fallen to 4s. 6d.—6s. 9d. The range of Bylock Electric products covers vacuum cleaners, refrigerators, electrical accessories, and floor polishers. It is understood that the concentration of production on new lines of floor polishers, portable sprays and hand drying apparatus has entailed a disruption of production during the first part of this year. Yet even these new products hardly come within the category of indispensable goods, and shareholders may ask whether they would be any more successful in countering sales resistance if purchasing power were to fall further. That is one of the factors to which the company attributes the sharp fall in sales of its former products in the six months to July 31st this year.

* * *

Film Finance

The "shadow" board of directors of the new Film Finance Company (who are acting as an organising committee until the company is formed shortly) have now been appointed. The chairman and managing director is Mr J. H. Laurie, who recently left the Industrial and Commercial Finance Corporation to undertake this new task; Mr Nicholas Davenport, who apart from experience in film finance and stockbroking, is a member of the National Investment Council; Mr. S. J. Pears, a chartered accountant; Mr C. H. Scott, a solicitor; and Mr R. J. Stopford, formerly Financial Counsellor in Washington.

The functions of the new company were described in *The Economist* of July 31st. Meanwhile, it has become apparent that a large prospective source of employment for the company's resources may be the British Lion Film Corporation. This company, a leading distributing organisation, is shortly to seek borrowing powers up to £2,000,000. A circular to shareholders, which reveals that the company has been in discussion with Government departments, anticipates a considerable increase in business when independent film producers take advantage of the new financial facilities which are being provided by the Government. The British Lion company therefore plans to raise "long-term loan capital" by borrowing on security from the Film Finance Company. Does "long-term capital," in this context, affect the original intention of the Government that the provision of public money to finance film production should cease after five years?

* * *

Indian Merchant Shipping Plans

Two smart white-painted liners, newcomers to the Port of London, last week aroused much interest, not only in the Royal Albert Dock, but also in the shipping purlieus of Liverpol and Leadenhall Street. These were the passenger and cargo liners *Jalazad* and *Jaljawahar*, forerunners of a fleet of similar ships which will run a regular service between British ports and India under the Indian flag. Manned entirely by Indians, apart from a British master and a few white officers, these ships carry 7,500 tons of cargo and provide excellent accommodation for 56 first-class and 44 "economic" class passengers. They are operated

by the Scindia Steam Navigation Company, which for nearly thirty years has been seeking a growing share of the Indian trades and has in the past complained bitterly of what was described as British "dominance" in those trades. Meanwhile, another Indian company, the India Steamship Company, has also inaugurated a regular cargo liner service between India and UK-Continental ports, and a few weeks ago the first cargo of jute from an Indian ship was discharged at Dundee. Both these companies have been admitted to the respective British liner conferences, so that the dangers of a "rate war" have been averted.

The entry of two Indian companies into the trade is indicative of the new conditions in the Indian Ocean. In the first flush of newly-won independence, the Indian Government is naturally conscious of its reliance on sea transport and it was quick to endorse the recommendations of a shipping policy sub-committee which advocated the rapid expansion of a wholly Indian mercantile marine. The plan is, to say the least, ambitious: its object is to secure for Indian ships the whole of the coastal trade, three-quarters of the trade with adjacent countries, half of the trade with more distant countries and "one-third of the trade formerly carried in German and Japanese ships"—ignoring the fact that trade disappeared with the ships. To achieve these ambitions, it is proposed to build or purchase ships totalling some 2,000,000 tons gross. Many American war-surplus vessels have already been acquired, and new ships are under construction or on order from British shipyards. In addition, the Scindia company has built a shipyard at Vizagapatam which has already launched its first ocean-going ship, though at rather startling cost. Even so, it is extremely unlikely that the fleet can be built up to the intended size within five years—if only because the Indians have not yet sufficient experience or trained personnel to man and operate such a large fleet in international trade.

These difficulties can, of course, be overcome in time, but meanwhile the Indians must and do rely on British assistance and co-operation. British technicians are assisting in the Vizagapatam shipyard; Indians are training in this country in the handling of marine engines; and the British shipping companies have shown their willingness to co-operate by the admission of Indian lines to the conferences on a normal competitive basis. But British shipowners will not accept (as they were asked to do by an Indian delegation last year) the principle which appears to underlie Indian shipping policy—namely, the apportionment of the carrying trades into strictly defined shares between flags. They cannot, in any event, be expected to look with equanimity on the extent of Government participation which is planned for Indian shipping, for three shipping corporations are to be set up with state control of 51 per cent of the capital and a majority on the board. Least of all could they concur in a policy which, pursued by every maritime nation to its illogical conclusion, would penalise efficiency and reduce shipping business to an economic mockery, to the detriment of importers and exporters.

* * *

Mexican Eagle Payment

Surprisingly little interest has been aroused in the City by the announcement this week that the Mexican Eagle Oil Company had duly received the first instalment of $8,689,258 in United States currency under the terms of the agreement of August, 1947. The price of the ordinary shares and of the 8 per cent

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A monthly cumulative index to "Records and Statistics" has now been started; it appeared for the first time as part of the issue of September 4th. No further half-yearly indexes to the Supplement will therefore be published. Subscribers who have already paid in advance will have the amount credited to their Records & Statistics Subscription unless instructions to the contrary are received.

preference stock of the company rose by only a few pence on Monday, and both have been inactive and practically unchanged this week around the common level of 14s. 6d. In fact the price of the ordinary shares is as low as it was a year ago before the unexpected news of agreement was made known. Thus all the old fire seems to have been quenched in this once volatile counter. Speculation about the eventual value of the compensation per share fails to evoke enthusiasm among investment statisticians, and the market itself has taken the receipt of at least the first of the promised fifteen annual instalments to be paid in New York for granted. These instalments represent annuities to cover the compensation payment of $81¼ million plus interest at 3 per cent for the period from March 18, 1938, when the company's properties in Mexico were expropriated to September 18, 1948, together with interest on the outstanding balances during the period of repayment.

The payment by Mexico is a milestone which perhaps would never have been reached but for the energetic pressure by the United States to secure its own share of compensation for expropriated oil properties in Mexico. But although it has been arrived at successfully the question of the payment of future instalments is still necessarily regarded as a matter of conjecture. If, on economic considerations alone, the capacity of Mexico to meet its overseas commitments has been open to serious doubt in the past, it might appear odd that this could still be so, given the present demand and prospects for oil. Yet in recent weeks it has been thought in some quarters that the obligation to meet the payment to Mexican Eagle in United States dollars, the hardest of hard currencies, might prove difficult enough to prompt the Mexican Government to invite the company to resume the marketing of oil from its old properties. Obviously no stockholder could afford to be unduly confident that fifteen annual instalments will be forthcoming without some reconsideration of the alternatives. Yet in meeting the first instalment this week, the Mexican Government have strengthened their hand even if, one day, they are minded to seek new negotiations.

* * *

Ultramar Capital Requirements

The disappointing output from the Mercedes and Palacio fields of SA Petrolera Las Mercedes in the first two months of production have led to a further fall this week in the ordinary shares of Ultramar, which holds a half interest in the fields through its wholly owned subsidiary Caracas Petroleum SA. A circular issued by Ultramar at the end of last week announced that total production to date has amounted to some 1,150,000 barrels. Production has been raised from 8,314 barrels a day in the first week of July to a peak of 11,257 barrels a day in the week ending September 4th, while the average per producing well has risen from 131 barrels to 143 barrels a day. These figures are well below the estimate, on which the drilling programme was based, of 25,000 barrels a day for initial production; moreover, the output envisaged even when further wells are brought into production on the two fields is still only 15,000 barrels a day. The company has cautiously avoided giving an estimate of production from the further fields, including Guavinita, which lies to the west of the Mercedes field, since there is no assurance that the unexpected technical difficulties which have been encountered might not be repeated there.

As a result of the shortfall of revenue due to the failure of production to reach the original estimates, the Venezuelan company, SA Petrolera Las Mercedes, has had to look for further finance to the Texas Company, which holds the joint interest with Ultramar. Current requirements have been provided by the Texas Company on a temporary basis by advance payments for oil, but obviously the new situation requires the provision of additional permanent capital. The total required to meet the balance of capital commitments and development expenditure to June 30, 1949, is estimated at approximately $3,500,000, and Ultramar has indicated that it has proposals under consideration for the provision of its share. Up to the present, the Finance Corporation for Industry has advanced £1,750,000 to Ultramar on loan at 3½ per cent, repayable on March 31, 1952, and in addition there is £3,500,000 of 3½ per cent unsecured loan stock 1949-57 in issue This is a formidable weight of prior charges ranking before the ordinary capital, of which £1,749,929 in 10s. stock units has been issued. There has been a steady decline in the price of the ordinary stock units from over 85s. in June this year, when the first indications appeared that production might fall below the original estimates, to around 60s. a week ago. Fears that further loan capital will have to be raised and that the dividend stage has been postponed for a lengthy period have further depressed the shares to 52.6d. this week.

Bank Advances and Disinflation

The recent check to the strong expansion which has occurred in bank advances in the past two years has been generally attributed to the effects of disinflationary influences which, by causing embarrassment to certain luxury and semi-luxury trades, have led the banks to tighten their conditions for new loans. A further probable influence, which is really the obverse of the first, arises from the effects of an easing of inflationary pressure in opening up some of the bottlenecks which have been causing an accumulation of semi-finished goods. It is hard to find, however, any specific confirmation of the workings of these conflicting influences in the latest quarterly analysis of the distribution of bank advances in Britain between different categories of borrowers. In the three months to August last, total advances rose by only £29.8 million, an increase which contrasts with one of £44 million in the previous quarter, £80 million in the corresponding quarter last year, and £257 million in the twelve months ended last May. Nine of the twenty-five categories of borrowers showed declines during the quarter, but the largest fall—that of £21 million in the food, drink and tobacco group—appears to have been partly seasonal and partly due to special factors. It tends to confirm the assumption that the actual fall in total advances by the clearing banks in July (the classified figures, it should be noted, cover all banks in Britain but exclude loans made outside Britain) was mainly due to the vagaries of tobacco financing.

Special influences probably also explain the other large fall, that of £6,300,000 in loans to Churches, Charities and Hospitals, a movement which must reflect the recent repayment, under the National Health Scheme, of the private indebtedness of the voluntary hospitals. The other declines are all relatively small; but a significant movement, in view of the complaints about accumulating stocks of clothing, radio and electrical apparatus and other non-essential consumer goods, is the fall of £1,000,000 in the retail trade group, for this had been expanding rapidly and in the similar period of 1947 rose by £10 million. For the first time, its share in total advances has declined, but, at 10.2 per cent, is still much larger than in early 1946, when the first postwar classified figures were compiled. The two building groups have also contracted, whereas they were expanding in the comparable period last year; but this change is no necessary reflection of the trend of private building activity, because the classification relates merely to the business of the borrower and not to the purpose for which finance is needed. As for public building activity, it may be significant that loans to local authorities, which declined earlier in the year, have risen by £7,300,000.

The biggest increase during the quarter occurred in agriculture, which rose by £12.6 million, seemingly a more than seasonal expansion which raises the group's share in total advances to 9 per cent, compared with 8.2 per cent twelve months ago. After the pause in the three months to May last, the expansion of engineering advances has been resumed, with an increase of £11½ million, carrying the proportion to 8.5 per cent compared with 6.7 per cent fifteen months ago. The non-ferrous metals group, small in total, shows a large relative rise, from under £2,900,000 to £3,900,000. Cotton has risen from £7,500,000 to £9,500,000 and there have been small increases in wool and other textiles. The utilities group (which excludes transport) again made big demands, rising by £6,800,000 to £33.3 million—almost three times the total for August last year. Entertainment showed a smaller seasonal rise than in 1947.

* * *

Nourse—City Deep Merger

The proposed merger between Nourse Mines and City Deep, two of the oldest producers on the Rand belonging to the Rand Mines group, of which details have now been announced, has been motivated both by technical and financial considerations. It follows the amalgamation of Springs and West Springs arranged last June. Nourse Mines has suffered to such an extent from impediments of age, the rise in working costs and shortages of labour and material that its working profit per ton of ore milled has fallen from 8s. 5d. in 1941 to 1s. 4d. in 1947-48. At best its working life could be reckoned at nine years, and not a very profitable span at that, in the absence of a rise in the price of gold. A compelling technical consideration in the move is that the bulk of the ore reserves and the only undeveloped portion of the Nourse Mines property have become technically very difficult of access and lie adjacent to Number 5 shaft of City Deep.

The amalgamation envisages an underground connecting link between section 3D of Nourse Mines and City Deep which will enable ore to be brought to the surface through No. 5 shaft of that mine. Moreover, the underground arrangement will enable Nourse to extend its workings by another 2,000 feet which would otherwise not be profitable. All ore brought from No. 5 shaft will be treated in the City Deep mill, so that it can work to capacity, while the Nourse mill will be operated on a reduced scale mainly from ore mined in the upper section of the mine.

The merger will be effected by the issue of 391,832 £1 shares in City Deep to Nourse Mines in exchange for the whole of its undertaking. It is proposed to increase the authorised capital of City Deep from £1,695,000 in £1 shares (of which 60,000 shares are at present unissued) to £2,500,000 (of which it is intended to keep 473,168 shares in reserve for future capital requirements). In the event of a subsequent winding up, the terms of the proposal would enable Nourse Mines to issue the new City Deep shares to its shareholders on the basis of one City Deep share for every two shares of Nourse Mines held. This conforms very closely to the relative prices of the shares of the two companies on the eve of the announcement when City Deep were quoted at 2 and Nourse Mines at 1⅛. Perhaps the best reason to commend the merger to shareholders is the expectation that it should result in higher profits than the two companies could earn if they continued to work independently.

* * *

Clothing Stocks and Rationing

The latest figures for the wholesale clothing trade in July seem, at first sight, to lend weight to the renewed demands for the abolition of the clothing ration; but it is doubtful whether sweeping abolition can be accepted as proved. Recent additions to coupon purchasing power and the de-rationing of various items have indeed put demand to the test. Clothing sales increased sharply after the extra coupons were issued in June, but the increase proved shortlived. High prices (they are to be further increased from Monday next on a wide range of utility clothing) acted so effectively as a deterrent that the additional coupons have by no means been used up in full.

In July the wholesale clothing trade usually experiences an expansion in activity, in anticipation of the seasonal expansion in retail business in the autumn. This year, however, the index of wholesale sales fell by 11 per cent compared with June, and thus moved against the normal trend. But the fall of 11 per cent needs careful interpretation for it resulted mainly from a fall of 20 per cent in hosiery sales from the high level attained in June when sales were stimulated by the coupon bonus issue. Sales of all garments in July were slightly below the level of July last year, and there has been a striking increase of 55 per cent in stocks; this combined figure covers an increase of as much as 91 per cent in stocks of hosiery, and substantial increases, of 24 per cent and 48 per cent respectively, in the stocks of women's, and men's and boy's made-up clothing stocks.

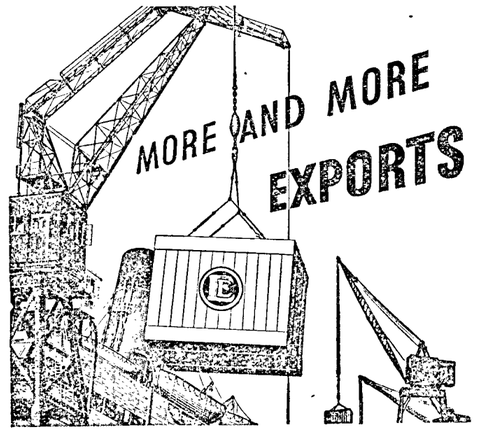
The level of wholesale purchases of all garments has remained virtually unchanged in July compared with June, but compared with July last year purchases of all garments have fallen by 10 per cent. Again, this change covers wide divergences for individual items.

The trend during the past year is clear. Wholesale disposals have been lagging behind wholesale purchases and the net result is a substantial increase in stocks. From this movement the trade concludes the clothing ration is fast becoming an anachronism and for further support it points to the reactions to the coupon increase in June. But "clothing" is not a homogeneous commodity. There are many lines such as shirtings, fine cottons, certain types of men's suitings and high quality woollen fabrics on which the success of the export effort in textiles depends. To abandon clothes rationing would imperil this effort at a critical stage. But there is much to be said for greater flexibility in the rationing scheme—including, if necessary, the up-pointing of materials for which there is a good export demand.

* * *

Prospects for Prices

In August, for the second month running, the Board of Trade's index of wholesale prices revealed a slight fall. The decline was of no material significance—less than one-half of 1 per cent—but it prompts, nevertheless, further speculation on the vital question whether the peak in prices has been passed. Part of the decline was seasonal, for food prices generally fall in the summer months. But the chief reason appears to have been the relatively sharp decline in cotton prices which more than offset increased prices for coal, iron and steel and non-ferrous metals. Analysed in a different way, the slight fall of prices is chiefly reflected in basic industrial materials, and to a much smaller extent in intermediate products and manufactured articles.



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IN A TYRE FACTORY
Co-operative Award System Raises Output and Quality

BETTER WORK, BETTER PAY. This is the gist of the Henley Tyre Co-operative Award Scheme that has recently raised standards of quality higher than ever before.

This is incentive in action.

All tyre manufacturers use the best materials available, reliable formulas, proved and trusted methods, but these alone do not ensure a finished product of a high standard.

TO RAISE QUALITY

The very latest machines take their part in making the tyres, but what decides whether a tyre is to be first class or not is the work that goes into over 50 processes that can only be done by hand.

The new Henley Co-operative Scheme does not rush output. It pays the workers on *quality*. Impartial experts assess the standard of each man's or woman's work.

As any commonsense business man would expect, quality has risen very considerably. So has output, though output is a secondary consideration.

The workers like the scheme. With no pressure to work fast, they can do good work that is rewarded by bigger pay packets.

Henley's like the scheme. It raises the already high standard of their tyres.

Motorists will like the scheme. Already it is giving them more perfectly constructed and harder wearing tyres. Extra incentive means fine workmanship. Fine workmanship makes Henley better than the good tyres they have always been.

INCENTIVE IN ACTION

For a fuller account of this successful quality incentive write for the descriptive booklet "Incentive in Action," Dept. Advt /L. at the address below.

HENLEY'S TYRE AND RUBBER CO. LTD.,
MILTON COURT, WESTCOTT, DORKING, SURREY.

It can, of course, be only a matter of conjecture at present whether the peak in prices has been passed. There are indications of lower prices in prospect for certain agricultural products—foodstuffs and raw materials—but their effect on British wholesale prices is likely to be problematical owing to the existence of contracts at fixed prices. Under more normal circumstances the beginning of a steady fall in prices might be expected, particularly

BRITISH WHOLESALE PRICES
(1930=100)

	Aug., 1947	Jan.	Feb.	Mar.	April	May	June	July	Aug.
Food and tobacco	166·9	173·9	180·8	180·5	182·0	182·2	184·2	183·7	182·8
Coal	244·2	293·8	293·8	293·8	293·8	293·8	293·8	297·2	301·7
Iron and steel	219·7	232·1	234·9	234·9	234·9	234·9	235·2	235·7	236·1
Non-ferrous metals	226·5	231·4	234·0	234·0	233·6	233·6	236·3	237·1	238·7
Cotton	203·2	256·1	257·9	282·7	321·3	328·9	335·8	321·7	309·1
Wool	210·2	258·4	270·9	264·9	264·5	274·0	285·5	283·9	282·0
Chemicals and oils	175·4	187·2	188·4	189·3	189·3	190·4	191·3	191·3	191·3
Total industrial materials and manufactures	209·0	234·5	237·4	238·5	240·9	242·7	241·1	244·0	243·3
Industrial Materials :—									
Basic materials	237·4	289·7	293·8	293·4	296·8	301·7	304·0	303·7	301·2
Intermediate products	226·9	239·7	244·2	246·2	246·9	248·9	250·9	250·5	249·6
Manufactured goods ..	187·5	206·4	207·8	209·4	213·1	213·2	213·9	213·6	213·1
TOTAL—ALL ARTICLES	193·9	212·1	216·7	217·2	219·3	220·4	222·1	221·8	221·1

in primary farm products ; at present the whole structure of British wholesale prices is artificial. The domestic policy of the United States also has a profound influence on world prices. The new defence programme and increased stockpiling activity may well limit any fall in prices of certain commodities which may be in prospect It is still aggregate demand rather than aggregate supply, which threatens to be excessive

Shorter Notes

It is reported that ingot steel production in Bizonia during August touched a record postwar rate equivalent to 6,000,000 metric tons a year, which it was not expected to reach until next January. The Ruhr mills' production was 28 per cent over the original August target figure. Increased scrap deliveries, good coal deliveries, and improved labour productivity are thought to be the chief causes of this encouraging increase. It is to be hoped that the supplies of fuel and electric power will remain adequate to maintain them.

★

By a Board of Trade Order issued under the Companies Act, 1948, shipping companies, other than those concerned wholly or mainly with voyages between ports within the United Kingdom, Eire, the Channel Islands and the Isle of Man, will in future be exempt from the statutory obligation to disclose certain information relating to their reserves when making up their accounts. A company considering itself exempt must include a note in the balance sheet to that effect .

★

The disturbances in Palestine underlie the decision to pass the dividend on the ordinary and "A" ordinary shares of the Palestine Electric Corporation, for the net profit suffered an only moderate setback from £P158,067 to £P142,486. It would appear that the disturbances have so far not resulted in any significant damage to plant, but in a sharp rise in operating expenditure, which in 1947 increased by 34 per cent. The rise in costs was caused particularly by the need for special security measures. The cost of continued expansion has necessitated heavy capital expenditure, to which the chairman made reference last year. The cost was at first met from reserves, but more recently also from bank loans, which stresses the need for the preservation of resources. "As soon as circumstances permit," it is proposed to proceed with an issue of capital.

★

A meeting took place on Tuesday between representatives of the Engineering and Allied Employers' National Federation and the trade unions concerned to consider the recent recommendation of the Court of Inquiry to increase engineering wages by 5s. a week. Though no commitments were entered into, it would appear that the employers' federation are, in principle, ready to accept the court recommendations. Further consultations were due to take place at York later this week.

★

Mr Harold Wilson in the course of winding up the debate on the Address in the House of Commons last Friday foreshadowed that the export target for 1949 would probably be set, for the concluding months of that year, at 160 per cent of the volume of exports in 1938.

★

The Lord Chancellor has formed, in accordance with Section 31 of the Electricity Act, 1947, the arbitration tribunal to deal with disputes in England concerning the valuation placed on electricity stock which falls within the scope of the Act. A parallel tribunal has been formed to arbitrate in Scotland. *The Economist* on September 4th drew attention to the absence of such a tribunal in connection with the disputed value of Central Electricity Board 3½ per cent stock.

★

Steel production for August was at the annual rate of 14,117,000 tons, two million tons higher than in August last year. The most interesting feature of the output returns was the rebound after the holiday to a production rate of over 15 million tons per year.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Gestetner; R. & J. Hill.

Prices, Year 1948 Jan. 1 to Sept. 22 High	Prices, Year 1948 Jan. 1 to Sept. 22 Low	Name of Security	Price, Sept. 15, 1948	Price, Sept. 22, 1948	Net Yield, Sept. 22, 1948 (n)	Gross Yield, Sept. 22, 1948
		British Funds			£ s. d.	£ s. d.
101⅝	100⅛	War Bonds 2½% August 1, 1949-51	101⅛	101⅛	...	1 4 10e
101⅛	100⅜	Exchequer Bonds 1½% Feb. 15, 1950	100⅛	100⅛	0 5 4	1 2 2
102⅛	100⅜	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 6 10	1 9 7e
102	100	War Bonds 2½% March 1, 1952-54	102⅛	102⅛	0 14 5	1 17 0e
104½	101⅛	War Loan 3½% (after Dec. 1, 1952)	102⅛	102⅛	1 3 8	2 17 1
103⅛	100⅛	War Bonds 2½% Aug. 15, 1953-56	103⅛	103⅛	0 19 11	2 2 7e
103⅛	100⅛	Funding 2½% June 15, 1952-57	102⅛	102⅛	0 19 11	2 2 7e
103⅛	100⅛	National Def. 3% July 15, 1954-58	103	103⅛	1 3 10	2 9 11
105½	101⅛	War Loan 3% Oct. 15, 1955-59	104⅛	104⅛	1 4 2	2 11 2i
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	104⅛xd	104½xd	1 4 10	2 11 1i
101⅛	96⅛	Funding 2½% April 15, 1956-61	102⅛	102⅛	1 9 6	2 16 3i
103⅛	98⅛	Funding 3% April 15, 1959-69	99⅜xd	100xd	1 7 4	2 9 9i
114⅛	110⅛	Funding 4% May 1, 1960-90	102½xd	102⅝xd	1 10 3	2 16 10i
102½	97⅞	Savings Bonds 3% Sept. 1, 1960-70	114⅛	114⅛	0 19 4	2 14 2e
97⅛	92⅜	Savings Bonds 2½% May 1, 1964-67	101⅛	102	1 11 0	2 17 9i
115⅞	112⅛	Victory Bonds 4% Sept. 1, 1920-76	96⅛	97	1 11 11	2 15 6i
101⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	114⅜	114⅜	1 4 0	2 16 10*
111	107⅛	Consols 4% (after Feb. 1, 1957)	101⅛	101⅛	1 12 2	2 19 2i
106⅝	102⅛	Conversion 3½% (after Apr. 1, 1961)	109⅛	109⅜	1 0 1	2 14 11f
83⅞	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	105xd	105xd	1 9 8	3 0 3f
99	91⅛	Treas. Stk. 3% (after Apr. 1, 1965)	77⅛xd	77½xd	1 15 4	3 4 3f
100	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	94½xd	94½xd	1 14 10	3 3 3f
83⅞	74⅛	Consols 2½%	98½xd	98½xd	1 13 9	3 1 0i
101⅛	95	British Electricity 3% Gtd. 1968-73	77½xd	78xd	1 15 3	3 4 0
99⅛	93⅛	British Transport 3% Gtd. 1968-73	100½xd	100⅛xd	1 12 2	2 19 0i
101⅛	95⅛	British Transport 3% Gtd. 1978-88	99⅛	99⅛	1 13 10	3 1 3i
			100⅞xd	100⅛xd	1 12 3	2 19 2i

Prices, Year 1948 Jan. 1 to Sept. 22 High	Prices, Year 1948 Jan. 1 to Sept. 22 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Sept. 15, 1948	Price, Sept. 22, 1948	Yield, Sept. 22, 1948
					Other Securities			£ s. d.
101½	101½	(d)		(d)	Australia 3½% 1965-69	104½	104½	2 19 0e
94½	91½	(d)		(d)	Birmingham 2½% 1956-71	93½	93½	2 19 4i
8½	6⅞	50	c	50 c	Anglo-American Corp. 10s.	6⅞	6⅞	3 16 3
10⅜	7⅜	5	a	25 b	Anglo-Iranian Oil £1	7½	7⅜	3 16 2
76/6	62/4½	15	c	15 c	Assoc. Port. Cem. Ord. Stk. £1	72/6	72/–	4 3 4
53/6	29/6	40	c	40 c	Austin Motor 'A' Ord. Stk. 5s.	35/–	35/–	5 14 3
84/–	72/9	7	f	7 f	Barlows Bwh. Ord. 'B' £1	76/–	75/–	3 14 8
10⅜	8⅜	†20	b	†5 a	Bass Ratcliff Ord. £1	9⅜	9	2 15 7†
104/9	85/–	12	b	8 a	British Oxygen Ord. £1	98/9xd	98/9xd	4 1 1
46/1½	36/–	2½	a	5 b	Courtaulds Ord. £1	40/3	39/–	3 16 11
32/6	25/1	20	a	7½ b	Distillers Co. Ord. 4s.	27/6xd	27/9xd	3 19 3
32/10½	27/9	8	c	8 c	Dorman Long Ord. £1	30/9	31/3	5 2 5
79/9	68/–	15	c	15 c	Dunlop Rubber Ord. £1	74/–	73/6	4 1 8
53/–	44/–	3	a	7 b	Imp. Chem. Ind. Ord. Stk. £1	44/9	44/9	4 9 5
6⅞	4⅜	19½	b	13½ a	Imperial Tobacco £1	5⅛	5⅛	6 8 9
48/9	40/3	10	c	10 c	Lancs. Cotton Ord. Stk. £1	43/9	43/1½	4 12 9
56/6	44/10½	10	c	10 c	Lever & Unilever Ord. £1	48/9	48/9	4 2 1
61/3	47/6	12½	c	10 c	London Brick Ord. Stk. £1	53/9	52/6	3 16 2
66/1½	47/–	25	c	31¼ m	P'chin J'son Ord. Stk. 10s.	54/–	54/–	4 12 6
35⅛	30½	†74⅛	c	†77½ c	Prudential 'A' £1	32½	32½	2 7 6†
59/3	49/9	12½	c	12½ c	Stewarts & Lloyds Def. £1	54/6	54/6	4 11 9
85/1	73/1½	12½	a	15 b	"Shell" Transpt. Ord. Stk. £1	76/3	74/4½	2 0 4†
7⅞	5⅛	12½	b	12½ a	Tube Invest. Ord. Stk. £1	6½	6⅞	4 2 6
90/9	73/3	11½	b	3½ a	Turner & Newall Ord. Stk. £1	77/–	76/–	3 18 11
93/3	77/–	55	b	15 a	Woolworth (F. W.) Ord. 5s.	79/6	79/–	4 8 8

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) To latest redemption date. (m) 15 months. Yield Basis 25%. † Free of tax.

Consent of His Majesty's Treasury has been obtained to this issue in compliance with the Order made under Section 1 of the Borrowing (Control and Guarantees) Act, 1946.

Issue of £15,000,000 Government of the Commonwealth of Australia

3 per cent. Registered Stock, 1965-1967

at the rate of £100 per cent.

Interest payable 1st January and 1st July.
Six months' Interest will be paid on 1st July, 1949.

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

OFFER OF CONVERSION TO HOLDERS OF

£16,082,849 COMMONWEALTH OF AUSTRALIA 3⅛% REGISTERED STOCK, 1946-1949.
(for which notice of repayment on 1st January, 1949, has been given.)

£5,170,146 VICTORIA 3% CONSOLIDATED INSCRIBED STOCK, 1929-1949.
(maturing 1st January, 1949.)

£21,252,995

COMMONWEALTH BANK OF AUSTRALIA is authorised by the Government of the Commonwealth of Australia to offer to holders of the above-mentioned Stocks, **conversion** of their holdings, in whole or in part, into an equal amount of Government of the Commonwealth of Australia 3 per cent. Registered Stock, 1965-1967, on the terms set forth in this Prospectus.

The aggregate amount of the above-mentioned Stocks outstanding is £21,252,995. This offer of conversion is limited to a total amount of £15,000,000 and the List will be closed when applications totalling that amount of Stock have been accepted. In any case the List will be closed not later than 7th October, 1948.

Principal of the new Loan will be repaid in London at par on 1st July, 1967, the Government of the Commonwealth of Australia having the option to redeem the Stock at par, in whole or in part, on or after 1st July, 1965, on giving three months' notice by public advertisement.

The Loan, which has been approved by the Australian Loan Council, is authorised by Acts No. 23 of 1919, No. 5 of 1928, No. 4 of 1929 and No. 46 of 1944, of the Parliament of the Commonwealth of Australia, and is issued in accordance with a law passed by that Parliament by which the Commonwealth of Australia, as from 1st July, 1929, took over the debts of the various States. The direct liability of the Commonwealth to Stockholders and Bondholders in respect of the Loans so taken over was confirmed in the Financial Agreements (Commonwealth Liability) Act, which became law in March, 1932.

Holders of Commonwealth of Australia 3½ per cent. Registered Stock, 1946-1949, whose applications for conversion are accepted will receive on 1st January, 1949, an interest payment of £1 1s. 11d. per cent. (less tax) representing three and a half months' interest at the rate of 3½ per cent. per annum from 15th September, 1948.

Holders of Victoria 3 per cent. Consolidated Inscribed Stock, 1929-1949, whose applications for conversion are accepted will receive on 1st January, 1949, the usual six months' interest then due.

Six months' interest on the new Stock will be paid on 1st July, 1949.

Applications for conversion must be lodged on the appropriate forms: in the case of Commonwealth of Australia 3½ per cent. Registered Stock, 1946-1949, at COMMONWEALTH BANK OF AUSTRALIA, 8, Old Jewry, London, E.C.2; and in the case of Victoria 3 per cent. Consolidated Inscribed Stock, 1929-1949, at WESTMINSTER BANK LIMITED, Stock Transfer Office, 41, Lothbury, London, E.C.2. Forms for conversion have been posted to the Stockholders, or, in respect of joint accounts, to the Stockholder first named in such accounts.

Applications for conversion of Victoria 3 per cent. Consolidated Inscribed Stock, 1929-1949, Stock Certificates to Bearer must be accompanied by the relative Stock Certificates, and unmatured Coupons, and must be lodged at WESTMINSTER BANK LIMITED, Stock Transfer Office, 41, Lothbury, London, E.C.2. Interest payable on 1st January, 1949, will be paid by Warrant.

Any Commonwealth of Australia 3½ per cent. Registered Stock, 1946-1949, not converted will be paid off at par on 1st January, 1949, together with an interest payment of £1 1s. 11d. per cent. (less tax) representing three and a half months' interest from 15th September, 1948.

Any Victoria 3 per cent. Consolidated Inscribed Stock, 1929-1949, not converted will be paid off at par on 1st January, 1949, together with the six months' interest then due.

The books of both the above Stocks will be finally closed for transfers on the evening of 30th November, 1948. Instructions as to the disposal of redemption moneys must be lodged at the appropriate Banks on the prescribed forms, which will be forwarded in due course.

The Stock now offered will be registered and transferable in any amount by deed, at COMMONWEALTH BANK OF AUSTRALIA, 8, Old Jewry, London, E.C.2. Stamp duty on all transfers will be paid by the Government of the Commonwealth of Australia. Interest Warrants will be transmitted by post at the Stockholders' risk, and in the case of joint accounts the warrants will be forwarded to the person first named in the account, unless instructions to the contrary be given.

Commonwealth of Australia Stocks issued and payable in London and the interest thereon, the property of persons not domiciled in Australia, are not, and will not be, subject to any taxes, duties or levies in Australia.

All Commonwealth Loans, all Loans issued by the several States and now taken over by the Commonwealth, and all Loans guaranteed by the Commonwealth, carry a Sinking Fund in accordance with the provisions of the National Debt Sinking Fund Act, 1923-1934, and the Financial Agreement Acts.

In the case of all such Loans, the following contributions to the Sinking Fund must be made out of Commonwealth and State Revenues :—

(a) On the present Conversion Loan and all Loans existing on 30th June, 1927, including such Loans when converted into other Loans, a minimum of 7s. 6d. Australian currency per £100 per annum ;

(b) On any new loan, 10s. Australian currency per £100 per annum.

In the case of Loans raised in the United Kingdom the contributions stated above are in respect of each £100 sterling.

The Sinking Fund moneys allocated by the National Debt Commission for use in London during the year ending 30th June, 1949, amount to £3,334,000 sterling.

COMMONWEALTH BANK OF AUSTRALIA is further authorised *to offer for subscription in cash Government of the Commonwealth* of Australia 3 per cent. Registered Stock, 1965-1967, to such amount as may be required to make up the above total of £15,000,000 in the event of conversion acceptances not reaching that total.

PRICE OF ISSUE £100 per cent.

Payable	**£10**	**0**	**0**	**per cent. on Application**
	£15	**0**	**0**	**" " 21st October, 1948**
	£75	**0**	**0**	**" " 1st January, 1949**
	£100	**0**	**0**	**per cent.**

An interest payment of 3s. 4d. per £100 Stock will be made on 1st January, 1949.

Cash applications on the prescribed forms will be received at COMMONWEALTH BANK OF AUSTRALIA, 8, Old Jewry, London, E.C.2, and must be for even amounts of £100 of Stock and be accompanied by a deposit of £10 per cent. on the amount applied for.

In the event of partial allotment, the surplus from the amount paid as deposit will be returned to the applicant. In case of default in the payment of any instalment at its due date the amount previously paid will be liable to forfeiture, and the relative allotment to cancellation.

Payment in full may be made on or after allotment, but no discount will be allowed.

Scrip Certificates to Bearer in respect of Cash Allotments will be issued in denominations of £1,000, £500 and £100, in exchange for Allotment Letters. These Certificates must be surrendered at the time the final instalment is paid, for exchange into Registered Stock Certificates, at COMMONWEALTH BANK OF AUSTRALIA, 8, Old Jewry, London, E.C.2. Interest Coupons *for 3s. 4d.* per £100 Stock, payable 1st January, 1949, will be attached to the Scrip Certificates.

The revenues of the Commonwealth of Australia alone are liable in respect of this Stock and the Interest thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of His Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or of the Interest thereon, or for any matter relating thereto.—40 and 41 Vict., cap. 59, sec. 19.

A commission of 5s. per £100 Stock will be paid to Bankers and Stockbrokers on allotments made in respect of conversion acceptances and cash applications bearing their stamp.

Prospectuses, with Statistical Statement relating to the Commonwealth of Australia, may be obtained from Commonwealth Bank of Australia, 8, Old Jewry, London, E.C.2 ; from Westminster Bank Limited, Stock Transfer Office, 41, Lothbury, London, E.C.2 ; from Messrs. R. Nivison & Co., 6, Threadneedle Street, London, E.C.2 ; at the Offices of the Government of the Commonwealth of Australia, Australia House, Strand, London, W.C.2 ; and from the Agent-General for Victoria, Victoria House, Melbourne Place, Strand, London, W.C.2.

COMMONWEALTH BANK OF AUSTRALIA,
8, OLD JEWRY, LONDON, E.C.2.

24th September, 1948.

The List for Cash Applications will open on Tuesday, 28th September, 1948, and will be closed at 3 p.m. on that day.

The List for Conversion Applications will be closed not later than 3 p.m. on *Thursday, 7th October, 1948.*

THIS FORM MAY BE USED.

Application Sheet No. ..... *Allotment No.*.....

APPLICATION FOR

Government of the Commonwealth of Australia

3 per cent. Registered Stock, 1965-1967.

To : COMMONWEALTH BANK OF AUSTRALIA, 22
8, OLD JEWRY, LONDON, E.C.2.

I/We hereby apply for £..... (say ..... pounds) of Government of the Commonwealth of Australia 3 per cent. Registered Stock, 1965-1967, according to the Prospectus of 24th September, 1948, and undertake to pay £100 for every £100 of Stock, and to accept the same or any less amount that may be allotted to me/us, and to pay for the same in conformity with the terms of the said Prospectus.

I/We enclose the required deposit of £ ..... being £10 per cent. on the amount applied for.

* I/We declare that I am not/no one of us is resident outside the Scheduled Territories† within the meaning of the Exchange Control Act, 1947, and that I/we shall not be acquiring the Stock on behalf of or as the nominee(s) of any person(s) resident outside those Territories.

* If this declaration cannot be made it should be deleted and a Form D (obtainable from a Banker or Stockbroker) completed as to Declaration 2A and the appended Certificate should accompany this application.

Ordinary Signature .....

Please write distinctly. *Full Name*..... (IN BLOCK LETTERS) *(State whether Mr., Mrs. or Miss or Title.)*

Address .....

.....

28th September, 1948.

† The Scheduled Territories.—The British Empire (except Canada and Newfoundland), British Mandated Territories of Cameroons, Nauru, New Guinea, South West Africa, Tanganyika, Togoland and Western Samoa, British Protectorates and Protected States, Burma, Iraq, Iceland and the Faroe Islands.

‡ The definition of "nominee" is given in the Bank of England's Notice E.C. (Securities) 1.

N.B.—Applications must be for amounts of not less than £100 and in multiples of £100.
Cheques should be made payable to BEARER and should be crossed thus :

COMMONWEALTH BANK OF AUSTRALIA,
a/c Australian Loan.

SECOND ALLIANCE TRUST COMPANY, LIMITED

REVENUE AGAIN INCREASED

AMPLE MARGIN OVER 24 PER CENT. DIVIDEND

MR W. D. MACDOUGALL'S STATEMENT

The sixty-fifth annual general meeting of The Second Alliance Trust Company, Limited, will be held in the Company's registered office, Meadow House, 64, Reform Street, Dundee, on the 8th proximo.

The following is the statement by Mr W. D. MacDougall, the chairman, which was circulated with the report and accounts for the year ending July 31, 1948.

I have pleasure in welcoming back to the board our colleague, Sir George Cunningham, who has been released from his duties in Pakistan.

The form of our accounts this year shows some small differences which are required to enable us to comply with the provisions of the new Companies' Act which came into force on July 1.

INCREASED GROSS REVENUE

There is a further increase in gross revenue which amounts to £289,000, as compared with £276,000 a year ago. After providing for expenses, taxes, interest on borrowed money and the dividend on the preference stock, there is available for the ordinary stock £91,159, representing earnings of over 41 per cent. We propose to repeat last year's distribution of 24 per cent. which will absorb £52,800, leaving a surplus for the year of £38,359. The reserve fund of £400,000 you will observe we are now required to divide into two separate accounts—a capital reserve consisting of share premiums amounting to £315,292, and a revenue reserve of £84,708; to the latter we have transferred from revenue £15,292, thus bringing this reserve up to £100,000 and the balance of the year's surplus has been added to the amount to be carried forward at the credit of revenue account.

VOLUNTARY DIVIDEND LIMITATION

The results for the year are satisfactory and would justify an increase in the ordinary dividend. The board, however, have decided that the principle of voluntary limitation of dividends accepted by the majority of industrial companies should on this occasion be observed here also. Although good reasons can be advanced to show that Investment Trusts should be exempt from this restriction, it is thought that if a gesture is to be made the wider its application the better. I hope it is recognised, however, that this gesture has been made purely for reasons connected with the present situation and that the continuance for any length of time of this restriction coupled with a heavy distributed profits tax will have serious repercussions in those industries which look to the investing public to finance their capital requirements.

Reasonable prospect of reward for risks undertaken remains one of the main props of our prosperity as a nation and its abolition, or the continued deferment of hope of its restoration, would seriously discourage that spirit of keen enterprise and vigorous effort which placed our industries, many of which, admittedly, are unsuited for nationalisation, in the position they hold.

REVENUE OUTLOOK

In the circumstances, the outlook for revenue in the coming year must be less promising as, apart from our overseas investments, there is little prospect of increased returns to balance any defaults and reductions which may occur. It is a question of degree, however, and I see no reason to expect that we will not be able to show our dividend earned next year with an ample margin.

CHANGES IN DOLLAR INVESTMENTS

Advantage has been taken of the permission to make changes in our dollar investments to which I referred a year ago. As you will observe from the directors' report, we have just over 5 per cent. of our funds invested in American securities, mostly in equities. The outlook in the United States is not without its disturbing factors, as witness the failure to check the course of inflation, and one must expect to experience from time to time those severe fluctuations in values which in the past have been a feature of the American economy. Nevertheless, the fact remains that the United States is today the most prosperous part of the globe and conditions ruling there permit the investor to share in that prosperity.

CONDITIONS AT HOME

In this country where the greater part of our funds are of necessity invested, all problems fade into insignificance before the crucial question as to whether our efforts to reduce the adverse balance of trade will be successful. Some progress has been made, but how far it is from what is required can be seen from the figure of £250 million given for the excess of imports for the first six months of this year. It is clear we shall have to do better than that even to pay our way during the period of Marshall Aid. When that ceases and we have to rely on our own resources, we shall be faced with a task the magnitude of which does not seem to be sufficiently grasped.

To increase production to the required point is in itself a formidable problem and even if achieved, to be effective it must coincide with a willingness on the part of our overseas customers to accept the additional supplies and the ability to pay for them. I find it difficult to believe that when temporary shortages have been filled, Britain's place in the world economy will be such that she can expect to continue to export on a scale sufficiently in excess of the prewar level to bridge the gap caused by the loss of our foreign investments and to enable us to pay for the imports required to maintain the standard of living to which we are accustomed.

At the close of the annual meeting there will be submitted for your approval certain alterations to the company's Articles of Association. These are of a formal nature, and, as is explained in the accompanying circular letter, involve no change in the existing practice, and I therefore recommend their adoption.

AIR-INDIA, LIMITED

MR J. R. D. TATA ON INDIAN AIR TRANSPORT CONDITIONS

The annual general meeting of Air-India, Limited, was held, on the 31st ultimo, in Bombay.

Mr J. R. D. Tata, the chairman, in the course of his speech, summarised the large increase in operations. The mileage flown increased by 78 per cent.; ton-miles by 112 per cent.; capacity ton-miles and passenger-miles by 106 per cent.; freight and mail by 266 per cent.; and gross revenues by 111 per cent. While the routes operated remained substantially the same, a Madras-Trivandrum service had been added and the frequency of the Bombay-Karachi route had been increased from seven to fourteen weekly. An additional direct service on the Bombay-Madras route was operated five times a week. The relatively greater increases in the capacity ton-miles and passenger-miles and in the general revenues were due to the fact that a substantial proportion of the services were operated with Viking aircraft whose payload and seating capacity were larger than those of the D.C.3.

Expenditure had risen 140 per cent. over the previous year, due mainly to the higher wage and salary bill, to a much heavier provision for depreciation, and to the acquisition of a fleet of Viking aircraft.

The Government of India had not yet decided on the shape and structure of the Indian air transport industry.

In other countries of the world the number of hours flown per aircraft used exceeded 3,000 hours per year. The average utilisation of aircraft in India was under 500 hours per year because the industry employed in the aggregate many times the number of aircraft required for the work to be done. As a result most of the air lines had lost heavily. Because Air-India had been long established and had developed a remunerative network it had escaped such disastrous circumstances. Even Air-India had been unable to reach the highest rate of efficiency, and their utilisation figures, although higher than those of others, had remained low. As a result, their costs were higher than they should have been.

The air transport industry of India was at present mainly equipped with aircraft purchased cheaply out of war surpluses. Gradual replacements with new equipment would be necessary within the next two or three years. While aircraft bought cheaply could be depreciated without undue financial strain over a short period of years, the depreciation of future fleets purchased at far greater cost would have to be spread over a much longer period. The grant of short term licences by the Government of India for, say, five years, would be unsound, because the raising of fresh capital to finance the acquisition of new fleets would be impossible. Licences should be issued for a period of ten years, and in any case not less than seven years.

The most important event of the past year had been the acceptance by the Government of India of a scheme sponsored by the company for the operation of an overseas service to the United Kingdom. The company's scheme involved the formation of a new corporation with substantial participation by Government both in the capital and in its Directorate. The greatest credit was due to the Government of India for reaching such an important decision of policy at a time of unprecedented crisis in the country.

The new corporation, Air-India International, inaugurated their Bombay-London service on June 8, 1948, and had rendered a good account of themselves up to now. The response from the travelling public had been most encouraging, and the initial frequency of one service per week was expected to be doubled shortly. The shareholders of Air-India could be proud of the part which their company had played in the establishment and running of such an important venture which had added to India's prestige in the world.

The report and accounts were adopted.

BOOKER BROTHERS, McCONNELL AND COMPANY, LIMITED

TAXATION BURDEN

PROBLEM OF RISING COSTS

MAJOR A. F. V. McCONNELL ON COLONIAL NEEDS

The annual general meeting of Booker Brothers, McConnell and Company, Limited, was held, on the 23rd instant, in London, Major A. F. V. McConnell, the chairman, presiding.

The following is extracted from his circulated statement:—

As forecast in the circular sent to shareholders on May 19, 1948, we are this year submitting a consolidated balance sheet and a consolidated profit and loss account.

PARENT COMPANY'S ACCOUNT

During the eighteen months period, after charging all expenses and £285,000 for taxation, our company earned a net profit of £180,229, which may be compared, after similar adjustments, with £96,562 earned in the preceding twelve months. Your directors recommend the payment of a final ordinary dividend of 3½ per cent. and a bonus of 2 per cent., both free of income tax. We have also been able to transfer £61,035 to general reserve and to increase the credit balance brought forward by the remaining small balance. These recommendations are made not only in accordance with what your directors consider the best interests of the shareholders and of the business, but also with the dividend policy which the Chancellor of the Exchequer has asked all companies to observe.

The group as a whole had to bear no less than £610,244 levied in direct taxes upon profits—a grievous and often discouraging burden. A burden which, if it is not lightened, must inevitably restrain any enthusiasm which we may feel for undertaking new enterprises—new enterprises which we think would benefit the peoples in the Colonial territories where we operate.

THE FINANCIAL POSITION

There is an excess of current liabilities and provisions over current assets; in other words, the parent company's financial position is by no means as liquid as is desirable. Since June 30, 1946, the value of land and buildings, plant, machinery, craft and equipment has increased by over £180,000, which largely comprises purchases of land and buildings necessary to our business, and also considerable increases to coastal craft in British Guiana. Net advances to subsidiary companies have increased by more than £130,000 and reflect in part inflation which has affected business generally and in part greater trading activity throughout the group. Inflation and greater activity are also reflected in the increases in stocks and stores from £524,307 to £830,774 and in debtors from £377,498 to £666,570.

This means that we are employing more capital. We have come to a stage where reserves built up in the past are insufficient to finance the replacement of stocks and fixed assets at ever-rising values, the greater trading activity which has taken place since the war, and indeed the natural development of our undertakings. Moreover, you will see from the notes attached to the balance sheet, that our plans for renovating, improving and extending the assets of our company and its subsidiaries and for replacing vessels lost in the war constitute a formidable financial commitment.

ADDITIONAL TEMPORARY FINANCE

Accordingly, early this year and subsequent to the close of these accounts; after obtaining increased borrowing power at an extraordinary general meeting held on February 12th last, acting with the advice and assistance of Lazard Brothers and Company, Limited, your board decided to raise additional temporary finance. £1,000,000 of Three and Three-quarter per Cent. Unsecured Ten Year Notes at par were placed with a few established investing houses. These Notes are repayable at a premium of a half per cent. in 1958 or, at our option, during or after 1953 at a slightly higher premium.

It may be that in the next year or so further temporary finance will be required, but even so, your directors do not think that it is desirable at this stage to increase the capital of the company on that account. Events within the next few years should make it possible to define more precisely our company's capital needs—in the meantime who can foretell the trends of inflation or its contrary, and the course of trading activity?

THE CONSOLIDATED ACCOUNTS

In contrast to the parent company, the consolidated balance sheet shows an excess of current assets over current liabilities and provisions to the extent of £786,452. This is satisfactory, and the issue of the Ten Year Notes materially improved this reasonably liquid position.

It is prudent, year by year, to plough back into any business part of the profits by way of appropriations to reserves. In the case of our sugar estates they are literally ploughed back into the land to the incalculable benefit of British Guiana and its people and ultimately, I hope, of the shareholders who at present reap a not over-abundant harvest from their very large capital commitment in this field. A commitment which in terms of pounds sterling is considerably more than the book value of our assets would imply. I must emphasise that this apparent undervaluation of our fixed assets is due less to their appreciation than to the depreciation in the value of money, thus underlining the financial problems inherent in their maintenance and replacement and in our programme of improvement and expansion.

Let me sound a note of warning. The consolidated profit and loss account, reflecting as it does a wide range of activities and undertakings from primary production to retail stores, will certainly be subjected year by year to far greater fluctuation than has been the case with the parent company.

SURVEY: BRITISH GUIANA

In British Guiana—where nearly half our profit is earned—the production of sugar is the foundation of our business. For sugar, 1947 was rather a disappointing year, the total output of the estates in which we are interested being 117,568 tons, against 120,347 in 1946. Unfavourable weather must be held mainly accountable for a decrease where we had hoped for an increase.

The British Ministry of Food continue to buy all our sugar available for export—for consumption both here and in Canada—and although their present agreement to purchase expires next year we have reason to believe that it may be extended.

The price they have paid us has continued to rise but scarcely in proportion to increased costs of production, and while the Director of Sugar always shows understanding of the problems of sugar producers, we cannot reasonably expect an ever-increasing price for our product

There is a tendency nowadays to regard rising production costs as an inescapable natural phenomenon, and to assume that prices paid for products will by some means or other be adjusted to cover these production costs, whatever they may be. This is a most unrealistic and dangerous attitude; in the past production costs had to conform to prices and the day will surely come, and it may come soon, when they must do so again.

THE BOARD'S PLANS

We for our part are doing all in our power to reduce costs. You know of many of our plans to increase output, to enhance efficiency, to obtain new plant and equipment in field and factory, to improve production technique, to seek more technical advice and to strengthen organisation. It must be admitted, however, that in the case of colonial industries the real need to improve the living standards of the people introduces an element of inflexibility in costs of production of which wages represent over half and the provision of better amenities for workers a further material proportion.

At the same time all who are sincerely concerned with the welfare of the people of British Guiana must reflect upon the fact that wages cannot increase *ad infinitum*; that a cost of production higher than the value of sugar will bring disaster not only to the company but to all who work on the sugar estates and indeed to almost anyone who earns a livelihood in the Colony.

RUM AND MOLASSES

Sales of the main by-products of sugar—rum and molasses—were satisfactory during these eighteen months, but here again high prices will not go on indefinitely. In the case of rum the price we receive, in relation to the exorbitant Customs duty in this country, represents a negligible part of the price of a bottle of rum to the consumer. It is an impressive fact that, at present levels, our company's sales of rum to Great Britain will contribute over £15,000,000 to the Exchequer in a year by way of duty.

There are clear signs of reduced demand for rum. We hope, however, that the excellence of Demerara rum coupled with advertising undertaken by Demerara rum distillers as a whole (in which they are handsomely assisted by the rum trade in this country) may go some way towards retaining the support which this valuable by-product gives to the sugar industry.

Apart from sugar our main interest in British Guiana is in the wholesale and retail trades. Today we are carrying stocks worth nearly four times as much as was normal before the war and sales have increased accordingly. Yet here again the zenith has been reached, and as profits margins are largely controlled by Government we must, if we are to compete successfully with others, pay closer and closer attention to wise buying and to efficient management.

AFRICA

On March 17, 1947, a holding company was registered in Northern Rhodesia under the name of Campbell Brothers, Carter and Company (Central Africa), Limited, with a nominal capital of £750,000, of which £400,000 has been issued, to take over the shares of the companies in Rhodesia and Nyasaland in which we are interested (exclusive of those engaged in the tobacco trade). Campbell Brothers, Carter and Company, Limited, who are a full subsidiary of ours, hold over 83 per cent. of the issued capital and the balance is held by former proprietors of the businesses acquired and by some senior employees.

Campbell Brothers, Carter and Company, Limited, who specialise in buying, shipping and financing for clients in the Union of South Africa and the Far East, themselves

reached new high figures during the period under review.

THE FUTURE

He is a brave man who would attempt to prophesy the future when international conditions and indeed economic and political conditions in the colonies are unpredictable.

We cannot expect that trading activities and values will remain at their present high levels, but, given peaceful conditions, I hope we can look forward with sober confidence to steady if not to spectacular progress.

STAFF

It has been usual for your Chairman to end his address with an expression of thanks and appreciation to our local directors and staff both at home and overseas. In once more following this precedent I am particularly anxious to avoid any appearance of performing a perfunctory duty. We owe a great deal to them all and we ask them to accept our most grateful and sincere thanks for their efforts.

The report and accounts were adopted.

GOLDEN HOPE RUBBER ESTATE, LIMITED

The annual general meeting of The Golden Hope Rubber Estate, Limited, was held in London on the 20th instant. In his address the chairman, Sir Eric Macfadyen, said: Issued capital as before is £364,490 (which is a little under £40 per acre of our planted acreage). Rehabilitation expenditure to date amounts to £32,890. Our claims for War Damage Compensation largely exceed this amount.

The crop of rubber harvested was 5,508,000 lbs. and proceeds of sale came to £262,907, yielding a profit of £38,913 after providing £39,145 for Malayan income tax and United Kingdom income tax and profits tax. From the balance we recommend the payment of a dividend of 8 per cent.

With two exceptions our estates are well off for labour and up to date I am able to say that none of them has suffered from outbreaks of violence.

It is remarkable that the agricultural conditions of our properties have on the whole been maintained. At the end of the financial year under review they were in better shape than at the beginning and even to-day there has been no serious deterioration. A substantial proportion of the output of 5,508,000 lbs. of rubber was turned out in the form of sole crepe with advantage to the average price realised, although the temporary conditions which stimulated that market may not last much longer. If security conditions permit we estimate to produce 6,000,000 lbs. of rubber in the current year. We made provision for undertaking in the present year some 500 acres of new planting or replanting (our total planted area is 9,314 acres).

The report and accounts were adopted and at an extraordinary general meeting which followed two special resolutions altering the articles of association were approved.

WILLSONS (LONDON AND PROVINCES), LIMITED

TURNOVER AND PROFIT EXPECTATIONS EXCEEDED

The sixteenth annual meeting of Willsons (London and Provinces), Limited, was held, on the 22nd instant, in London. The Rt. Hon. Lord Barnby, C.M.G., C.B.E. (chairman), presided, and in the course of his speech said:

The turnover and profit have exceeded expectations in spite of the reduction of profit margins, which resulted in a diminution of nearly £30,000. As an indication of the value which has been given to our customers, the gross profit margin on our sales for the 14 months shows a decrease of 2½ per cent.

At the commencement of the period we had to contend with the fuel crisis, appalling weather conditions and scarcity of supplies because of these circumstances.

The accounts for the 14 months ended March 31, 1948, show that the profits amounted to £105,479, compared with £118,316 for the 12 months ended January 31, 1947.

Your directors recommend that a final dividend of 20 per cent., less tax, be paid for the period on the Ordinary shares making a total of 30 per cent. for the 14 months ended March 31, 1948, which is approximately the same rate as the 25 per cent. paid for the 12 months to January 31, 1947.

The total reserves are £293,510, compared with a total in the previous balance sheet of £173,749. This total of reserves is in excess of the issued capital, which amounts to £261,382.

No allocation has been made to the stock equalisation reserve. In the previous accounts it was a new item, but as it was found that the depreciation of stock, as otherwise provided, was believed to be adequate, the amount standing to the reserve was transferred to that provided for future taxation.

The liquid position stands at £280,534, an improvement of £86,645. Fixtures and fittings of about 100 branches, our warehouse and head office stand at £21,302, a small percentage of the estimated cost of replacement.

How small a sum remains to shareholders as a reward is shown by a breakdown of every 20s. of receipts:—

	s.	d.
Cost of garments	15	1½
Wages, salaries, etc.	2	9
Rents, rates, repairs and other expenses and reserves, less receipts	1	3½
Income tax and profits tax		6½
Dividends		2½
Remaining in the business		1
	20	0

Additional branches are being added throughout the United Kingdom without haste as opportunity offers.

ENCOURAGING PROSPECTS

Your directors face the future with every confidence. The volume of trade for the first half of the current year is most encouraging. The reopened and new branches, the better selection of merchandise and exceptional values have all contributed to the excellent results. Our success is in no small measure due to the efforts of your founder and managing director, Mr. Maurice Mauray, in building up the fine organisation to meet and to encourage consumer demand in the shops selected by him.

It is widely felt that rationing of wool textile apparel could before now have been much further relaxed without danger to price rises. The volume of foreign cloth now being imported is nearly equal to prewar values, which suggests justification for greater freedom to the domestic wool textile industry, and from that would follow a better choice of materials for the making-up industries.

The report was adopted.

NOTICES

EMPLOYERS' ASSOCIATION: APPOINTMENT OF DIRECTOR

An important textile industrial organisation with headquarters in Manchester requires a Director of wide administrative and industrial experience. Candidates should be capable of expressing with clarity, firmness and moderation the views of the industry in its negotiations with the Government, Government Departments and Statutory Authorities on the one hand and Labour and Industrial Organisations on the other hand. No difficulty need be anticipated in arranging remuneration appropriate to the qualifications and standing of the applicant. Applications including full details of experience and career should be sent to Employment Manager, The Federation of British Industries, 21, Tothill Street, London, S.W.1.

A COMPREHENSIVE service for industrialists: The Advertiser specialises in the planning and conduct of political, social and economic surveys, public relations and public affairs, personnel relations: he has wide experience at home and abroad, and is accustomed to operate at high levels and on a big scale; preliminary consultation need incur no liability: highest possible references, of course.—Box 809.

B.COM. (Hons), 31, seeks post of wide responsibility in large export or industrial organisation to do research, information or development work. Systematic hard worker; thorough research experience on industry; development of new export markets; clear concise speaker and writer; all office routine and organisation; French, Spanish, German; widely travelled.—Box 810

INDIA.—Gentleman with varied organising and administrative experience, 15 years in business, 10 years Army, desires return to India in managership, administration, labour control or estate development.—Box 829.

MANAGING Directors, with multiple interests, requiring an assistant are invited to write to—Box 786.

CONTINENTAL HOLIDAYS

All inclusive arrangements. FRANCE—10 days from £17 19s. 6d. SWITZERLAND—10 days from £19 16s. (Swiss currency available). These are very special offers; early bookings essential. WINTER SPORTS enquiries invited.
HENRY ALLAN & SONS (TRAVEL), LTD., 25, Cockspur Street, London, S.W.1. Tel.: WHitehall 5237-9.

ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

APPOINTMENTS REGISTER

Employers seeking the services of Certified Accountants are asked to write to the Secretary of the Association, 22 Bedford Square, London, W.C.1. (Telephone: Museum 5163.)

APPLICATIONS are invited for positions in the Technical Economy Section of the British Cotton Industry Research Association. Successful candidates will engage in operational research, and a capacity for dealing with practical problems mathematically and analytically is required. Academic attainments will be regarded as evidence of ability. —Apply, Director of Research, Shirley Institute, Didsbury, Manchester, 20.

PERSONNEL MANAGEMENT. Business executive with wide experience finance, commerce and industry and with profound belief importances personnel management, training and welfare, seeks appointment, offering scope and opportunities, with concern who have similar belief. High level contacts and references. Public school, University, good war record.—Box 798.

BUSINESS MAN (Wykehamist), of proved ability and adaptability, with fine record in peace (sales and advertising administration) and war (lieut.-colonel, staff), seeks scope for creative thinking, initiative and modern methods of marketing and sales promotion.—Box 820.

EX-COMMANDER R.N. aged 46, adaptable, good linguist, seeks work. Eight prewar years advertising, market research, selling. Experienced planning, administration. War service included 2 years in Joint Planning staff of War Cabinet. Two postwar years in Foreign Office.—Box 825.

PROFESSIONAL WOMAN, highly experienced, widely travelled, especially Latin-America U.S.A. Put lic speaking; own car; requires appointment, possible work partly from own address, Kensington. Willing travel.—Box 839.

MANUFACTURERS in Birmingham have a senior executive position to offer. Applicants should have had wide commercial and administrative experience and possess good personality. Professional qualification or University Degree an advantage. Age limit, 35-45. Commencing salary £750, or according to experience and qualifications. —Particulars to Box 836.

Statistical Summary

GOVERNMENT RETURNS

For the week ended September 18, 1948, total ordinary revenue was £39,228,000, against ordinary expenditure of £75,403,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £8,069,000 the surplus accrued since April 1st is £215,959,008 against £203,248,486 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948–49	Receipts into the Exchequer (£ thousand)			
		April 1 to Sept. 20, 1947	April 1 to Sept. 18, 1948	Week ended Sept. 20, 1947	Week ended Sept. 18, 1948
ORDINARY REVENUE					
Income Tax	1309150	367,508	382,291	13,351	6,727
Sur-tax	90,000	18,105	23,880	500	550
Estate, etc., Duties	160,000	78,529	84,950	1,700	2,750
Stamps	55,000	22,630	26,535	1,000	1,050
Profits Tax	250,000	15,770	58,810	1,900	4,800
E.P.T.		111,197	55,450	9,029	2,800
Other Inland Rev.	1,000	110	100	...	10
Special Contribtn.	50,000	...	12,950	...	900
Total Inland Rev.	1915150	613,849	644,930	27,480	19,587
Customs	820,600	363,050	381,260	14,000	14,672
Excise	726,550	262,100	336,400	4,500	3,600
Total Customs & Excise	1547150	625,150	717,660	18,580	18,272
Motor Duties	50,000	10,343	9,454	...	...
Surplus War Stores	102,000	78,697	22,370	...	...
Surplus Receipts from Trading	57,000	25,000	826	...	...
P.O. (Net Receipts)	...	...	760	(Dr 280)	...
Wireless Licences	11,000	3,190	3,300	...	...
Crown Lands	1,000	440	360	...	...
Receipts from Sundry Loans	14,000	15,291	9,074	...	...
Miscell. Receipts	68,000	162,539	75,853	66	1,368
Total Ord. Rev.	3765300	1534592	1484620	43,747	39,228
SELF-BALANCING					
Post Office	150,200	65,780	68,600	4,580	2,100
Income Tax on E.P.T. Refunds	16,000	11,613	3,640	132	107
Total	3931500	1611985	1536865	48,459	41,435

Expenditure	Estimate, 1948–49	Issues out of the Exchequer to meet payments (£ thousand)			
		April 1 to Sept. 20, 1947	April 1 to Sept. 18, 1948	Week ended Sept. 20, 1947	Week ended Sept. 18, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	251,702	239,052	2,364	2,305
Payments to N. Ireland	26,000	9,644	8,792	...	...
Other Cons. Fund Services	8,000	3,318	3,327	...	102
Total	534,000	264,665	251,170	2,364	2,408
Supply Services	2442675	1058776	1009431	49,070	73,000
Total Ord. Expd.	2976657	1323441	1260601	51,434	75,408
Sinking Funds	...	...	8,065	...	...
SELF-BALANCING					
Post Office	150,200	65,780	68,600	4,580	2,100
Income Tax on E.P.T. Refunds	16,000	11,613	3,640	132	107
Total	3142857	1400834	1340901	56,146	77,615

After increasing Exchequer balances by £58,911 to £3,172,615, the other operations for the week increased the gross National Debt by £43,754,845 to £25,745 million.

NET ISSUES (£ thousand)

P.O. and Telegraph Acts, 1946 and 1948	550
E.P.T. Refunds	130
Overseas Trade Guarantees Act, 1939, sec. 4(1)	5
Local Authorities Loans Act, 1945, sec. 3(1)	3,300
New Towns Act, 1946, sec. 12(3)	10
Overseas Resources Development Act, 1948, sec. 17(1)—Overseas Food	1,200
War Damage: War Damage Commission	2,000
Finance Acts, 1946 and 1947, Post-war Credits	321
	7,516

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	20,968	3% Def. Bonds	*648
Nat. Savings Certs.	550	Tax Reserve Certs.	557
2½% Def. Bonds	375	Other Debt:—	
Other Debt:—		External	2
Internal	2,863		
Ways & Means Advances	20,205		
	44,961		1,207

* Including £171,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1947						
Sept. 20	2190·0	2533·0	327·7	8·0	1299·0	6357·6
1948						
June 5	2210·0	2616·7	283·2	3·5	1410·0	6523·5
„ 12	2210·0	2608·9	281·7	1·0	1423·5	6525·2
„ 19	2210·0	2635·1	274·0	11·3	1443·5	6573·8
„ 30		4817·3	270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
„ 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
„ 24	2210·0	2632·8	294·6	13·3	1429·5	6580·1
„ 31	2210·0	2620·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5
„ 14	2210·0	2355·6	287·0	...	1429·5	6282·0
„ 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
„ 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
„ 11	2210·0	2378·7	297·0	2·0	1460·5	6348·2
„ 18	2210·0	2399·7	300·5	18·8	1460·5	6389·4

TREASURY BILLS

(£ million)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1947					
Sept. 19	170·0	253·5	170·0	10 3·10	27
1948					
June 18	170·0	259·6	170·0	10 1·89	57
„ 25	170·0	279·7	170·0	10 1·65	48
July 2	170·0	286·8	170·0	10 1·45	45
„ 9	170·0	276·5	170·0	10 1·48	48
„ 16	170·0	279·7	170·0	10 1·55	48
„ 23	170·0	294·3	170·0	10 1·31	43
„ 30	170·0	291·8	170·0	10 1·34	42
Aug. 6	170·0	288·1	170·0	10 1·50	44
„ 13	170·0	269·1	170·0	10 1·91	53
„ 20	170·0	272·7	170·0	10 1·87	52
„ 27	170·0	268·1	170·0	10 3·05	53
Sept. 3	170·0	295·8	170·0	10 2·43	41
„ 10	170·0	284·6	170·0	10 2·84	48
„ 17	170·0	263·8	170·0	10 3·31	56

On September 17th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 56 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Application for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full £170 million (maximum) of Treasury Bills are being offered for September 24th. For the week ended September 25th the Banks will be asked for Treasury deposits to the amount of £90 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended		Totals
	Sept. 18, 1947	Sept. 11 1948	Apr. 1 to Sept. 11, 1948
Savings Certificates:—			
Receipts	2,500	2,000	52,200
Repayments	2,550	1,250	60,500
Net Savings	*Dr 50*	750	*Dr 8,300*
Defence Bonds:—			
Receipts	860	740	18 325
Repayments	818	884	20,857
Net Savings	42	*Dr 144*	*Dr 2,532*
P.O. and Trustee Savings Banks:—			
Receipts	12,358	12,823	282,089
Repayments	9,945	11,863	289,097
Net Savings	2,413	960	*Dr 7,008*
Total Net Savings	2,405	1,566	*Dr 17,840*
Interest on certificates repaid	459	225	10,796
Interest accrued on savings remaining invested	2,329	2,317	53,879

BANK OF ENGLAND RETURNS

SEPTEMBER 22, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1237,820,941	Other Govt. Securities	1288,166,742
In Bankg. Department	62,426,892	Other Secs.	807,612
		Coin (other than gold)	10,546
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	389,553,941
Rest	3,977,394	Other Secs.:—	28,433,858
Public Deps.:—	69,942,641	*Discounts and Advances*	*6,588,165*
*Public Accts.**	*17,180,967*	*Securities*	*21,845,693*
H.M. Treas. Special Acct.	*52,762,574*		
		Notes	62,426,892
Other Deps.:—	383,253,699	Coin	1,312,043
Bankers	*301,024,127*		
Other Accts.	*92,229,572*		
	481,726,734		481,726,734

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

COMPARATIVE ANALYSIS

£ million

	1947	1948		
	Sept. 24	Sept. 9	Sept. 16	Sept. 23
Issue Dept.:—				
Notes in circulation	1376·5	1248·2	1243·6	1237·8
Notes in banking department	73·7	52·0	56·6	62·4
Government debt and securities*	1449·4	1299·2	1299·2	1299·2
Other securities	0·6	0·8	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Value at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	10·2	10·5	9·3	17·2
Treasury Special Account	...	49·7	52·8	52·8
Bankers	289·6	308·1	307·8	301·0
Others	92·1	93·5	94·6	92·2
Total	397·9	461·8	464·5	463·2
Securities:—				
Government	307·5	397·5	395·8	389·6
Discounts, etc.	14·6	8·5	7·9	6·6
Other	16·3	21·3	21·4	21·8
Total	340·4	427·3	425·1	418·0
Banking dept. res.	76·6	53·0	57·8	63·7
	%	%	%	%
"Proportion"	19·6	11·4	12·4	13·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver			Gold
	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Sept. 16	46	75¼	178 0	115 8
„ 17	46	75¼	176 4	116 12
„ 18	Market	Closed	175 0	115 0
„ 20	46	75¼	172 10	114 8
„ 21	46	75¼	167 14	113 8
„ 22	46	75¼	169 4	114 0

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ANNUAL INCOME EXCEEDS	£17,500,000
ASSETS EXCEED	£102,000,000
CLAIMS PAID EXCEED	£189,000,000

(1947 Accounts)

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong)

CAPITAL ISSUED AND FULLY PAID UP - - - - $20,000,000
RESERVE FUNDS STERLING - - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - - $10,000,000

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Chief Manager: THE HONOURABLE A. MORSE, C.B.E.

BRANCHES

BURMA	CHINA (*Cont.*)	INDO-CHINA	MALAYA (*Cont.*)	NORTH
Rangoon	Peiping	Haiphong	Johore Bahru	BORNEO (*Cont.*)
CEYLON	Shanghai	Saigon	Kuala	Sandakan
Colombo	Swatow	JAPAN	Lumpur	Tawau
*CHINA	Tientsin	Kobe	Malacca	PHILIPPINES
Amoy	Tsingtao	Kure	Muar	Iloilo
Canton	EUROPE	Tokyo	Penang	Manila
*Chefoo	Hamburg	*Yokohama	Singapore	SIAM
Chungking	Lyons	JAVA	Sungei Patani	Bangkok
*Dairen	HONGKONG	Batavia	Telok Anson	UNITED
Foochow	Hongkong	Semarang	NORTH	KINGDOM
Hankow	Kowloon	MALAYA	BORNEO	London
*Harbin	INDIA	Cameron	Brunei Town	U.S.A.
Shekking	Bombay	Highlands	Jesselton	New York
Nanking	Calcutta	Ipoh	Kuala Belait	San Francisco

* Branches not yet reopened

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*PROPOSED UNIVERSITY COLLEGE FOR NORTH STAFFORDSHIRE

APPOINTMENT OF REGISTRAR.

Applications are invited for the position of Registrar to the proposed University College for North Staffordshire.

The site is Keele Hall, Newcastle-under-Lyme (*five miles from Stoke-on-Trent*).

The salary attached to the post is £1,250 per annum, rising by annual increments of £50 to £1,500 per annum. It is hoped that a house will be provided.

Candidates must have had administrative experience which would enable them to conduct the preparatory work in respect of the proposed University College. It is anticipated that this will be available for students in October, 1950. Actual acquaintance with the work in the office of a University Registrar would be considered an advantage, but not an essential.

Applications, stating age, education, qualifications and full particulars of experience, together with the names and addresses of three referees, should be sent to me not later than fourteen days after the date when this notice is published, endorsing the envelope "Appointment of Registrar."

HARRY TAYLOR,
Town Clerk, Stoke-on-Trent.

THE NORTH-EASTERN ELECTRICITY BOARD

THE SECRETARY'S DEPARTMENT.

Appointment of Establishments Officer.

Applications are invited for the appointment of Establishments Officer in the Secretary's Department at Area Headquarters at a commencing salary of £1,000 per annum.

Applicants must have had extensive experience of staff management and the application of salary and wage agreements.

The appointment will be subject to the provisions of superannuation regulations to be made under the Electricity Act, 1947, and to service conditions yet to be determined.

Applications, stating age, qualifications, experience and names of two persons to whom reference may be made, should be sent to the Secretary, The North-Eastern Electricity Board, Carliol House, Newcastle-upon-Tyne, 1, within 14 days after the appearance of this advertisement. Envelopes should be marked "*Establishments* Officer."

On October 11, 1948,

THE IMPERIAL BANK OF IRAN

Head Office, LONDON

will remove from 11, Telegraph Street, London, E.C.2, to

51, GRACECHURCH STREET, E.C.3,

where they were established before the war.

MERSEYSIDE AND NORTH WALES ELECTRICITY BOARD

APPOINTMENT OF EDUCATION TRAINING & WELFARE OFFICER.

Applications are invited for the above post, at a salary between the range of £850 and £1,000 per annum, according to experience and qualifications, subject to a later adjustment, if necessary, to conform with the scale of salaries agreed after negotiations with the appropriate staff organisations. Applicants should be of Degree standard in Engineering or Economics, and have had experience in the operation of training schemes for craftsmen, technicians and professional grades, and have the essential requirements of initiative, tact and the ability to promote good human relationship. Knowledge of the various Electricity Supply Regulations and Factory Acts will be an advantage. The duties of the post will include the organisation and supervision of extensive welfare schemes in accordance with the provisions of the Electricity Act, 1947.

The successful candidate will be required to satisfy the Board's Medical Adviser and to contribute to a Superannuation Scheme.

Applications on the prescribed form, which can be obtained from the Secretary, Merseyside and North Wales Electricity Board, Electricity House, Love Lane, Liverpool 3, must be returned in an envelope endorsed "Education Training and Welfare Officer," so as to be received not later than fourteen days from the appearance of this advertisement. JAMES RANKIN, Secretary.

WANTED, SECRETARY with good economic training for British Section of European League of Economic Co-operation. Good reading knowledge of French essential. Answers treated confidentially.—Box 831.

PERSONAL ASSISTANT to Director in London controlling Export business in the East is required, aged 35 to 40 years. Applicant must have practical experience, ability to negotiate on high levels, good correspondent, and creative ability. Post offers progressive responsibilities. Applications, marked Confidential, stating fullest particulars of education and previous experience, to Box 832.

BUYER, wide experience light and heavy engineering, sound knowledge of Government controls, excellent trade contacts, seeks change.—Reply, Box 834.

WANTED.—A SECRETARY with first-class professional competence and experience in university or other educational, cultural work. Excellent salary, interesting position for person who combines these qualifications with intelligence, energy, a sense of responsibility.—Reply to Box 835.

SCOTS C.A., five years' experience as Industrial Consultant with first-class record of reductions in Productive and Administrative Costs, seeks Senior Executive post with future prospects. Minimum salary required, £1,500 p.a.—Box 839.

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Established 1843

October 2, 1948 One Shilling

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Berlin Before Uno

THE pent-up secrecy over the Berlin negotiations has broken. In a spate of words pouring from foreign offices, news agencies, reporters and commentators, the world is learning, down to the minutest detail, the course which led to the final breakdown of the talks. From being the world's best kept diplomatic secret, the negotiations have become, overnight, the most fully documented of all contemporary disputes. Nor is it simply a question of throwing the searchlights of publicity upon the past phases of the discussions. From the private conference table the whole dispute will now be transferred to the largest public forum in the world. The deadlock in Berlin has been referred by the three western powers to the United Nations and all future exchanges will have behind them an amplifier which will send the argument to the ends of the earth. Nor is it only information that has been suddenly released. Pent-up emotions are also finding expression. One of these emotions is indignation. But another is fear, and for the moment it is certainly not the weaker of the two. In these last few days, there has for the first time been something resembling a war scare.

At a time like this, the first imperative is clear thinking. And the first step in clear thinking is to sort out the issues. One point that needs to be made is that the risk of war, whatever it may be, is no greater now than it was in June, or even earlier. Nothing new has now suddenly emerged. All that has happened is that what was suspected years ago by a few, and what was apparent months ago to many, has now been proved to the public—namely, that agreement with the Russian Communists is impossible. It is only the proof that is new, not the fact. Moreover, it is important to note what it is that is now proved—that the Russians are not interested in international harmony. There is no more proof than there ever was that they mean to make war. There is, obviously, some risk that they do. But, again, it is not the risk that is new but the realisation of it. And whether it be imminent or remote, there is no reason to suppose that it is any different today from what it has been for a long time past. It is right to see things realistically, and it is good that the public's eyes have been opened. The risk of war cannot, indeed, be dismissed; but to build up a war scare in September and October 1948 is to do Stalin's work for him.

A second distinction of issues that needs to be made is to separate the specific dispute over Berlin from the wider problem of relations with Russia. The specific issue is dependent on the wider one, of course; if there were no general quarrel with Russia there would be no problem at Berlin. But Berlin is not a typical example of the issues that are likely to arise between Soviet Russia and the West; it has some peculiar features of its own, and to treat it as if it were merely one of a long list, past and future, of similar incidents can only be misleading.

For the moment, it is the Berlin issue that holds the stage. From the mass of information issued by both sides, the outline of the abortive negotiations emerges with sufficient clarity. The first phase ended on August 27th when, after Mr Stalin's intervention, the western powers believed that they had virtually solved the crucial question of Four

Power control for Berlin's currency and that "agreed" instructions could be sent to the Commanders in Chief in Berlin. When, however, negotiations were transferred to Berlin, the the form they took finally convinced the Western Powers that the Russians were not, in fact, interested in securing an agreement. There was even a certain levity in the way in which Marshal Sokolovsky placed interpretations on the agreed instructions which seemed to be quite out of keeping with the previous discussions in Moscow. The turning point was reached, however, when the Marshal raised two entirely new points—the first, that all trade between Berlin and the West should come under Soviet control, the second, that in future the Western air corridors should be confined to uses specified by the Russians. Since this proposal would clearly deprive the Western Powers of their only safeguard against any future imposition of a blockade, there was no further point in negotiation. They decided to bring the whole dispute before the Security Council.

★

The immediate outcome of this step is likely to be a tremendous intensification of the war of words. In laying the issue before the United Nations, the Western Powers are appealing to what is sometimes called "the forum of world opinion." This phrase is, of course, entirely misleading. Beyond the Iron Curtain and wherever Communist influence is dominant, "world opinion" does not exist and the Western Powers could appeal to it until domesday without one of their pleas and explanations passing through the censor's net. The forum to which the Western Powers are appealing is primarily public opinion in their own countries and in Germany. The record of the Moscow talks proves beyond doubt that one side wished for a settlement and the other did not. The publicity which a full debate in the Security Council, and later perhaps in the General Assembly, will give to this fact can only be welcomed by the Western Powers.

There are, however, no grounds at all for complacency. It is not to be expected that the Russians will leave their opponents in the untroubled enjoyment of a watertight case. They, too, in effect, are appealing to the same forum; the chief objective of their propoganda is the peoples of the West and in particular, of Germany. It is already clear that the front on which they wish to fight is not the narrow issue of Berlin but the wider one of world peace. The main line of the Russian offensive has already been laid down—in Mr Vyshinsky's plea for the immediate reduction of all armaments by one third, in the proposals put forward by the Russians, and echoed this week by Mr Wallace, for a general withdrawal of troops from Europe, in the passionate advocacy of peace and the equally passionate attacks on the American "warmongers," which pour from Communist centres all round the world. The Russian tactic is to capture the leadership—in every country—of all the weary, frightened, distracted human beings who long for peace, and to use their horrified rejection of war as a means to prevent, in the West, the measures of rearmament which constant Russian provocation has made necessary.

The Western Powers' good conscience will not by itself be a sufficient answer to this Russian line. They must at all costs avoid the appearance of being on the defensive and of rejecting Russia's plans for "peace." The fact that the move is an impertinent swindle does not alter its appeal. Men and women everywhere shrink from the "black fury" of atomic war. The French are passionately anxious, by almost any means, to return to the ways of compromise and negotiation. Even the freely elected German *Magistrat* in Berlin has put in a plea for the withdrawal of all troops from Germany. It is dangerously negative to reject the "peaceable" proposals of the Russians on the ground that they are insincere, without at least proving their insincerity. It would be far better to accept them in principle and propose instant clarification of the methods whereby they can be honestly and securely carried out. Will the Russians, for instance, accept immediate inspection of all their arms, plants and depots? Will they withdraw not only their troops from Eastern Germany but their police agents as well? Will they disband the Communist police force? Will they accept elections supervised by a very large body of neutral guards and inspectors? In every case, the meaning of the Russian proposals must be brought into the open and the onus of refusal thrust back upon the Soviet spokesmen. Otherwise, the danger will remain that, in the course of the great public debate on Berlin which is about to open, the Communists may yet be able to turn a bad case into a propaganda victory.

★

Indeed, the Western Powers should not resist the Russian attempt to widen the debate from the particular to the general. Rather, they should welcome it, for it is on that general plane that they can build up their own confidence, and the world's confidence in them. At Yalta, as is now apparent, the Western Allies blundered into a position in Berlin that was always unwise and is now clearly revealed to the whole world to be a trap. In Berlin, it cannot be denied that the West is in a tight corner. If the Berlin issue continues to occupy the centre of the stage, Western diplomacy in general will similarly be forced on to the defensive. But on the wider issue of the cold war between East and West, the West is not on the defensive, it is not in a tight corner, it does not hold a poor hand. Quite on the contrary, so long as the issue is seen clearly—as it now is—there is a definite policy to pursue which holds out real hope of delivering the world from the nightmare of Communist aggression—and of doing so without bloodshed. The line of the Iron Curtain can be held in the cold war, and if it is held in firm strength, there is no doubt at all which side will prove in the end to be the stronger.

To this general proposition Berlin is an exception—a difficult and dangerous exception, admittedly, but still a special case. It must, of course, be pursued, and the Western Powers had no option but to refer it to the United Nations. But there is nothing to be gained, and a great deal to be lost, by treating it as if it were an epitome of Soviet-Western relations, and reposing all hopes for the wider issue on success in the narrower. For the United Nations' handling of the Berlin issue will certainly be inconclusive. Discussion and debate, whether it is in Moscow or Paris, does nothing to modify Russia's stranglehold on Berlin. No resolutions in the Security Council, no recommendations in the Assembly will let through one Western train or reopen a single road to the city. The actual physical situation today is what it was the day the airlift started. In this deadlock, every local advantage lies with the Russians while they wait for winter and weather and crumbling German morale to do their job for them. To debate only Berlin would be to concentrate the whole of the world's attention on the one point in East-West relations where the balance of technical factors is decisively in Russia's favour.

The true course for the Western nations to pursue is to do everything that is necessary to make it clear to everybody that they both can and will defend the present boundaries of the free world, and to prove within those boundaries that their way of life is stronger, richer, and more appealing to men's minds than the doctrine and practices of Soviet Communism. It is on this task that the West will do well to concentrate. The immediate need, now that the Marshall Plan is in working order, is to build up alongside it a similar structure of military strength and political confidence in Western Europe—towards which a significant step has been taken this week. If this can be driven ahead this winter, while the airlift maintains Berlin, that particular problem may by next spring have shrunk to its proper dimensions.

Revised Defence

IT was doubtless inevitable that the revision of defence plans should have coincided with the revival of fears of imminent war. The Government would not have undertaken anything so unpleasant if there had not been a serious deterioration in the international situation. Nor could so many memories of 1938-39 have been re-awakened without sending cold shivers down the spine of the general public. Nevertheless, a great mistake will have been committed if what is now afoot is regarded, either by the Government or by the public, as the improvised response to an emergency, or as the first step in mobilisation for war. For if it is an emergency measure, the expectation is that it will be reversed when the emergency passes.

What is now needed, however, is a revision of the permanent defence plans of the nation. Three changes in external circumstances have made this necessary. First, it is no longer possible to build on the assumption of a period of international peace and harmony. The conditions of the next decade, if actual shooting war is avoided, are going to be those of chronic tension and of cold war; this requires a re-assessment of the permanent establishment that is needed. Secondly, the emergency of mobilisation for actual war is not one that can safely be assumed to be even a few years distant; it may happen at any time, and this puts a new urgency into the plans for summoning the nation to arms. And thirdly, it is now clear which war must be planned for. There is only one major war that could conceivably break out in the next ten years and it is possible to be reasonably certain who would be the enemy and—what is of greater importance—who would be the allies. A revised defence policy should be shaped to meet these three new requirements.

★

It will be no easy task to plan and prepare the permanent military establishment for a great power that is entering on a long period of cold war. It involves the planning and execution of a military programme for which no time limit can be set, which must at all times be ready to mobilise the nation for first defensive and then offensive war, which must maintain the defence forces technically and tactically ahead of the potential enemy and all this while imposing the lightest possible pressure upon an already strained economy. Fully to succeed in such a programme would be to reach an ideal beyond the capacity of ordinary soldiers and statesmen. But that does not mean that there need be any obscurity about the aim.

The permanent military establishment has two tasks to perform. The first is to provide enough mobile military, air and naval units to deal with the varying tactical aspects of the cold war. At present these are the defence of Germany, the clearing of Malaya and the Berlin airlift, but the ingenuity of the Cominform can be relied on to provide others as the years go by. The second role of the regular force is to train each year's batch of conscripts and to keep the reservists sufficiently in touch with the services that they can be readily converted into efficient combatants in the event of war.

To fix the level of the regular forces is not easy but it is fairly obvious that the sum total will have to be increased over what has hitherto been planned. What will quite certainly be wrong—though in the present organisation of defence matters it can easily happen—is to proceed on the principle of a bit of expansion all round. The Army clearly has the strongest case for expansion, both because the prospective war would be largely a ground war and because the organisation of the Army is such that it can quickly and usefully absorb more manpower. The strategic necessity of the Air Force is hardly second to that of the Army; but there is less possibility of rapid expansion because of the high percentage of skilled trades required. But it may be that the Navy should actually have its manpower requirements reduced. It accepts practically no responsibility for training National Servicemen and its manpower level of 145,000 seems excessively high in preparation for a war in which, apart from anti-submarine and combined operations, there would be little fighting at sea. The public would feel more confident if it could be quite sure that these matters were being decided by logical calculation and not by service pride.

Even in the Army, however, numerical expansion by itself will do no good at all if it is not related to the quality and intensity of training. The experience of European countries should be enough to convince anyone that a period of conscribed training service is a drain on manpower with little corresponding benefit in an efficient national army unless the training curriculum is both intensive and adequately staffed. An engineering apprentice can serve his country better in Birmingham than doing cookhouse chores in barracks. This means that the problem cannot be solved simply by extending the period of the National Servicemen's full-time service—though that may well be needed. There must be an increase in the number of regular soldiers as well, so that the training of more conscripts can be more intensive.

Whether, an increase in the regular forces having been deemed necessary, it will be possible to recruit the required numbers of men and women is another matter. In a time of full employment and an inflated currency the King's shilling has no very great attraction. Better married quarters and better opportunities of training for civil trades will do something, but they do not alter the fact that the defence forces are an underpaid industry by any index of the cost of living. If Britain must have larger regular forces, it is certain that scales of pay will have to be adjusted so that at any rate they cease to be a deterrent. The cost of such an adjustment will not be large in terms of the total budget—not larger, that is to say, than can be covered by economies in the civil departments.

This constitutes no invitation to the Chiefs of Staff to belabour the Government for an increase in service manpower. The community pays double for every man in the forces, the cost of his maintenance and the cost of his loss to the productive part of the economy. The position of every man must be weighed in relation to the dual demands of a defence force which will prevent war and of an expanding economy which will remove many of the temptations to war.

★

The second main chapter heading in any defence policy is the creation of reserves and the provision of machinery for their rapid embodiment. Again the Navy presents the simplest problem, since it has little difficulty in keeping its volunteer reserve up to strength and can call on the Royal Naval Reserve which is provided largely by the Merchant Navy. The volunteer reserve of the Air Force was stated by the Minister of Defence to need 60,000 men to man the air defence communications and to provide a general reserve. But it is the army which provides the most urgent problem, since upon its Territorial units will fall the responsibility of continuing to train the National Service men from 1950 onwards. Its need to recruit 100,000 territorial men may well prove the most urgent of all the long-term requirements of manpower. Whether the three services are successful in bringing their reserves up to strength depends partly upon the quality of service and training that they are able to provide, but even more upon the clarity with which the Government

makes the realities of the cold war comprehensible to the people. The complacency or the frivolity of Ministers can undo the work of any recruiting drive.

There is also the particular problem of closing the gap until the flow of National Servicemen into the Territorial Army builds up a substantial reserve of men who will continue to be under part-time training. Fortunately there is an enormous reservoir of very thoroughly trained men who, for some years to come, will still be young enough to be of use. This is the purpose to be served by the creation of a register of the Class Z reservists, the men and women not embraced by any other reserve scheme but who have war experience or special qualifications. With certain sensible exceptions which exclude those engaged in the vital industries and services, it will allot a destination to every such reservist on the outbreak of an emergency, most particularly the anti-aircraft units. There is no reason why with modern recording technique such a scheme should not be very comprehensive. If it is well administered it should cover the gap left by the abolition of the old supplementary reserves of the regular army.

Reserves of manpower are not the only trained, quickly mobilisable reserves that are needed. The long-term plan should also include a comprehensive system for the training of industrial capacity and for the mobilisation of production. The Defence White Paper of February 1948 promised that the Ministry of Defence would be especially charged with co-ordination both for production and for research. The Joint War Production Staff was kept in being as the link between the strategy of arms and the strategy of armaments, but no announcement has been made of any appointment to its chairmanship. Indeed, nothing is known of any activity at all on this most vital side of the Ministry's responsibilities and the provision of equipment is still largely on a departmental basis.

The third main requirement is that Britain's defence plans should be worked out in the closest possible collaboration with all its prospective Allies. This does not mean, as some Labour members seemed to assume in last week's debate, that the whole burden can be thrust upon the United States by means of lend-lease. No doubt, in any future war as in the last two wars, the relationship between America and Britain would leave the former as a net provider and the latter a net beneficiary of lend-lease. But the important thing is not to underline this probability—still less to insist on it as a condition—but rather to enter on the process of detailed combined planning from which it will naturally emerge. With the European allies also the principles are clear and have been carried a step further —on paper—this week by the announcement of the creation of a combined planning staff by the Brussels Powers. The essential thing now is not to work out the principles of defence co-ordination, which are obvious, but to apply them, which will be very difficult.

The task of putting Britain's defences in order, of dovetailing them with the requirements of western European defence, and of creating the greatest possible condition of security consistent with the necessity of building up our economic strength, will impose upon the Government one of the most severe administrative problems it has faced. Mr Chamberlain is not remembered for his health policy, nor Mr Churchill for his finance measures, and at the bar of history it may well be that Mr Attlee's Government will be judged not by its social reforms or economic experiments, but by its ability to convert Britain to a country which can wield the sword without abandoning the plough.

Western Germany on its Feet

(By a Special Correspondent)

THE Berlin dispute was touched off by the currency reform in the western zones of Germany in the middle of June. Ever since then the world's attention has been concentrated on the political and military consequences of the reform in Berlin. Perhaps this is why so little has been heard of its economic and political effects in western Germany. Certainly, these are sensational enough. Western Germany is on its feet again. The contrast between economic conditions east and west of the Elbe is now so wide that only inexcusable folly or malicious obtuseness could now induce western Germany to turn towards the Soviet Union. It has for so long been a habit, both in Britain and in America, to look anxiously upon western Germany as a slum, whose denizens would almost inevitably be lured into the arms of the Communist East, that the extent of the recovery since the monetary reform of June 20th is hard to grasp. In Germany, whatever may be true elsewhere in the world, western ideas have the initiative, and a clear victory over Communism in the struggle for the minds of the Germans is already in the making. Only two mistakes might undo the combined effect of American aid and the elimination of nine-tenths of the currency. One would be if the Allied Bank Commission were to relax its grip on the volume of money and credit; the other, if anti-Socialism were carried to extremes which would affront the reasonable trade unionists of the West.

Though western Germany is on its feet, it is still shaky. The financial situation is not yet sound, with money circulating out of reach of the banks and the tax inspector. Double-book keeping and faked deficits will continue to be the rule until the promised capital levy—intended as a social measure to equalise wartime losses—is out of the way, and until Germans cease to think that their taxes go mainly towards occupation costs. Nevertheless, progress is real. Since June 20th, production has risen to nearly 70 per cent of the 1936 figure, and is still on the way up. The productivity of labour has increased by about 35 per cent. Steel output is nearing the rate of 7,000,000 tons a year. Only coal production—if the statistics are to be believed—still sticks at about 280,000 tons a day, which is well below the Marshall Plan's target. Nevertheless, there is almost a glut of coal in Germany today. With the economy back on a money basis, hoards which were acquired before currency reform are being used for production instead of barter. Over a quarter of the coal supplies which were allocated to the railways were, before currency reform, bartered away to obtain supplies and workers. Western industry is also gaining about 400,000 tons from the blockade of Berlin.

The days of semi-starvation of the "normal consumer" also vanished with the superfluous billions of Reichsmark notes. Greatly increased food imports and a good harvest have joined with monetary stringency to change the whole picture to one which begins to bear comparison with conditions in Britain. The normal consumer is now receiving 1,850 calories a day on his ration, and can add to his diet with unrationed fish, eggs, poultry and potatoes, as well as ample vegetables and fruit. In prosperous Bavaria an excellent sausage can be had off the ration in restaurants, and an eye is winked at other ostensibly controlled items. The black market in butter and meat still exists, but prices have fallen by much more than the 90 per cent which was the ratio justified by the cut in the currency.

These economic changes are visibly reflected in the people of western Germany in the autumn of 1948. The glum, resentful apathy that prevailed four months ago has given way to a new cheerfulness and energy. Perhaps the most characteristic and convincing sign of the recovery in German self-confidence is the new wave of complaints from the political and industrial leaders about the "inadequacy" of American aid (which, in fact amounts, with ERP and other forms of assistance, to a figure of over $1.1 billion), the burden of occupation costs, the folly of dismantling and Anglo-American control of "our foreign exchange." Dr Pünder, the Premier of Bizonia, roused cheers in the Economic Council last Tuesday by listing Germany's "demands" with the help of convincing but exaggerated figures. The western Germans, it should be emphasised, do not want the occupation armies to leave; but they do not want to pay for them. The new D-mark, they point out, is an Allied responsibility; it will be endangered unless occupation costs are borne by the Powers, unless more consumer goods are imported under ERP, unless the drain of resources in supplying Berlin is stopped, and investment capital is pumped into the producers' goods industry.

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In every way the German leaders are, very naturally, trying to build up the strongest possible position for their country in the future world. Viewed from the depths at which they began three years ago, their success has already been considerable. It has now reached the point, with German steel production approaching that of France, when it no longer seems as absurd as it did to balance the advantages to European recovery of a larger German steel industry against its possible menace to European peace. The recent struggle in Paris over allocations of Marshall aid to Germany and the present disagreement over dismantling raise the painful spectre of an alignment of Britain and France against a combination of America and Germany. The Americans not only believe that the key to the military security problem lies in Germany's inclusion in western union (which can hardly be disputed); they also regard western Germany as the most promising field for Marshall aid (a much more questionable proposition).

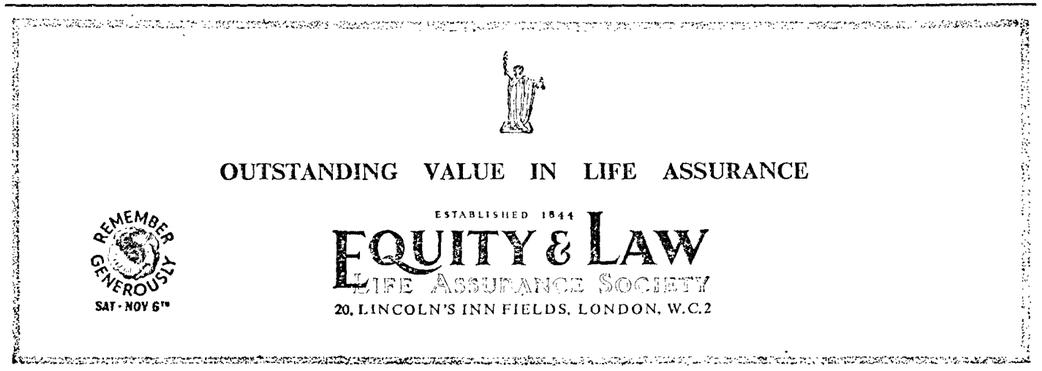
The chief effect of the currency reform on the internal politics of Western Germany has been to intensify the long-standing dispute over the future of Germany as a liberal or a state-controlled economy. The dispute is important for several reasons. It may involve further disagreements within Military Government between British adherents of state control and American believers in free enterprise. It affects the future of Military Government itself, since, if the Frankfurt administration does not control its own economy, there will be little point in Military Government controlling the Frankfurt administration, even to the extent required by the Economic Co-operation Act.

The importance of the German experiment lies in the fact that the basic problems are those that affect all the countries of western Europe, though they present themselves more sharply in Germany. There has been an immense loss of wealth during the war. This means that the standard of production must be raised and the standard of living, in one way or another, must be lowered. How can this best be done, with the least risk of dangerous social unrest and with the best balance between productivity and social justice? By controlling and rationing poverty? Or by liberating the forces of supply and demand?

So far, if the doctrinaire arguments of the Socialists are rejected together with the exaggerated claims of the Right, the facts seem to give a provisional verdict for freedom from state control, on the one important condition that money remains tightly restricted. An experiment with freedom has already been started in the fascinating economist's laboratory that western Germany represents today. Before the startled eyes of the Anglo-American controllers, Dr Erhard, head of the Economics "Ministry" at Frankfurt, swept away price controls on all but basic foodstuffs, coal, iron and steel, at the same time as the currency was cut to the bone. The British, if not their American colleagues, had envisaged a controlled step-by-step rise in the legal prices from the 1936 level, at which they had been pegged successively by Hitler and by Military Government. So eager are the Christian-Democrat officials to secure the success of their new economic measures that they are even critical of the costly Anglo-American effort to save Berlin.

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The spectacular improvement in the conditions of daily life makes the German Socialists' battle for the reimposition of controls an uphill struggle. They are driven back on obviously fallacious arguments and meaningless statistics. As in the parable of the emperor's clothes, a simple soul is needed who will come forward and point out the facts of Germany's economic life: that before June 20th controls had broken down in a maze of inefficiency and corruption, that almost nothing could be bought for the legal pegged prices, and that if the impoverished Germans cannot buy everything they now see in the shops, they are no worse off than most of mankind. Investigators, who come to Germany with preconceived ideas of a British system of controls and civic morality, are misled by a flood of statistics which apparently prove that the cost of living has risen dangerously since controls were lifted. Shoes, for example, for which the legal price was 12 marks before the currency reform, now cost around 30 D-marks. But it was previously almost impossible to buy a pair of shoes, except in the black market for about 800 marks. The prices which should be compared are those of goods now freely obtainable in the shops with the black market prices before currency reform; or the present black market prices with those prevailing before June 20th. It would then be impossible to declare that the cost of



living has yet risen beyond bearing; but if prices continue to rise, great hardships are in store for the unskilled worker and, still more, for the unemployed.

For the time being, in fact, nothing but good has come of the change to freedom. The reproaches made by the Socialists that "the worker is not getting his fair share," that "he has a daily struggle to meet his minimum needs" and "the goods are there, but only the man with marks can buy them," are but ways of saying that the German worker has a healthy incentive to greater production. The danger point would be reached only if price controls were lifted on the basic foodstuffs and if the lowest paid worker were unable to buy the rations.

To ridicule the economics of the German Socialists is one thing. But to withhold from them the sympathy and encouragement they deserve would be something very different. The trade unions are in a dangerously weak position. They are faced with the fact that their members (except the miners) are now more contented than before, that they are eager to work overtime and to keep their jobs, instead of taking days off to barter goods for food. Apart from this change of attitude in the workers, the unions have no funds with which to finance strikes. The danger exists, therefore, that their weakness will be exploited by the German employers who, wrapped for many years in the cotton wool of Government quotas, cartels and subsidies, find it easier to save on wages than to improve production methods. It is symptomatic that only about a quarter of the workers have secured the 15 per cent increase in wages which was authorised by Military Government last April. Two weeks ago, Military Government washed its hands of the wages question, which is henceforth entirely a German concern. The Germans are now considering whether it is right to maintain the wages stop after the price stop has been abolished, and whether to leave wages to be adjusted, like prices, by demand. Psychologically, it is vital to give the trade unionists the same freedom as industry; in practice, the union leaders will probably not secure any dangerously high increases, not only on account of their weak bargaining position, but because they realise the danger of starting an inflationary spiral.

It is now obvious that the Germans are leading the British and Americans into the position of appearing to oppose all Socialist principles, as well as those of Western democratic government. They have on two or three occasions recently passed measures which have been a deliberate challenge to Military Government. General Clay, who has the reputation for extreme opposition to Socialism, recently used his power to block a law passed by the Government of Hesse, which granted works councils a share in management. To most Germans, it was American influence which led British Military Government to reject another deliberately challenging measure passed recently by the Government of North Rhine-Westphalia, which called for the transfer of the Ruhr industries to public ownership. So far, it has been possible for the military authorities to excuse their vetoes on the grounds that the measures involved are of such importance that they must wait until a government for all western Germany can pronounce upon them. But if the German labour leaders are unable to offer their followers wage benefits and some moderate share in decisions, they may have no alternative but to lead them in revolt against the Occupation Powers. If that happens, it will be too late for regret that more moderate demands were not granted in time.

More Ministries?

THE machinery of government has always been a happy hunting ground for the amateur. Most of the learned treatises upon it have been written by men who had no personal experience of it all and, however diligent their researches into human as well as printed sources, must inevitably lose something of the feel of processes which, though dubbed mechanical, consist entirely of relations between men. The practical politicians do not often indulge in systematic analyses of their structures; and when they do are apt to take refuge in remarks, maddening to the academic, such as "there is no real system, but it works well because So-and-So is such a dominant personality"—remarks which threaten to deprive political science of half its name and all its dignity.

The rare occasions when a man of practical experience at the centre of government sets down a systematic description of the machine as he has known it are therefore very valuable. The best such occasion in recent years was Sir John Anderson's Romanes Lecture in 1946. But Sir John's experience ended—or at least was suspended—in 1945, and one chapter of Mr Francis Williams's new book* carries the story a little further. Mr Williams is not, in the strictest sense, a politician and he has never been a Minister; but as Public Relations Adviser to the Prime Minister his opportunities for observation have been excellent.

The title of Mr Williams's chapter is "The New Pattern of Government" and he is emphatic that something new has been evolved by Mr Attlee.

> For a Cabinet of equal Departmental Ministers under a Prime Minister who is himself "the first among equals" there has been substituted a pyramidical (*sic*) pattern of government designed to secure greater rapidity in action and a tighter centralised control of general political strategy. . . . At the apex of this pyramid sits the Prime Minister. Directly underneath him come a group of three senior "functional" Ministers, the Foreign Secretary, the Chancellor of the Exchequer and the Lord President of the Council. Directly under these three again come a group of five Ministers with co-ordinating functions of an important but less major character: the Minister of Defence, the Lord Privy Seal, the Lord Chancellor, the Home Secretary and the Chancellor of the Duchy of Lancaster. Below this group are the eight senior Departmental Ministers who are also members of the Cabinet and who therefore have the right to take part in Cabinet discussions not merely on their own Departmental affairs but on any aspect of policy. . . . Below the Departmental Cabinet Ministers come twelve Heads of Departments who, although formally of Cabinet status and paid the same salary as Cabinet Ministers, are not members of the Cabinet and only attend when specifically invited by the Prime Minister to deal with matters concerning their Departments.
>
> This pyramid . . . is buttressed and supported by a series of functional policy-making committees, the most important of which the Prime Minister personally directs, and which form an integral part of the new pattern of Government. He is the chairman of the Economic Policy Committee . . . [and] of the Defence Committee. He concerns himself similarly with the direction of broad policy in external affairs, and with a committee dealing with the development of atomic energy. . . . The new system thus provides machinery for the positive direction and supervision of all major aspects of policy by the Prime Minister to an extent that was quite impossible under the old Cabinet system. The three senior Ministers immediately next to the Prime Minister . . . each have functional as well as administrative responsibilities. . . . Each is in control of the co-ordination of policy in one particular sector of affairs.

Those who knew the Coalition Government of wartime will be inclined to enter a demurrer against Mr Williams's assertion that all this is new since 1945, and Mr Attlee's personal invention. There has always been a small core of strong personalities in every Government and though the present correlation of powerful Ministers with defined spheres of responsibility may be more logical than ever before, it is also in part accidental—unless, of course, Mr Attlee can be held to have foreseen Mr Dalton's indiscretion of less than a year ago, which accidentally removed an outstanding piece of illogic. But the system here described is certainly very different from anything that existed in peacetime before 1939.

It would seem, in fact, that between Mr Churchill's Government and Mr Attlee's, a development of considerable significance in British constitutional practice has now matured. A method has been discovered for dividing up the work that would otherwise fall upon the Cabinet and yet of maintaining the essential harmony of policy among the Government as a whole. The problem that was first authoritatively propounded by the famous Haldane Committee of 1917 appears to be on the way to solution. But it is interesting to observe that, as is entirely characteristic of British constitutional development, it has not been solved in either of the ways that the theoreticians have argued about for thirty years—either in the way that the Haldane Committee actually suggested or in the way that it has repeatedly been thought to have suggested. Both of these versions require the creation of a number of super-Ministers. In the true Haldane version, the super-Ministers would themselves each be departmentally responsible for a whole area of policy. A small Cabinet would be achieved by greatly reducing the number of Departments—that is, of fully independent Departments. In the crypto-Haldane version, the numerous Departments and their Ministers remain, but they are arranged in groups, each responsible to a non-Departmental super-Minister.

The solution actually arrived at differs from both of these. It differs from the truer Haldane proposal in that there are no super-Departments; each Department remains equal in the eyes of Parliament. And it differs from the crypto-Haldane proposal in that no Minister is subordinated to any other (except to the Prime Minister); each remains fully responsible to Parliament for the conduct of his Department and equally entitled to a voice in reaching decisions that concern it. The device that has been used to solve the problem is one to which surprisingly little attention seems to have been devoted before the last war: the device of the standing Cabinet Committee, empowered to take decisions in the name of the Cabinet. Committees of the Cabinet have long been familiar. But in the past they were all, or nearly all, appointed *ad hoc* and dissolved when the matter in hand was disposed of; and their function rarely extended beyond that of reporting back to the Cabinet itself. Sir Ivor Jenning's exhaustive and authoritative book on "Cabinet Government," first published as recently as 1936, refers to only two standing Committees of the Cabinet, of which one, the Committee of Imperial Defence, is admittedly a special case. Of the other, the Home Affairs Committee (corresponding to the present Legislation Committee), Sir Ivor wrote "questions of policy are not discussed, but must be reserved for the Cabinet."

It is apparently Mr. Attlee's practice to preside over most of these standing Cabinet Committees himself. Mr. Churchill did not do so, preferring (for excellent reasons) to concentrate his energies on defence. Which precedent will be followed in future remains to be seen. But in any event principles will have to be established governing the relation of the Committees to the full Cabinet. If every decision of importance is appealed from the appropriate Committee to the Cabinet (as sometimes seemed to happen during the war in the case of those Committees over which the Prime Minister did not himself preside), little is saved. Something in the nature of a doctrine of collective committee responsibility seems to be called for, by which a Minister who does not agree with the decision of a Committee will normally feel himself bound by it, not merely *vis-à-vis* Parliament, but also *vis-à-vis* his Cabinet colleagues as a whole.

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If the new system really does work and the Cabinet has successfully divided itself, save for the decisions of highest policy, into a number of sections, then it is time to raise the question whether the average Government Department is not too large. A Department is a finite unit; it is a collection of administrative offices which is responsible to one political head, who is himself responsible to Parliament. Ideally, therefore, the maximum size of a Department should be governed by the number of subjects, of a nature to require the decision of a responsible Minister, that one man can look after without grossly overworking himself. Judged by this test, many of the existing Departments are far too large. Either the principle of responsibility breaks down, subordinate officials deciding matters without responsibility, or else the desks of the Minister and of the Permanent Secretary become bottlenecks. If the Cabinet system can now accommodate itself to a much larger number of Departments than hitherto, there is a strong case for splitting up a number of the present elephantine offices.

The leading candidate for such treatment is clearly the Board of Trade which, in spite of all the sections it has lost in the past thirty-five years, is still so large, and has such varied functions, that it must be an intolerable burden to its President and Secretary. The lines of cleavage into a Board of Trade for external matters and a Ministry of Industry for domestic concerns are already clear. The Ministry of Health, with its new responsibilities, might also with advantage be split up into two (or three) component parts, dealing with Health and Housing (or the two separately) and Local Government. The Colonial Office, it has sometimes been suggested, would be more manageable if it were divided into Africa, the Far East and the Rest (which would mainly be the West Indies). The Minister of Fuel and Power has had three major Bills in this Parliament and now has three nationalised industries to supervise; there is not much administrative connection between coal on the one hand and power on the other. The Post Office, again, divides itself easily into Post Office and Telecommunications.

There are at present 25 major Departments of State, or 28 if the Privy Council Office, the Duchy of Lancaster and the Law Officers' Department (all of which are represented in the Cabinet) are included. It may be that the machinery of British Government would move more rapidly if the number were gradually but deliberately raised to nearly 40. Each one could then function more efficiently, while the team could be kept in step through the new constitutional device of the Cabinet Committee.

* "The Triple Challenge." By Francis Williams. William Heinemann Ltd. 306 pages. 10s. 6d.

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NOTES OF THE WEEK

Defence of the West

Judged by peacetime standards the Western Defence Ministers have moved quickly since consultation on military provisions of the Brussels Pact began last April. Judged by cold war standards they are moving with diligence rather than dash. This week's meeting in Paris of Mr Alexander and his colleagues has done well to agree on a common defence policy and a permanent organisation to carry it out. It may be assumed that neither the policy nor the machinery could swing into action as did the Anglo-French staff arrangements of 1914. Rather are they intended at this stage to convince the United States that there is now a mould into which a new American Administration could pour such equipment, supplies, men and advice as an agreed defence plan would demand.

The latest measures should carry conviction in Washington, for they imply as much radical change in government outlook and behaviour as does ERP. Britain carries the main burden and will go on doing so for a long time to come; the Western chicks now gathered under its wing—and the Commonwealth wing—will not quickly grow into fighting cocks. Only by the most careful coordination of production and organisation can the Low Countries and Luxemburg make a useful contribution to rearmament; and only by the most careful handling, in unpredictable social and political conditions, can the French army become the reliable nucleus of a land force equipped from factories in Britain and America. It is as well to realise now that French opinion is deeply divided on defence. There are those who make the best of what they regard as a dangerous job by saying that strategy planned by Belgians and Dutch and Frenchmen will at least pay as much attention to keeping an enemy out of their territories as to mounting global counter-attacks from outside them. And then there are those who believe simultaneously in European union and the possibility of neutrality.

Lord Montgomery looks like becoming the first chairman of the new permanent organisation. It will be a testing experience for a man who dislikes committees and paper work. He will sit with colleagues who in France are cutting defence expenditure, in Holland are deeply involved in Indonesia, and in Belgium are uncertain how much their people will stand. The success of the new body will depend largely on the estimate it can make of the pledges of action that America can give now, and of the assistance in re-arming that it can give later. Without Washington's backing, paper plans will remain paper plans for all but the British.

There is one question of great importance which the military men cannot settle and which the politicians should have tackled before this: how are equipment and supplies transferred from one allied Government to another to be paid for? How does the debtor France equip an army with the help of creditors Belgium and Britain? Perhaps Sir Stafford Cripps will have raised the problem during his American visit: mutual aid in Western Europe would be the right preface to a new chapter in Lend-Lease.

* * *

Cold War in Uno

The first week's work of the General Assembly has simply confirmed what anyone could have foretold—that the entire session will be dominated by the tension between East and West. With the possible exception of Palestine and the Italian colonies, every political problem that is to come before the Assembly has already divided the world into two rival *blocs*, and, quite apart from specific problems, the distrust and hostility on both sides—painfully demonstrated in the opening speeches—has now reached such a pitch that it is certain to inject rivalry and suspicion into every item of the agenda, even down to the smallest detail of, say, narcotics control or staff administration.

If the attitude of Governments can be taken as a rough guide to the reactions of ordinary people, Russia is not making too good a showing at this stage of the cold war. The first week of the Assembly has been remarkable for the unanimously anti-Russian voting of all save the little *bloc* of Soviet-dominated states (to which Jugoslavia ostentatiously continues to adhere). Neither the Russians nor their satellites gained a single chairmanship when the time came to set up the six Committees of the Assembly—the Political, the Economic and Financial, the Social, Humanitarian and Cultural, the Trusteeship, the Administrative and Budgetary and the Legal Committees—and now that the Committees have started their deliberations, it seems unlikely that members of the Eastern *bloc* will even be asked to provide *rapporteurs*.

Russian policy has made this development inevitable. M. Spaak spoke for all the smaller Powers when he gave the Soviets seven good reasons why the world was now frankly frightened of Russia's ambitious policy—"more ambitious than the policy of the Czars themselves." But the degree of hostility makes it almost certain that agreement will be possible only on the smallest issues, and that the weeks ahead will be filled with heart-breaking and nauseating wrangling and abuse

Rivalry between the Great Powers is not, however, the only political force active in the General Assembly. The United Nations is on a great many secondary issues constantly exposed to the voting vagaries of two large *blocs*—the Arab and the Latin American. Were either *bloc* intent on great constructive purposes, their strength might counter the sterility of Great Power debate. Unhappily, their intentions are usually obscure and sometimes discreditable; no one certainly will congratulate them on their first achievement—that of deferring consideration of the Palestine issue in the teeth of Anglo-American efforts to secure an early decision. Palestine now falls to third place—below such longer-term items as atomic energy and Mr Vyshinsky's proposals for disarmament.

* * *

Foot and Mouth

Mr Shinwell has done a good deal to rehabilitate himself since his unlamented translation from the Ministry of Fuel and Power to the War Office. It will take a good deal more to rehabilitate him after his speeches on defence, first in Parliament and then at Salford. His speech in the defence debate was, up to its closing sentences, passable. It fended off all demands for information; it was not particularly polite; it was not particularly clear; but it was responsible and energetic—up to its peroration. Then, at the crucial point of the winding-up speech of a most crucial debate, Mr Shinwell served notice on the world that defence was of secondary interest to the Government. "We are not prepared to take steps—consistent with our security—to impair the national economy." On the most charitable interpretation, allowing for the ambiguity caused perhaps by a momentary confusion of language, he assured the people of Britain that their daily avocations would not be seriously disturbed and they could take rearmament in their stride.

So far, so bad. On Sunday, speaking at Salford, he went a great deal farther; and just what his hearers, the French, Belgian and Dutch governments, the Americans and the Kremlin made of his sentiments, time will perhaps show. It was no doubt legitimate to impute at least the possibility of sincerity to Mr Vyshinsky's disarmament proposals. It was certainly perfectly legitimate to decry *panic*. But what follows? Anyone who claims that the position is serious, that rearmament threatens production and the export drive, is a party propagandist, a Tory "overjoyed" at the national predicament. There is no emergency. ("Everyone except the Minister"—so sounds the echo—"knows that there is going to be a fuel crisis.") No one need be afraid of being called up. Plans may be laid, gestures made, but Mr Shinwell guarantees, before Salford and the world, that they are to be mere bluff. Whatever one speech by a responsible and unrepudiated Minister could do to encourage a baseless complacency at home, to discourage staunch friends abroad, to convince waverers that Britain is a broken reed and Britain's promises meaningless, to invite contempt and stiffen aggressive purpose, Mr Shinwell has accomplished. This is a great pity. Mr Shinwell has made himself well liked at the War Office: why does he not let his legitimate achievements speak for themselves instead of perpetually trying to convince Mr Attlee how dangerous it would be to drop him from office?

* * *

Two Files Behind Bevin

If the rules of the Constitution had not demanded the calling of a special session for the speeding of the Parliament Bill, it is probable that the gravity of the European situation and the necessity of obtaining support for the rearmament policy would have made it necessary to call one. The Government has done

the right thing for the wrong reasons. But short as the session was, the debates of last week showed that the division of opinion on foreign policy and defence is becoming more closely aligned with the division of the parties. A year ago while Mr Bevin was subject to considerable opposition from within the Labour Party he could rely—at least on questions relating to Russia or Communism—on the support of the Opposition. Now, however, while Socialist opinion has hardened against Russia and in favour of his policy, the Conservative Opposition is no longer prepared to give him uncritical support.

The Conservative Party under Mr Eden, who (except for M. Spaak) has the best record of consistency and honesty in foreign affairs of any European politician, sees a real chance of wresting the leadership of public opinion from an exhausted Foreign Secretary and a complacent Minister of Defence. They are in a strong position to demand a more clearly thought out policy in the Middle East and Germany, and greater evidence of effective execution of the new defence policy. There is no doubt that a worsening international situation would give the Conservatives an opportunity to display qualities of courage and intelligence which might very easily give them the leadership of the country at the general election. The danger of such a leadership would be to delude them—and in particular Mr Churchill—into neglecting to think out a domestic policy.

The remarkable unanimity of opinion which Mr Bevin and Mr Alexander received from the Government back benches springs mainly from honest conviction. Of the hundred Labour members who two years ago protested against Mr Bevin in the debate on the address, and of the seventy-two who voted against Mr Alexander on the length of military service, there are few who have not been convinced by the logic of events or the trend of opinion in the constituencies. Equally the desire to present a common front in view of the increasing criticism of the Opposition on foreign policy and defence and the ferocity of Labour Party discipline may have played their part. While those with honest doubts and fears received a hearing, the fellow travellers either absented themselves or remained silent.

Mr Zarubin, the Soviet Ambassador to Britain, reading *Hansard* on his way to Moscow for his holiday, should not conclude from the solidifying of party opinion on foreign affairs that it is possible for Russia to drive a wedge between them. The British public has its mind made up on the Russian question and on the defensive commitment necessary to counter aggression. It may later change its opinion on which is the best party to carry out this policy, but until the cold war is over the question is one of method not of direction.

* * *

Divided Left in Italy

Signor Togliatti's return to the active direction of the Communist Party in Italy brought thousands of comrades to Rome this week to demonstrate their loyalty to their "martyred" leader. The size of the assemblies and the fervour of the speeches did not, however, entirely disguise the dilemma which now faces the Communist leadership.

Their troubles began with the sweeping victory of the Christian Democrats in the spring elections. The Communist rank and file had been told so often and so confidently that they would achieve power at the polls that a sharp sense of disappointment and discouragement swept away former illusions. The reaction was twofold. On the one hand it bred defeatism and at last week's meeting of the party executive, Signor Longo, the Communist trade union leader, had to admit that the Party's greatest danger is "to underestimate its own forces and overestimate those of its adversaries." On the other hand, the reaction took the form of a new desire for violence. If victory could not be secured legally, why not conquer power by direct action?

When an attempt was made on Togliatti's life this summer, many Communist groups responded with violence and what appeared to be well-planned local insurrection. But such activities simply give the determined Minister of the Interior, Signor Scelba, the opportunity to put his police into action and might, if pushed too far, provide an excuse for banning the Party altogether. At his first public appearance, Signor Togliatti had therefore to warn his followers against "insurrectional opportunism," leaving the outside world in some doubt whether the Cominform line has changed since the death of Zhdanov.

The Communists do not, however, face the worst dilemma. That is reserved for the Socialists. Decimated at the elections, they are now divided into three main groups, each joined to the other by a series of minute gradations. The anti-governmental Socialists are divided between an extremist wing led by Signor Nenni, who this week offered his services as a Russian fifth column in the event of war, and a moderate wing led by Signor Romita, who wish to break every link with the Communists. Yet this group cannot quite bring itself to join with the Socialist followers of Signor Saragat and Signor Lombardo who support the Government and are represented in it.

The Italian Left is thus in a divided and unhappy state. It has, however, one asset—the difficult economic situation. The millions of unemployed, the underpaid government workers cannot fail to look Leftwards for leadership. Communist and non-Communist trade unions alike have to press for higher wages. As usual, it is not so much the strength of the Left as the failures of the Centre and the Right that continue to give Communism its supporters.

* * *

Abdullah versus the Hotheads

The Arab League is often the despair of its friends: it is so prone to talk, and so unwilling to face facts. Now its repute is anything but improved by the visible split in its ranks about the new "government of Palestine" that Egypt, Syria and the League's secretary general are sponsoring at Gaza. This move is directed, not against Israel, as it might appear, but against King Abdullah. It is the answer to the murdered Count Bernadotte's recommendation, expressly endorsed by Mr Bevin in last week's foreign affairs debate, that the Arab rump of Palestine should be incorporated in Transjordan. The new "government," if it could ever function anywhere, would be an Egyptian puppet, and its strings would be pulled by the Mufti, Haj Amin al Husseini. Ahmad Hilmi Pasha has consented as "Premier" to lend it *respectability*—the Mufti would have been too much for the world at large to stomach—and it includes the garrulous and dapper veteran, Auni Bey Abdulhadi, almost the only remaining member of *his never powerful Independence Party*. The Egypto-Syrian combination, with the Mufti in the background, at first wanted to set up this government in Arab Palestine proper, but King Abdullah firmly refused. So his enemies have blown the first really public breach in the League's ranks.

It is impossible to know how the Arabs of Palestine will feel about this development. In the days of the Mandate, it could be predicted that a majority in most towns, and all the peasantry, would rally to the Mufti, and in any case be ill-disposed towards Abdullah. But the Palestine Arabs are now scattered and dispossessed, and Abdullah, who from the first had realised that some kind of Jewish state would have to be accepted, has been the only Arab ruler to save a part of Arab Palestine from being overrun. Moreover, it will hardly be to the credit of the new "government" that it has been set up in Gaza, in the tiny coastal enclave into which the whole Egyptian army of intervention is uncomfortably squeezed.

There is a powerful Egyptian faction which wants to continue the Palestine war, and the setting up of this "government" is intended to face King Abdullah with the choice of recognising a government hostile to himself or branding himself as a self-seeking despot, intent on the aggrandisement of his kingdom at the expense of the Arab people. The renewal of hostilities would not disturb Egypt, since it is Transjordan which the Zionists would overrun. Egypt, on the other hand, has lost so much face by the pathetic antics of its army in Palestine, and the lying communiqués with which Cairo made them still more ridiculous that King Farouk may well feel he can recover some of his vanished popularity only by flying his standard in some foreign field. Syria's general reasons for resisting the aggrandisement of King Abdullah are well known, but there is a special reason why fighting in Palestine and Transjordan would not be unwelcome there. So long as there is no settlement with Israel, King Abdullah cannot use Haifa port; he is therefore dependent for all imports on Beirut. In fact Transjordan is the Hyderabad to Syria's India—with this difference, that it is the land-locked power which has the military force.

* * *

Siam Comes Into Its Own

The recent invitation to the Siamese to send a purchasing mission to London represents a shift in British policy, which is also revealed in the higher priority rating being given to British exports destined for Siam. The case for putting suppliers of Siam nearer the head of the export queue has been recognised for some time by British business men and officials on the spot; but only recently have their arguments been fully appreciated in London.

The short-term case arises from the need to keep Malaya

supplied with rice. The British have troubles enough there without having to reduce the distribution of rice. Yet this is the result that the disorder in Burma would produce if rice were not available in sufficient quantities from alternative sources —in the main from Siam.

The twin long-term arguments are economic and political. In order to pay the Siamese for their rice the sterling area must make enough goods available to satisfy their reasonable wants. Otherwise the accumulation of unspendable sterling balances will mean less willingness either to export adequate quantities of rice, or to part with them for sterling. Siam is exporting this year something over three-quarters of a million tons of rice, compared with about a million and a-quarter tons in the years just before the war. At present prices this is worth rather more than the £19.6 million earned by the 1939 crop. Like so many other primary producers, the Siamese want to buy capital goods, and their most pressing requirement is railway equipment, for which they have inquired unsuccessfully in Japan.

Habits of thought die hard, and it is often overlooked that sources of supply are nowadays as important to Britain as steady markets. In the last three years, when world shortages have focused attention on supply rather than demand, the point has been obvious. Now, there seems a danger that as supplies become freer and markets tighter, valuable markets—such as hard currency areas—may be over-cultivated at the expense of valuable suppliers. Siam's currency is soft and Bangkok temporarily holds a surplus of sterling; but its rice is now essential to the smooth working of the sterling area. It is recognition of this fact that has changed London's attitude recently.

The second argument for the change arises from the fact that Siam alone remains calm amid the bloodshed and confusion that rack its neighbours—Burma, Malaya, Indonesia, Indo-China and China. There is, indeed, a strong Communist party among its large Chinese minority, but very few Siamese are Communists. And the Bangkok government's attitude has been shown by its ready help in closing the Malayan border to the bandits on British territory. This anti-Communist bastion is well worth the careful attention and support of the Western Powers.

* * *

Start on the Blitzed Cities

The blitzed cities of Britain have had a disappointing three years since the war ended. Little rebuilding has been possible, except for temporary houses and shops which will later prove obstacles to the realisation of the cities' plans for reconstruction. The plans themselves, mostly prepared in the first flush of post-war idealism, are now seen in some cases to be too ambitious or too hastily contrived. For example, the road and rail proposals in the Hull plan, however desirable from an architectural or æsthetic viewpoint, have turned out to be impractical and too costly. It by no means follows that bold town planning is a mistake, so long as it is based on a thorough and realistic appraisal of social and economic factors, and plans such as that of Manchester, which were the fruit of considerable research, should bear the test of time.

Even the best plans, however, are confronted with the frustrations of delay and of increasing doubts about the extent of the cost. The work of deciding which are the central areas requiring comprehensive redevelopment (and thus attracting the higher Government grants) is going on slowly, with the Ministry enjoining a more cautious and piecemeal programme on the city councils than some of them like. Now at last Mr Silkin has announced that some blitzed cities may be allowed to start rebuilding their new centres in the near future, although the start will inevitably be a very small one.

This announcement should at least be a psychological tonic, and encourage the cities not to throw away their unique opportunities for proper redevelopment. But they still need assurance that the cost will not be too great. Government grants for redevelopment areas are reasonably generous, but the cost of land acquisition—even though limited to "existing use" values—is extremely high. Moreover, while the Town and Country Planning Act should ensure that proper planning puts no burden on the public purse for the country as a whole, an individual city still risks financial loss from reducing housing densities and increasing open space.

* * *

Food Subsidies Again

A written answer given in Parliament before the adjournment on the estimated current cost of the food subsidies should cause no surprise. Last July Mr Strachey admitted that their total was "something like £470 million a year." The table given in "Hansard" of September 24th merely shows how this £470 million is split up among the different commodities. It can be compared with a similar table given last March which showed the estimated cost of the subsidies in the financial year 1947-48:—

	Estimated Subsidy 1947-48 (£ million)	Estimated Current Subsidy (£ million)
Bacon	12·0	15·4
Bread	56·1	63·7
Flour other than for bread	24·1	37·1
Shell eggs	26·1	20·0
Carcase meat	61·0	60·2
Milk	34·5	37·5
Butter	24·7	36·8
Cheese	22·1	18·8
Margarine (domestic)	8·1	15·2
Cooking fat (domestic)	1·5	3·0
Potatoes	19·8	18·6
Sugar (domestic)	29·8	19·7
Tea	9·4	17·1
Other foods	*Cr.* 21·6	*Cr.* 4·4
	307·6	358·7
Animal feeding stuffs	33·2	66·5
Welfare Schemes :—		
National milk scheme	19·5	22·0
Milk in schools	7·5	8·5
Other	6·7	7·4
Unallocated payment to Argentina	10·0	...
Exchequer contribution towards New Zealand subsidies	4·0	...
Fertilisers and molasses subsidies borne by the Board of Trade	6·8	8·3
	395·3	471·4

Bad as the increase is compared with last year, it is bound to prove even worse. The estimate evidently does not take into consideration the higher price to be paid for Canadian wheat from July 1st, nor the higher prices to be paid for New Zealand's butter and cheese under the contract signed last July, nor the recently announced increase in the basic retail margin for milk. An actual subsidy of at least £500 million a year in the near future can be taken for granted.

Little purpose would be served by restating now the arguments against the food subsidies were it not for one important new factor—the Government's intention to spend an additional sum, unofficially estimated at £50 million, on rearmament. Hitherto there has been at least a faint hope that part of the necessary reduction in the Government's colossal expenditure could be achieved by a cut in its defence programme. Now that defence expenditure is to be not merely maintained but increased, the need to reduce the food subsidies is more urgent than ever. Yet all that Mr Strachey can do is to state once again that the abolition of the food subsidies would double the prices of some foods and be "ruinous" to the interests of the working class. What would, however, happen if the tea subsidy, increased this year from £9.4 million to £17.1 million, were abolished? Each person would pay 5½d. a month more for his ration than at present. Would this ruin him? Can the tea subsidy, indefensible on economic grounds, be justified by nutritional arguments? The abolition of the bacon subsidy would likewise increase the cost of each person's ration by just under 5d. a month. But together the tea and bacon subsidies alone would save the Government £32½ million a year. Is the general election too near for it to think again?

* * *

Housing Targets and Costs

Mr Bevan, while opening a new block of flats at Hammersmith this week, has again reiterated his forecast that by the end of October 750,000 families will have been rehoused. If the average family provided with a new home has averaged four people—perhaps a slight overestimate—this means that some 3,000,000 people will by then be in new homes. Measured by the comparable record after the 1914-18 war this is a huge improvement: measured against the time these new homes have been under construction and the multitude still uncompleted, the record is less splendid.

After Mr Bevan, the Mayor of Hammersmith sang the praises of the local authority in providing flats at 13s. 6d. a week for one bedroom up to 26s. 6d. for four bedrooms (excluding rates of 5s. to 10s. a week), as compared with flats at £200 a year built by private enterprise. In the case of Hammersmith the rents of the Council flats are estimated to cover the difference between the

capital and running costs of the flats and the Exchequer and local rate subsidies. In this respect Hammersmith has been more courageous than some other authorities which are avoiding higher rents by additional contributions from rates—thus putting a yet further burden on ratepayers. Even so the Mayor might have made clear that private enterprise is building without either the large Exchequer or rate subsidies. The experience of local authorities in erecting and running postwar blocks of flats with the expensive maintenance charges for lifts, hot-water, laundries and so on is still very new; but some authorities are becoming alarmed at the burden to be shouldered either by the tenant or rate-payers in general, and rents or rates may have to be pushed up further still, thus diminishing, perhaps to vanishing point, the difference in the true rent between "luxury" and council flats.

The problem of the increase in house-building costs since 1938 is discussed in detail in a report* published this week by the Ministry of Health. Unfortunately the figures relate to the autumn of 1947, and are outdated by a number of changes since then in the cost of materials and wages. They do, however, underline current anxiety about the relation between costs, rents and subsidies, and confirm past criticism about the waste arising from an over-ambitious programme. In an analysis of the causes which underlie the rise in cost of a three-bedroomed house from £380 in 1938/9 to £1,242 in 1947, the report says—

> the 1947 house, besides being larger, is built to better and more costly standards by higher paid labour using materials at increased prices, and working at a lower level of productivity.

No wonder the costs have risen. The figures used in the report are based on averages and tend therefore to be misleading. Three points, however, stand out: first that productivity per man had decreased by about 31 per cent between 1939 and 1947; secondly, that the increases in size and the improvement in fitments and outbuildings added another 26 per cent to the cost of construction and that local authorities have been steadily increasing the size above the minimum; thirdly, that the number of three-bedroomed houses built is out of proportion to the size of the families put in them. The Committee concludes—and who can disagree?—that, under the economic circumstances of the time, the programme has been carried out on a more luxurious scale than the country can afford.

* * *

Africa in London

It would be unwise to expect anything startling to be achieved by the African conference which opened in London this week. The mixed delegations of officials and unofficials from the different dependencies have come for discussions only, and their discussions will be mainly concerned with economic and social questions—with the elimination of the tse-tse fly rather than the Communist infiltrator.

Nevertheless, the conference is an important innovation. First, it ought to help to shake the delegates out of their too prevalent parochialism which leads them to believe that their local problems can be solved without reference to events elsewhere in the Commonwealth and the world. Secondly, many of the African dependencies now have unofficial majorities in their legislative councils, which makes the present delegations composed as they are of Africans and Europeans, more representative of the African people than any previous conference such as that of the African governors a year ago. This contact with each other and the outside world ought, moreover, to instil a greater sense of responsibility into the delegates than some of them are inclined to show in their own legislatures.

Thirdly, the conference may help to relax the strained relations between this country and the colonies. Never was there a time when Great Britain was so obviously anxious and willing to help the colonies towards greater independence and economic improvement. Yet colonial mistrust of its intentions is as intense as ever. The colonial problem, it would seem, is neither political nor economic, but psychological; if this is so, the more that can be achieved by personal contact between the Secretary of State and the representatives of local opinion, instead of through Whitehall minutes and directives, the better.

* * *

The Cape Franchise

The progress of political events in South Africa is once more becoming disturbing. No sooner does the Nationalist Government appear to be settling down quietly to the business of administration than it starts up controversial measures and revives the old fears of its real intentions. Last week the bill depriving Indians of their right to be represented in the Union parliament was given its second reading and passed by a majority of nine. Originally the right was granted to the Indians as compensation for forbidding them to own land in certain areas. The deprivation of this right, therefore, is a direct breach of faith by the Government which is morally, if not legally, obliged to honour the promises of its predecessor.

Dr Malan has now also threatened to abolish the franchise of the coloured and native voters in the Cape Province—*the only* remaining non-Europeans to have the vote. Moreover, he has threatened to carry this measure through, not according to the South Africa Act, which requires a two-thirds majority for such a Bill, but by a general election or by a referendum confined to Europeans only.

This last threat is also for other reasons sinister. The colour bar in South Africa is strong, and both sections of the European community would be reluctant to resist a measure with which many of them agree. General Smuts's United Party is divided against itself on the native question, and though they would probably act together against the Nationalists in parliament—thereby preventing the Government from getting a two-thirds majority—a fresh general election or a referendum would be likely to leave the balance of the parties as it is now—slightly in favour of the Nationalists. If, therefore, Dr Malan can abolish the Cape franchise unconstitutionally, he will have a useful precedent for forcing through other *unconstitutional measures*—such as the exclusion of British immigrants with "un-South African views."

* * *

De Minimis . . .

No one, surely, will ever again be entitled to complain that the nationalisation of industry substitutes for the human and accessible management of private enterprise an unapproachable, secretive and soulless machine. It may be impossible to find out

* The Cost of House-Building. H.M.S.O. 1s. 3d.



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what profits or losses such and such a publicly owned enterprise is making; or what were the reasons for the resignation of So-and-so from the Board; or what has happened about the grievances of the widget-fitters at Llanfair, etcetera. But, beside the case of Ned the pit pony at Bedlington Colliery, these minor frustrations are reduced to their proper perspective. Ned—so it is revealed in a full column of Hansard—had a sore back. His friends were worried about him. Failing to get satisfaction from local officials, they sought the highest authority; *mieux vaut avoir à faire au bon Dieu qu'à ses saints.* Mr Gaitskell, in full House of Commons, reassured them; Ned was on the surface, Ned was in good hands, Ned was getting veterinary attention, Ned's poor back was coming along nicely. Ned's champions were not entirely satisfied; they wanted a second veterinary opinion called in, dropped dark hints that the reasons for Ned's sore back were discreditable to the National Coal Board, to Mr Gaitskell, or at all events to somebody, and proposed to raise the matter on the Adjournment of the House—when, in accordance with Parliamentary tradition, it will be up to Mr Robens to relieve their anxieties. He is no doubt fervently praying for Ned's speedy recovery; in a land of animal lovers any bad news about his wrung withers (or whatever the technical term may be) would shake the whole nationalisation programme to its foundations. An earlier question concerned the grievances of a mere human, also subject to an immobilising ailment, whose local Petroleum Board had refused him petrol in spite of a doctor's certificate. That, it seemed, was not a proper subject for Ministerial judgment.

There is a good example for concerning oneself with the fall of sparrows and the sore backs of pit-ponies. But considering what topics are, by the mysterious neo-constitutional rules governing the relationship of Ministers to official bodies, ruled out of Parliamentary discussion and removed from the ambit of public criticism, one wonders just what Ned was doing in the House.

* * *

In the Name of Parity

In a recent book* on education there appears the following surprising statement:

> the Extra Year [the 14 to 15 year-olds] is not an extra year of school study but an extra year of school holiday.

The justification for this statement is based on a calculation of the lengthening of primary school holidays since the introduction of the 1944 Education Act whereby primary school teachers obtain "parity of esteem" with grammar school teachers by increasing their holidays from 10 to 14 weeks. Over a ten-year school life the extra year of schooling would thus be cancelled out, each child obtaining four weeks less teaching a year and an extra year in school at the end.

The calculation is not, of course, fair. While seventy-five per cent of local education authorities (excluding the London County Council) have now equated primary and secondary school holidays,

COMMITTEE'S RECOMMENDATIONS FOR HOLIDAYS
(Weeks)

	Primary Schools	Secondary Schools
Autumn mid-term	1	1
Christmas vacation	2	2½
Spring mid-term	1	...
Easter vacation	2	2½
Whitsun	1	...
Mid-summer	4½	6
	11½	12

a great many elementary school teachers were in the past receiving holidays only one and a-half or two weeks shorter than were their secondary school colleagues. Parity has also been achieved by shortening the holidays of secondary grammar schools. Nevertheless the arithmetic lays bare what is done more covertly in the name of equality. There are indeed some educational arguments in favour of shorter terms for pupils and teachers alike, and what is learned in the extra year at school will outweigh what is lost lower down. What is more serious is the attitude of mind among primary school teachers themselves. Even when an authoritative joint committee of the teaching bodies and local education authorities obtained evidence from parents, teachers and doctors about the optimum length of holidays its recommendations were turned down because the primary school teachers would have received half a week's less holiday a year. This is to put sensibility before sense.

* Old Wine and New Bottles. John Mander. Newnes, 7s. 6d.

Shorter Notes

The Swedish Premier made it clear this week that Sweden will adhere to its policy of "alliance-free" neutrality, an "armed neutrality." This is the old course and, in spite of pre-election hopes and hints abroad, there never was much chance of it being altered. Now that the elections have changed little except the respective strength of the non-Socialist parties, there is even less chance. In these circumstances some speculation is current on the possibility of Swedish arms being supplied, like other Swedish goods to both East and West. They may be, but the quantities are too small to enter seriously into account. Sweden's own defensive programme taxes production too heavily.

*

The organised retailers—those hard-pressed men—have passed a resolution that the census of distribution planned for 1950 should be postponed as covering so abnormal a period. The President of the conference went further; any census would be valueless to the trade, only valuable to the Government for the sinister purpose of preparing nationalisation, and likely in spite of all penalties to be boycotted by "hundreds" of small shopkeepers. There is, indeed, a chance of passive resistance. Small retailers have been kicked around, flattened under piles of forms, beset with narks and agents-provocateurs, and generally goaded into a thoroughly anti-civic frame of mind. They are hardly likely to be convinced by the argument that even the self-consciously free-enterprise American Government finds it necessary to collect statistical information far better than that available to the British Government, and that American business takes census enquiries quite readily in its stride. Perhaps by 1950, with clothes rationing (one hopes) a horrid memory, their loathing for forms may be less acute.

*

The adjournment debate on railway safety measures, late on Thursday last week, turned out to be a duet and not a discussion. Mr Champion, who spoke as "a practical signalman" and sits for one of the Derby constituencies, made a well-informed appeal for the extension of safety measures. In the public mind, railway safety is usually associated exclusively with systems of automatic train control, of which the system developed by the Great Western Railway is most familiar. But as Mr Champion showed, measures to guard against signalmen's errors are no less important. "Every signalman has made a mistake, or thought he made it, and has gone into a cold sweat, watching the rear light of the train moving into the darkness, hoping that he will not hear a crash." To which Mr Barnes, speaking his *secundo* part "as a member of the public," referred inevitably to shortages of equipment, but claimed with reason that the £6,000,000 or £8,000,000 required for extending automatic train control to all main lines was not an excessive sum, and disclosed that the Railway Executive has a programme in hand costing £5,000,000 for track circuiting (which provides safeguards against signalmen's errors).

*

Propaganda by envelope for the return to Germany of the eastern territories annexed by Poland is the latest symptom of reviving German nationalism. Letters arrive at their destination with labels attached on which appears a map of the "ancient German territories" (including East Prussia, part of which is now in the Soviet Union) and the slogan, "18 million Germans were fed by these lands." Propaganda publications with camouflage titles are also quite common, and London newspaper offices receive well-illustrated and thickly documented essays on the eastern territories which are marked as published with the approval of the British occupation authorities. To prevent the use of stickers is impossible, but it should be possible for the Bizonal authorities to stop the wastage of paper on dangerous propaganda.

*

Two points stand out in Queen Juliana's first speech from the Throne opening a new session of the Netherlands States-General last week. First, food subsidies in Holland will have to be reduced to bring the Dutch economy more into line with the Belgian for the completion of the Benelux union. Second, a beginning is to be made with Dutch naval and air force contributions to the defence organisation of the Five Powers of the Brussels Pact. Both decisions mean real sacrifice for Holland and compare favourably with the sacrifices now being made by other Western Union Powers.

Books and Publications

Possibilities and Prospects

"The Industrial Future of Great Britain." Europa Publications, Limited. 208 pages. 15s.

WITH the exception of one paper, the fourteen chapters composing this book consist of lectures delivered, during last winter, in a series arranged jointly by the University of London and the Institute of Bankers. Thirteen lecturers took part, experts drawn from both academic and practical pursuits, having widely different outlooks and voicing, from time to time, decidedly divergent opinions. The course was opened by Professor T. S. Ashton with a characteristically brilliant survey of historical origins and parallels, Professor G. C. Allen assessed the impact of war, Mr Anthony Hurd, MP, acted as spokesman for agriculture, Mr Robert Shone and Mr Bonavia underlined the importance of capital investment and maintenance in heavy industry and transport, Sir Jonah Walker-Smith and Mr Leslie Runciman respectively analysed the problems and achievements of the building and shipping industries; Mr F. W. Paish drew up the balance sheet of reconstruction, Mr Palache evaluated the rôle of long-term finance, Mr Leslie Gamage contributed a penetrating study of the export problem, Mr S. R. Dennison, under the title of New Industrial Development and Export, probed the practical implications of the first great economic principle—that you cannot eat your cake and have it too; Professor Sargant Florence, overlapping slightly with his predecessors, diagnosed probable trends in the organisation of industry and so wound up the course.

All the speakers or co-authors share a high degree of expertise, all are, though to varying extents, highly capable exponents of their subject, and the sum of their efforts is a most useful, informative, often stimulating and astonishingly readable book deserving a wide circulation. It owes a great deal to one contributor who took no part in the original lecture course—Mr Paul Bareau, who in a twelve-page introduction acts as impresario or compère, explaining the nature of the course, summarising and evaluating each speaker's message, and tracing the common threads which run through these thirteen independently evolved studies. This is a brilliant bit of work, and those readers who go to "The Industrial Future of Great Britain" for the sake of one item in which they have a particular interest are strongly advised to safeguard their sense of perspective by studying the whole book.

The conclusion drawn by Mr Bareau, and likely to be endorsed by the book's readers, is one of qualified and cautious optimism. Serious as are Britain's difficulties, whether jointly or severally considered, none of them poses an insoluble dilemma. With realism, energy, and unrelenting vigilance against that restrictionist "hardening of the arteries" and security worshipping which Mr Dennison pillories, the prospects are reasonably promising. Technical progress has not stopped; on the contrary, the vistas opened up by atomic energy are almost unbounded. "It is not," says Mr Bareau, "on hopes of this kind that we can begin to build in detail for the future"—that, obviously, would be sheer Micawberism. But "we can certainly use the hopes centred round this development to defeat the prophecies of gloom about the industrial future of this country."

From the Russian Front

"La Volga Naît en Europe." By Malaparte. Editions Domat, Paris, 1948. 348 pages. 350 francs.

THIS book contains the series of dispatches, censored and uncensored, written by an Italian war correspondent for the *Corriere della Sera*, while he was working on the eastern front. He covers first the invasion of the Ukraine by the Axis forces, and secondly the siege of Leningrad by the Finns. Before the war his anti-fascist writings had cost Signor Malaparte five years in exile on the Lipari islands. During the Ukrainian campaign his favourable assessment of the Russian chances of eventual success caused him

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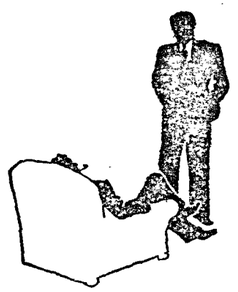
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to fall foul of the Gestapo, which arrested him in the autumn of 1941 and sent him back to Italy. After four months in an Italian concentration camp he was sent off to Finland, whence he returned to help in the liberation of Italy.

In his preface to the French edition, Signor Malaparte describes his articles, which in book form were confiscated by the Germans in 1943, and which earned him a congratulatory visit from Signor Togliatti after the liberation, as his *geste de révolte* against Fascism. For those who were able to read between the lines they contained an encouraging picture of the ability of the Russian Army to beat back the invaders. The optimism was based on the fact that for the first time the very highly mechanised German Army was opposed, not by the predominantly peasant armies of the Italians and the Poles, but by another "workers'" army, "this colossal creation of the five-year plans," in which military discipline was allied to the technical discipline of the workshops. Moreover, the mud, the dust, and the vast distances forced the German Army gradually to revert to an old-fashioned infantry-type army. In the light of later events, Signor Malaparte, who is no more a Communist than a Fascist, regards the Russian successes with modified enthusiasm. The title of his book is designed to drive home the falseness of the illusion that Communism is an Asiatic phenomenon. He holds the unfashionable view that if a third world war is deferred for a number of years it would primarily be between the "democratic proletariat of western Europe and the proletarian dictatorship of Soviet Russia," with the United States playing only a secondary role.

However, it is not the forecast of things to come, but the descriptions of events past which especially distinguishes this book. The author's occasional purple patches on the beauties of nature cannot obscure the vividness of his descriptions. Two especially stand out. One is of the old Ukrainian peasants liberated from the Bolsheviks, clearing out their church which had been used as a granary, watched with tolerant amusement by the young, to whom it all meant nothing. The other is of a Finnish ski patrol setting off across the frozen Gulf of Finland to attack the Russian ships imprisoned in the ice off Kronstadt.

Introduction to America

"The American Union." By H. G. Nicholas. Christophers. 315 pages. 10s. 6d.

THIS book is an introduction, for the British reader who is approaching the subject for the first time, to the history of the United States from its colonial period through the developing years after the Revolution and the "fiery trial" of the Civil War to the day when America flung back the curtain that had been hiding the atomic age and faced the challenge of applying to the world the wisdom learnt during nearly four centuries of uniting a continent. The title of the book is particularly apt and it fills a gap between the shorter general introductions, which need to be supplemented by more factual studies if they are to bring real understanding, and the many longer histories, which are too complex for the reader who is seeking a simple explanation of how this United States grew from the beginnings which he remembers from his English history lessons to the importance which gives it daily headlines in his newspapers.

An author who tries to compress 300 years of history into 300 pages of pleasantly large type cannot avoid an occasional rather monotonous chronology. Once the days of the early settlers are past, the idealism that lies behind so much of the story of the Civil War, of the conquest of the West and of the New Deal, is somewhat obscured in the mass of detail. But the average reader, if he is also an average film-goer, will know far more about the romanticism of at least the first two than he does about the facts which Mr Nicholas presents so clearly. It is doubtful whether any better historical outline is possible within the limitations which he has set for himself, although possibly a little more emphasis might be put on the present-day importance of such fundamental institutions as the Constitution and the Supreme Court, which are hardly mentioned after the able descriptions of their formative periods.

But the development of that aspect of the United States which has the most direct impact on the British reader, its foreign policy, is traced lucidly and completely from before the days of the Monroe Doctrine to what is probably the most far-reaching transformation in American history, the reversal in the nation's thinking on international affairs between 1918 and 1945, a reversal which has been made even more complete, since Mr Nicholas finished his book, by the acceptance of the Marshall Plan.

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The Need for Enterprise

"Enterprise First." By William Wallace. Longmans. 112 pages. 8s. 6d.

THE problem of how to preserve a spirit of enterprise in a period, if not necessarily of socialism, at least of widespread State intervention is attracting more and more attention. Planning will kill prosperity stone dead if some solution is not found to the present conflict between the healthy impulses of those who need freedom to pursue their schemes of industrial development, and the well-intentioned efforts of civil servants who are attempting to direct those impulses "according to plan." This book is one effort to solve this problem.

Mr Wallace is a director of Rowntree's and during the war was a director of a different kind in the Ministry of Food. He draws upon both his civil service and his business experience for his book and gives a very fair assessment of the relative spheres and fundamental differences between the civil service and industry and commerce. As with other successful temporary civil servants he has returned to business with a much better understanding of the problems and importance of the civil service.

The best parts of the book are concerned with descriptions of events in which Mr Wallace was personally concerned. His account of the relations between the State and the cocoa, chocolate and confectionery industry during the war are vivid and interesting, and the distinction he draws between the role of the Ministry of Food in determining major questions of policy, such as the types of goods to be made and the principles of rationing and price control, and that of the industry in implementing this policy from day to day are valuable. When, however, Mr Wallace slides from the particular to the general he is apt to seem innocent and repetitive. This is due in part to the delay in publication: for example, his conception of public boards is written without reference to any of the new nationalised boards and their teething troubles: similarly, other ideas which appeared new to the author when he wrote them down during the war are now over familiar. For all this Mr Wallace makes a sincere and unprejudiced attempt to distinguish between the right spheres of public control and private enterprise, and his conclusions, if not new, are fair and reasonable. This is a book which ought particularly to be read by other industrialists, and by the "regulators" in the Board of Trade.

Western Union

"Western Union." Prepared for the United Nations Association by Andrew and Francis Boyd. Hutchinson. 10s. 6d.

THE 175 pages of this book are equally divided between the work of Mr and Mrs Boyd and such statements on Union in Europe as Mr Bevin's "Western Union" speech of last January, the resolutions of The Hague Congress and the preamble and clauses of the Brussels Treaty. The editors give a simple and accurate analysis of the problems and stages of resolution which have brought the Western Union idea to its present prominence, including description of the working of such bodies as CEEC and ECE. Their objectivity is such that only a pleasing irony is allowed to creep in here and there. There are excellent appendices for reference, including "Dates in Europe's Story" and population figures for Europe and its overseas dependencies. The total is a useful and authoritative work of reference which is also short and readable. Further editions should give more attention to the experience of Benelux, to America's part in whipping on the Western Union movement and to Communist criticisms of it.

Letters to the Editor

The Planning Act in Difficulties

SIR,—Your comment in "Notes of the Week" in the issue of September 25th is true so far as it goes, but I think it misses the real point of the difficulties into which the Planning Act has run.

They have arisen almost entirely because land owners have good grounds for their belief that the compensation which will be payable for their lost development value will be hopelessly *inadequate*, and because they know that even what will be paid will not be paid for the best part of five years. They therefore cannot afford to sell their land at less than the amount at which it stands in their books. In cases where mortgagees require to be paid off before a sale can take place the owner has no option but to do his best to sell (if he is to sell at all) at something near the *pre-Act figure*—there is no question that a mortgagee requires payment from the owner/mortgagor on the old basis.

Compulsory acquisitions of (building) land by local authorities and Government Departments at the "existing use" value—which in practice is, so far as vacant land is concerned, purely nominal—must inevitably cause the complete disruption of the private owner's finances where he has bought (as almost all of them have bought) on the old basis. Apparently the Central Land Board is now threatening to lengthen the trail of land owners who are being beggared by the financial provisions of the Act.

Nevertheless, it is to be wondered if the Central Land Board's threat is not a piece of *bluff designed to frighten* landowners into selling in a free market at the "existing use" value. I think the bluff will be called, and I think it may fail for two related reasons. In the first place, no owner will sell at an uneconomic price (an act which may be tantamount to signing his own petition in bankruptcy) unless and until the situation is, in actual fact, taken out of his control; *furthermore, while it may* be possible to bluff a land owner, the Central Land Board will not easily bluff his mortgagee. In this event, administration of the Central Land Board's proposals will surely become an impossible task if owners do in fact hold out—as I think they will have to—until compulsory purchase proceedings are put in train and completed. When one considers the multitude of free market transactions it is simply not credible that the machinery exists—or can be brought into existence within a reasonable time—to enable the Central Land Board to indulge in large-scale and multitudinous land acquisitions.

Your fear that the "burden" (ie., the cost of land on the old basis plus the development charge) will be passed on to the consumer is not entirely justified. The effect of the Building Materials and Housing Act, 1945, and of the limitations of the selling and letting prices of properties erected under licence, should prevent this, provided that the provisions of this Act are correctly administered by local authorities. But what will *inevitably happen* is that developers who are limited to a selling or letting price which covers only the "existing use" value and the development charge, *but who are* faced with a cost in their books of a development which includes the cost of the land bought on the old basis and the development charge, will have to cover their commitments somehow. One way to do it is to scamp the building, and so reduce the cost, and quality, of construction—the other way is not to build at all.—Yours faithfully, FRANK HELLINGS

79 *Cannon Street, London, E.C.4*

The Reward of Work

SIR,—Whilst agreeing with the substance of Mr Brech's letter and your comment thereon in *The Economist* of September 25th, I think that two points are open to question.

The assumption that the level of morale is a direct product of the competence or deficiency of management is, unfortunately, an over-simplification. Nobody would deny that the quality of management is an important factor in contributing to the level of morale, but no industrial unit works in an ivory tower and morale is basically a national matter. The policy of a trade union, for instance, may affect the morale of a firm's workers far more than the activities of its management; the threat of war, the result of the Derby, the price of beer, a strike (official or otherwise) in some other organisation—these are the sort of factors that influence morale.

Personnel managers are beginning to realise that there is no simple answer to the problem which these conditions raise. So-called incentive schemes may or may not work according to the state of the political and social climate: even the standby of the rough-and-ready school of management—higher wages—is offset by an appreciable rise in the marginal disutility of work, and a further variable is introduced by a fluctuating cost of living. Yours faithfully, A. G. P. ELLIOTT

61, *Crossefield Road, Cheadle Hulme, Cheshire.*

No Peace—No War

SIR,—I doubt if your view of the analogy between Hitler in 1938 and Stalin today is strictly accurate. Surely *it is not true* that Hitler wanted war in any event (save in the sense of a limited liability campaign against, e.g., Poland or Czechoslovakia)? He wanted two things, (*a*) power and the accession of territory which that would represent; (*b*) in the process of obtaining it to humiliate if possible the former enemies and victors of Germany, though this was not quite unmodified in the case of Great Britain. What, then, does Stalin or the Politburo want? (*a*) Power as with Hitler; (*b*) the spread of Communism *à la Russe* till Moscow becomes the power centre and Mecca of a Communist world; (*c*) meanwhile a clear demonstration that the non-Communist nations are inferior to the Communist. In each case war was, and probably is, a possible instrument of policy whenever victory seems assured and the objectives cannot be obtained without it. Not otherwise. But *the threat of war* must be a continuous instrument of policy otherwise the objectives will never be obtained. To say that this is the Eastern question intensified may be true; but it is intensified out of all recognition of its prototype. *It is* clear that if this threat of war is to be effective any element of bluff in it must be carefully concealed. Such a policy naturally has *advantages for totalitarian* dictators operating against democratic governments, who cannot in the nature of things resort to war till they are driven into the last corner. Moreover, it handicaps such governments by imposing on them vast re-armament schemes which must embarrass and may crush them; or lead to a revolt of public opinion *against them*. There is, however, always the danger of an explosion taking place at the wrong moment. Unfortunately, history tells us that blindness on this score is a malady to which dictators are sadly prone.—Yours faithfully,

24 *Chester Street, London, S.W.1* JOHN MARTIN

From *The Economist* of 1848

September 30, 1848

A considerable number of gentlemen assembled at Brussels last week from France, Holland, England, and the United States, and constituted themselves a Congress for the Promotion of Peace. The excellence of the object admits of no doubt, but it is doubtful whether the gentlemen present exactly comprehend the present general cause for the interruption of peace. Their only idea of peace was the reverse of war between nations. . . .

Peace has now prevailed in Europe for an unexampled period. For three and thirty years most of its governments have been on friendly terms with each other. They long ago formed a great or Holy Alliance for the purpose of preventing war. They have held congresses for the same end. No sooner do disputes arise between any of them than others offer their mediation, and peace is preserved. England has become a great mediating power. She has mediated between the United States and France, and Holland has mediated in our disputes with the former. . . . With the flagrant example of Charles Albert before our eyes, we cannot say that sovereigns and governments have given up war altogether; but their animosities, hatred, and dread of one another do not now constitute the master evil of society, against which humane and enlightened men should direct their efforts. . . .

The congress has not duly appreciated the wants of the age. War between governments has practically, as well as theoretically received, we are happy to acknowledge, great discouragement. The war that now disturbs society is between established governments and revolution. . . . We have no knowledge of any period in the history of mankind when there was such a general hostility between the people and the rulers as now prevails on the continent, and such a general subversion of authority. . . .

AMERICAN SURVEY

Red, White and Blue Herrings

(From Our US Editorial Staff)

THE special trains of the various candidates for the Presidency and Vice-Presidency are now crawling backwards and forwards across the country, crossing and recrossing each other's tracks, sometimes barely avoiding the embarrassment of simultaneous arrival in the same town, sometimes following each other along the same stretch of line, as if they were electric trains on a miniature railway controlled by some small boy with a taste for risking collision.

Mr Earl Warren was the first to start, leaving Sacramento on September 15th and heading east. When he turned south at Salt Lake City to help the Republican candidates in Colorado and New Mexico, two of the states in which it is hoped that Senate seats can be won from the Democrats, the President slipped behind his back to San Francisco and Southern California. Mr Dewey, who had been hot on Mr Truman's heels, two days behind in Des Moines and only one in Denver, then gave up the chase and took the road to Albuquerque which Mr Warren had covered five days earlier. From there he went west through Arizona and passed the President, travelling in the opposite direction, between Phœnix and Los Angeles. Meanwhile Mr Warren had turned aside, in the hope of saving a doubtful Republican Senate seat in Oklahoma, before going east to show himself to thousands to whom he was only a name.

The campaign train is a feature of American electioneering which, like the Constitution, is impervious to change. Mr Wallace shows his complete lack of understanding of when to accept tradition and when to recognise the American desire for novelty by travelling about the country by air. The air has no "whistle stops" at which a candidate can, at the expense of five or ten minutes, flatter a whole county into giving him its vote. Nor is the campaign train itself susceptible to modernisation. Last week the Twentieth Century Limited, the most luxurious train between New York and Chicago, was provided with new equipment—including showers, a barber's shop, telephones and acres of rare panelling and stainless steel—for what is only an overnight journey. But the rolling-stock on which candidates and their staffs live for weeks at a time remains the same as that which carried President McKinley round the country. Streamlined trains have their advantages but they do not include a back platform on which to be seen and from which to speak. The all-important last coach sets the fashion for the rest of the train which, though given a coat of fresh paint, is made up of ancient Pullmans, upholstered in nineteenth-century plush.

At the back of this last coach hangs a red, white and blue illuminated sign (in Mr Dewey's case it reads "Dewey Victory Special") and above it there is a microphone which, at every stop, is connected with a loud-speaker van, brought to the station by the local Party Committee. The candidate and his family live in this coach. The next three or four are for the high command (the candidate's advisers, Senators from his home state, the Congressmen from his home district, his public relations staff and the manager of the train) and the local VIPs who join the train for the trip through each state. In front are the press, on whom the candidate must count to transform a local appearance into a national event. They have a dining-car, a club car, a work car (with a shelf along each side and a staff from the Western Union Telegraph Co. ready to throw their copy to messengers waiting at every station) and four or five coaches of bedrooms. Mr Dewey's train has seventeen cars and a constantly shifting population of between eighty and a hundred correspondents. Mr Truman's and Mr Warren's trains are two cars shorter, neither having the same attraction for the press.

The routes of these trains are decided and their stopping places chosen to influence the doubtful states and not to flatter the faithful. Nobody will waste any time this year on Maine, which held its Congressional elections in September and gave its new Republican Senator over 71 per cent of the total votes. But the inhabitants of Raton (population 7,607) and Las Vegas (population 5,941) in New Mexico must have been pleasantly surprised that both Mr Warren and Mr Dewey stopped to speak to them within a few days of each other. The small group of enthusiastic children and apathetic Mexicans who greeted them may not have seemed worth the time of such busy men. But Major-General Patrick Hurley is involved in a close race for the Senate with Mr Clinton Anderson, a race which he seems at the moment likely to lose, and every vote counts. So does every Senate seat in a year when control of the Senate is the only issue in doubt.

*

By starting first Mr Warren had the field to himself for two days, after which the words of the maior candidates drowned much of what he had to say. But his first speech at Salt Lake City set the tone which both he and Mr Dewey have kept ever since. "In both parties" he said "there are those who would say that all good flows from their own party and all political evil from the other. But the vast majority of Americans know that this is not true. They know that good Americans are to be found in both parties. They realise that there are progressives and conservatives in the ranks of both." Four days later, Mr Dewey, in Des Moines, announced that "I will not contend that all our difficulties today have been brought about by the present administration. So far as I am concerned this campaign will not create divisions among our people."

Mr Truman, on the other hand, redeemed his promise to "give 'em hell," by telling 80,000 farmers (who had gathered for a ploughing contest, not to hear the President) that "The Wall Street reactionaries are not satisfied with being rich. They are gluttons of privilege," a phrase worthy of Mr Wallace, but one which showed a certain ingratitude to such men as Messrs Forrestal, Lovett, Hoffman, Harriman and Lewis Douglas, all of whom have given up large salaries to work for him. As far as is known no farmers have made similar sacrifices. Not only was the remark tactless; it was also ridiculous. In the fields nearby were over fifty private aeroplanes and thousands of cars belonging to his audience. It was in vain that he reminded these farmers of their plight when the Democrats came into power in 1933 and their neglect at the hands of Republican administrations during the 'twenties. Gratitude for past favours has never been considered a good reason for voting.

The two Republicans have come down from their non-partisan pedestal only to discuss the problem of disloyal officials. At Salt Lake City Mr Warren introduced the subject tentatively by saying that "It will be no problem for Tom Dewey to get Communists out of the government—because he'll never let them in." This reference was so popular that he enlarged on it in later speeches and Mr Dewey took it up at once by reminding his audiences that they had been told by the President that the exposure of Communists in the government was a "red herring" although the Administration had appropriated $25 million to get them out. But the Republican candidates have no need, except to give contributors to the campaign fund some fun for their money, to take even this slight notice of Mr Truman's presence. The remarks about "red herrings" (to a country which, even if it does not approve of the Un-American Activities Committee, is genuinely alarmed) and "gluttons of privilege" have destroyed whatever faint hope the President might have had of recovering the ground lost during the last three years.

Mr Truman made a fundamental mistake in his campaign, one that his predecessor never made. Mr Roosevelt always took care to leave the role of attacker to his opponents, only occasionally, as he did in his 1944 speech to the Teamsters' Union, provoking them to bad-tempered indiscretions. But Mr Truman, perhaps out of desperation, has become the challenger and has left Mr Dewey to play Mr Roosevelt's part—that of the statesman whose appeal is above party. It is too late now to lead the Republicans into any such trap as that into which Mr Dewey fell four years ago, in his Oklahoma City speech; they need only to remain dignified to the end, oblivious of Mr Truman yapping at their heels.

At Philadelphia, though the Republican Convention was exciting and the Democratic gloomy, it was noticeable that the Democrats recited with pride the record of their sixteen years in office while Republican speakers, with few exceptions (among them Mr Dewey) attacked the memory of Mr Roosevelt and accused him of every crime, including "saving his political fortunes by plunging us into war." Had Mr Truman continued to remind his audiences of his party's record, contrasted it with that of the Eightieth Congress and left the attacking to Mr Dewey, he might have done better. It is apparent that Mr Dewey is not much impressed with the Eightieth Congress and is relieved that he has been saved, by the introduction of extraneous subjects, from having to defend it in detail. Many of its Republican members, however, who are proud of what they did, are obviously disappointed with him and Mr Warren. Having no understanding of the effect which a divisive campaign might have on American prestige abroad, they feel cheated when they hear only mild criticism of the Administration and none of its policies. Mr Dewey, well aware that he is likely to become President at a critical moment in his country's history, is making no unnecessary enemies. He will need, in the next four years, all the unity for which he is now asking.

American Notes

Dewey and the Atom

Governor Dewey dropped the first bombshell of his campaign only 400 miles from the New Mexican desert where the first atomic bomb was tried out. This was his suggestion that the development of atomic energy for civilian use be freed from the "dead hand of government" and turned over to private industry. If it had been up to Washington to develop electricity and the automobile, we would still be using paraffin lamps and the horse and buggy, Mr Dewey said. In the past the fierce debate over atomic controls has centred on the question whether government policy should be made by civilians or the military. Blockbuster or dud, Mr Dewey's preference for commercial exploitation is in one sense only a time bomb with greatly delayed action. For he did not dispute that government control must continue until the threat of war is cleared away, and this idyllic state of affairs is not likely to materialise very soon.

But Governor Dewey may regret, both on the stump and in office, this departure from his safe and sure campaign on national unity; it has provided the Democrats with a much-needed campaign windfall, and will cause many misgivings among independent voters who feel that atomic energy, like foreign policy, should be kept out of the political battle. Mr Kefauver has accused the Republican candidate of dragging the most important issue in the world into partisan politics; Senator Barkley sees the sinister hand of big business in a plot to turn the $3 billion atomic energy industry over to private profit. The cry of partisanship will be supported by reference to the Congressional atom spy hunt (though the Committee has had the grace to deny itself the luxury of open hearings, in the interest of security) and to the refusal of Congress to sanction more than two-year terms for members of the Atomic Energy Commission, on the ground that the new President's hands must not be tied.

The charge that private industry has been frozen out of participation in atomic development is hard to accept, given the technical and military risks which exist. Ownership of plant and resources and control of policy are in the hands of government, but private firms and university research departments run the laboratories under contract. Is it profits, rather than participation, which Mr Dewey objects to freezing out? Less than a year ago the chairman of the Detroit Edison Company was congratulating the Commission on calling in the "immense talents of American industry" to aid in plotting the industrial uses of atomic energy.

Over-concentration on the military aspects of atomic energy is a fault of the times. But the last report of the Atomic Energy Commission was more hopeful than ever before of the early development of atomic power for civilian use. It might, the report said, outrank coal and electric power in twenty years' time, given the condition that "breeder piles" prove practical. The first atomic power plant in history is to be constructed during the next eighteen months near Schenectady, New York, and operated by the General Electric Company. If the Commission's scientists are right, this pilot plant will produce even more fissionable material than it consumes as fuel in the generation of electric power.

* * *

How Not to Build a Party

"We've got to build a party, Beaney," said Mr Wallace to his campaign manager, Mr C. B. Baldwin, last week in the course of a speech which undermined most of the Progressive Party's existing foundations, leaving intact only the Communist base which Mr Wallace pretends is not there. He offended all the political proprieties in this speech; he wandered wistfully instead of leading with enthusiasm; he disagreed with his campaign manager publicly instead of privately as etiquette demands; his words had a sibylline quality which gave belated justification to the epithet of "Veiled Prophet" which the *Chicago Tribune* invariably applied to him in the days when he was Vice-President; he was imprudent enough to speak extemporaneously on an occasion of importance. Interpretations of his speech therefore vary, but his insistence that those liberals who do not break away from the Democratic Party now will have left it until too late, appears to have undone all the careful efforts made by Mr Baldwin earlier in the evening to attract the votes of progressive Democratic and left-wing but non-Communist independents. Mr Baldwin had given details of how the Progressives were helping those progressive candidates for Congress who were not prepared to abandon their Democratic allegiance. He thus tried to answer the criticism that the main effect of the Progressive campaign will be to ensure a reactionary government for the next four years and that the party is thus playing the Communist game.

Mr Wallace also contributed a slogan which will hardly stimulate his supporters to excessive efforts during the next few gruelling weeks: "Life begins on November 3rd"—the day after the election. His suggestion that the party must not depend on one man and that it must broaden the basis of its leadership also gave the impression that the Progressives would have to start their new life by finding a new prophet.

This embarrassing demonstration of political ineptitude was made worse by its occasion, a dinner of "Businessmen for Wallace." The extent to which their confidence had already been shaken was shown by the fact that only 400 were there, compared with 1,200 at a similar dinner five months ago. Estimates of the number of votes Mr Wallace is likely to get have declined in a similar proportion during the same period, from ten to three million. The businessmen followed the usual ritual, even if Mr Wallace did not, by paying $100 a plate, but most of the $2,500,000 which his campaign is expected to cost is being raised in a less traditional way, by charging from 60 cents to $2.50 for admission to his meetings.

Mr Wallace still finds the majority of his supporters amongst the young and the poor, the Jews and the Negroes, in the big cities and on the coasts. In New York City, where he is expected to get one-third of his total number of votes, it continues to look as if he may draw enough support away from the Democrats to give Mr Dewey the State. But in California, next to New York the chief Progressive stronghold, Mr Wallace's prospects are declining, and in Illinois and Missouri his name will not even appear on the ballot. His candidacy has only been actually certified in seventeen States, which besides New York and California include Michigan, Minnesota, New Jersey, Oregon, Pennsylvania and Wisconsin. However, he is said to be sure of a place in the ballot in fifteen more, and there is still hope of bringing the number up to the original forecast of forty-four.

The Big Stick

In the past the United States has sometimes been accused of reversing Theodore Roosevelt's advice to speak softly, but carry a big stick; America's voice in world affairs has been supported too often by potential, rather than immediate, might. Today Mr Marshall is equipped with a bigger stick than any other American Secretary of State in time of peace. In addition to the atomic bomb, which is always in the background of everyone's thoughts, the revival of conscription and the rearmament drive have met with overwhelming public approval. The strength of the Armed Forces has risen to 1,518,000 from the postwar low of 1,266,000. More recently, the Newport agreement suggests that at last the three Services are reconciled, if necessary, to fighting one, rather than three separate wars; and planning for industrial mobilisation has reached a point where it is expected to save from five months to a year in bringing the full resources of the United States to bear on any enemy.

The first fruit of the Newport agreement has been the drawing of a complete picture of what the three Services would require in the event of war. The Munitions Board is already placing "phantom" orders for 100,000 machine tools with 300 firms; a telegram will set these orders in motion without the loss of time and energy involved in 1941 when businessmen seeking contracts had to kick their heels in Washington waiting-rooms. It will now be possible to extend this web of shadow orders to other vital industries, and it is expected that, if war breaks out, no more than 18 months would be needed to bring mass delivery of every kind of equipment except the aircraft carrier and heavy bomber. The Munitions Board has already allotted 17,500 industrial plants to specific branches of production in the event of hostilities; it hopes, in all, to classify from 25,000 to 30,000. No great building expansion is expected, such as that which took place during the last war. On the industrial reserve there are 156 complete plants built for war manufacturing and now held in stand-by condition, and another 245 of these facilities leased to private companies who have contracted to make them available for war production within 120 days.

The National Security Resources Board is also drafting stand-by legislation on controls for Congressional approval, on two assumptions: that of a limited, and that of a full-scale emergency. Foresight of this kind failed to impress Congress in the years before Pearl Harbour.

* * *

The Defence Budget

The unity of the Armed Forces faces a new and severer test in the defence budget now being drawn up. This will be the first unified budget for all three Services; in the past, the Army and Navy presented, and lobbied for, separate appropriations. The inevitable pangs at this surrender of independence have been intensified by the $15 billion ceiling imposed by Mr Truman on defence costs for the fiscal year 1949-50. This is only slightly ($241 million) more than the amount granted for the year ending in June, 1949; the preliminary (and no doubt grossly inflated) requests of the three Services added up to $30 billion. It is thought that this ceiling, if maintained, may require the reduction of some programmes already underway. But the maiden voyage of the first unified defence budget involves more than Mr Forrestal's ability to induce each Service to moderate its ambitions. The budget he draws up must pass the scrutiny of the Bureau of the Budget, of the President, and of Congress; and there is no guarantee that Congress may not upset the apple-cart by reallocating the money, or increasing or decreasing it, as it did over the 70-group Air Force in the last session.

One additional hazard this year lies in the fact that although the Budget will be presented to Congress by Mr Truman, the odds are that it will be implemented by Mr Dewey. It is not thought that Mr Dewey's views on foreign policy will allow him to demand drastic cuts in defence, but the new broom of a Republican Administration will be expected to substantiate its claims to efficiency and economy; the most in preparedness will be required from every defence dollar. There seems to be a case, if the Republicans are victorious in November, for extending bi-partisan co-operation from the State Department to the National Military Establishment during the two months before they are installed.

The chief reason, however, for limiting the share defence may take of the national cake is the desire not to impose new and unmanageable inflationary pressures. It is thought that, without the revival of controls, a $15 billion defence budget is all that can be absorbed as long as business is booming. The revival of military Lend-Lease is beginning to be discussed; unofficial reports suggest that Congress may be asked to appropriate $2 billion for military assistance to Europe for the fiscal year beginning in July, 1949. But it must be remembered that in 1940 there were unemployed men and resources; without a recession, the supply of arms from America would, like an increase in the domestic defence budget, present the new Administration with the prospect of reimposing the controls the Republican party has steadily opposed.

Shorter Notes

In a recent Gallup poll Americans indicated their approval and support of a military alliance with western Europe. Three out of every four people questioned were in favour of joint defence plans between the United States and the Marshall Plan countries: this sentiment has grown during the summer as the Berlin crisis has compelled attention. Democrats and Republicans have similar views on a firm policy toward Russia (80 per cent of the individuals polled are willing to risk war to stay in Berlin) and international co-operation. This is an astonishing contrast to public opinion after World War I, when there was general determination to forget about Europe.

★

Due to recent experiments in the development of chemically coated seeds great oaks could now grow from larger acorns. Although the process is still in the evolutionary stages some growers are already advertising seeds covered with ingredients which facilitate germination. Very small seeds are enlarged so that they can be planted individually, which has the dual advantage of reducing waste of the seed and the hours spent on thinning and transplanting. Vegetables whose germination can be ruined by extreme dry or wet soil conditions are protected by the covering and their growth is stimulated by the chemicals impregnated in the casing. The cost to the grower is higher than for uncovered seeds but it is claimed this is repaid by the greater yield and the labour-saving advantages of the invention.

★

Retired and disabled miners gathered their first fruits from last June's coal wage agreement on September 16th when they received their first monthly pension cheque of $100 from the United Mine Workers' Welfare and Retirement Fund. To be eligible the pensioner must have worked as a miner for twenty years, be 62 years of age and have retired after May, 1946. At the age of 65, he will draw regular social security benefits, which will increase his income to between $130 and $140 per month. Actually many of those eligible for welfare pensions are expected to continue work in the mines, where wages average almost $300 per month. Payment of the pensions is made possible by royalties of 20 cents a ton put into the fund by the coal operators.

★

In spite of an anticipated carry-over of six million bales this year, the Secretary of Agriculture has decided that cotton is not yet in surplus supply and he has announced that there will be no marketing quotas imposed on the growers for the 1949-50 crop. The knowledge that marketing and acreage restrictions will not now be required gives the planter the assurance of one last lush year before support prices are reduced. Political tempers in the south may be sweetened by this assurance. Another result of this decision is that funds from the Department of Agriculture will not be available to help finance the Economic Co-operation Administration's exports of cotton.

★

The news that the Civil Aeronautics Board has permitted the airlines to raise fares by 10 per cent barely reached the public in time to be apparently contradicted by a spate of sales promotion campaigns designed to convince the poor, the unhurried or the timid traveller that staying on the ground is an expensive luxury. In an effort to compete with non-scheduled lines and to encourage lagging public air-mindedness, the carriers are offering temptingly reduced fares for family parties and discounts of as much as 20 per cent on commuter trips. Groups attending conventions also get bargain tickets, and there are various other reduced rates in operation or planned; in fact, the passenger who cannot fit into one or other of the categories of cheaper flying is unlucky.

★

Pulp mills which are being planned in south-eastern Alaska are expected to bring greater prosperity to the territory where local industries, at present, offer only seasonal employment. The Indians claim a right to the timber in the National Forest: until their case is decided by the Supreme Court, the Government will hold for them in trust moneys received for the lumber.

THE WORLD OVERSEAS

Belgium and European Recovery

THE nations taking part in the Marshall Plan have already assigned Belgium a leading role in the four-year effort to put Western Europe on its feet. Under the recent payments agreement, reached by the Marshall countries in Paris, Belgium is expected in the first year to give its needy neighbours a sum of Belgian francs equivalent to $207.5 million. That figure represents over four-fifths of the aid Belgium will receive from the United States, close to five per cent of its national income, and 15 per cent of its 1947 exports. Moreover, it is possible that demands of an even more far-reaching nature will be made on Belgium when the 19 participants meet this week to discuss their four-year investment programmes.

The Belgians are worried lest what is demanded from them in the name of European recovery should seriously injure their own long-term prosperity. Can they help substantially in the reconstruction of western Europe without jeopardising the future efficiency of their own industry? Belgian technicians insist that much of their industrial plant stands in growing need of modernisation, and they realise that under normal conditions the necessary increase in investment would mean a cut in the Belgian standard of living. With Marshall aid they had hoped both to increase investment and to maintain their recent living standards.

What worries Belgians even more is that if the recovery programme works out along the lines now indicated, it may bring further unemployment to their textile and luxury trades, and may eventually threaten the very existence of these industries on their present scale.

Some of the other partners in ERP do not share Belgian fears. They think it is time that Belgium restricted consumption, used the savings thus made for expanding industry, and passed on to the partners—through the payments scheme—the purchasing power to buy the products of expanded Belgian industry. Indeed, they are prepared to go further. Since the continued well-being of Belgium depends on the prosperity of its best customers, they argue, then surely no sacrifice in the common interest is too great, even if it involved transitional unemployment and readjustment of industry.

The ultimate decision seems to depend on the answers to a few basic questions. How obsolescent is Belgian industry? How high is the present level of production, investment and consumption? Where do Belgium's long-term export markets lie?

Belgium emerged from the war with little major damage to its industry, and by the beginning of 1947 the general index of industrial production already stood at 93 per cent of the average 1936-38 level. Since then there has been further progress, and today many industries are very close to the peak reached during the 1937 boom and well ahead of the 1938 level.

BELGIAN PRODUCTION
('000s Metric Tons, Monthly Average)

	1936-8	1947	First Half, 1948
Cast iron	261	235	304
Pig iron	253	235	296
Alloy steel	6·0	5·3	5·6
Finished steel	198	206	252
Cement	250	217	280
Coal	2,425	2,033	2,162

Recovery, however, has been uneven. The coal industry is the black sheep of the Belgian economy. Although the number of miners is far greater than before the war, yet the monthly output for the first six months of this year was ten per cent below the 1936-38 average: for some time there have been no signs of any upward trend in output. The Belgian mines are handicapped by a set of problems now familiar elsewhere—shortage of skilled workers, absenteeism, continuing exploitation of over-age mines and use of obsolescent equipment.

As a result, costs of coal production have risen far above the 1938 level. In monetary terms there has been a more than five-fold increase and, when allowance is made for the fall in the value of the franc, the real costs of production have almost doubled. This increase has in turn produced inflated costs throughout Belgian industry; until total coal output is raised and the cost per ton substantially reduced, Belgian industry will depend precariously on the persistence of a seller's market.

The problem of ageing equipment and high costs is not limited to mining. At liberation the average age of industrial equipment was 30 years. Belgian producers urge that, apart from coal, the comparatively high prices of Belgian goods on international markets is the result of the widespread policy elsewhere of hidden export subsidies. Without these subsidies, they claim, Belgian prices would be more than competitive. This claim may be true of the present, but Belgian competitors are re-equipping fast with modern machinery and are not likely to remain high-cost producers. If their costs fall, it may well be that Belgium can only maintain its high level of manufacturing exports by lowering production costs through modernisation. That is why in recent months Belgian experts have shown a quickened interest in re-equipment.

In 1946 Belgian gross capital investment at 22 billion francs amounted to no more than 11 per cent of the national income. In 1947 the ratio had increased to 16 per cent. Certainly by American, and even by recent British, standards this is a relatively low proportion. According to the Ministry of National Re-equipment the amount of new capital invested in Belgian industry in 1947 totalled 34 billion francs. Its sources were estimated as follows:—

Source	Billions of francs
Investment through company reserves	13.8
New capital issues	14.2
Parastatal (semi-state) credit institutions	4.5
Loans from abroad	1.5

In its estimates for the future, the Ministry puts the average total requirements for investment at 32.5 billion francs in each of the years 1948-52. Provided that no change occurs in the national income, this is equivalent to 15½ per cent. In arriving at this total the Ministry has assumed that 17 billions will come from the reinvestment of company reserves and 13 billions will be raised through new flotations and parastatal institutions (roughly comparable to the corporations in Britain under public control). The balance, varying from 2½ to 5 billions, is to be provided by foreign loans. It is on such estimates of investment (amounts far in excess of prewar ratios) that the Belgian contribution toward putting western Europe on its feet has been calculated.

The plan which Belgium submitted at Paris over a year ago expressed the hope that by 1948-49 the production of finished steel, crude and semi-finished steel and pig iron would be double the 1938 level and that coal output would be 90 per cent of the 1938 figure. Textile output was already higher than before the war, and the planners anticipated further expansion, especially in the rayon branch. Fertilisers were to be well in excess of the prewar average and only in the production of agricultural foodstuffs would there be a deficit. At the time plans were submitted the figures for 1947-48 were still only forecasts, and it is worth noting that the target has been met for coal, crude and semi-finished steel, finished steel and pig iron.

The next question is whether Belgium can maintain this progress and at the same time keep consumption at its present level. Since liberation consumption goods have played an important role in Belgian economic policy. That policy was to remove wartime controls as rapidly as possible and to depend on the dynamic of conventional economic incentives. During the first two years of peace the policy involved a considerable import surplus, largely from hard currency areas. It was made possible mainly by US, British and Canadian payments for military expenditure and for Belgian contributions under reverse lend-lease. In addition Belgium received Export-Import Bank loans totalling about $100 million.

Factors in Inflation

Throughout 1947-48, however, this liberal economic policy was threatened because Belgium's exports went increasingly to soft-currency countries, which became less and less able to pay for

them. Well into 1947 Belgium continued to finance these exports by extending credits, and these soon reached $250 million. But when sterling became inconvertible, Belgium was forced to curtail loans and to conserve gold and hard currency reserves by discouraging imports. As a result the monthly average of imports fell from 8,160 million francs in the last six months of 1947 to 7,300 million in the first half of this year; over the same two periods exports rose from a monthly average of 5,500 million to 5,900 million. These movements have inevitably encouraged inflation. Between July, 1947, and June, 1948, the retail price index rose by 18 per cent with the largest increase in the foodstuff category.

The narrowing of the import-export gap helped Belgium to finish the year in a fairly healthy position. Its 1947 balance of payments show that when to its visible exports 62 billion francs are added invisible items worth a further 26.5 billion there was a deficit of only 5.5 billion. Hard currency reserves of the Central Bank were actually higher at the end of 1947 than a year earlier. Moreover, the retention of these reserves was possible without any setback to consumption. By 1946 the volume of retail trade in department stores was within 10 per cent of the prewar level and for 1947 was a clear five per cent above.

Where in the workings of the Marshall Plan do the Belgians see a threat to their achievements and aspirations in the realm of production, investment and consumption? The aim of the European Recovery Programme is certainly not to check total production. But what seems possible is that Belgium will be called upon to re-direct production and to re-deploy men and materials away from the consumer goods trades into the capital goods industries. The immediate result would be increased unemployment in the consumer goods trades where the problem has already reached serious proportions. Belgians see the beginning of such a trend in the insistence by their European debtors that they be allowed to use the franc grants exclusively for the purchase of Belgian capital goods. It is the opinion of Belgian officials that either the size of the grants should be reduced or the recipients should be compelled to take consumer goods as well as scarce capital equipment.

Changing Pattern of Trade

In all probability the Belgian Government would prefer a reduction of these grants. Government circles are especially concerned to increase investment in public works such as roads and harbours; but under the present taxation system with its heavy dependence on indirect taxation, the government itself cannot easily raise the necessary funds. It had hoped instead to obtain them by using the Belgian franc "counterpart fund" of Marshall aid. But after grants worth $207.5 million are extended to the debtor nations, Belgium is left with a franc "counterpart" of only $42.5 million, or a little under two billion francs. Unless this sum can be augmented by loans from the World Bank and US private banks, public investment will suffer.

Finally, there is the problem of Belgium's long-term export markets. Where and how will Belgium be able to sell all its goods once its competitors are back on their feet? Since liberation, the pattern of Belgium trade has changed. Before 1939 exports of manufactured goods accounted for less than one-half the total. They now constitute well over two-thirds. Moreover these manufactures are mainly durable consumer goods, and it is with this trade that the Belgians are most concerned.

Their view is coloured by memories of the over-production crisis of the thirties when producers of primary goods and of heavy capital equipment were the most disastrously hit. Consumer goods industries were not affected with equal force. There is thus a growing conviction that a similar overproduction crisis will recur and that their best insurance lies in holding on to their consumer industries. It follows that the Belgian intention is either to avoid expansion of the capital goods industries or to link it with the development through long-term schemes of new and assured markets in Africa, Eastern Europe, or Latin America.

In the light of all these hopes and fears, Belgium is likely to bargain hard in the coming months and to insist on certain minimum conditions. First, there should be no delay in the modernisation of Belgian industrial equipment. Second, there should be no substantial cut in their standard of living. Third, the use of Belgian franc grants should be made within the framework of existing trade agreements, and the other Marshall nations should not be permitted to push forward with their own investment programmes at a rate which will drain Belgian resources. If in return for meeting these conditions, Belgium is asked to expand as well as to modernise heavy industry, then it may demand a further condition. Expanded capacity must go hand-in-hand with the certainty of new and reliable markets.

The Arab Refugees

ALREADY a tinge of propaganda is beginning to colour the saga of the Arab refugees. Is their present distribution the whole of the story? Whose fault is it? Did not some of them flee in needless panic? Large sections of a world sated with refugee stories are prone to listen to reasons for passivity. But to anyone, whether priest, Levite or Samaritan, travelling the ways from Jerusalem to Jericho in September, 1948, the cause of the traffic going down is less important than two consequences affecting the future. Of these, the first is that unless outside help is given quickly and in quantity, the approaching cold weather, which is sharp in the highlands, will kill thousands of shelterless people. The second is that unless the outside world recognises a responsibility not only for succouring but for settling people whose civil and religious rights (in the League Mandate) and human rights (in the UN Charter) it once pledged itself to preserve, they threaten a tragedy of great dimensions in the Middle East.

In all, Arab refugees from Palestine number about 360,000. The bulk are in Transjordan, which was by mid-September housing 160,000 and spending £8,000 a day on bread alone. (These figures should be set against those for its population and annual local revenue, which are about 340,000 heads and about £P1,200,000 respectively.) In Palestine itself, the few who have got as far as the Jordan valley are relatively well off; they have been tented by the Arab Legion, can draw water from the Wadi Qilt, and could weather the winter in their sheltered spot below sea level. The many who are still in the Judean hills could not, and must presumably descend on and swamp the hitherto adequate camps round Jericho. Probably the most affecting sight in the hills is at Bir Zeit, north of Jerusalem, where about 14,000 destitutes are ranged on terrace upon terrace under the olive trees—a tree to a family—and are forced to consume the bark and burn the living wood that has meant a livelihood for generations. Here and at Nablus, where the organisation is slightly more systematic, there is at present so little milk for babies that abortion seems the kindest way out. The Lebanon is housing about 70,000, of whom 30,000 are destitute, and having swarmed like locusts through the prosperous little villages of the southern coast, are now massed in camps near Sidon and Beirut. In Syria, which has had smaller numbers to deal with, and has received its contingent at second hand, the Committee for the Liberation of Palestine is running a receiving camp, with card indexes, DDT and organised sanitation in evidence.

Count Bernadotte's Report

The plight of the destitute can best be pictured by giving some of the evidence upon which Count Bernadotte based his report.

When Sir Raphael Cilento, United Nations Director of Aid for Refugees, inspected Transjordan, he made an analysis of 508 typical families. This revealed that 2,644 out of 3,453 persons, or just over 75 per cent, were either under five, over 60, or else pregnant and nursing mothers. Their men are not necessarily dead, but are lost. The immediate needs of these families included 4,100 blankets, 11,000 garments and 1,929 pairs of shoes. The sample is of course not typical of the whole 320,000; but it is a fair cross-section of those elsewhere. Only the free food provided, so far, by the Arab governments keeps them alive.

It should be realised that all these people burn with resentment not at the mistakes committed by their own leaders, of which they are unaware, but against the British and the west—almost more even than against the Israelis—for leaving them to such a fate. Resentment against Britain is quickened by the presence, among their members, of many middle class people who worked for the Government of Palestine, who had not cashed their last salary cheques owing to the closure of the banks since May, and who now wholly mistrust these. Two further points to remember about the local state of mind are that the custom of blaming foreigners for everything has become endemic, and is to all appearances justifiable because first aid was rendered by Arabs only.

Exodus in Two Waves

But only when the present plight of the refugees has been grasped, and its consequences weighed, is it important to examine how much of it is of Jewish and how much of Arab making, and whether it could have been avoided. The exodus happened in two waves. The first, which broke around May 15th, consisted

in the first place of inhabitants of Haifa and Jaffa (with Arab populations of 62,000 and 93,000 respectively) and then—as the Israeli forces surged north from Haifa—of the inhabitants of Acre also. The second wave, consisting of rural as well as urban families, coursed inland when, in June, the Arab states elected to resume fighting and the Israelis overran the Ramle-Lydda area. These second fugitives were all destitute, as the Israeli troops gave them an hour in which to quit, but simultaneously requisitioned all transport.

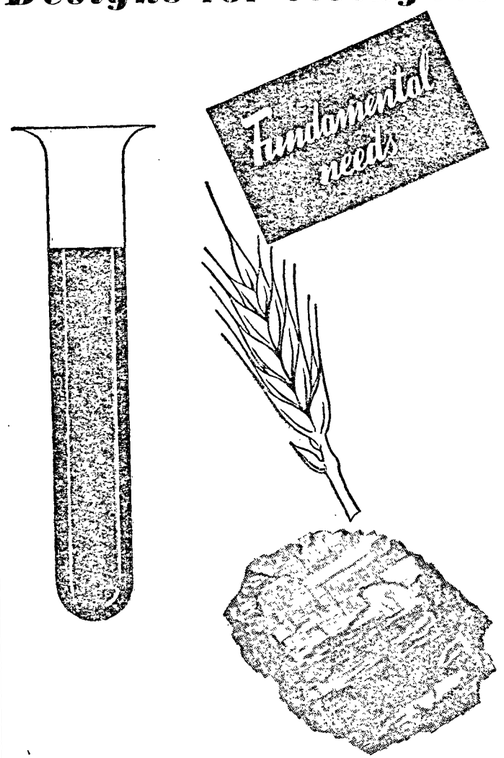
The events of the first exodus are described as follows by a British eye witness:—

> On April 21st British Military and Police evacuated certain buildings, mainly in the commercial quarters of the town, which they had previously occupied, and withdrew to the British residential zone and to the Port, holding a narrow connecting link between these two districts. Upon the British withdrawal, the Haganah and certain Irgun Zvai Leumi units made a determined attack upon the Arab-held quarters of Haifa, and within twelve hours had completely overcome all Arab resistance. A considerable number of Iraqi and Syrian irregulars was killed and the Arab residents of Haifa fled, in a state of utter panic, to the (British-held) port area; to the Roman Catholic Monastery of Stella Maris on Mount Carmel, and to St. Luke's Anglican Church compound in the German Colony. During the subsequent days, the Jewish authorities who were now in complete control of Haifa (save for the limited districts still held by the British troops) urged all Arabs to remain in Haifa, and guaranteed them protection and security. So far as I know, most of the British civilian residents whose advice was asked by Arab friends told the latter that they would be wise to stay.
>
> However, of the 62,000 Arabs who formerly lived in Haifa, not more than 5,000 or 6,000 remained. The remainder fled, many by sea to Acre or Beirut—paying exorbitant fees for their passages—others in convoys of three-ton lorries, provided by the British Army and protected by British Military escorts. The latter went either to Acre or to Nazareth (both of which towns subsequently fell into the hands of the Israeli forces). So far as I am aware, no effort, apart from urging the Arabs to stay, was made by the Jews to interfere with this exodus. In the majority of cases the refugees took all the movable property that they could take on the lorries—I believe a limit was imposed in some cases—and if they had time they either bricked up or secured as strongly as possible the entrances and windows of their houses and shops.
>
> Various factors influenced their decision to seek safety in flight. There is but little doubt that far the most potent of these factors was the announcements made over the air by the Arab Higher Executive, urging all Arabs in Haifa to quit. The reason given was that upon the final withdrawal of the British, the combined armies of the Arab States would invade Palestine and "drive the Jews into the sea," and it was clearly intimated that those Arabs who remained in Haifa and accepted Jewish protection would be regarded as renegades. At that time, the Palestinian Arabs still had some confidence in the ability of the Arab League to implement the promises of its spokesmen. The news of what happened at Deir Yassin had been widely circulated among the Arabs all over Palestine. It is possible that the Arabs feared a repetition of this incident, as an act of retribution for the massacre of the Jewish technicians at the CRL installation in Haifa Bay in December.
>
> Not until a couple of months later—by which time it was quite obvious that the refugees were not coming back—did the Jewish authorities take steps to enter those houses which had been evacuated by the refugees, or to break down the bricked-up doors of their shops. And, in any case, these entrances were effected legally, by orders of the (Jewish) Custodian of Enemy Property (appointed by the Israeli Provisional Government) and records have been kept of the goods (some of them foodstuffs urgently needed by the remaining population, both Jewish and Arab), which were confiscated.

In Jaffa, Irgun units attacked the town before the British had left, when it was defended by Iraqi and Syrian irregulars. These last were forced back, and Jaffa would no doubt there and then have fallen into the hands of Israel but for the action of British troops, who threatened to engage the advancing Jews. The latter then retired to Tel Aviv. The Iraqis and Syrians thereupon seized a chance to loot locally, particularly in Christian Arab houses, and then made a get-away with their spoils. The unfortunate local Arabs at once followed.

It is plain that no authority—Jewish, United Nations, British or Arab—can wash its hands of all responsibility. The future is the important issue at stake. Immediate relief is on its way in some quantity. Apart from the Arab States, whose generosity has been great, Great Britain heads the list of contributor nations with a first £100,000 promised on August 3rd. The first tons of United Nations goods reached Beirut on September 15th. Private subscription lists range from dollars from oil companies

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(who prefer to be nameless on account of repercussions among Zionists) to pounds raised by the Anglican See of Jerusalem. But blankets and the like, though vital, are not a total solution. The prime need is for resettlement or restitution on terms that Israel, as well as the western nations, would, if only for self-interested reasons, do well to make generous.

Nationalised Industry in France

[FROM OUR PARIS CORRESPONDENT]

THE "fiasco" of the nationalised industries is a favourite theme for joyous comment in the French conservative and business world. It excites American resident officials or commercial visitors here into a frenzy of pride at the innate wisdom and good of private enterprise. Rightwing and financial newspapers, notably the most sericus of them all, *Le Monde*, never tire of publishing special articles giving figures, facts and illustrative anecdotes which decisively prove that the larger part of French industry (calculated at about 70 per cent of its total value) which is now under state control, is in a contemptible state. Protagonists of the nationalised industries are hard put to it to retort, for the case is triply strong: they have so far failed —it is alleged—economically, financially and socially, and certainly they have exposed to scorn these who regarded them as a panacea for dilapidated France.

Economically they have failed, because they have economised neither effort nor men. Overheads, which concentration and centralisation should have reduced, have steadily risen; in the mines, for example, the proportion of clerks and administrators to miners has doubled since the liquidation of the private companies. Productivity has decreased in most branches of nationalised industry, notably in the mines where the postwar miner digs only three-quarters of his prewar average. The aircraft industry is a notorious example of nationalised muddle and waste, while Air France now has to fly foreign planes—or, at best put foreign engines into French frames—to reassure its worried clients.

As for the financial position, the nationalised industries are either running at a deficit or, according to informed *inspecteurs de finances*, are "arranging" their accounts so as to eliminate such liabilities as repairs and renovations and so obtain a fictitious equilibrium. The figures cannot be definitely ascertained as no general balance sheet is submitted, although the present government has declared that regular methods of accounting will henceforward be rigorously applied. The issue has come to the fore since the most spectacular bankruptcy of recent months in France concerned the nationalised company of SNECMA (aircraft producers). They had to shut their doors on pay-day at the end of May.

Centre of Big Strikes

Socially, the case against the nationalised firms is even more damaging, for it was, above all, a social purpose which led to their original appropriation by the state. Yet almost every large-scale strike has started in a state-controlled industry; the work of the mines is more damaged by strikes than any branch of production; the country lives in constant dread of a cut in electricity and gas supplies; and on the only two occasions on which your correspondent has seen street fighting in Paris itself, the trouble started with demonstrations by employees of the government. The first was when the dustbin-men emptied their garbage cans in a heap outside the Hôtel de Ville and came to blows with the police who were discouraging them; the second last week when the aircraft workers hurled paving stones at the police who prevented them from marching on the Elysée to protest against economies ordered by the government, which would have cost many of them their jobs.

With a case as good as this, and fortified by the approval of inadequately or belatedly indemnified shareholders (in many cases of the lower as well as the upper middle class), all sectors of conservative opinion can scarcely withhold their delight. Both batches of nationalisation were carried through in a mystical fervour (*Front Populaire* and Liberation) when it was hardly possible—or indeed safe—to denounce them. Now, with the political pendulum swinging far to the right (the pendulum swings further and more sharply in France than in Britain), the cries of "I told you so" have an almost vengeful resonance.

In fact the verdict—which a numerical majority of the French public has probably already passed—is premature. With two centuries of experience behind private enterprise and barely a decade behind state control, the respective merits of the two systems cannot yet be judged, either from the standpoint of efficiency or social justice.

The French nationalised industries (mines, armaments, transport, the large banks, electricity, gas, the principal insurance companies and a miscellaneous number of individual businesses still in their experimental phase) are developing under three basic handicaps. First is the heritage from private owners of a generally stagnant, and in some cases actually declining, business. Between the two wars the French economy, largely for demographic reasons but also because of cartel restrictions and protective practices, had fallen in technique and output far below British, let alone American standards. Since 1939 the disparity has considerably increased. Impoverished and denuded of external assets, each sector of the French community has struggled to pass on the consequent sacrifices to the others; and in the resulting inflationary chaos the devil—complete with hammer and sickle —has taken the hindmost. The nationalised industries have been the principal victims of the inflation, because the government, trying to hold prices so as to avert political disaster, have generally found it easier to block prices which they themselves control than those charged by recalcitrant traders. In many cases the theoretical deficit in the nationalised businesses has resulted from artificial price pegging—with the taxpayer standing the cost either way.

Pawns in the Struggle for Power

Second among the handicaps is the fact that both batches of *nationalisation*, prewar and postwar, coincided with extreme political tension, and the nationalised industries at once became pawns in the struggle for power. Today nepotism and jobbery are reported from many sectors of the bureaucratic machine (jobs are offered—indeed created—against money or political influence). For example, when the Communists were in charge of the Ministries controlling armaments and industrial production, they found jobs in the nationalised concerns for their own devotees; now the boot is on the other foot. The French nationalised industries are particularly vulnerable to internal political and social divisions, since they were executed in a doctrinaire rather than practical manner. Accordingly management was transferred from a single owner to a tripartite board, in which the state, the workers and the consumers (in some cases including former directors) shared power. Thus in the electricity management M. Marcel Paul represents the unions (he recently found it worth while resigning his seat in parliament to maintain this office) and occupies an admirable strategic position to prepare for the general strike on the Cominform's D-Day. Dispossessed shareholders are as unlikely to co-operate in making the new system work, as is M. Paul, pledged to upset the regime.

The third handicap under which the nationalised industries are labouring is the crisis in public savings, which affects all French productive enterprise. The cause is simple; in an inflationary economy there is every incentive to hoard or stock, and none whatever to save and invest. Given the political instability of the regime, the diminishing capital available for investment naturally finds its way into private rather than into the public purse. The misdirection or freezing of national resources is one of the major causes of France's economic decline.

In these circumstances it is doubtful whether the branches of industry now under state control would fare any better in private hands. In the impoverished and revolutionary state of French society today, the country requires the treatment which will divide it least. The state is generally incompetent and often corrupt, but if the present uneasy equilibrium is destroyed, incompetence and corruption may seem a lesser evil than civil war. The "incentives" argument can be pleaded both ways: by far the most remarkable postwar performance in the French economy has been the speed and efficiency with which the technicians and railwaymen of the nationalised railways restored their battered and dislocated communications to the present admirable level.

Some of the mistakes will have to be remedied: closer financial control and reductions in personnel have already started. The tripartite management of any business whatever will soon have to be recognised as an economic and administrative absurdity. And some of the small firms confiscated by the state in 1944 to punish collaborators will slip from public into co-operative or private hands. But an attempt to restore the great bulk of nationalised industry to private hands might, in the event of a major electoral victory for the right, seem practical politics. Yet such a restoration could only serve to accentuate political tension, class war and social and monetary instability. France, more than ever, would become an ungovernable country and its entire economy—not merely the nationalised sectors—more than ever paralytically dependent on foreign aid.

THE BUSINESS WORLD

European Recovery—I

Planning Europe's Power

This article is the first of a series on the scope for European industrial co-operation. Economic integration is still a phrase, not a policy. The working out of policy depends to a large extent on the existing technical resources and location of Europe's key industries. The series starts from the premise that a fuller discussion of these technical factors for industries like power, steel, coal, and agriculture is necessary to establish what economic integration implies. For this reason the series will try to deal in facts about specific industries, so far as they are ascertainable, rather than the broader questions of a unified economic policy for Europe.

UNLIKE most of the industries of Europe, electric power supply had a record of rapid, almost uninterrupted expansion from the end of the first world war until the beginning of the second. The expansion of supply was abruptly halted by the war; but demand continued to expand and by 1946 it would have been 50 per cent greater than in 1938 had it not been forcibly restrained. Power rationing, disconnection of supplies and other forms of restriction have become a common feature of economic life in Europe. It is unfortunate that the expanding supply and expanding use of electric power has come to be regarded almost as a law of nature, only momentarily suspended; the restrictions are usually accepted as an expedient from which the consumer may hope to be freed in a few months, or at most in a year or two. The facts point the other way. The average increase in demand before the war was between 6 and 8 per cent a year, and generating capacity was being increased at almost the same rate. But since the war the annual rate of increase of demand has jumped to about 15 per cent; and the planned increase of capacity over the next five years does not amount to more than about 10 per cent a year.

The shortage cannot, it is clear, be removed quickly, and it cannot be removed by anything less than a large programme of expansion. For such expansion, however, the available resources are limited. If they are to be used to the best advantage, certain (at least) of the new projects require to be internationally planned, internationally supported, and put at the service of more than one country. This is one precondition of any successful attack on the European shortage. But there is a second precondition: that the necessity is recognised of deriving increased power supplies from the sources of energy which can best be spared. Deep-mined coal is not one of these sources. During the years in which the electric power industry has been growing, the production of the coal mines of Europe has tended to decline; and, indeed, shortage of coal is one of the factors which swell the demand for power. The high price of deep-mined coal is itself enough to make power undertakings look for other sources of energy. In the Ruhr and Lower Rhine area, which is the principal source of thermal energy in Western Europe, it has caused the Rheinisch-Westfälische Elektrizitätswerke to return to its old and sound policy of basing its generating system not on the hard coal of the Ruhr but on the brown coal of the area between the Rhine and the Belgian frontier. This was the policy evolved by Stinnes and Goldenberg before the first world war. It led to the development of the brown coal workings near Cologne as a source of cheap power on a vast scale, using a fuel of low heat content which could not be economically transported to other markets. Under the Nazis the brown-coal stations were starved of new plant, and plans to improve them were postponed; they were regarded as militarily vulnerable, and new plant was put into the Ruhr instead. But brown coal and water power offer the best hopes of expanding the European power supply without unreasonably raising the price of power or diverting scarce hard coal away from users who cannot dispense with it.

There is no lack of electric power projects which satisfy these requirements. Plans for increasing the supply of electric power from brown coal, and for tapping new hydro-electric sources in the Alps and along the European rivers, have existed in detail for years. To mobilise the necessary resources to start work on them is another matter. These are schemes which require international support. They have the drawback that the main physical investment must be placed at the source of energy, outside the political control of at least some of the interested countries. Each of the interested countries has its own national schemes, many of them of an immediate kind, for which it can only with difficulty (if at all) find the necessary plant. There is an obvious temptation to push on with the national schemes first, and to leave the international schemes to a later and happier day. International negotiation in the power world in recent months has been concerned largely with finding ways to skirt round the temptation. It has had, so far, only a limited success. In discussion, in the collection of facts, and in comparing the relative merits of different plans, the European technicians have a good record. But when the point is reached of seeking finance, steel, building materials and generator plant, progress becomes slow.

From the end of the war to the middle of 1947 the task of European power co-ordination was in the hands of the Public Utilities Panel which had grown out of allied technical co-operation in the closing stages of the war. Its achievements in restoring the damaged power systems of the former occupied countries were substantial. In 1947 it handed over to the Electric Power Committee of the United Nations Economic Commission for Europe, which has continued to study plans and assemble the facts on which estimates of total needs could be based. In the examination of plans, separate working parties have examined the two clearly defined subjects of hydro- and thermal generation, while a third has investigated the possibilities of long-distance transmission. All these studies are conducted on a regional basis, with study groups for the Rhineland, Silesia, the Alps and the Danube.

One of the most ambitious projects for the development of run-of-stream energy is that necessitating the canalisation of the Rhine from Basel to Strasbourg. This project will comprise eight stations with an estimated annual output of 4.250 million KwH, of which one at Kembs is already in service and another at Ottmarsheim is under construction. The Rhone and its tributaries are to acquire twenty-two medium-sized stations developing a total capacity of 12,000 million KwH, in addition to the three famous stations of Genissiat, Chancy-Pougny and

Seyssel. Considerable navigational improvements will result from the completion of these projects.

Alpine water power resources are exploited by Austria, Italy and Switzerland. Austrian projects envisage a total installed capacity of 6,500 million kWh in the Vorarlberg mountains and East and West Tyrol, while a ten-year plan in the Italian Alps should raise Italy's contribution by nearly twice that amount. Switzerland has five large projects which will raise the total of Swiss installed capacity to within two-thirds of the country's potential. Water-power development plans in Scandinavia and the United Kingdom are of less direct relevance to the European programme. Development of the Danube, which holds the largest untapped potential in Europe, is likely to be held up by political difficulties. Taking the river as a whole, less than 10 per cent of the available capacity has so far been exploited.

The brown coal resources of western Germany are now recognised as important to the industrial potential of the Benelux Union and Northern France as well as to the Ruhr basin itself. German technicians estimate that the brown coal workings can yield 20,000 million kilowatt-hours annually for the next 50 years; and this is taken to justify a doubling of the existing generating plant.

*

The Committee of European Economic Co-operation at Paris last year was faced with the task of estimating the total effect of the existing power schemes in the participating countries and western Germany, and of superimposing on those schemes a further international plan to cover their most serious omissions. Its published statistics showed that the net effect of the national plans reported by the countries concerned would be to increase the total installed capacity from 42.1 million kilowatts in 1946 to 65.5 million in 1951. This was an impressive programme, but there were flaws in it. In some countries there were sharp variations in the amount of power available (or expected) in winter and summer. There were not only few installations for transmitting power between one country and another, but some countries (notably Austria) had a surplus of power in one part of their territory and a deficit in another part, without adequate inter-connecting lines. And the figures collected assumed that a great deal of obsolete plant would be kept working, with a consequent waste of coal. The committee concluded that the electricity shortage would continue throughout the years 1948-51 unless further action was taken, and it was on this ground that it recommended an international programme of nine plants in Italy, France, Switzerland, Austria, and Germany. Of the nine projects, six were hydro-electric, two based on brown coal, and one geothermic. The Paris organisation passed on to the ECE at Geneva the task of promoting the international programme. It also asked Geneva to study the desirability of a European high-tension network.

Eventually, if the attempt to deal with the power problem on a European scale is to be maintained, the necessity of a European grid will have to be faced. Technicians have already given thought to the design and even the detail of such a grid, but neither the material nor the political conditions for its success exist at present. There are individual exchanges of power across frontiers, and complaints against their working are few—surprisingly few in view of the fact that in most of them Germany is the preponderant partner. Power lines are at present working between Brauweiler (Cologne) and Jupille in Belgium, and between Brauweiler through Coblenz to Landres in France. The Jupille line was built during the war to carry power from Belgium to Germany, and is now used to carry it from Germany to Belgium; but during the severe winter of 1946-47, when the brown-coal workings failed, Belgium agreed for a few critical weeks to reverse the flow. The arrangement between Germany and Austria, by which water-derived power from the Vorarlberger Illwerke supplements the German thermal stations, has survived both the Anschluss and the collapse and has produced valuable experience; and the RWE plan to build a long-distance transmission system to carry alternating current at 400 kilo-volts between the Austrian Alps and the Rhine-Ruhr area has by no means been abandoned. This system will obviously be capable of further extension to serve any of the countries (France, the Benelux countries, and Switzerland) adjoining western Germany. All those countries are already entered at some point by lines connected with the RWE central switching station at Brauweiler. Only in the east of Germany—not in the west—do the political boundaries prevent the movement of electric power.

But it is easier to sketch out grandiose projects for the future than to cope with the hard facts of the present. One of the hard facts is that, although a reasonably good organisation exists to get international agreement among the experts on the projects that are desirable, there is no organisation yet capable of ensuring that the projects are realised in the teeth of national competition for the metals, building materials, and machinery which they require. Another is that the heavy electrical industries of Europe are in no condition to supply the full needs of the national programmes, and that many even of the existing power plants of Europe are being starved of ordinary replacements and maintenance. Goldenberg, one of the sites for expansion under the international scheme, is an outstanding example. The output of Goldenberg has been increased in the past eighteen months by building new cooling towers, and this (given the shortage of timber) is an achievement. It has not been improved by repair of the mechanical installations. The example can be repeated in many other places. The plants capable of making generator and transformer plant are few, and the important part of them which is in Germany was badly damaged by the war; but their present production is negligible even compared with their damaged capacity. They depend on supplies of rolled steel, dynamo sheets, transformer sheets, tubes, and stainless steel—precisely those types of steel product which are most scarce and of which the German steel industry could begin to supply more if it were allowed to do so.

ELECTRIC POWER PRODUCTION UNDER THE NATIONAL PLANS
(Billion kWh)

	1937	1947	1951
Austria	3·1	4·8	8·9
Belgium	4·9	6·5	8·4
Denmark	1·1	1·75	2·5
France	20·1	25·8	37·0
Italy	15·2	20·8	31·3
Netherlands	3·3	4·2	5·9
Norway	9·3	11·8	15·0
Sweden	8·0	15·0	19·3
Switzerland	6·8	10·1	11·5
United Kingdom	21·7	41·2	54·2
Others	1·8	2·3	4·9
Sub-total	95·2	144·3	198·9
Western Germany	27·5	25·2	37·9
TOTAL	122·7	170·5	236·8

ESTIMATED ELECTRICITY PRODUCTION AND REQUIREMENT 1948-1953 IF NATIONAL GENERATING PLANT EXTENSION PROGRAMMES ARE SUPPLEMENTED BY THE INTERNATIONAL PROGRAMME
(O.E.E.C. Countries and Western Germany)
(Billion kWh)

Year	Production from National Programmes	Production from International Programmes	Total Production	Requirements	Net Deficit	
					Amount	Percentage of Requirements
1948	188·7	...	188·7	197·1	8·4	4
1949	209·3	0·3	209·6	215·6	8·0	4
1950	221·9	1·4	223·3	229·6	6·3	3
1951	236·8	2·9	239·7	242·8	3·1	1
1952	251·0	5·4	256·0	256·0	...	...
1953	265·0	6·2	268·0	268·0	...	...

Uses of Manpower

TWO important things have happened since Sir Stafford Cripps addressed the Trades Union Congress nearly a month ago on the need for greater efficiency in production. The first is the agreement between the Marshall countries for grants from the creditor countries to make good the deficits of the others, an agreement which particularly involves greater demands for British exports to Europe. The second is the Government's decision to take the first steps towards rearmament. Both facts have a direct relevance to a point of view which Sir Stafford emphasised, by repetition, in his Margate speech. He then claimed that there were no more resources of manpower to throw in to increase production; a new stage in Britain's efforts towards economic recovery and paying its way had been reached, since "we have used up all our manpower and even imported quite a lot to help us from Europe." With a given volume of employment, the only way of increasing the real standard of living was by greater output per head—either by using more muscle or more brain, and he put the main emphasis on more brain.

The widening ripples of this frank speech are still extending throughout industry. It has been taken seriously by the TUC, whose response promises a much more favourable background than first seemed possible for the work of the Anglo-American Council, now beginning its examination of British industrial methods. Yet the two new factors—effective European co-operation and rearmament—present an important challenge to the major premise on which the Chancellor's speech was founded, that British manpower is now at full stretch. Sir Stafford did not indeed suggest that manpower was being used in the best possible way; but that inference might easily have been drawn by anyone who had only casually studied his speech. The test whether manpower is being used in the best possible way does, however, affect the strict logic of the Chancellor's diagnosis, for if it can be shown that too large a proportion of the nation's manpower is being absorbed in unproductive employment, or in production of secondary importance, the case for maintaining that there are no more resources of manpower to throw in to increase production is correspondingly weakened. The proof or disproof rest upon an examination of the anatomy of full employment.

At the end of July, the total working population in Great Britain was put at 20,265,000, a figure fully half a million higher than the rough estimate for mid-1939, and exactly half-way between the total at the end of 1947 (20,430,000) and the forecast in the "Economic Survey" for the end of this year (20,100,000). In the first seven months of this year, however, the total industrial population increased by nearly 170,000, because the reduction in the armed forces (including those on release leave) was twice as large as the fall in the total working population. The "Economic Survey" anticipated an increase in the total industrial population to 19,320,000 by the end of the year; by the end of July that figure had already been surpassed. Moreover, the total numbers in civil employment, with only five months to go, are 200,000 higher than the "Economic Survey" estimate for the end of the year. The expected rise in transitional unemployment has not occurred; indeed, unemployment at the end of July was lower than it was at the end of 1947, before disinflation had been attempted; and the total in civil employment in July (19,069,000) was not only well over one million higher than in 1939—it was also a comfortable record ever since the employment figures have been compiled in their present form.

On this showing (the detailed figures are given in Table I) it might seem that the claim that manpower is at full stretch is entirely justified. It is obvious enough that unless the working population can be increased, or the armed forces and the unemployed reduced, the total numbers in civil employment cannot be expanded much further. A distinction has to be drawn between the estimated population of working age (that is, males between 15 and 64 and females between 15 and 59) and the total working population which offers itself for employment. An example will make this clear. At the end of 1946, the estimated population of working age was 31,659,000, made up of 15,962,000 males and 15,697,000 females. But the total working population at the same date was 20,414,000, of whom 14,629,000 were men and 5,785,000 women. Similarly, the working population at the end of July was composed of 14,534,000 men and 5,731,000 women, but the estimate of population of working age (at the end of this year) is 15,965,000 men and 15,620,000 women. Thus between 36 and 37 per cent of the women of working age are, in fact, employed, compared with about 91 per cent of the men.

The prospect of raising the working population depends upon the future trend of the population of working age, its composition by age and sex, and the assumptions which are made about the proportions of the two sexes which enter into the working population. Estimates given in the *Ministry of Labour Gazette* in May, 1947, suggested that by the end of 1951 the population of working age will have fallen to 31,535,000, of which 16,030,000 will be men (an increase of 65,000 in three years) and 15,505,000 women (a fall of 115,000). The calculation then assumed that the working population for men in 1951 would represent 90.5 per cent of the total male population of the same ages, while for women the percentage was assumed to fall to 34.3 per cent (compared with 42 per cent in mid-1945). There is, therefore, a double fall in the case of women, first in the numbers of working age, and, secondly, in the proportion of those who are likely to offer themselves for work. Moreover, while the total number of men in the working population is likely to increase somewhat (from 14,534,000 at present to 14,540,000 at the end of 1951) there will be a pronounced fall in the number of men below 40, coupled with a bigger increase in the number aged 40 and over. But the fall in women in the working population (from 5,731,000 at present to 5,320,000 at the end of 1951) will be more severe in the 15-24 age group than in the 25-39 group. The working population of 1951 (if the Ministry's assumptions prove to be right) will contain 230,000 fewer young women and girls than in 1946.

The purpose of setting out these figures is not to introduce the widely-ranging topic of Britain's future population problem, but

TABLE I—WORKING POPULATION AND EMPLOYMENT, 1939-48
('000s)

	Mid 1939	Mid 1945	End 1947	July, 1948	End 1948 (Economic Survey)
Total Working Population	**19,750**	**21,649**	**20,430**	**20,265**	**20,100**
Less —					
Armed Forces	*480*	*6,090*	*1,119*	*816*	*730(a)*
Ex-Servicemen on Release Leave	...	*40*	*·123*	*90*	*50*
Total Industrial Population	**19,270**	**16,519**	**19,183**	**19,359**	**19,320**
Employed on Defence Orders	*1,270*	*8,830*	*350*	} *5,240*	{ *350*
" " Home Market	*4,555*	*2,580*	*4,959*		...
" " Export	*990*	*410*	*1,942*	*2,090*	...
Total Manufacturing Industries	6,815	6,820	7,251	7,240	7,325
Total in Basic Industries	3,298	3,288	3,629	3,709	3,752
Total in Other Industries and Services	7,887	6,308	8,008	8,120	7,793
Total Civil Employment	**18,000**	**16,416**	**18,888**	**19,069**	**18,870**
Unemployed	1,270	103	300	290	450

(a) Now increased by longer service.

rather to emphasise that the trend of population now in sight offers no hope of an increased working population except through a change in the proportions of men and women of working age who enter the working population. Recent figures of employment may suggest that the Ministry was too pessimistic in its estimates sixteen months ago, but it would certainly be optimistic to expect that the number of women available for employment will remain at its present high peacetime figure. And this, coupled with the increased manpower absorbed by the forces and the improbability of any further material reduction in unemployment, means that the total numbers in civil employment will in due course begin to fall from the present figure of 19,069,000.

TABLE II—DISTRIBUTION OF INDUSTRIAL POPULATION, 1939-43
('000s)

	Mid 1939	Mid 1945	End 1947	July, 1948	End 1948 (Economic Survey)
Basic Industries :—					
Coal*	773	738	758	766	790
Other Mining and Quarrying	105	61	73	74	75
Agriculture	910	1,025	1,055	1,083	1,110
Fishing	40	16	35	35	37
Transport and Shipping	1,233	1,252	1,438	1,475	1,460
Public Utilities	242	196	270	276	280
Manufacturing Industries :—					
Building Materials	567	403	530	583	575
Metals and Engineering	2,267	3,336	2,875	2,880	2,900
Textiles	793	498	652	675	760
Clothing, etc.	1,095	652	831	819	800
Food, Drink and Tobacco	654	518	623	630	600
Chemicals, etc.	266	423	336	336	335
Other Manufactures	1,258	990	1,343	1,317	1,355
Other Industries and Services :—					
Building & Civil Engineering	1,310	722	1,364	1,377	1,200
Distribution	2,887	1,958	2,351	2,360	2,320
Consumers' Services, Hotels, Catering, Entertainments, Sport	817	613	834	872	2,123
Other Services	1,408	989	1,248	1,288	
Civil Service	403	715	692	1,081	715
Other National Govt. Service	211	406	376		360
Local Government	846	999	1,105	1,142	1,075
Total Employed	**18,000**	**16,416**	**18,838**	**19,069**	**18,870**
Unemployed	**1,270**	**103**	**300**	**290**	**450**
Total Industrial Population	**19,270**	**16,519**	**19,188**	**19,359**	**19,320**

* Total manpower: numbers on colliery books are 40,000 lower.

Table II gives the detailed figures for these three groups of industries and services (they are summarised in Table I) before and since the war, together with the manpower targets laid down in the "Economic Survey." This document observed, last March, that "labour is not at present, and is unlikely to be in 1948, the limiting factor in economic activity as a whole." It argued that any projected distribution of manpower would, therefore, be largely a forecast of the results of other factors, and that if some figures turned out differently it would not necessarily be in every case a matter of regret. It then made the categorical assertion:

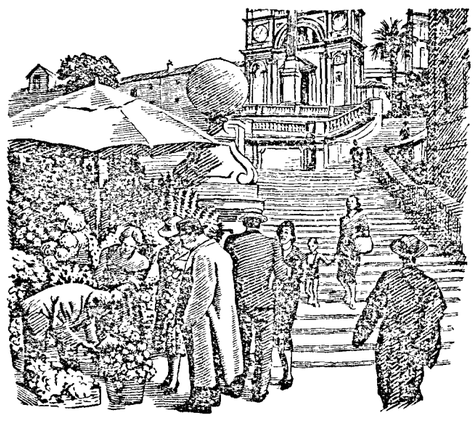
> But the labour forces proposed for coal, agriculture and textiles are targets in the full sense. They are numbers believed to be required to reach specific objectives in the set of output and export targets decided for 1948. The attainment of these manpower targets is among the first necessities in 1948.

It is doubtful if it would be so confidently asserted today that manpower is not a limiting factor in economic activity as a whole. Moreover, the results are not proving entirely satisfactory. The "targets in the full sense" will not be attained, unless—as is inconceivable—in the last five months of the year another 85,000 workers can be found for textiles, 24,000 for the mines and 27,000 for the farms. These industries, and the big amorphous group "other manufactures" are the main laggards. In addition, some of the other groups which have "turned out differently" show increases which are certainly a matter for concern. Distributive trades, which were to have lost manpower this year are still gaining labour; in July they were already 40,000 above their end-year forecast. Building and civil engineering, originally intended to take a relatively big cut, have a larger labour force. There was to be no extra manpower for hotels, entertainment, sport, commerce and finance, professional and personal services, laundries and cleaning; yet these trades were expanded by 40,000 in the first seven months of this year. There is little change in the civil service and other central government service; but local government service is 67,000 above the end-year estimate. And it is significant that the only manufacturing industries which are well above their "Economic Survey" manpower allotments are clothing and food, drink and tobacco, which serve the consumer.

These figures are themselves eloquent of the need for the Chancellor's policy of disinflation—and also of its virtual failure so far as a method of inducing industrial manpower to move from the less to the more essential industries. The changes postulated in the "Economic Survey," of course, have no absolute validity. But the fact remains that six groups which cater for the consumer, or his shelter, or his local government, are now absorbing 370,000 more employees than they were supposed to absorb by the end of the year. They have hung on to manpower which was expected to become temporarily unemployed and to move into the essential industries; and the latter still stand nearly 175,000 below the estimate.

Thus the argument that manpower is at full stretch is true only with the reservation that a lot of it is not being used in the best way. There is still too much employment in the consumers' trades and in government service, and too little in the basic dollar saving or dollar earning industries. Now the demands of rearmament and of more exports to Europe to fulfil ERP obligations have to be added to those which have already absorbed British labour to the practical limit. To estimate the extent of these new demands is very difficult—perhaps 50,000 additional workers on defence orders, at this stage, is a plausible guess, but it is difficult to put any kind of figure forward for the provision of "unrequited exports" from Britain to Europe under the European payments agreement. A further extension of rearmament would certainly lead to strains on manpower.

In this situation there are three possible solutions. The best would be a transfer of labour from less to more essential industries; but that policy, argued with such logic in the "Economic Survey" has virtually failed in practice. The second would be an increase in output, which in the short run could only be secured by a lengthening of working hours. At this, Ministerial hands are already being thrown up in horror, as though there was something inherently right about the shortened working week, or as if it was barely within the capacity of labour. The third and least palatable would be to throw some present commitments—overboard—not exports for compelling reasons; not housing, social services or, perhaps, the consumers' trades for a mixture of political and economic reasons; but presumably that part of the investment programme which is easiest to cut without public protest, like industrial building and re-equipment. The Government must be held to their recent statements that they have no such intention.

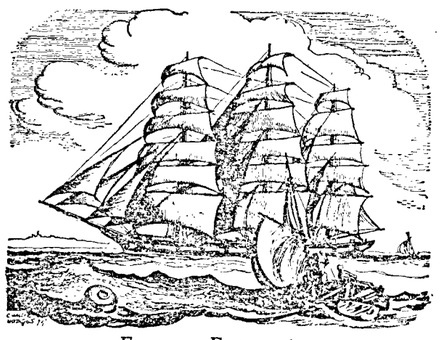


A Flower Market, Rome.

Rome, Paris and the Riviera . . . New sights, new sounds, new horizons. But the colour and bustle of foreign shops and markets remain the most vivid memory of our continental holiday. And the money with which we bought those honey sweet oranges, that lovely length of silk and those ingenious toys? Well, we took Travellers Cheques issued by Barclays Bank. We got them from our local branch, as easily as buying a stamp, and we changed them whenever the need for money arose. The Bank took care of all the financial technicalities, and left us free to plan the perfect holiday. The Manager of your local branch would do the same for you.

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Business Notes

The Chancellor in Washington

All the publicity concerning the Chancellor of the Exchequer's visit to Washington has necessarily related to his official pronouncements as British Governor of the Fund and Bank. In his address at the opening session of the third annual meeting of the Governors, Sir Stafford Cripps stressed that the economic picture of the world today was not quite what had been anticipated by the creators of these institutions, but, he added, "we must not, because of these unfortunate accidents of history, underestimate the importance, either of the Bank and Fund's creation or of their continuing and developing existence." In his inaugural address Sir Stafford wisely turned away from safe generalities at certain points to deal with departures from the code of monetary conduct laid down by the International Monetary Fund. With multiple currency practices and disorderly cross-rates in mind, he pointed out that Britain from its own experience was conscious of the way in which departures from this code affected the workings of international commerce.

Of the other topics of discussion to which the Chancellor has devoted himself in Washington, one of the more important concerns the transferability of drawing rights in the European payments scheme which has yet to be finally approved by the Organisation for European Economic Co-operation in Paris. The British case against transferability has no doubt been forcibly stated by the Chancellor both to representatives of the ECA in Washington and to Mr Snyder and his experts at the US Treasury. The outcome of these particular discussions will have an important bearing on the deliberations of the Council of OEEC in Paris in the coming week.

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The Ottawa Talks

The Anglo-Canadian financial and economic discussions closed at the end of last week with the issue of an agreed statement. Its text goes as far as could be expected of an official communiqué to hint that some questions have been left unresolved at the end of the talks. The discussions apparently ranged over the whole field of economic relations between the two countries during and also after the completion of the European Recovery Plan. The focal point of these discussions was "the difficulty of the dollar and sterling balance of payments problem and the efforts which would be required on both sides to help narrow to manageable proportions the gap in exchanges between the two countries."

To this end the United Kingdom will make every effort to expand its exports to Canada, but, the official statement adds, "it will be necessary to make some adjustment in the United Kingdom import programme of recent years." The two Governments declare themselves satisfied that "there is a prospect of a large and continuing trade between the two countries," and they undertake to do everything possible to avoid any sudden change in the pattern of that trade. In order to facilitate the free and prompt exchange of full information on commercial and economic matters of mutual concern, a continuing committee of representatives of the two countries is to be set up, which will meet regularly in Ottawa and in London.

The discussions between representatives of the two countries have now been transferred from Ottawa to Washington, whither both Sir Stafford Cripps and Mr Douglas Abbott, the Canadian Finance Minister, journeyed after the end of the Ottawa talks. Mr Abbott has publicly stated that the future of the now frozen balance of the Canadian loan to Britain would be one of the subjects for discussion during his visit to Washington.

* * *

The Monetary Fund on Exchange Policy

The annual report of the International Monetary Fund for the ten months to April 30, 1948, deals candidly with the difficult problems which the Fund had to encounter during this period. On the question of exchange rates, the report draws a contrast between stability and rigidity. One of the basic purposes of the Fund is "to promote exchange stability" but this implies that when adjustments in exchange rates are necessary, they should be made, though made in an orderly manner. On the question of the validity of exchange rates, the Fund reiterates the now familiar point of view that "so long as an exchange rate does not hamper a country's exports, there is little to be said in

present world conditions for altering it." The report adds, however, that "in some countries the exchange rate is becoming a restraining factor on exports and is adding to the difficulty of earning convertible currencies."

The report naturally has a great deal to say about fluctuating exchange rates and multiple currency practices. It points out that exchange stability cannot be achieved in a country where inflation is rampant and it recognises therefore that in certain exceptional circumstances, such as those of China and Greece, "the temporary use of a fluctuating exchange rate is necessary to enable a country to prevent a breakdown of its trade." This dispensation, however, does not exonerate certain countries from blame for introducing so-called free rates, which in turn have permitted the emergence of disorderly cross-rates. The report describes the effects which such disorderly cross-rates are likely to have on the direction of international trade, and points out that the changes in the pattern of trade which result from them are likely to reflect short run considerations and local peculiarities, which have no permanence about them. Changes of this kind will therefore merely add to the difficulty of restoring balances of payments and convertibility of currencies. For these reasons, "the Fund attaches great importance to the maintenance of orderly cross-rates."

The report states that all members of the Fund, other than El Salvador, Guatemala, Mexico, Panama and the United States, have availed themselves of the provisions of the Fund Agreement which allows them to maintain exchange restrictions on current payments during the transitional period. In this context, the report describes in some detail Britain's attempt and failure to restore the convertibility of sterling in 1947 and concludes that "British experience shows that the establishment of convertibility of currencies can succeed only when the underlying conditions are favourable to a system of multilateral trade and payments. Until the great trading countries whose currencies are used for international payments have restored a reasonably satisfactory balance in their current international accounts, they cannot undertake the obligation of permitting free transferability of their currencies for current transactions."

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The report also deals with the various problems that have arisen during the past year in connection with gold policy, including external sales of gold at premium prices and subsidies to producers. There is a note of defeat about these comments, and the Fund has to admit that "there is ample room left for greater support of the Fund's policy" and that "there should be more vigorous enforcement of the gold regulations in certain countries."

On the subject of the Fund's exchange operations, the report points out that in starting activities in a war-devastated world, and before relief and reconstruction requirements had been met, a risk was run that some of the Fund's resources might be used for other than temporary assistance. This risk was assumed "in order that the Fund might make a contribution to the maintenance of national economies and of exchange stability during the transitional period."

The statement of income and expenditure for the ten months to April 30, 1948, shows a total income of $4,186,000 of which $4,080,000 came from service charges on exchange transactions. The expenditure in this period amounts to $2,627,000 leaving a net income of $1,559,000. The budget for the year to April 30th next estimates administrative expenditure in the current 12 months at $4,187,000.

* * *

World Bank and Lending

The third annual report of the International Bank for Reconstruction and Development was presented to the governors at their meeting in Washington this week. The report analyses the major economic problems facing various areas of the world and suggests remedial lines of action. Total loans made by the bank amount to $525 million of which $445 million were made in the previous year and only $80 million in the 12 months to June 30, 1948, covered by the report. These later operations, however, are of interest as precedents for new types of financing. For example, they include two loans totalling $16 million to Chile for development purposes—and not for reconstruction which had hitherto dominated the bank's operations. The past year also saw first loans by the bank to private enterprises and the first use of its guarantee powers. These precedents were combined in the loan to four leading Dutch shipping companies, secured by mortgages on ships, with the subsequent sale to a group of private United States banks of notes representing these loans.

The report deals at some length with the relation of the bank's operations to the European Recovery Programme. In this context, the report states that "it seems clear that there is a real need for bank financing in addition to the financial assistance made available by the Economic Co-operation Administration. Furthermore, since the first claim on ERP funds will be necessarily for those imports most immediately essential, the long-range investment field seems obviously the one most appropriate for bank assistance." The bank, therefore, intends to supplement ERP by financing projects which involve permanent additions to Europe's productive capacity. The bank's interest in assisting Europe has not, however, prevented a development of its interests in other parts of the world. Apart from the two loans to Chile for hydro-electric and agricultural development, several other propositions are "in an advanced stage of negotiation."

The report describes the machinery which has been evolved by the bank to ensure that the proceeds of its loans are used only for the intended purposes. As a first step in this system of supervision, the proceeds of a loan are subject to withdrawal by the borrower only upon a satisfactory certificate that expenditures have been or will be made for the purchase of the specific goods or services covered by the loan agreement. Subsequently, the bank conducts an investigation of the end-use to which the goods are put. Throughout the report, stress is laid on the importance of the bank's advisory functions; it argues that the effectiveness of this institution should be judged "not so much by the number or amounts of its loans . . . but rather by its success in influencing attitudes, in promoting a realistic constructive approach to development problems on the part of its members and in fostering a greater degree of confidence among investors."

* * *

Wages Merry-go-round

Only by the narrowest of margins was the Amalgamated Engineering Union impelled to accept the recent award of the Court of Enquiry of an increase in wages of 5s. compared with the 13s. which had been sought. The acceptance of the Confederation of Shipbuilding and Engineering Unions which followed was, on the face of it, more decisive, but it left two questions unresolved—first, whether the Confederation's acceptance would be supported by the men themselves, and, secondly, whether the efforts of the unions would now be directed to obtaining their aims through the "simplified wages structure" which the Court suggested should be worked out in negotiation between the two sides. The threat of local stoppages through dissatisfaction with the engineers' award may not have been wholly removed, but the attempt to organise token strikes on Clydeside appears to have met with small success. The importance, first of the AEU's acceptance, and secondly of the failure of a section of the shop stewards to secure support for the stoppage of work in protest are both significant—for the Union is powerfully influenced by Communist members and officials, who have done their utmost, in pursuance of their party's policy, to oppose the Government's policy of stabilisation, and have been loud in their protests against the inadequacy of the 5s. increase which has been granted.

Claims are now before the Railway Executive and the London Transport Executive for an increase of 12s. 6d. for railwaymen. The cost of this claim for the railways alone is estimated at £20 million in a full year, and the provision of such a sum would clearly be impossible, given the present trend of the railways' net revenues. The Executive may well be hard put to it to earn any net revenue to meet its interest charges this year. And the concession of even a partial wages increase would raise the question of increasing the railways' charges at a time when they are embarrassed by loss of passenger and merchandise traffic. The Railway Executive has yet to give any indication of its attitude towards the union's claim; if it is rejected (which again would raise embarrassments of another kind, involving the relations of nationalised undertakings with organised labour) the claim would presumably go to a committee of enquiry.

The third wages claim, now in preparation, is that of the National Union of Agricultural Workers, which intends to present its case for higher minimum wages at the meeting of the Agricultural Wages Board shortly. So far, the Union has not formulated its demands in precise terms, but it is seeking broadly to bring agricultural wages and conditions in line with those obtaining in industry, by increased minimum wages, higher overtime rates, and a reduction in the 48-hour week to 44 hours. The Union can obviously make much of the concessions to industrial workers during the past twelve months, and of the need to increase the agricultural labour force to fulfil the Government's farm policy. Under the present arrangements for fixing farm prices, it would be the unfortunate consumer (or the unfortunate taxpayer, who is largely the same person) who would have to foot the bill for any increase.

* * *

Exit the Steel Board

On Thursday, the two years' term of office of the Iron and Steel Board came formally to an end. It was a condition demanded by certain members of the Board that it would not be part of the functions "of the Board or of the members from the steel industry" (of which there were two) "to advise the Government in connection with plans for public ownership." Its functions have been strictly concerned with the supervision of the industry's development—it has acted as an independent assessor advising the Government on the merits and timing of the various sections of the development programme devised by the British Iron and Steel Federation immediately after the war—and with the functions formerly exercised by the Iron and Steel Control over production, distribution and prices. As an experiment in public control without public ownership it has proved valuable.

Its future, in view of the Government's intention of nationalising the iron and steel industry and the known reluctance of the majority of the board to become involved in any such proposal, continued up to the last day of the two years to be obscure. The Ministry of Supply has now disclosed that the members were all asked to serve a further year, and that, with the exception of the trade union members, they refused. They did, however, indicate that they would be willing to carry on for long enough to deal with the outstanding problems on which the board has lately been engaged, and that this work could be completed by the end of 1948. When the resignations take effect the board will be wound up, and the Ministry of Supply is to carry on its work.

* * *

The New Quota Year

The quota provisions for the first year of the new Films Act came into force yesterday, with every promise that the coming year's work would be even more frustrated by controversy than its predecessors. Attempts to legislate for the film industry still meet, as they have always met, the difficulty that the industry itself speaks with too many voices which conflict too completely; the art of synthesis between the interests of different branches in the industry has never been developed. This was evident in the negotiations last winter which preceded the introduction of the Bill. The exhibitors wanted a reduced quota, with a maximum of ten per cent for independent theatres in competitive areas; they also wanted the renters' quota to be continued, and opposed the separation of the quota for short films from the quota for first features. The British Film Producers' Association opposed the exhibitors on all three points. The Film Industry Employees' Council supported the producers, but with variants and qualifications. For practical purposes no collective interest of the film industry as a whole was brought to bear on the question at all.

To mark the present occasion, the President of the Board of Trade has contributed a foreword to a survey of the state of the British film industry which *Kinematograph Weekly* publishes this week. Mr Wilson describes the quota legislation as "fundamental to the British film industry's future in world conditions as they exist today," and expresses confidence that "the industry can be counted on to make every effort to fill the quota." Effort is one thing, success another; the actual prospects of British film output in the next year or two are hard to assess, and not easy to see in bright colours. The British film-producing establishments consist of 24 studios, which have 72 sound stages and 643,000 square feet of floor space. This compares well enough with the position in 1937, when the industry had 21 studios with 64 stages and 550,000 square feet of floor space. But the present studio space is by no means fully utilised. According to the estimate made by *Kinematograph Weekly* (which assumes 60 of the 72 stages to be suitable for feature film production, and limits the average time taken in production to 12½ weeks and the space required to two stages for each film) the present space is sufficient to produce 120 feature films in a year. But the same survey concludes that in fact only 62 first features and 12 second features will be completed this year. This compares with 58 "major features" completed last year; and this in spite of the fact that, with the new mood of financial realism among the film producers themselves, the average investment in each film has been much reduced.

Gestetner

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SUMMARISED BALANCE-SHEET OF GESTETNER LIMITED AND CONSOLIDATED SUBSIDIARIES, as at 31st August, 1948.

Issued Capital	£665,918	Fixed assets, at cost	£645,836
Capital Reserves	174,570	*Less:* Accumulated Depreciation	391,624
Revenue Reserves and Unappropriated profits	808,999		£254,212
Outside Shareholders' Interests	682	Patents and Goodwill	1
		Excess of Current Assets over liabilities and provisions	1,395,956
	£1,650,169		£1,650,169

SUMMARISED APPROPRIATION ACCOUNT OF GESTETNER LIMITED.

Profit for year, after providing for Taxation, Depreciation, Staff Insurance Schemes, etc.		£153,819
Distribution for year:—		
Preference Dividend (7%)	Net £10,106	
Ordinary Dividends (30%) Plus bonus (7½%)	Net 83,205	
		93,311
Retained in the business		£60,508

Extracts from the Directors' Report are appended:—

"Both in volume and value the exported percentage of the Company's products exceeded the Government target and constituted an all-time record. The recent Pan-American conference held at Bogota, Colombia, standardised on Gestetner equipment. At the General Assembly of the United Nations in Paris, Gestetner equipment will produce the Official Reports and Statistics. We are proud to report these triumphs of a British product.

"The Gestetner Service to its users has maintained the reputation for which your Company is known.

"Factory production and sales at home and abroad have reached the highest peak experienced in the history of the firm. Active research has contributed to the high quality of our manufactures and our new products; continued efforts are being made to improve production methods and new plant is installed wherever further improvements can be effected. Every endeavour will be made to maintain production and sales in the unknown circumstances of the year ahead."

France's ECA Funds

The United States' direct and immediate contribution to the easing of the mounting financial crisis which faces the French Government has been to agree to release a sum not exceeding 45,000 million francs out of the balances deposited against the receipt of Marshall grants by France. A further release of equal amount will be considered later in October. This means that virtually the whole of the francs deposited against dollar grants are in effect being swept back into general circulation and are not being used in repayment of debt. Had they been so used, they would merely have increased the French Government's need to borrow. The release of these funds will, however, have one important psychological effect, for it will avert, for the present, the need of the government to seek an increase in the ceiling of 200,000 million francs which at present limits the total of advances to the State by the Bank of France and which was being closely approached. The Economic Co-operation Administration in Washington has emphasised that this release of ECA balances to France is conditional on measures to restore financial equilibrium and that it would not have been made but for the steps taken in this direction by M. Queuille's new Government. The danger may be that, following this first concession, France may come to look on the expenditure of the internal proceeds against Marshall grants as a normal feature in its budgetary arrangements. In that event, France will find it more than difficult to do without this particular help in the future.

* * *

South Africa's Gold Cover

The persistent drain of the gold reserve held by the Reserve Bank of South Africa has called for counter measures by the South African Government, which has now introduced a bill proposing to reduce the statutory gold cover for the currency from the present ratio of 33⅓ per cent to 25 per cent. The Minister of Finance, Mr Havenga, in justifying this measure, has claimed that the new figure was the same as the minimum statutory reserve in the United States, a fact which in his view put the mark of respectability on the proposed change. Mr Havenga also admitted that the latest statement of the Reserve Bank showed that the gold reserve had fallen to 31.3 per cent, the lowest ratio yet recorded, though he added that the cover would be raised to 33 per cent if the gold lent to Britain were taken into account—which would surely be a revolutionary method of calculation.

The main issue on which the new bill has to be judged is not whether the proposed statutory figure is higher or lower than that which obtains in the United States or elsewhere, but whether effective measures are being taken to arrest the fall in South Africa's gold reserves. On this score, there is still no ground for reassurance. Mr Havenga has pointed out this week that he is still opposed to import controls—which in effect means that he is still prepared to pay in gold for American imports of every kind, essentials or luxuries. The South African authorities are still thinking in terms of the possibility of a loan from the United States, though Mr Havenga was prepared to admit that this would only bring temporary relief. Unless they brace themselves for the effort of introducing some selective control of imports, they may soon be astonished at the rapidity with which the margin between a 33⅓ and a 25 per cent reserve can disappear.

* * *

British Trade with Denmark

Our Copenhagen correspondent writes: The British trade exhibition in Copenhagen—the biggest British exhibition ever held abroad—which opened a fortnight ago and closes this week-end, had two handicaps to fight. One was the weather. Twelve hundred British firms displayed their goods on stands in five different places in Copenhagen, and the rain and gales which have swept the streets might easily have threatened the attendance. They did not do so. In the first week, there were half-a-million visitors, and the fleet of double-decker buses which came from England for the occasion carried them expeditiously between the different sections of the exhibition. From a commercial point of view, the two main organisers, the Federation of British Industries and British Import Union in Copenhagen, can claim that the exhibition has been a great success.

The other handicap will not be defeated so easily. This is the restriction on Danish imports. Many visitors must have felt the torments of Tantalus when they saw goods on exhibition which they are not permitted to buy. The Danish Minister of Commerce, Mr J. O. Krag, has held out little hope that import licences will be given in the near future for many of the more expensive luxury goods. And the definition of "luxury" nowadays covers many articles of use, such as household furnishings and equipment. Yet British exhibitors do not complain. They have booked orders up to limit of the licences at present granted and most of them have also taken extra orders in the hope that licences may be given more freely later. Before the exhibition opened, there were some complaints from Norway and Sweden that Copenhagen had been chosen for the display. But the number of visitors from both countries and from Finland, too, showed the interest of businessmen in these countries in the exhibition. Most of the exhibitors have met many old customers from the three other Scandinavian countries.

The motor show undoubtedly attracted the greatest attention. This section had been allocated the most requiring of all the exhibition halls—the old riding house at Christiansborg, next to the Royal stables. It had never been used for an exhibition before and was never intended for one. But, in the shadows of the grave granite masses of the castle, gay sunblinds outside the gloomy colonnade and bright colours inside provided very attractive surroundings for the British motor-cars. The few American cars which have been imported into Denmark have been nicknamed "Dollar grins," while the more modest, but attractively styled, British cars were immediately baptised "Sterling smiles." Denmark needs some 25,000 new cars and there is no doubt that the lines of these cars, coupled with their modest petrol consumption, will gain them a high place on the Danish market. This motor show, although not the biggest section of the exhibition, was the most popular.

The Danes before the war used to consider British methods of displaying their goods and advertising them (as well as the unwillingness of manufacturers to adapt them to the customers' demand) as a little old-fashioned. The British export drive, and the Danish hunger for goods, seem to have brought buyer and seller nearer to each other.

* * *

Richard Crittall

Until quite recently the failure of Richard Crittall and Company (a heating and ventilating engineering concern which is not to be confused with Crittall Manufacturing, makers of metal windows) to make a profit for 1947 was presumed to reflect a difference of opinion between the directors and the auditors on the treatment of development expenditure. The first hint of trouble had been given in June, when the first half-yearly payment was deferred on 450,000 5 per cent cumulative £1 preference shares, issued at par by Whitehead Investment Trust and more than five times over-subscribed as recently as December last year. In August came the serious implications of the appointment of a receiver and a new board of directors, following the disclosure of a trading loss of an unstated amount. Finally, at this week's meeting of unsecured creditors, all illusions have been dispelled. For now it is evident that the company will indeed be fortunate to escape liquidation. For the time being this step has been averted by a creditors' moratorium until November 15th on the vote of four hundred unsecured creditors. Three unsecured creditors have been appointed as a committee to keep in touch with the directors in their efforts to salvage something from the wreck.

This will indeed be a herculean task. According to Mr H. V. Cozens, the new chairman, shareholders have already lost 95 per cent of their capital. In a statement of the approximate position at August 19th given by the receiver, Mr R. G. Leach, total creditors' claims are put at £1,316,000, of which £30,000 is attributable to preferential, £608,000 to secured and £678,000 to unsecured creditors. Against this, assets amount to £879,000, including £280,000 due from subsidiaries and £200,000 for work in progress. All save two of the subsidiaries have been making considerable losses and the receiver has rightly been concentrating his attention on instituting drastic economies since the neglect of the fundamental principles of costing has apparently been chronic. The rot has gone so far that liquidation seems to be the only possible fate for most of the subsidiaries, though there may well be difficulty in realising their work in progress and stocks. Liquidation is not contemplated for the parent company, whose goodwill is still held to be worth something, nor for Richard Crittall Marine, Magnetic Valve, Grierson, N. V. Stralingswarmte and Richard Crittall Stralingswarmte. Total losses of the parent company are likely to exceed £1,000,000, and losses are still apparently being made. Total orders are valued at some £1,835,000, of which running contracts represent £270,000.

More information on the position will be available next week, when the consolidated accounts for 1947 are expected, but an accurate picture of the present predicament of the group may not be available for some months. A reconstruction scheme is under consideration by the new board and the receiver. It will be surprising if, as a result of these discussions, the shares of Richard Crittall emerge worth even the low values of 2s. 10½d. for the preference and 3d.-1s. for the 1s. ordinary recorded this week. The case has a close parallel, both in the speed and magnitude of the reversal of the company's trading experience, in that of Miles Aircraft last year.

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Italian Debt Service Delays

In face of the growing impatience of sterling bondholders, the Italian Treasury has this week given the reason for the delay in providing funds to meet the obligations agreed in July on the Italian Credit Consortium 7 per cent 1927-47 bonds (capital repayment in full and arrears of interest up to March 1, 1947) and on the Royal Sardinian Railway 3 per cent bonds (arrears of interest at 3 per cent to September 15, 1947, and payments in full thereafter). Under the new Italian Constitution, it appears, severe controls have been placed on any supplementary budget appropriations, which such payments would entail. No indication has, however, been given of the time which will be required to pass legislation permitting the payments, though it is nearly eighteen months since payment was agreed in principle and eight months since arrangements for payment were stated to be in hand. Meanwhile it has been announced that, in accordance with the Anglo-Italian Property Agreement of April 17, 1947, contractual arrears on the 5 per cent Maremmana Railway 1862 sterling bonds will be paid up to September 15, 1947, in sterling, with effect being given to the drawings which have taken place in Rome (this proviso led to the bonds being called nominal this week until the actual drawings become known). After that date payment will be made at the same rates of interest offered to United States bondholders, which are considerably lower than the contractual terms. Interest on outstanding bonds will be paid at the rate of 1 per cent per annum from September 15, 1947 (the official date of the Peace Treaty with Italy) to July 1, 1950, at 2 per cent from July 1, 1950, to July 1, 1952, and thereafter at the rate of 3 per cent. From January 1, 1953, to July 1, 1957, a sinking fund of 1 per cent will operate, and from January 1, 1958, to July 1, 1977, at the rate of 2 per cent, on the total nominal amount of the bonds presented for enfacement up to September 15, 1950. The Italian Treasury reserves the right to redeem all outstanding bonds at the redemption price plus accrued interest. In the case of Italian residents interest will be paid in lire in Italy.

Apart from the failure of Italy so far to agree to make sinking fund payments in respect of its portion of the Austrian Government Guaranteed Conversion Loan 1934-39 (it agreed in July to make interest payments) the only outstanding sterling bonds for which the resumption of interest payments has not been arranged are the 4½ per cent bonds of the Adriatic Electric Company. It is understood that discussions are taking place between the bondholders and the Italian Government.

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Local Hauliers and the Operating Centre

The Transport Act made provision for the public ownership of road haulage services, but left local haulage open to privately-owned transport on strictly defined conditions. The principal restriction is that no vehicle covered by an "A" or "B" licence may be used commercially beyond 25 miles from its "operating centre." Thus an operator whose centre is more than 25 miles from, say, London, could not carry goods for hire or reward to London; but an operator just inside the 25-mile limit could carry goods from London to a point 50 miles away.

Thus the definition of "operating centre" becomes a matter of great importance in determining the scope which remains for private haulage business. The Act defines the operating centre as the "permanent base or centre from which it is intended that the vehicle will normally be used." But it also allows an operator to ask the licensing authority to specify the operating centre for his vehicle; the decision rests with the licensing authority, but clearly if licensing authorities generally were prepared to specify a notional operating centre for a haulier whose actual base was near the fringe of his area of operation, it would greatly affect the range of private haulage operation which would be permissible under the Act.

This point was the germ of an application—the first under the Transport Act—on behalf of a road haulage concern at Luton to change its operating centre to London Colney. Luton is 30 miles from London and London Colney only 18 miles. Unless the operator succeeded in his application, therefore, he would not be entitled to carry goods to London, as he has done in the past. But the licensing authority of the Metropolitan Area this week held that to grant the application would have the effect of defeating the clear purpose of the Transport Act. From their refusal of the application there is no appeal. It now rests with the operators, if they wish, to seek the permission of the Transport Commission to operate beyond the 25-mile limit. This, too, is a matter for the absolute discretion of the Commission. But at least the principle emerged from Monday's hearing that the Road Transport Executive will not refuse a permit unless it is satisfied that "the Commission's services give at least as good a service as that which obtained prior to the appointed day."

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Commercial Vehicle Outlook

British manufacturers of commercial vehicles received a severe test during the war years. They were required at the same time to expand production rapidly and to meet a new standard of criticism, particularly from the Services, which had exacting standards of performance and were disposed to complain of too little standardisation. As a result of the wartime stimulus and the keen demand since for British commercial vehicles, production today is almost twice as big as before 1939. The cut in the capital programme has concerned itself mainly with the heaviest types of vehicles, and has not greatly affected total production. The value each month of commercial vehicles manufactured in this country now exceeds £9,000,000.

At the first International Commercial Transport Exhibition since the war, now held, as formerly, at Earl's Court, British manufacturers and a handful of American and French makers are showing current models, all of postwar design. Little things, like the provision of left-hand steering, indicate awareness of foreign requirements. While the case for sending abroad the bulk (75 per cent) of passenger cars made is straightforward, the decision also to export a high proportion of commercial vehicles must have been more difficult. In the first six months of this year 84,000 commercial vehicles were manufactured in this country, and 34,000 of these, valued at £16½ million, have been exported; of the exports, 40 per cent have gone to hard currency markets. The end-of-year target requires the industry to export the value of £3,200,000 a month, a figure which has already been exceeded in recent months. Before the war 14 per cent of commercial vehicles made were exported; the proportion is now approaching one-half. The Commonwealth countries still provide the best market; Australia in the first half of this year bought 4,675 commercial vehicles worth £2,100,000. Substantial exports of spare parts suggest that adequate provision is being made for maintenance. The United States has developed into a surprisingly interesting market. While it is virtually impossible to compete with American lorries in American markets, sales in the USA of British delivery vans have increased sharply.

Inevitably deliveries to the home market are slow, though for some types of commercial vehicles delays are beginning to be reduced. The exhibition shows little that is revolutionary, but much that embodies wartime experience under severe practical conditions. Among the most interesting exhibits are tipping devices on lorries and trailers, which obviate much needless manual work. The dollar shortage abroad, as here, coupled with delivery delays for American trucks, has given the commercial

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vehicle maker a breathing space, which may continue for some time. Within the limits of productive capacity much good use has been made of this period. But if commercial—or passenger—vehicles are to become a staple export of this country, prices will certainly need to be watched.

* * *

Americans and Middle East Oil

Mr Frank W. Abrams, chairman of the Standard Oil Company of New Jersey, joined in the discussion on the nature of the American interest in the Middle East when he addressed the American Chamber of Commerce in London a week ago. He was at pains to emphasise that, so far as the oil industry was concerned, the interest was very great: "The oil industry of the peace-loving countries is making an all-out effort, industrially and financially, to expand Middle East production." This was not, he explained, because of direct American needs for Middle East oil, which was "not counted upon in the immediate years ahead to supply any significant part of the American market." But the oil resources of the Middle East would affect the American oil position by reducing the necessity for the present large exports of oil from the western hemisphere.

The sixteen Marshall Plan nations would use about 900,000 barrels of oil a day this year—nearly 50 per cent more than they used in 1938 In the Marshall Plan allocations oil occupied second place only to food, and "a major part" of the oil supplied to western Europe this year under the Marshall Plan would come from the western hemisphere despite the pressure of demand there. But it was estimated that by 1952 about 65 per cent of Europe's total oil requirements would come from the Middle East.

To replace the western hemisphere by the Middle East as the major supplier of European demand would (said Mr Abrams) require the solution of major transportation problems. The tanker fleet would not be able to carry "the greatly increased supplies which we hope will be flowing from the Middle East within the next few years," and it would in any case be more economical to carry the oil to the Mediterranean by pipeline. Six major lines, ranging from 16 to 36 inches in diameter, were now contemplated or actually under construction by various oil companies. But their completion was being retarded by a number of factors, including shortage of steel; he stressed the need to raise steel-making capacity in Europe.

The question of building new refineries in Europe is one in which Standard Oil is greatly concerned, and Mr Abrams conceded the necessity for increased facilities to process oil at the point of use in western Europe. But the advantages of large scale could not be entirely neglected, and "a substantial proportion of the Middle East crude will continue to be refined at the point of production or at the end of the pipelines carrying it to the Mediterranean." Mr Abrams mentioned the plan prepared by his group for constructing a big refinery at Fawley, but did not commit himself far as to the prospects of carrying it out. Agreement with the British authorities, he indicated, had still to be reached. He did not say what were the questions at issue; but it is known that they include the convertibility of the earnings of what will be an unusually large dollar investment.

* * *

Australian Internal Loans

The consent of the Stock Exchange Council for dealings to take place under Rule 163 (1) (e) in six internal Commonwealth gilt-edged issues, of which a total of £391,000,000 stock is outstanding, has given an official stamp to dealings which have been lately growing in volume. Until permission to deal had been obtained the authorisation of the Stock Exchange Council had to be sought for each specific bargain. This requirement has arisen from the provision under Rule 163 (1) (e) that only securities for which dealing facilities had been granted on a dominion colonial or foreign stock exchange before September 23, 1946, were eligible under the rule. The six Commonwealth stocks concerned, which include the five listed in the accompanying table together with a 3⅛ per cent 1959-62 issue at present on tap in Australia, enjoyed no such facilities until after the required date. But even under Rule 163 (1) (e) bargains are not marked in the Stock Exchange Official List.

Interest in these stocks has recently been stimulated by speculation on the possibility that Australia might follow New Zealand in revaluing its currency to parity with the United Kingdom pound, despite official Australian denials. In that event holders of these loans would obtain a capital profit of around twenty-five per cent while enjoying higher yields than obtainable on gilt-edged securities registered in this country.

No difficulty exists at present in remitting interest payments from Australia and residents in the United Kingdom and elsewhere in the sterling area may receive up to £A104 per annum from Australia free of Australian income tax. The double taxation agreement between the two countries provides for an offset against United Kingdom taxation of such Australian taxation payable on amounts exceeding £A104. While restrictions on the movement of capital to Australia via these channels might be prompted by future developments, at present no formal restrictions exist. The probability that the London demand for these stocks is not yet important enough for measures to be taken by the Australian authorities may be inferred from the relatively small premium existing on prices of the issues over their Australian parities. In any case Australia may not find the flow unwelcome, since it provides support for gilt-edged prices there while the interest payments to London holders of the stocks can be met without imposing any strain on the Dominion's sterling account.

COMMONWEALTH GOVERNMENT INTERNAL LOANS

Issue	Redeemable	Amount Outstanding	London Price Per Cent	Gross Redemption Yield Per Cent: Earliest Date	Gross Redemption Yield Per Cent: Latest Date
Australia inscribed stock and bonds		£		£ s. d.	£ s. d.
2 per cent	15 Mar., 1950	4,125,080	80	2 0 0	...
2½ ,, ...	15 Sept., 1949-50	51,060,060	81	1 5 0	1 17 0
3½ ,, ...	15 Sept., 1956-59	146,931,150	81¼	2 18 8	2 19 9
3¼ ,, ...	15 Sept., 1957-60	43,000,000	80½	3 1 0	3 0 9
3½ ,, ...	15 Oct., 1955-58	145,929,490	82⅝	2 19 0	3 0 6

* * *

Centrifugal Spinning

A new system of spinning evolved over the period since 1939 by the Keighley firm of Prince-Smith and Stells has now reached the stage of being demonstrated to the textile trade, and seems likely to arouse lively interest. It was described in some detail in *Textile Weekly* on September 24th. Substantially, it is the application of centrifugal spinning (already used in the rayon industry) to the spinning of dry fibres; and, although designed primarily for worsted, it is claimed to be applicable to cotton, flax, rayon staple, and indeed any dry fibre yarns. It is for this general application that the processes have been passed by the originating firm to Textile Machinery Makers, Ltd., for development.

They centre upon a new method of recovering dry yarn from a centrifugal spinning container. But in applying this principle the opportunity has been taken to plan afresh the entire processes of drawing or roving, spinning, and twisting yarns, and to design a series of machines capable of being used separately with other machinery but calculated to give the best results when used together. Higher speeds, larger packages, fewer end-breaks, a great reduction in labour requirement and a reduction in floor-space per lb of yarn produced are among the important advantages claimed. The semi-automatic doffing operation evolved requires only brief manual attention at its conclusion, and is so designed that the absence of any attention does no harm, but merely delays the start of spinning on the new bobbin. The machines can therefore be run through meal breaks and can be left to run themselves out at the end of the day; the setting of a switch enables each machine to be stopped at a predetermined time, and it will be found ready to complete doffing and start spinning at the beginning of the next working day. The machines are driven by individual electric motors.

These machines are already to be seen at work, but to put them into commercial production will require new tooling and to a certain extent new plant. Even for the initial purpose of serving the worsted industry, much of this has still to be done; it seems likely, therefore, that the entry of the centrifugal system into cotton spinning may be delayed for some time yet.

* * *

Anglo-Argentine Trams

Ever since the completion of the purchase of the Argentine Railways, it has been evident that measures would be taken by

(*Continued on page 558.*)

COMPANY MEETINGS

THE DISTILLERS COMPANY, LIMITED

PROGRAMME OF EXPANSION

GROWING DRAIN OF HEAVY TAXATION

MR HENRY J. ROSS REVIEWS POSITION AND PROSPECTS

The seventy-first annual general meeting of the company was held in the North British Station Hotel, Edinburgh, on Friday, the 24th ultimo, when the chairman, Mr Henry J. Ross, presided.

The chairman said:—

When I had the privilege of addressing you last year it was in my capacity as deputy chairman, our then chairman, Lord Forteviot, being seriously ill, and, although we all fervently hoped for his recovery, it was not to be, and he passed away on October 24, 1947. His death was a most serious blow to the company over which he had presided with such dignity and distinction for the previous ten years, and his loss is keenly felt as a peculiarly personal one by every member of the staff from the highest to the lowest.

As is mentioned in the report, my colleagues on the board have done me the honour of appointing me to the vacant chair. Whilst naturally proud of being called to this high office, I am very conscious of the heavy responsibility accompanying such an appointment, and all that it means to follow in the wake of such a long line of distinguished predecessors. It will be my aim, however, to continue to serve the company and the stockholders to the limit of my ability.

You will also observe from the report that, since we met last, we have lost the services of another director in the person of Mr John Nicolson. Mr Nicolson retired on pension on March 31st of this year, after having given loyal and devoted service over the long period of 38 years. Those of us who were in close, almost daily, contact with Mr Nicolson appreciated his wise counsel and guidance, particularly in all matters practical, and while we shall miss him it is good to know that he has left behind him a trained staff who have been reared in the best D.C.L. tradition.

The appointment by the board of Mr William Reid as a member of the management committee took place on November 13, 1947. Mr Reid has spent his entire business life in the trade, and is at present chairman of John Haig and Company, Limited, as well as chairman of the Group Home Sales Committee. The management committee will benefit greatly by his wide and varied experience.

STATEMENT OF ACCOUNTS

Turning now to the statement of accounts, you will have noticed that these have been prepared in compliance with the requirements of the Companies Act, 1948. The adjusted figures of March 31, 1947, have been entered in the balance sheet and in the consolidated balance sheet for comparative purposes. In the profit and loss account, however, the previous accounting period was for 10½ months with varying accounting periods for the subsidiaries, consequently the figures are not comparable, and, for that reason, have not been inserted.

TRADING PROFITS

The manufacturing and trading profits of the company and its subsidiaries, including an item of £406,677 for inter-company profits in the stock valuations of subsidiary companies released during the year, amounted to £11,119,057; to this is added (1) Income from investments and interest £905,007, and (2) Provision for taxation made in previous years not required and released £597,601, making the total revenue £12,621,665. Income tax and profits tax required the large sum of £6,021,149, and after the necessary provisions, writings off and transfers to general and superannuation reserves made by subsidiary companies as detailed in the report, there was a balance of £4,644,135. The proportion applicable to outside shareholders in subsidiary companies was £339,099, and the undistributed profits of subsidiary companies applicable to The Distillers Company, Limited, was £684,203 (as against £190,728 retained in this way in the previous accounting period). At this stage, with the amount brought in, there was available £4,388,986, and the board agreed to apply £1,000,000 to general revenue reserve, and to write off premiums and expenses on purchase of debenture stock for cancellation, £156,676, leaving sufficient for the dividends distributed or recommended, and to increase the carry forward from £768,153 to £887,051.

DIVIDEND

The dividend on the ordinary stock for the year is 1s. 1 1/5d. per unit of 4s. which compares with 1s. per unit for the previous 10½ month period. This is in effect a small reduction, but the board has had to have regard to the heavy expansion programme they have authorised. In common with other large companies, your company is feeling the growing drain of heavy taxation, and the increased costs of replacing stocks and other assets. In addition, in the expansion programme, we face the higher prices for capital assets and the expensive delays in obtaining deliveries of necessary material and equipment. There is no doubt that the ultimate total cost of this programme will prove greater than the estimates, although careful consideration has been given, and is being given, to modifications, where possible, to offset these increased prices.

BALANCE SHEET ITEMS

The company's legal balance sheet calls for comment on the following matters:—

(1) The general capital reserve has increased to £1,132,116 by the transfers thereto of the profit on realisation of certain investments during the year and of recoveries in respect of war damage to properties previously written off.

(2) The revenue reserves total £12,932,545, and it will be noticed that the opportunity has been taken to close certain free reserves by transferring the amounts at credit to general reserve.

(3) During the year the company purchased for cancellation all but £19,400 of the debenture stocks. As I mentioned before, the premium and the expenses of purchase have been written off out of revenue.

(4) Under the heading of fixed assets, lands and buildings and plant, etc., are included at what might be called nominal amounts. For this reason, the directors are satisfied that neither further writings off nor depreciation are required at this time. It has not been found possible to ascertain the original total cost of these assets or of the total writings off and depreciation applied thereto over the past years, and consequently they are inserted at cost, or at cost less sales and amounts written off.

(5) Investments in subsidiary companies now total £23,957,531, a substantial increase of £3,848,641 since the previous date of balance. The main items contributing to this increase are:—

(*a*) The formation of a new subsidiary called The Distillers Company (Biochemicals) Limited, to take over the factory at Speke, Liverpool, engaged in the production of Penicillin, formerly erected and managed by the parent company as agents for the Ministry of Supply;

(*b*) The purchase of the business of J. and W. Hardie, proprietors of the well-known "Antiquary" brand of whisky. This business was converted into a limited company, and is being carried on as a subsidiary company;

(*c*) The securing of a controlling interest in The Peerless Refining Company (Liverpool), Limited, manufacturers of margarine, cooking fats, etc., part of which are sold to The United Yeast Company, Limited, for its bakers' sundries trade;

(*d*) The acquisition of the total issued ordinary shares of The Manchester Chemical Company, Limited, manufacturers of essences, baking powders and other requisites for bakers;

and

(*e*) The purchase of the issued share capital in Alexander Bonthrone and Sons, Limited, Maltsters, Freuchie, Fifeshire.

Your directors are hopeful that these investments will prove of real value within the organisation, and will give reasonable yields on the amounts expended.

(6) These new investments, and the increase in current and loan accounts of subsidiary companies have caused a reduction in the company's holdings of British Government securities. At the date of balance, current assets totalled £21,177,738, as compared with £26,365,894 at the previous balancing date.

The consolidated balance sheet shows that capital reserves, revenue reserves and profits unappropriated total £32,753,590. Adding this amount to the issued capital of The Distillers Company, Limited, we arrive at approximately £50,000,000 as the amount invested in the business as represented by the values at which the assets are stated in the books. It must be borne in mind, however, that, as I have already mentioned, certain of the fixed assets have been written down to practically nominal amounts, while market value of trade investments is, in the aggregate, greatly in excess of book value. Current assets exceed current liabilities by £47,000,000, but I must point out that the increase in stocks is partly due to replacements at higher prices. It will be noticed that at March 31, 1948, the outstanding commitments for capital expenditure amounted to approximately £1,305,000, but this does not, of course, cover the completion of the expansion programme authorised by the board.

DISTILLING

When I addressed you last year, the hope was expressed that further distilling licences would be issued to avoid closing down our distilleries, and I am glad to say the industry received authority in December, 1947, to purchase an additional 75,000 tons of cereals, which enabled continuity of production to be maintained Since that time, further negotiations have taken place with the Ministry of Food, and, while full and free production of potable whisky is not yet possible, the Minister of Food, realising the importance of Scotch Whisky, not only in the present but in the future economy of this country, authorised the granting of 250,000 tons of cereals to the industry for the period to April 30, 1949. Licences for that quantity

have been issued, and it will be appreciated that this is an important step towards the replenishment of the general stock position. These licences have again been subject to certain conditions regarding the further stepping up of exports to hard currency areas, by reducing the quantity available for the home market, and to which I will refer later in my remarks.

In order to ensure the earliest possible production at our grain distilleries, it was decided to reopen our Caledonian Distillery, which has been silent since 1941. The plant, however, has been maintained in working order, and you will be interested to know that production will commence there within the next 10-14 days.

The operating malt distilleries completed their 1947-48 licences before closing down in the early summer, and I am glad to say a good start has been made with the 1948-49 season.

SCOTCH WHISKY SALES—HOME AND EXPORT TRADE

Last year, an arrangement was come to with the Ministry of Food in terms of which the proportion laid down for distribution from May 1, 1947, was 3 gallons for export to 1 gallon released for the home market. This arrangement continued in force until April 30, 1948, as from which date a new arrangement with the Ministry became operative.

As a *quid pro quo* for the allocation of further cereals, the Ministry insisted on a still greater increase in exports to hard currency markets, and, in view of the stock position, this could only be effected by our making a further reduction in the supplies available for the home market.

The board view with great regret the present meagre allocation being made to the home consumer, and, as soon as the stock position permits, it will be their desire to bring about some alleviation in this direction. We have always taken the view that a healthy trade at home is a necessary adjunct to our export business, and this factor will not be lost sight of.

During the period under review, the rate of duty has been raised on two occasions. In the supplementary budget, introduced in November, 1947, an increase of 33s. 4d. per proof gallon was made, and again in the budget of April, 1948 a further increase of 20s. per proof gallon. The rate of duty now amounts to the enormous figure of £10 10s. 10d. per proof gallon, and the retail price of a bottle of Scotch Whisky is 33s. 4d., of which 24s. 7d. goes to the Exchequer. Representations were made to the Chancellor on both occasions, pointing out the penal nature of this taxation, but, so far, without avail.

The board will continue to use every endeavour to bring about some reduction in this fantastic rate of duty.

To all intents and purposes the export trade is under Government direction, and the industry was allotted a target figure to cover shipments to dollar markets, such as Canada, United States of America, South America, etc. In satisfying the needs of the Government for the year ended April 30, 1948, it is gratifying to record that our group companies played a very important part, although, to accomplish such a result, and in accordance with instructions from the Ministry of Food, it meant a drastic cut of supplies to "soft" currency countries as well as to the home trade.

Notwithstanding the difficulties with which our group firms have had to contend, our well-known brands of Scotch whisky continue to occupy a prominent place overseas, and are in constant demand.

GIN

Likewise, our Gin companies continue to enjoy an increasing demand for their various brands of gin—Gordon's, Booth's and Burnett's—both at home and abroad. This happy position reflects the very high standard of quality which is consistently maintained by our gin group companies in their brands. By arrangement with the Ministry of Food, particular attention is also being paid to "hard currency" markets.

YEAST

The yeast factories have been working practically to full capacity throughout the year under review to meet the demands for their products in home and overseas markets. I regret that permission has not yet been granted by the authorities to proceed with the new yeast factory in the south of England. In the meanwhile, plans and specifications have been prepared, and the company is keeping in close touch with the appropriate authorities. It is hoped that, within a reasonable period, a start on the erection will be allowed.

Although costs of production of the various products have risen quite substantially over the period, no increases in prices to the consumer have been applied.

INDUSTRIAL SECTION

It can be well understood that even greater interest is now being taken by the members and others in the industrial side of the company's business, and particularly so in the large and important extension programme in chemicals and plastics authorised by the board. It is satisfactory to record that, in general, good progress has been made in all the various sections, and outputs and profits have been well maintained throughout the year. Certain key materials, of which we are large consumers, have remained critically short, but the supply position as a whole has improved. This, we hope, will eventually lead to some degree of relaxation of Government control and the introduction of normal trading conditions.

Our programme of extensions, to which I have already referred, has been hampered and delayed by shortages of both constructional materials and labour, and there are, as yet, no signs of any improvement in this respect. Whilst this is a great disappointment, it must be emphasised that the directors are satisfied their plans for expansion are based on what they regard as the long term requirements of a stable market.

The new plant for our subsidiary, British Geon, Limited, at Barry, South Wales, which was reported last year as under construction, commenced operations some months ago. The sales of the product "Geon" brand of polyvinyl chloride, are developing well both at home and in certain overseas markets. Adjacent to this factory, we are erecting another for our subsidiary, British Resin Products, Limited, to take over and expand their existing manufacturing activities now carried on in three smaller units elsewhere.

PURCHASE OF PENICILLIN FACTORY

As I have mentioned, in the year under review negotiations were completed for the purchase from the Government of the penicillin factory at Speke, Liverpool, and this transaction was followed by the formation of the Distillers Company (Biochemicals), Limited, with an issued capital of £1,000,000. Gratifying progress has been made, and the company is now marketing a high grade of crystalline penicillin. Close attention is also being paid to the production of streptomycin, and the development of similar anti-biotic materials.

In the industrial alcohol market, adequate supplies of molasses were available throughout the year, although the price was still very high. On the whole, so far as can be gauged at present, the outlook for this section is more favourable now than it has been for some time.

The directors have given careful consideration to extending the field of research and development, and a very substantial sum, larger than in any previous year, was appropriated for this purpose. Some of the work is of long-term nature, but particular attention is being paid to consumer research, from which the company has derived real benefits in larger outputs and better quality of various materials.

Last year, reference was made to the provisional agreement between the company and the Anglo-Iranian Oil Company, Limited, to erect a plant at Grangemeuth for the production of chemicals from petroleum, and I am glad to inferm you that the project has been approved by the authorities. A small company was formed, under the title of British Petroleum Chemicals Limited, with a nominal capital of £100. The initial work is now well in hand, and application has been made to the capital issues committee for permission to increase the capital of the company to £5,000,000, which will be subscribed equally by the two companies. It is not necessary to emphasise the fundamental importance, to the Distillers Organisation, of this association with the Anglo-Iranian Oil Company. The advent of more competitive conditions in the chemical industry should not weaken the position, because the scheme has been designed to fit in with, and to become an integral part of, the existing manufacturing interests of the industrial side of our organisation.

FUTURE PROSPECTS

I am sure you will agree that it is neither possible nor desirable, under present conditions, to forecast very far ahead, but I am able to inform you that, so far as the current year has gone, the margin of profit has been well maintained up to the standard of the year to March 31, 1948. There is the added satisfaction that the conservative policy regularly adopted by the board over the past years, with the ploughing back of substantial amounts out of profits, has placed our company in a strong financial position with good reserves.

It is anticipated that, in future, dividends on the ordinary stock will be paid twice a year, with the interim in February, and the final in October.

TRIBUTE TO STAFF

And now, ladies and gentlemen, I cannot close without a word of praise for our staff —a very widely scattered staff, located, not only in Scotland and England, but in Wales and Ireland, and overseas in Canada, Australia, India, South Africa, and in the U.S.A. To each and all, the thanks of the directors are due, and I am sure the stockholders would wish to be associated with this tribute, for, without the devoted efforts of the staff, the satisfactory results now before you would not have been possible.

The report was adopted.

GOLD EXPLORATION AND FINANCE OF AUSTRALIA, LIMITED

INCREASED REVENUE

The fourteenth annual general meeting of this company was held, on the 28th ultimo, in London, Mr. C. T. Pott presiding.

The following is an extract from a statement by the Board circulated previously:—

For the year ended March 31 last revenue from dividends and interest, amounting to almost £91,000, reflects increases of £37,900 in the Western Mining Corporation dividend and £2,800 in interest received, offset by an aggregate decrease of £20,200 in the distributions by Gold Mines of Kalgoorlie and Victoria Gold Dredging. Administration and general expenses went up by £4,000, partly due to increases in normal administration costs and partly on account of visits to Australia by directors and senior officials.

The net revenue for the year at £78,686 was £5,600 more than the previous year's figure, but the net provision for taxation is £12,000 higher at £44,134, largely due to the increase in the profits tax. After bringing in £3,547 from last year the balance on profit and loss account is £38,099, out of which it is proposed to pay a dividend of 6¼ per cent. (7½d. a unit) less tax at 9s. in the £, requiring £31,385 and leaving £6,714 to be carried forward.

For some time past the board has realised the desirability of transferring the control and management of the company's affairs to Australia and has therefore applied to the Treasury for permission so to do, under the Exchange Control Act, 1947. Permission has been received and a scheme for transfer will be placed before the stockholders as soon as the necessary details can be completed.

The report was adopted.

WATNEY COMBE REID AND COMPANY, LIMITED

THE PRICE OF BEER

The ordinary general meeting of Watney Combe Reid and Company, Limited, was held, on the 24th ultimo, in London, Major A. C. Bonsor (the chairman) presiding.

The following are extracts from the chairman's circulated statement and speech:—

June 30, 1948, marked the completion of 50 years of trading by the company under its present name. The amalgamation in 1898 brought together and perpetuated in name three kindred firms. Watneys first became associated with the Stag Brewery in 1837, although there had been a brewery there long prior to 1700. Combe and Company, Limited, and Reid's Brewery Company—formed in the late 1700s—were successors of pre-existing breweries.

During the year under review, the Chancellor of the Exchequer introduced two Budgets, each of which resulted in an increase of 1d. a pint in the price of beers of average gravity, and of 2d. a pint in the better-class beers. The price of beer such as is allowed to be brewed today is too high, and must lead to a serious reduction in sales, of which there are already distinct signs.

CATERING

It has always been our aim to provide facilities for catering where it is practicable, and despite difficulties, food is obtainable in 94 per cent. of the company's houses, of which 40 per cent. serve main meals totalling over 141,000 a week, in addition to an incalculable number of less substantial meals served at bars and snack counters. There still seems to be an impression in the minds of several responsible people that the interests of brewers lie solely in the sale of beer, wines and spirits. We have a much higher conception than that of our duty to the public, and these figures will help to reinforce our claim as an industry to be allowed our full and proper share in planning licensed houses of the future in this country.

Having regard to the requirements of the future and the ever-rising cost of building work, further appropriations are required, and the transfer of £250,000 from this year's profits to the properties and plant contingencies reserve is recommended. Any appropriations we can make today have to be made out of profits which are taxed at twice the prewar rate, The cost of building today is just over twice the prewar cost. As a result a new building today requires the appropriation of over three times as much profit before taxation as a comparable building required prewar.

The following sub-division of each £1 received by the company may be of interest: Beer duty and taxation, 11s. 8.4d.; materials, 3s. 6.2d.; working expenses, 1s. 9.5d.; salaries, wages and pensions, 1s. 7.3d.; preference and ordinary dividend, 3d.; deferred ordinary dividend, 8.8d.; reserve, 2.8d.

The report was adopted.

GUEST, KEEN AND NETTLEFOLDS

GOOD RESULTS FROM TEAM WORK

The annual general meeting of Guest, Keen and Nettlefolds, Limited, was held on the 23rd ultimo at Birmingham, Mr. J. H. Jolly (chairman and managing director), presiding.

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

It is with pleasure that your directors submit the financial results of the group for the year ended March 31st last. It should be recorded at the outset that they have been achieved despite great difficulties and many frustrations. For these results I want in your name to pay tribute to the management, staff and workpeople throughout our organisation. They are splendid. I can assure you that the results they have achieved have been due to the team spirit between management and workpeople that has been built up over a long period of years.

TRADING PROFIT

It will be seen from the consolidated profit and loss account that there has been a considerable advance in the trading profits of the group before charging debenture interest, depreciation and taxation. The present year's total of £6,101,839, against £4,465,294, constitutes a record. Many factors have contributed to these increased profits, the main ones being that rising costs have been partially offset by increased volume of production, by increased efficiency, and not least by the splendid team spirit to which I have already referred. In addition, the increased capital subscribed two years ago and the profits retained in the business during past years are now becoming more fully remunerative.

The increased trading profits are to a great extent nullified by the large provision for taxation. No less a sum than £3,162,967 has to be charged to cover the liability on the year's profits of the group. Only £873,984 is to be distributed to the stockholders.

The consolidated balance sheet shows current assets of the group amounting to £25,038,142, against which must be set the current liabilities of £9,632,214—admittedly a good position.

WHY NATIONALISE ?

It has been stated by Government spokesmen that in October or November a measure will be introduced into Parliament for nationalisation of the iron and steel trade in whole or in part. Your board are still firmly convinced that, from the country's point of view, it would be a national disaster if the state, with its cumbersome, slow moving and doctrinaire methods, attempted to control by nationalisation that highly complex industry known as the iron and steel trade. It is a striking fact that nationalisation of industry has not shown any greater efficiency, any lowering of prices, any improvement of quality or service, or contributed anything more to the competitive power of Great Britain in export markets than when operating under private enterprise; rather the reverse.

In the critical state of this country's economy, it is not too much to ask that there should be a halt to nationalisation schemes at least until it is seen whether nationalisation already undertaken justifies itself.

One should be able to look to the Government placing country before party, but if not, and they do proceed with the nationalisation plan, may I ask all stockholders to be active in the protection of their rights and make their views known to their representatives in Parliament. Meanwhile, the iron and steel industry has supported the country's efforts in an outstanding measure by way of record outputs and reasonable costs of production.

EXCELLENT PERFORMANCE OF STEEL TRADE

Since this excellent performance of the steel trade has become more generally recognised, there has been a tendency for its opponents to press for nationalisation on the grounds that it is a monopoly and because power is in the hands of a few. The charge of being a monopoly cannot be upheld for the simple reason that the Government already effectively control, for example, prices, extensions of buildings and installations of new plant and even the raising of capital. Your own company is a very good example in repudiation of the statement that the ownership of the industry is in the hands of a few.

Fifty-five per cent. of the ordinary stockholders, or over 12,000 individuals, each own not more than £200 nominal stock, and the number of members holding over £1,000 nominal stock is only 1,000 out of nearly 23,000.

The uncertainty as to how and to what extent nationalisation may affect your own group with its many finishing and engineering trades has caused your board considerable thought as to the extent to which they were justified in pressing on with many schemes for modernisation of plant to still further improve competitive power. Many products of the group are directly exported, and many others form component parts of articles, plant and machinery exported by our customers. We are of the opinion that it is not sufficiently, or widely enough, recognised that unless British industry does cheapen its costs of production very quickly, the country's export trade, so vital to our standard of living, will be in danger of serious setback. We believe that it is insufficiently realised that the Marshall Aid Plan does not solve this country's economic problems but, at best, provides only a brief breathing space. In spite of, or because of "planning," Government Departments take three to four times too long to weigh up industrial situations and to take effective decisions.

Your board, however, feel that, in spite of the present uncertainty, they are justified in the national interests, and in yours, in proceeding with considerable expenditure some of which will be quickly justified but some much longer in term as regards profits.

TAXATION HINDERS EFFICIENCY

On the subject of equipment expenditure there are two aspects that should be mentioned. The first relates to retained profits. We have not increased the dividend distribution because we joined in the voluntary undertaking given to the Chancellor of the Exchequer for the adoption of that course for one year from March, 1948. You will remember that this was done "on the assumption that the necessary complementary action is also taken by way of stabilisation of wages as set out in the White Paper, together with a reduction of Government expenditure." One could wish that there were more signs of these assumptions being fulfilled. As previously mentioned, out of the taxed profits of the year we have transferred to reserve or left undistributed much more than has been paid out in dividends to stockholders.

Under such conditions and with the necessity of much larger sums required for financing stock-in-trade and customers' accounts, to which reference has already been made, industry is driven to the raising of additional capital for keeping itself abreast of latest developments. It is difficult to find any logical defence for the maintenance of profits tax on that part of earnings ploughed back into business.

The report and accounts were unanimously adopted and a final dividend of 7 per cent., less tax, making 11 per cent., less tax, for the year, was approved.

GEORGE COHEN, SONS, AND COMPANY, LIMITED

YEAR OF GREAT ACTIVITY

MR CYRIL M. COHEN'S REVIEW

The twenty-fourth annual general meeting of George Cohen, Sons, and Company Limited, was held, on the 28th ultimo, in London, Mr Cyril M. Cohen (chairman and managing director) presiding.

The chairman, in the course of his speech, said: It is again a pleasure to your board to welcome you at this meeting and to present accounts reflecting a year of great activity, also, I am happy to say, a further improvement in the state of the group's affairs.

After providing for all costs, including depreciation, at the rates allowed for taxation purposes, and after deducting the proportion of net profits applicable to minority shareholders, the net profits for the year amounted, before taxation, to £909,165 and, after taxation, to £412,975.

The case has been ably stated by other speakers, and I do not propose to dwell on the appeal by industry to the Government for a more realistic attitude towards wear and tear allowance. I merely observe that the present illogical state of affairs is a positive encouragement to unsound financial practices. We ourselves have made no attempt to assess the replacement costs of our fixed assets, but, with these and other considerations in mind, we have placed very large sums to reserve.

Of our total profit of £412,975, we have left with subsidiary companies £61,985, bringing the reserves and undistributed profits in these companies' balance-sheets up to £400,114, and we have made a transfer to general reserve in the parent company's books of £210,000 to bring this figure up to £600,000, an amount which, incidentally, is equal to the nominal ordinary capital. We have transferred to the employees' pension fund—I outlined the purpose of this to you last year—the sum of £17,073, reimbursing the fund to the extent of the amount paid out during the year and raising it to £55,000. We have paid the 4½ per cent. preference dividend costing £24,904 and also an interim dividend on the ordinary stock at 8 per cent. costing £26,400. I will shortly propose that we pay a final dividend of 12 per cent., making 20 per cent. in all and costing a further £39,600; and that we increase the carry-forward by £33,013.

You will recollect that last year I stated that while we should hope to continue to pay reasonable dividends, having due regard for our shareholders' interests, it was our intention to adopt a prudent course and to plough back adequate reserves into the business for purposes of development and consolidation.

Since the date of our last meeting, the Federation of British Industries, to which we belong, have agreed to support the government's policy of disinflation and, in particular, most of the member companies have undertaken to restrict the amount of their distributions to that of the previous year. Our case, however, is a special one in that we have no properly comparable rate of dividend for the year to March 31, 1947, owing to the change in the company's capital structure, but your directors considered that you would wish them to comply with the spirit of the agreement and we have accordingly limited the recommended rate of distribution to 20 per cent. of the nominal value of the ordinary stock.

We are now reaping the benefit of the extensive modernisation and general re-equipment which we began some time ago. Although some of the resultant economies have been absorbed by rising costs outside our control, the improved state of efficiency of our many works is yielding fruit and the all-round increase in turnover, which was only achieved by dint of great endeavour on the part of our staff and workpeople, is, as I have already indicated, favourably reflected in the satisfactory trading figures before you.

You may have noticed that when preliminary reports of our accounts were announced in the press, some of the financial commentators, referring to us as "the well-known scrap metal merchants"—or in similar terms—ascribed the favourable results of our year's trading to the substantial success of the National Scrap Drive—from which it was suggested our augmented profits were materially derived. Since that impression may persist, I feel it right to cite some relevant facts and set them in proper perspective.

Although it is by no means the predominant activity either of the group or the parent company—and to this I will refer again in a moment—we are one of the two largest organisations in the kingdom concerned with the recovery and supply of iron and steel scrap, and we have indeed played an active part in connection with the widely-publicised scrap drive. However, the tonnage of iron and steel scrap we handled was only slightly higher than in the previous year. Selling prices were, and, of course, are, rigidly controlled. There were fairly considerable increases in the costs of collection and processing. So any variation in the financial out-turn of our operations could but be within very fine limits.

This apart, the necessity to impel every ton of iron and steel scrap to the consuming works continues to be of urgent importance, and we think we are rightly keeping our eye more closely on this objective than on the purely commercial one of making the maximum profit. We look upon it as our privilege and duty to assist the iron and steel industry in its magnificent efforts. Our trading in scrap non-ferrous metals is worthy of brief mention because it was both substantial and successful. But the fact remains, and I must again emphasise it, that we are much more than—I quote—"well-known scrap metal merchants."

By any standards, your group's engineering activities considerably exceed its scrap activities in magnitude and scope. For example, E. & L. Steelfounders & Engineers Ltd., are one of the four biggest makers of Carbon Steel Castings and also the largest makers of Mobile Cranes in Great Britain—they also manufacture Air Compressors, Steam and Petrol Engines. T. C. Jones & Company Limited are Structural Engineers and experts in Concrete Reinforcement. Metalclad Limited manufacture Woodworking Machinery. The Parent Company's Contractors' Plant Hire Fleet is unexcelled in the number of its machines, and as Machinery Merchants, Stockists and Reconditioners we are the largest in the country—and probably in the whole world.

I am pleased to say that our powder metals department has emerged from its infancy and has begun to contribute to the group's revenue. It is especially gratifying that no less than 85 per cent. of the output was sold for export. We have actively continued our programme of research and development in the manufacture and use of iron powders. Much original work is being carried out at East Ham and at the group's research laboratory at Letchworth.

The parent company's general business in plant, machinery and industrial equipment, continues to be very brisk and all our shops engaged on reconditioning and re-building are working to capacity. A large proportion of the machinery sold is destined either to be put into production by concerns who manufacture for export, or for export by ourselves. Indeed, the volume of our export business is very substantial and has shown a satisfactory increase despite the handicaps imposed by currency restrictions and the difficulties of obtaining import licences in so many foreign countries.

You will expect me to make some reference to future prospects. There is no doubt that business is becoming more competitive and difficult to obtain. Our sales departments are increasingly active and, thanks to their efforts a scrutiny of our up-to-date returns provides no evidence of any appreciable decline in the volume of business being transacted by the group as a whole. There are so many uncertainties, however, that it would be unwise for me to make any forecast as to how long this state of affairs may continue. The activities of your group are efficiently co-ordinated and organised and we have every confidence in our ability to secure a fair share of the orders emanating from the engineering, metallurgical and allied industries with which we are so closely linked—and well equipped to serve.

I have already, I fear, detained you overlong, but before I conclude I should like to refer to one or two subjects of current interest which inevitably have their impact on undertakings such as ours—and, I believe, on most of British industry.

It is common ground that the nation's paramount need today is for maximum production—to swell our exports and sustain our standard of living at home. But if that aim is to be achieved, a number of removable obstacles must be swept aside.

All artificial restrictions on output must go. Workpeople should receive incentives to greater effort—and worthwhile ones; and so should management and industry as a whole. It cannot be said today that self-interest and the much maligned profit-motive are the main driving forces in industrial progress, but human nature being what it is, they must inevitably count. A fiscal system based on the formula "tails-you-lose-heads-I-win" is scarcely calculated to stimulate new ventures. Indeed, the rewards offered to the venturer nowadays are penury if he fails and penal taxation if he succeeds—and the drain on working capital caused by the latter intensifies the risk of the former.

If we are to have unremitting exhortation from Government departments, let us also be vouchsafed help. It is a matter of urgency that the galling and time-wasting entanglements of bureaucratic procedure should be eliminated. I can testify that even when a project has been finally approved by the government department immediately concerned, these convolutions can impose delays beyond all reason on its materialisation, to the jeopardy of the original sound conception.

From every point of view—to relieve the disheartening burden of taxation on workpeople, managers and shareholders alike, to lessen inflation, to save manpower, and, simultaneously, to release industry from the trammels of excessive control—economy at the centre is imperative.

To use a business metaphor, Great Britain, Limited, is endeavouring to carry too cumbersome a load of administrative overheads. More than 10 per cent. of our total working population of 20 millions are civil and local government servants, and, exclusive of the nationalised industries, there are actually 700,000 more than in June, 1939, when the rearmament programme was under way. Can we escape the feeling that here exists a potential source of some of the additional brains and pairs of hands that industry requires?

The report and accounts were unanimously adopted.

LONDON TIN CORPORATION LIMITED

CHAIRMAN'S SPEECH

The twenty-second annual general meeting of London Tin Corporation Limited was held, on the 29th ultimo, at the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.2.

Mr J. Ivan Spens, the chairman, who presided, said:—

ACCOUNTS

The accounts for the year ended April 30, 1948, are in a new form to comply with the Companies Act, 1948. There were certain alternative methods of presentation, but, on balance, your directors came to the conclusion that the form adopted was the most satisfactory one.

With regard to the profit and loss account of London Tin Corporation, I should perhaps remark that the final dividend of 15 per cent. declared after April 30, 1948, by one of the Malayan mining subsidiary companies, Berjuntai Tin Dredging, Limited, has not been included under "dividends from investments and interest," so, in consequence, it is not a deduction from the mining profits in the consolidated profit and loss account. The 5s. shares of this company are quoted in Malaya and Australia.

The 4s. shares of the other Malayan mining subsidiary company, namely, Lower Perak Tin Dredging, Limited, are unquoted, and for purposes of valuation as at April 30, 1948, have been taken at book cost, which is under their par value. Actually, since that date, the share capital of Lower Perak has been increased by £164,817, being the subscription at par of 824,088 shares, to allow repayment to be made of the balance of certain loans outstanding—originally obtained for the purpose of equipping the property.

I must warn shareholders that the substantial balances shown as standing to the credit of the profit and loss account of these two subsidiary companies must be retained there by the boards of those companies until the position as to war damage compensation and cost of rehabilitation is finally clarified, although the boards may be in a position to be more liberal as regards future distributions of the annual profits.

MALAYAN WAR DAMAGE COMPENSATION SCHEME

As has already been reported fully in the Press, a memorandum on proposals for a Malayan war damage scheme has been laid before the legislative councils of the Federation of Malaya and of Singapore. These councils have appointed a joint select committee to examine the proposals and to report back.

Until the select committee's report is made and the matter has had the consideration of the legislative councils, the amount to be made available to the tin industry will not be known. Any balance of rehabilitation expenditure not recovered from the funds available will be a charge against Malayan tax spread over six years, but discussions with the revenue authorities here as to the basis to be adopted in the case of companies registered in the United Kingdom have still to be held.

VISIT TO THE EAST AND AUSTRALIA

Early in this year I paid a visit to Malaya, Siam and Australia, in order that I might see conditions there and discuss with those on the spot any problems which were before them. I also visited, by courtesy of our friends the Billiton Company, various tin mines in the Netherlands East Indies. This visit, on which I was accompanied by Mr W. M. Warren, the chairman of Anglo-Oriental (Malaya), Limited, I found most interesting and instructive, and we look forward to being able to reciprocate when representatives of the Billiton Company are able to visit us in Malaya.

MALAYA

In regard to companies operating in Malaya under the management of Anglo-Oriental (Malaya), Limited, 28 dredges are in production out of the 40 which should be brought into production. This is an addition of eight producing dredges since I last addressed you. Others are being repaired as urgently as possible, but there are some dredges which will have to be transferred to fresh areas because the ore reserves remaining in the properties in which they are, are insufficient to justify rehabilitation in situ. These dredges, therefore, will take some time yet to bring into production.

I visited all the dredges which were in operation and was greatly struck with the keenness and enthusiasm which I found everywhere. The supply position in regard to steel and electrical equipment still makes rehabilitation a slow business, but I believe that we are getting all the assistance which we can reasonably ask, not only from the Government in Malaya, but from the Colonial Office, the Ministry of Supply and suppliers. Malayan production, on the whole, has increased from 12,831 tons concentrates in the first half of 1947 to 27,582 tons concentrates in the first half of 1948.

In regard to the companies under our management, it would seem that their position could be strengthened and considerable economies made, should it prove possible to effect further amalgamations.

Many of our companies have their properties intermingled and separate stores, accounts, etc., have to be kept for each. Dredging courses have to conform to the boundaries of the various leases as the dredge of one company may not encroach on the property of another, whereas if the leases belonged to a suitable larger unit, a more efficient and economical programme could be worked out. Further, those companies which have only a small number of dredges, in many cases only one, are severely handicapped if the dredge has to go out of action for any prolonged period, or to be transferred from one area to another. This question of suitable amalgamations is under active consideration, both in London and Malaya, and I trust that some scheme will be found possible to procure the benefits which I have set out above, but no actual action can probably be taken until the position as to war damage compensation and cost of rehabilitation is nearer to finalisation.

A pension scheme for staff similar to that in force in Nigeria is under consideration. I am of the opinion that this would be beneficial to the mining companies concerned, as well as to the staff eligible for membership.

As shareholders are well aware, there has lately been considerable trouble in Malaya from a very small section of the community who have formed themselves into gangs and operate in the jungle-covered hills, and who have made murderous attacks at various and widespread points. The breaking up and capture of these gangs is now being energetically pursued and, while one cannot hope for an immediate cessation of activities diffused over such a large area it can be expected that with continued energetic action the trouble in time will be overcome.

I have to inform you with deep regret that two of our European staff have fallen victims to murderous attacks.

This state of affairs had not come to a head during my visit and I found that our relations with our labour force were good and the labour contented. There were still agitators amongst the officials of the labour unions, but it is of interest to note that when these recent outbreaks commenced these agitators disappeared and some of them no doubt joined the gangs to which I have previously referred.

SIAM

At Bangkok Mr Warren and I were able to deal with certain matters outstanding, as at that time negotiations were still in progress in regard to the repossession of properties in Siam under our management. These negotiations have now been completed and these properties have been repossessed. Orders are coming through now for the necessary plant and equipment, and the mines will be brought into production as early as possible—the date depends, of course, on deliveries and certain other factors.

Meantime the Siamese Government have, under the terms of the Peace Treaty, refunded to the various companies an agreed sum against the value of the ore which was mined during the Japanese occupation, and also repaid the balance of the buffer stock money due to the various companies. The position in regard to war damage claims is that while provisional claims were lodged some while ago, and while advances against these are being made by the Siamese Government, official claim forms have only lately been issued and the Claims Commission has yet to consider them.

BURMA

In Burma conditions during the year under review have been far from settled, but three dredges belonging to the Tavoy Tin Dredging Corporation have been producing, but the general position, as you are doubtless aware, has recently further deteriorated.

TRIBUTE TO STAFF

The staff in Malaya, Siam and Burma have had, and are having, an anxious task which they are carrying out with great courage and ingenuity. I hope shareholders will allow me, through Mr Warren, who is with us today, to convey to all this staff their appreciation of what has been done and is being done, particularly in the last few months. (Hear, hear).

AUSTRALIA

I visited the offices of A.O. (Australia) Pty., Limited, in Sydney, which are in the charge of Mr Coates, and which are now in full working order and proving of great assistance to our organisations both in Malaya and Nigeria. As and when it has been possible, equipment is ordered in Australia, but supply conditions there are not easy and the export of fabricated steel only is permitted. I was glad to have the opportunity afforded me of visiting the works of some of our main suppliers.

NIGERIA

Conditions in Nigeria have not changed to any great extent since I last addressed you. Production has been steady and satisfactory and a considerable amount of work has been done in the way of prospecting. We have been handicapped in this by the lack of power drills which we require, but these I hope will shortly be available.

I understand from Mr Eric Wilson, the chairman of A.O. (Nigeria), Limited, that the African Workers' Councils, to which I referred in my speech last year, have proved themselves of considerable benefit and have led to a feeling among the African workers that they are given every opportunity to voice any suggestions they may have for improvements and for closer contact with the management.

In August, 1947, a visit was made to the properties of Amalgamated Tin Mines of Nigeria by representatives of tin mining friends operating in the Belgian Congo.

Your corporation have, in conjunction with the government in Nigeria, taken steps in the formation of a company to prospect the Cameroons. This area has not previously been prospected on any large scale.

While the formation of this company has not yet been finalised, our chief geologist has made a survey flight and a short ground reconnaissance to get an idea of the formation and possibilities of the country, and will, in the next few months, lead a ground prospecting expedition with the object of demarcating the most likely areas and getting a more accurate view of the general geology.

TIN PRICE

The buying price for tin metal paid by the Ministry of Supply who are acquiring the output, both from Malaya and Nigeria, until June 30, 1949, has been increased by steps to £550 per ton. At the lower levels at which it stood until May 30, 1948, many Chinese miners in Malaya found it impossible to produce economically.

Shareholders may remember that last year I referred to the increase in operating cost, and the increased cost of materials and transport—none of these has diminished. I also mentioned the necessity for mining companies setting aside larger sums than had to be provided prewar, so as to have funds available for replenishing ore reserves and the replacement of plant and machinery. I might equally have mentioned the increased costs of river and road deviations, which must often be carried out to government's specifications in order to complete the extraction of ore.

I do not, therefore, consider the present price of tin affords an unreasonable return from properties which are already equipped. The question of the price of tin metal governs the purchase of new equipment for unequipped areas, which tend generally to be lower in tin content than in the past.

While purchases of tin metal are undoubtedly handicapped at the moment by currency difficulties, there is a potential demand which is considerably higher than present production, and while the process of electrolytic tinning shows certain economies in the use of tin for tinplate, I believe that these economies should, in turn, lead to an extended use of tinplate when conditions are more normal.

TIN STUDY GROUP

In my speech last year I advised shareholders that this international body had been constituted and had held its first meeting. In April last a further meeting was held in Washington, at which I attended, and at which both producing and consuming countries made available to the meeting their estimates of future production and requirements. After study of these figures a working party was appointed to make recommendations to the study group, the next meeting of which is to be held at The Hague towards the end of October.

Supplies of tin during present shortages are allocated to the various countries requiring it by a committee sitting in Washington, and while this system of allocations remains in force the re-establishment of a "free" market in tin is difficult, if not impossible. The annual production of tin, when those countries whose mines were overrun by the Japanese are fully rehabilitated, is likely to be in excess of the actual annual consumption.

In my opinion it is essential that matters are not left until there is a burdensome excess production, which can only lead to disorganisation in the industry, harmful economic effects in the producing countries, and probably violent fluctuations in the price, all of which are harmful not only to producers, but also to consumers. It is my sincere hope that the question will be faced and dealt with in the near future, even although there may be, for a period, residual buyers for purposes of strategic stock piles.

The report and accounts were adopted.

The retiring directors were re-elected and the proceedings then terminated.

GOLD MINES OF KALGOORLIE, LIMITED

HIGHER TONNAGE

The fourteenth annual general meeting of this company was held on the 28th ultimo in London, Mr C. T. Pott presiding.

The following is an extract from a statement by the Board previously circulated:—

The mill operated at the record rate of just over 12,300 tons per four-weekly period and treated 166,087 tons, of which 1,714 tons came from a lease belonging to another company. The 41,206 ounces recovered from the company's own ore realised the equivalent of 42s. 4d. per ton of ore treated, an increase of 3s. 11d. compared with the year before, of which 3s. 5d. is accounted for by an increase of 0.39 dwt. per ton in the gold yield and 6d. is in respect of lower Federal gold tax payments. This tax was suspended in September, 1947.

Operating costs increased by 1s. 4d. to 32s. per ton, due chiefly to higher development costs and a consequent rise in the development redemption charge. Wages have been increased and the working week shortened under new awards which became effective in December, 1947, and by further increases in the basic wage rate and the industry allowance.

The profit before appropriation increased by £23,192 to £82,683. The dividend recommended is the same as last year, 5 per cent. less income tax.

For some time past the board has realised the desirability of transferring the control and management of the company's affairs to Australia and has therefore applied to the Treasury for permission so to do. Permission has been received and a scheme for transfer will be placed before the stockholders as soon as the details can be completed.

The report was adopted.

(*Continued from page 552*)

the Argentine Government, sooner or later, to acquire foreign tramway interests. Although it has been known for some time that the possibility of a purchase was being explored by the Argentine Government, representatives of Anglo-Argentine Trams in London have consistently denied any firm knowledge that a purchase was in prospect. Yet presumably the Bill providing for the acquisition of the total assets of the Buenos Aires Transport Corporation, introduced in the Chamber of Deputies this week after its approval by the Argentine Senate, can hardly have come as a complete surprise to the Anglo-Argentine Trams group, whose interests represent approximately one-third of the issued capital of the Corporation. It is intended to begin the liquidation of Buenos Aires Transport Corporation within ten days of the enactment of the Bill. The assets will be disposed of in one block, presumably to the Argentine Government. In the meantime, three Government-appointed trustees will be responsible for maintaining the services and ultimately supervising the liquidation and disposal of the assets.

A tentative figure of £11¼ million was being canvassed a year ago as a likely amount of compensation for the interests of Anglo-Argentine Trams in the corporation. But conceivably the Argentine Government may feel that events have moved in their favour in the meantime. The finances of the Corporation have indeed gone from bad to worse as a result of increased costs, uneconomical working and the compulsory maintenance of a low uniform tariff; the resulting deficit has in fact been financed by the Argentine Government to an extent which cannot be far short of the Corporation's permanent capital. What value then is to be placed on the interests of Anglo-Argentine Trams in the Corporation? They appear in the balance sheet of the company at December 31, 1947, at a book value of £19,585,110 out of total assets of £20,711,413. Obviously the company's claim to adequate compensation will need to be vigorously pursued if it (and the sterling interests in Buenos Aires Lacroze Trams, City of Buenos Aires Trams and Buenos Aires Town and Docks Tramways which will also be involved) is not to be victimised.

Shorter Notes

The Union Corporation has notified Urawira Minerals, Limited,, that it has decided not to exercise its option on 400,000 shares in the company and to resign from its appointment of technical managers of the property. In March, 1947, Union Corporation exercised an option on 300,000 shares in the company. This decision follows the failure to discover an ore body on the property in Tanganyika which would justify large-scale mining and mining operations. Urawira Minerals have sufficient funds in hand to continue the development of the Mukwamba ore body for the next 18 months, and will erect a mill with a capacity of 100 tons daily. The construction of a railway branch line costing £1,000,000 to the mine at Mpanda is being financed by the Tanganyika Government. Considerable progress has already been made with the railway.

★

The Board of Trade has now decided to take the first full census of distribution early in 1950. The information to be collected will relate to 1949. It will be compulsory for wholesalers, retailers and certain other services as shoe repairers and hairdressers to provide all data required. Opposition to the census has again been voiced at the autumn conference of the National Chamber of Trade, which urged the President of the Board of Trade to reconsider his decision.

★

Production of deep mined and open cast coal in the latest week has risen by 72,600 tons to 4,125,600 tons. Coal production during the corresponding week last year was 3,897,700 tons. The rise in production shows the usual seasonal recovery after the holiday period, but still leaves weekly production of deep mined coal below the level to ensure the 1948 target of 200 million tons. On present indications, and unless there is a major improvement in output, production of deep mined coal may fall 2 or 3 million tons short of the target of 200 million. Open cast coal promises to exceed the 11 million tons target by about 1 million tons.

Statistical Summary

FLOATING DEBT

(£ million)

Date	Treasury Bills: Per Ten.	Treasury Bills: Int.	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Sept. 20	2190·0	2533 0	327·7	8·0	1299·0	6357·6
1948						
June 5	2210·0	2616·7	283·2	3·5	1410·0	6523·5
„ 12	2210·0	2608·6	281·7	1·0	1425·5	6525·2
„ 19	2210·0	2635·1	274·0	11·3	1415·5	6613·8
„ 26		4817·3	270·5	...	1469·0	6555·7
July 10	2210·0	2629·5	282·3	...	1429·5	6547·7
„ 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
„ 24	2210·0	2632·8	294·6	15·3	1423·5	6580·1
„ 31	2210·0	2620·5	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2593·5	270·5	...	1429·5	6568·5
„ 14	2210·0	2355·6	287·0	...	1429·5	6282·0
„ 21	2210·0	2398·6	280·1	6·8	1441·0	6355·9
„ 28	2210·0	2386·0	286 8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
„ 11	2210·0	2378·7	297·0	2·0	1469·5	6358·2
„ 18	2210·0	2399·7	300·5	18·8	1469·5	6399 4

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment: s.	Average Rate of Allotment: d.	Per Cent Allotted at Min. Rate
1947						
Sept. 26	180·0	277 4	180·0	10	2·66	27
1948						
June 25	170·0	379·7	170·0	10	1·65	48
July 2	170·0	286·8	170·0	10	1·45	45
„ 9	170·0	276·5	170·0	10	1·48	48
„ 16	170·0	279·7	170·0	10	1·55	48
„ 23	170·0	294·3	170·0	10	1·31	43
„ 30	170·0	291·8	170·0	10	1·38	42
Aug. 6	170·0	288·1	170·0	10	1·50	44
„ 13	170·0	269·1	170·0	10	1·91	53
„ 20	170·0	272·7	170·0	10	1·87	52
„ 27	170·0	268·1	170·0	10	1·95	53
Sept. 3	170·0	295·8	170·0	10	2·43	41
„ 10	170·0	284·6	170·0	10	2·84	48
„ 17	170·0	263·8	170·0	10	3·31	56
„ 24	170·0	273·5	170·0	10	3·14	52

On September 24th applications for bills to be paid on Tuesday, Wednesday, Thursday and Saturday were accepted as to about 52 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Application for bills to be paid on Monday and Friday at £99 17s. 6d. and above were accepted in full. £180 million (maximum) of Treasury bills are being offered for October 1st. For the week ended October 2nd the Banks will be asked for Treasury deposits to the amount of £170 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended Sept. 20 1947	Week Ended Sept. 18 1948	Totals Apr. 1 to Sept. 18, 1948
Savings Certificates:—			
Receipts	2,259	2,000	54,200
Repayments	2,219	1,450	61,950
Net Savings	50	550	*Dr 7,750*
Defence Bonds:—			
Receipts	905	690	19,615
Repayments	849	792	21,649
Net Savings	56	*Dr 102*	*Dr2,034*
P.O. and Trustee Savings Banks:—			
Receipts	11,826	11,506	293,595
Repayments	9,464	10,618	299,715
Net Savings	2,372	888	*Dr6,120*
Total Net Savings	2,478	1,336	*Dr 16504*
Interest on certificates repaid	405	261	11,057
Interest accrued on savings remaining invested	2,285	2,320	56,199

BANK OF ENGLAND RETURNS

SEPTEMBER 29, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1236,390,661	Other Govt. Securities	1288,226,025
In Banking Department	£3,857,172	Other Secs.	749,320
		Coin (other than gold)	9,555
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	361,818,941
Rest	3 992,612	Other Secs.:-	60,486,344
Public Deps.:-	75,935,569	*Discounts and Advances*	25,037,365
*Public Accts.**	22,927,878	*Securities*	35,449,079
H.M. Treas. Special Acct.	52,907,691		
Other Deps.:-	393,294,371	Notes	63,857,172
Bankers	299,970,272	Coin	1,583,098
Other Accts.	93,324,102		
	487,775,555		487,775,555

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

COMPARATIVE ANALYSIS

(£ million)

	1947 Oct. 1	1948 Sept. 16	1948 Sept. 23	1948 Sept. 30
Issue Dept.:—				
Notes in circulation	1375·0	1243·6	1237·8	1236·4
Notes in banking department	74·4	56·6	62·4	63·9
Government debt and securities*	1449·2	1299·2	1299·2	1229·2
Other securities	0·7	0·8	0·8	0·7
Gold	0·2	0·2	0·2	0·2
Value at s. d. per fine oz.	*172/-*	*172 3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	9·1	9·3	17 2	22·3
Treasury Special Account	...	52·8	52·8	53·6
Bankers	297 4	307·8	301·0	300·0
Others	94·9	94·6	92·7	93·5
Total	402·0	464·5	463·2	469·2
Securities:—				
Government	301·5	395·8	389·6	361·8
Discounts, etc.	14·5	7·9	6·6	25·0
Other	27·0	21·4	21·8	35·4
Total	343·0	425·1	418 0	422·2
Banking dept. res.	76·4	57·8	63·7	65·4
" Proportion "	19·1	12·4	15·1	13·9

* Government debt is £11,015,100, capital £14,553,000. February issue reduced from £1,350 million to £1,300 million on March 4, 1948.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

1927=100	Sept. 23 1947	Sept. 7 1948	Sept. 21, 1948
Cereals	111·2	120·9	122·0
Other foods	138·7	138·8	138·8
Textiles	143·3	178·9	181·1
Minerals	229·0	247·9	252·7
Miscellaneous	150·8	155·6	155·7
	149·0	162·0	163·4
1932=100	*365·1*	*399·9*	*404·8*

GOLD AND SILVER

The Bank of England's *Official buying price for gold* remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Sept. 23	46	75¼	170 2	113 12
„ 24	46	75¼	171 0	114 4
„ 25	Markets	Closed	172 12	114 8
„ 27	46	75¼	173 7	114 4
„ 28	46	75¼	171 14	114 0
„ 29	46	76¼	173 0	114 8

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: United Dairies; Ransome and Marles; Davy and United Engineering; General Electric

Prices, Year 1948 Jan. 1 to Sept. 29 High	Prices, Year 1948 Jan. 1 to Sept. 29 Low	Name of Security	Price, Sept. 22, 1948	Price, Sept. 29, 1948	Net Yield, Sept. 29, 1948 (a) s.	Net Yield, Sept. 29, 1948 (a) d.	Gross Yield, Sept. 29, 1948 £ s.	Gross Yield, Sept. 29, 1948 d.
		British Funds						
101$\frac{32}{32}$	100$\frac{28}{32}$	War Bonds 2½%, August 1, 1949-51	101 $\frac{1}{8}$	100 $\frac{12}{32}$	1	7	3	0
101$\frac{17}{32}$	100$\frac{17}{32}$	Exchequer Bonds 1½%, Feb. 15, 1950	100$\frac{1}{4}$	100$\frac{1}{4}$	0	6	9	1
102$\frac{25}{32}$	100$\frac{3}{4}$	War Bonds 2½% March 1, 1951 53	102 $\frac{7}{8}$	102$\frac{1}{4}$	0	8	0	1
103	100	War Bonds 2½% March 1, 1952-54	102 $\frac{7}{8}$	102$\frac{1}{4}$	0	14	10	1
104$\frac{1}{4}$	101$\frac{16}{32}$	War Loan 3½% (after Dec. 1, 1952)	103$\frac{7}{8}$	103$\frac{1}{4}$	1	3	2	2
102$\frac{1}{4}$	99$\frac{7}{8}$	War Bonds 2½% Aug. 15, 1954-56	102 $\frac{1}{8}$	102$\frac{1}{4}$	1	0	2	2
103$\frac{1}{4}$	100$\frac{1}{4}$	Funding 2½% June 15, 1952-57	103$\frac{1}{8}$	103	1	4	1	2
105$\frac{8}{32}$	100$\frac{3}{4}$	National Def. 3%, July 15, 1954-58	104$\frac{7}{8}$	104$\frac{7}{8}$	1	4	3	2
105$\frac{1}{2}$	101$\frac{1}{4}$	War Loan 3%, Oct. 15, 1955-59	104$\frac{1}{2}$xd	104$\frac{3}{8}$xd	1	4	9	2
103$\frac{1}{4}$	100	Savings Bonds 3% Aug. 15, 1955-65	102$\frac{1}{2}$	102$\frac{1}{4}$	1	9	8	2
103$\frac{1}{4}$	96$\frac{1}{2}$	Funding 2½% April 15, 1956-61	100xd	100$\frac{1}{2}$xd	1	7	2	2
103$\frac{1}{2}$	98$\frac{1}{4}$	Funding 3% April 15, 1959-69	102$\frac{1}{2}$xd	102$\frac{1}{2}$xd	1	10	5	2
114$\frac{8}{32}$	110$\frac{1}{4}$	Funding 4% May 1, 1960-90	114$\frac{1}{4}$	112$\frac{28}{32}$xd	1	0	6	2
102$\frac{1}{16}$	97$\frac{7}{16}$	Savings Bonds 3% Sept. 1, 1960-70	102	101$\frac{15}{16}$	1	11	1	2
97$\frac{1}{4}$	92$\frac{1}{2}$	Savings Bonds 2½% May 1, 1964-67	97	96$\frac{1}{2}$xd	1	12	1	2
115$\frac{1}{4}$	112$\frac{1}{2}$	Victory Bonds 4% Sept. 1, 1920-76	114$\frac{1}{2}$	114$\frac{1}{4}$	1	4	1	2
101$\frac{1}{4}$	96$\frac{1}{2}$	Savings Bonds 3% Aug. 15, 1965-75	101$\frac{1}{4}$	100$\frac{1}{2}$	1	12	4	2
111	107$\frac{1}{2}$	Consols 4% (after Feb. 1, 1957)	109$\frac{1}{2}$	109$\frac{1}{2}$	1	0	7	2
106$\frac{1}{2}$	102$\frac{1}{2}$	Conversion 3½% (after Apr. 1, 1961)	105xd	105xd	1	9	9	3
83$\frac{3}{4}$	74$\frac{1}{2}$	Treas. Stk. 2½% (after Apr. 1, 1975)	77$\frac{1}{2}$xd	77$\frac{1}{4}$xd	1	15	4	3
99	91$\frac{1}{2}$	Treas. Stk. 3% (after Apr. 5, 1966)	94$\frac{1}{2}$xd	94$\frac{1}{2}$xd	1	14	9	3
100	93$\frac{1}{2}$	Redemp. Stk. 3% Oct. 1, 1986-96	98$\frac{1}{2}$xd	98$\frac{1}{2}$xd	1	13	9	3
83$\frac{3}{4}$	74$\frac{1}{2}$	Consols 2½%	78xd	77$\frac{1}{2}$xd	1	15	4	3
101$\frac{1}{4}$	96	British Electricity 3% Gtd. 1968 73	100$\frac{1}{2}$xd	100$\frac{1}{2}$xd	1	12	4	2
99$\frac{3}{4}$	93$\frac{1}{2}$	British Transport 3% Gtd. 1978-88	99$\frac{1}{2}$	99$\frac{1}{2}$	1	13	11	3
101$\frac{1}{4}$	95$\frac{1}{2}$	British Transport 3% Gtd. 1968-73	100$\frac{1}{2}$xd	100$\frac{1}{2}$xd	1	12	5	2

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'c'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). *(a) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield.* * Assumed average life 15 years 6 months.

Prices, Year 1948 Jan. 1 to Sept. 29 High	Prices, Year 1948 Jan. 1 to Sept. 29 Low	Name of Security	Price, Sept. 22, 1948	Price, Sept. 29, 1948	Last Two Dividends: (a)	(b)	(c)	Yield, Sept. 29, 1948 £ s.	Yield, Sept. 29, 1948 d.
					%	%	%		
		Other Securities			(d)	(d)			
104$\frac{1}{2}$	101$\frac{1}{4}$	Australia 3½% 1965-69	104$\frac{1}{2}$	104$\frac{1}{2}$				2	19 0
94$\frac{1}{2}$	91$\frac{1}{2}$	Birmingham 2½% 1966-71	93$\frac{1}{2}$	93$\frac{1}{2}$				2	19 4
83	73	Anglo-American Corp. 10s.	50	*c*	50	*c*		3	17 7
10$\frac{1}{8}$	7$\frac{3}{4}$	Anglo-Iranian Oil £1	5	*a*	25	*b*		4	16 2
76/6	62/41	Assoc. Port. Cem. Ord. Stk. £1	15	*c*	15	*c*		4	3 11
38/6	29/6	Austin Motor 'A' Ord. Stk. 5s.	40	*c*	40	*c*		6	3 1
84/-	72/9	Barclays Bank Ord. 'B' £1	75/-	*c*	74/-			3	15 8
10$\frac{3}{4}$	8$\frac{1}{2}$	Bass Ratcliff Ord. £1	9					2	15 7†
104/9	85/-	British Oxygen Ord. £1	98/9xd		12	*b*	8	*a*	4 2 1
46/11	36/-	Courtaulds Ord. £1	39/-		21	*a*	5	*b*	4 0 0
32/6	25/1	De Beers Cons. Ord. 4s.	27/9xd		20	*a*	4	*b*	4 0 0
32/10½	27/9	Dorman Long Ord. £1	31/3		8	*c*	8	*c*	5 1 7
19/9	68/-	Dunlop Rubber Ord. £1	73/6		15	*c*	15	*c*	4 2 0
53/-	44/-	Imp. Chem. Ind. Ord. Stk. £1	44/9xd		3	*a*	7	*b*	4 9 5
6¾	4⅞	Imperial Tobacco £1	5½		19½	*b*	13⅓	*a*	5 6 9
48/9	40/5	Lancs. Cotton Ord. Stk. £1	43 1½		10	*c*	10	*c*	4 14 8
56/6	44/10½	Lever & Unilever Ord. £1	48/9		10	*c*	10	*c*	4 2 1
61/3	47/6	London Brick Ord. Stk. £1	52/6		12½	*c*	10	*c*	5 3 18 1
66/1½	47/-	Pearl Assce. Ord. Stk. 10s.	54 -		25	*c*	31½	*m*	5 5 6
35½	30½	Prudential 'A' £1	32½		87½	*c*	77½	*c*	2 7 6†
59/3	49/9	Stewarts & Lloyds Ord. £1	54 6		12½	*c*	12½	*c*	4 12 7
85/7½	71/6?	"Shell" Transpt. Ord. Stk. £1	74/4½		15	*b*	15	*b*	2 1 1½
7⅞	5½	Tube Invst. Ord. Stk. £1	6⅝		12½	*b*	6½	*c*	4 1 8
50/9	73/3	Turner & Newall Ord. Stk. £1	76/-		5½	*a*	5	*a*	7 6 3 19 6
93/3	77/-	Woolworth (F. W.) Ord. 5s.	79/-		55	*b*	15	*a*	7 9 4 8 1

(a) Interim. *(b)* Final. *(c)* Whole year. *(d)* Int. paid half-yearly. *(e)* To earliest redemption date. *(f)* To latest redemption date. *(m)* 15 months. Yield Basis 25%. † Free of tax.

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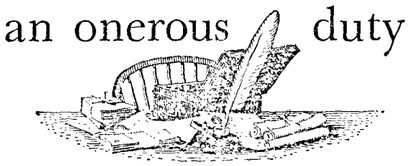
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EDWARD REES,
Director of Education.

Education Offices, RUTHIN. September 20, 1948.

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Established 1843

October 9, 1948

One Shilling

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What is the Commonwealth?

ON Monday next the Prime Ministers of the Commonwealth, or their deputies, will assemble in conference in London. The agenda they have set themselves is an important one. It covers the problems of Europe and South East Asia, defence, the effect of Western Union upon the Commonwealth, and the economic and financial relationship of the Commonwealth nations to each other and to the world. But the public has been warned to expect nothing very definite from the conference. It will be merely "an exchange of views." It will not tackle any problem which will arouse controversy among the participants. It will not bind any of the delegates to decisions which might need ratification by the sovereign legislatures of the nations taking part. With the staggering, across the Channel, beneath its load of insoluble problems, with the prospects of European union hardly out of the talking stage, there has been an excess of caution in warning the world not to expect very much from the oldest and hitherto the most successful international system. Must it be assumed that the framework upon which the British Commonwealth is built is now so strained that only the lightest of burdens can be rested on it?

One has only to consider the diverse and even contrary interests of the delegates to realise the difficulties that would lie in the way of any attempt to reach formal conclusions. Mr Mackenzie King, from Canada, crowns by his attendance a long career of opposition to any formal machinery of Commonwealth action or consultation. Dr Evatt, for Australia, represents a country unalterably hostile to the immigration of Asiatics, who people the three new Dominions of India, Pakistan and Ceylon. Mr Eric Louw, for South Africa, speaks for a government which has just embarked on a policy of racial oppression, which is incompatible with the ideals of the Commonwealth. Mr Liaquat Ali Khan and Pandit Nehru are the Prime Ministers of two Dominions which are unofficially at war with each other, while the latter is the heir to a traditional quarrel with South Africa.

This is a very different situation from the seemingly stable world of 1926, when Britain and the Dominions agreed that they were free and autonomous nations and launched themselves into a formal interdependence upon a wave of rosy self-congratulation. Even then, there were obvious divergences of interest among the nations, but their connection with Britain and the crown, their common parliamentary, administrative and legal tradition, and their preponderantly British populations, made it possible to achieve a great deal of agreement and common action. In the succeeding years, the Commonwealth did work. The Ottawa Conference, whatever might be thought about the policy there pursued, was a considerable achievement in the technique of common action. And the outbreak of war proved in 1939, as it had done in 1914, that the absence of formal ties did not mean an absence of coherence on major issues. Differences certainly existed within the prewar Commonwealth, but if they could not be settled they could at least be discussed by men who subscribed to the same rules and who were prepared to accept roughly the same obligations. Even Eire could be regarded as

the exception which proved the rule. There was, in those days, a great deal to be said for the Mackenzie King view of the Commonwealth, that it was a free association of likeminded nations, improved rather than hampered by the lack of formal organisation.

The different situation that the Commonwealth now faces does not arise out of any fundamental change in the relations between the United Kingdom and the four "old" Dominions. The efforts of the war gave all of them, in greater or less degree, an enhanced feeling of independent nationhood—but it also taught unmistakable lessons of interdependence. The ideas of the Statute of Westminster have stood the test of experience as between the original parties to the Statute. What creates the new situation is the acceptance into the Commonwealth, as full Dominions, of three Asiatic countries, with the promise of more to follow in future.

Whether this policy has been pursued as the result of deep deliberation in Whitehall it is impossible to say. So far as unofficial observers can tell, however, it has been more instinctive than deliberate. British policy has always repudiated any antithesis between Commonwealth and Empire; its theory has been one of steady progression from complete dependence at one end to Dominion status at the other. If India, Pakistan and Ceylon had reached the stage of being entrusted with complete responsibility for their own affairs—why, then, of course it was in Britain's interest, and in theirs, that they should remain within the Commonwealth.

Nobody—to judge by appearances—stopped to inquire what effects their admission would have on the Commonwealth. Yet even if these Asiatic Dominions were willing to enter on exactly the same terms as Canada and Australia, their presence would inevitably make a great change to the practices of the Commonwealth. What has hitherto held the Commonwealth together, in the absence of formal ties, has been common traditions, common instincts, common loyalties—all that is involved when one people regards another as its own kith and kin. None of these links exist between the Indians, the Pakistanis, the Ceylonese and the people of the other Dominions. The "old" Commonwealth could be an effective unity without formal organisation; the new hardly can. In the "old" Commonwealth, the partners could be relied on to understand each other without formal treaties; in the new it will be difficult to be sure that anything is understood unless it is put down on paper.

Moreover, it is becoming clear that the new Dominions will not be prepared to stay in the Commonwealth on the same terms as the "old." India, for example, wishes to be a republic, and probably all the Asiatic Dominions will demand an independent national status for their citizens. These wishes might have been resisted if they did not happen to fit in with another of the instinctive beliefs that has grown up about the Commonwealth's structure, that the looser the Commonwealth became the stronger it would be. So there has been a tendency to say that if the common allegiance to the Crown is a stumbling block to the new Dominions remaining within the Commonwealth, it can be dispensed with, and that if objection is taken to the word "British," it can be removed. But the argument that looseness of structure and absence of obligation are positive blessings is another example of a doctrine that may have been true in the past, as between the "old" Dominions, but can hardly be projected into an entirely different situation. No one would cling to the Crown and to common citizenship merely as symbols if their removal sustained some reality. But if the Crown and common citizenship go, exactly what is left of the Commonwealth? And if the obligations of Commonwealth membership are non-existent, what exactly is the justification of making sacrifices to keep India in? Just how would relations between the United Kingdom and India differ if India followed Burma right out of the Commonwealth? And in whittling down the concept of the Commonwealth to keep India in, how much of the intimacy of contact and consultation between the United Kingdom and the "old" Dominions is being lost? To be quite specific, do the Dominion Governments, now that there are seven of them, get all the secret telegrams that they used to get when there were only four? And if not, is not something real being sacrificed for benefits that it would be hard to define?

These questions are not asked with the intention of suggesting that the answers are self-evident. They may have been thought out, and satisfactorily answered, in Downing Street. But they ought also to be publicly asked and publicly answered. Nor is it intended to suggest that the idea of an expanding Commonwealth should be abandoned. To evolve a system by which the Commonwealth could include nations of diverse races and traditions would be an achievement far surpassing any in the political history of the British race. But if it is to be successful it will be necessary to be very clear about the purpose for which the Commonwealth exists. It cannot be done by simply projecting into the future ideas that were evolved to meet a much simpler problem. While it was made up entirely of British nations, a certain vagueness was permissible, since the members could be relied on to react in much the same way in any situation and were by nature striving for much the same ends. If, however, it is to contain nations with different aspirations and a different political tradition, it is highly unfair to ask them to obey rules of which they are not conscious.

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Perhaps the first step towards clarification should be to make articulate what have hitherto been the vaguely understood obligations of membership in the Commonwealth. Quite simply, they could be reduced to six rules. First, an acceptance of the rules of international law and a willingness to settle disputes with other members of the Commonwealth by discussion, conciliation or arbitration. Second, a respect for racial minorities. Third, a readiness to pursue on the world stage foreign policies that move on parallel or converging lines. Fourth, a willingness to undertake defensive commitments in accordance with a policy worked out by and for the whole Commonwealth. Fifth, an undertaking not to pursue unilateral economic policies without regard for their effect upon the other nations of the Commonwealth. Sixth, a willingness to permit the movement of citizens of any part of the Commonwealth over the whole of it, if not without restraint, at least with a minimum of regulation.

It would be going far too far to ask the Dominions—and the United Kingdom—to sign these principles on the dotted line and abide by them under penalty of expulsion. But each member of the Commonwealth ought to ask itself how many of *these principles* it accepts. If there is any Dominion that cannot accept most of them, then it and the other members ought to ask what it is doing in the Commonwealth. And though nothing would be more calculated to disrupt the Commonwealth than to suggest two classes of Dominions, or anything but complete equality of status among all the Dominions, it would be reasonable to draw the conclusion that consultation should be much closer among those members who accept all the obligations than it can be among those who reject some. This would be the means whereby some members of the Commonwealth could be freed of what they regard as irksome obligations, without the existing ties between other members being thereby weakened.

These ideas are vague. But it is by their exploration and elaboration, it is suggested, that the next stage in the development of the Commonwealth can be entered upon. It is not only, or even mainly, in this island that ideas need to be clarified. Britain did not create the British Commonwealth. It is the work of the British Dominions, the practical expression of the idealism of Macdonald, Laurier, Deakin, Botha and Smuts, men who saw how independence could be reconciled with membership of an international group. At every step in its development Britain has gone no further than the Dominions were prepared to go. But the United Kingdom is still the most powerful and the most experienced member nation. Its connections are world-wide and only it embraces the particular interests of all the other nations. London cannot abandon the position of leadership, although it can no longer shoulder all the burdens. Equally, however, it cannot effectively wield that leadership, if every action that calls for a sacrifice of independent action is regarded as a Macchiavellian threat or a revival of the imperialism of Joseph Chamberlain. The Commonwealth countries have need of each other as never before. The interdefence of Britain and Canada, of New Zealand and Australia has never been more obvious. But the old safe world in which the "loose connection" flourished no longer exists, and unless the Commonwealth revises the standard of conduct and co-operation which it expects from its members, it will become merely a sentimental fiction. There is no virtue in mere size—"the larger the assembly of sheep, the more it appeals to the wolves." A sprawling collection of nations with no common obligations, with no co-ordinated line of action in world affairs, and at odds with each other makes up an international system which is a travesty of the word Commonwealth.

"Push, Prod and Encourage"

BY virtually unanimous report, the American Presidential election is taking a course that will put Governor Dewey into the White House on January 20th next. This prospect is laying a self-conscious mantle of statesmanship over his campaign speeches, and by the same token it lends them an unusual importance. What a candidate says on the hustings is usually a poor guide to what a President will do in office. But Mr Dewey has no need, this year, of demagogy, and he is carefully advised by men who, at least so far as foreign policy is concerned, are well informed about the true state of affairs. The world would do well to listen to what he has to say.

His chief speech on foreign policy was that delivered at Salt Lake City on September 30th. In the main, it should bring deep satisfaction to anxious European listeners. Not only were the main outlines of the Truman-Marshall policies specifically endorsed, with less of the detailed fault-finding than *might* have been expected from, and forgiven in, a Republican candidate; it was also easy to detect, between the lines, a willingness to go further and to supplement economic aid to Europe with the promise of military support. So far, so very good. But there was one sentence which inevitably makes the European listener sit up with a start. This was the statement that "We shall use [the programme of aid to Europe] as the means for pushing, prodding and encouraging the nations of western Europe towards the goal of European union." National pride is a strong and a sensitive emotion, and there must have been many people in western Europe—even among those who hope for a really effective western Association — who felt their hackles rise on reading words so blunt. But there is really no reason why the reaction need be one of indignation or of suspicion. It is difficult to find in history a case of an effective union of separate sovereignties being achieved except in the presence of some outside pressure or incentive, and a pressure such as Governor Dewey suggests, which is accompanied by much assistance in the present and the promise of more to come, is infinitely to be preferred to the alternative compulsion of fear, the results of which may be more spectacular at the moment but are likely to be repented of more quickly. When the record of Marshall aid is impartially surveyed, it is easier to criticise the Americans for too easily accepting the inviolability of European sovereignty than for too much prodding.

Those who have the cause of Western Union at heart will therefore hope that Governor Dewey means what he says. There are, nevertheless, certain reservations and cautions which may be suggested to him and his advisers when he enters on the course of "pushing, prodding and encouraging." There are good and bad ways even of doing good and even a nation as strong and as rich as the United States will find its task easier if the susceptibilities of European pride are enlisted on its behalf rather than mobilised to resist it, as the Communists will miss no opportunity of doing. "Talking tough" always gets a statesman credit in his own country, and nowhere more so than in the United States; but Mr Dewey might well find that the support it lost him in Europe would prove to be far more vital to his purpose than any he gained in America. Most of those who quote Theodore Roosevelt's injunction to "speak softly and carry a big stick" forget the first half of it. The nations of western Europe are sufficiently conscious of what they stand to lose by any dissociation from the United States that it is unnecessary to labour the point; they are very ready to respond to soft speech.

No one in Europe has any right to complain if conditions are attached to American generosity. But the response will depend on whether or not the conditions are possible of attainment. That was the trouble about the terms that were attached to the dollar credit to Britain in 1945—not that conditions were attached, but that those which were attached proved to be quite unworkable and in one particular at least—that of the convertibility of the pound sterling—actually led to some retreat from the objects they were intended to advance. The difference between the loan conditions and the Marshall conditions—between 1945 and 1947—is that the Marshall conditions are eminently reasonable and realistic in principle. But they still need to be reasonable and realistic in their detailed application if they are not to finish, as the loan conditions did, by making things worse. In pushing, prodding and encouraging the western European nations towards unity, Mr Dewey should beware of asking them, at any stage, to do anything that appears to them plainly impossible, however it may appear to him. Moreover, "possible" means not ideally possible, but politically possible. Let American politicians ask themselves what they would find it politically possible to do, in the United States, in the way of the relaxation of tariff barriers and immigration restrictions, the pooling of sovereignties, of citizenship, of defence plans—and let them not ask their fellow politicians in Europe to do very much more, or to do it very much more quickly.

Perhaps the best service that the devotees of Western Union can now render to the cause is to work out in detail some of these possibilities. The best answer that those who complain of unreasonable American pressures can make is to work out a practically possible time-table. There are, in fact, several practical choices to be made and the sooner they are brought out into the open the better. For example, it seems natural for Americans to express their ultimate aim (as Mr Dewey did at Salt Lake City) as the United States of Europe and to describe the process of arriving at it as that of federation. These expressions are second nature to Americans, and they are also often

on the lips of an active federalist movement in Europe. If the words are meant loosely, all is well. But if "federation" is defined strictly, and if what is aimed at is the creation in western Europe of a federal government deriving its powers directly from the peoples, independently of the national governments—which inevitably means, at least in part, in opposition to them—then it is time to pause. It is conceivable that a western European federal government, in this strict sense, if it could be created, would be far firmer and more stable than any other. But what is certain is that it would take far longer to create. If the Americans—and the European devotees of Western Union—want quick results, they will be well advised to work through the national governments and not to lend their support to movements that are bound to antagonise them.

Another very similar distinction needs to be made between the possibilities of action in the economic and politico-strategic spheres. It is one of the favourite fallacies of the age that intractable political problems can be solved by economic means, that if people can only be made well fed and kept fully employed, they will cease to be nationalistic and warlike and will settle down in federal harmony. It must be confessed that there is more than a trace of this fallacy in the original Marshall idea. But unfortunately it *is* a fallacy, and progress in forming an economic union of western Europe now waits upon political consolidation, not the other way round. There are two main reasons for saying this. The first lies in the nature of the problem. Economic structures cannot be radically changed overnight. The heads of a great international business, operating in every one of the OEEC countries, were recently asked what the effect on their business would be if the trumpet were suddenly to sound and every existing obstruction to trade and finance within western Europe were to disappear. The answer was, in substance, that it would make very little difference to their current operations—since the national productive units and the national channels of trade existed, it would almost certainly be most economical to go on using them—but that it would make a great difference to the programme of future development. What is true of one business is true of the whole area. A whole industry in one country may be uneconomic. But that does not mean that it can be swept away—such things cannot be done in a democracy in the twentieth century, on either side of the Atlantic. What can be done is to see that the future growth is placed elsewhere. It follows that the process of economic unification, even in ideal conditions, must necessarily be one of gradual growing together. Quick results are not to be expected.

The second reason why politics must precede economics is that almost every economic decision is influenced by considerations of national security in time of war. Until Governments are absolutely certain that, in any future war, western Europe will fight, and will be defended, as a single whole, they cannot abandon their responsibility for making each of their nations, separately and individually, as strong as possible.

The beginning must be made on the political plane, not on the economic. It must be made between the governments, not between the legislatures or the electorates. That is why what has been done by the parties to the Brussels Pact (where accusations of "dragging feet," if they can be made at all, do not lie against the British) represent sounder progress towards the ideal of Western Union than anything that can be expected on the economic plane at Paris.

The purpose for which these points are made should not be misunderstood. This journal was one of the earliest and has been one of the most persistent advocates of a closer association of the western European nations. The series of articles in support of the idea that have appeared in these columns goes back to the middle of the war—to a time when (it is perhaps pertinent to recall) the chief obstacle to its progress lay in the rooted objection of official and private American opinion to anything that seemed to contradict another Republican Presidential candidate's dream of "One World." That the salvation of the peoples of western Europe depends upon their achieving political and economic unity we take to be absolute truth. Nor would we delay by a single day the attainment of that objective—indeed, time is cruelly short. But it is difficult to think of a branch of public policy where the pursuit of the theoretically perfect is more likely to impede the attainment of the practically good. We would not have Mr Dewey relax any of his pushing, of his prodding, or of his encouragement. We pray that he may have the wisdom not to push and prod at large, but in the directions where he can achieve most, and most quickly.

Agricultural Policy

AT present, the main issues of agricultural policy are dormant. Both major political parties—the Conservatives even more than Labour—are committed to an all-out programme of agricultural expansion, and although their policies for achieving this end are crude, and their hopes of doing so uncertain, the testing time has not yet arrived. Thanks in part to increased supplies of feeding-stuffs, progress over the last year towards the agricultural targets has been moderate but not strikingly good. This year's harvest, which earlier in the season promised bumper crops, suffered some setback from the weather in July, although in some areas much leeway has been recovered since then. The yields of the major crops are actually very well above average, even if an appreciable proportion of oats and barley, is in poor condition. Since a higher acreage was under cereals than for several years past, the final result in quantitative terms may be quite impressive. The potato crop may be a record one, and sugar-beet has come on well in the last month's sunshine. For the country as a whole, as opposed to certain unlucky districts, the harvest should prove on balance a good one. The farmers' chief complaint is that harvesting costs have been unusually high.

However, it will be during the next two years that the farmers' readiness to expand production will really be put to the test. The incentive to do so was provided a year ago by the Government in the form of a considerable all-round increase in the schedule of guaranteed prices. It is not impossible, however, that the farmers will ask for more incentives of the same sort in their annual negotiating contest with the Ministry of Agriculture, which starts in a few months' time. It can be argued that costs have risen and next month is likely to see the presentation of a new claim from the agricultural workers. From the viewpoint of the whole national economy, clearly no time could be less appropriate for fresh demands to be made on the public purse.

Thus, although the agricultural barometer is for the moment set steady, there is every prospect of squalls ahead. Now is the right time for a general overhaul of the nation's agricultural policy so that the industry can ride successfully through the crucial period of the next few years. There is, however, little evidence of heart-searching in either official or farming circles. Politicians vie with each other in condemning the shameful past treatment of British agriculture, and in making lavish promises for the future. The trouble with this sort of talk, as at least the farmers know, is that it can change overnight once the cost of implementing the words becomes insupportable to the taxpayer. The farmers, for their part, alternate between the assumption that the guarantees given by the Agriculture Act will continue to be interpreted strictly according to their own specifications and the completely opposite suspicion that they will be dishonoured altogether.

Both the politicians' and the farmers' attitude ignore the realities of the situation. The two aims of British agricultural policy—that of growing considerably more food at home and that of ensuring to the industry a permanent measure of stability—are now widely accepted. The actual targets set by the Government, and the larger and vaguer speculations in the Conservative party's Agricultural Charter, may very well be over-ambitious, but the general desirability, for a dollar-starved, payments-ridden economy, of an increase in the home production of food is not open to question. Again, it may be that stability is now being conferred on the industry in a way that creates too much rigidity and too little incentive to greater efforts; but stability is none the less a necessary objective for an industry which is peculiarly susceptible to market fluctuations and vital to the whole economy. The point is, however, that these two aims constitute not the end but only the beginning of policy-making. Their very realisation over a period of time depends on ensuring that the large, protected agriculture which they envisage does not press too heavily on the rest of the economy. More bluntly, it requires that the cost of providing the farmers with guaranteed prices and assured markets shall not be higher than the taxpayer and the consumer between them are able and willing to shoulder. The proper application of this criterion has been softened since the end of the war by the scarcity and high price of imported food, and by the need to stimulate domestic production at almost any cost. But the situation will certainly change over the next few years, and is already beginning to do so.

If it is to do so, now is the time to prepare, for already there are signs of a breeze springing up. The general level of import prices, it is true, has continued obstinately upwards, although the bumper American harvests this year may be the means of reversing the trend; but it is very likely (barring war) that import prices will begin to fall during the next few years, although no one can say whether the fall will be a large or small one. At home, rising production, in so far as it materialises, may actually bring about an occasional surplus in some commodities, such as eggs and potatoes, even though demand continues to be inflated by enormous food subsidies. Were the food subsidies to be selectively reduced—and one day the case may become too strong for the Government to resist—derationing of some foods might quickly become possible. If it be assumed, on the other hand, that the cost of food to the consumer continues to be pegged at its present level, it will be vital to keep down the cost of food subsidies, which have become both absolutely greater and relatively more burdensome than ever before. In these circumstances, the Government will find it awkward to have to buy food in a dear home market, if there is a cheaper overseas one available—as in increasing measure there may be. Under either set of contingencies, home-produced food may gradually come to appear embarrassingly costly—either to the consumer who will have difficulty in affording it in sufficient quantities, or else to the taxpayer who will grudge shouldering permanently so heavy a burden after the worst of the food shortage is over.

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The danger of this situation arising springs from the extreme rigidity of the prices guaranteed to the British farmer. They can only move easily in one direction—upwards. Prices are settled at the annual review mainly from an analysis of the profitability of various types of farming, adjusted by reference to the cost structure of the individual commodities. Insufficient attention is given to the probable price movements of individual imported foodstuffs considered in conjunction with their availability. Still less attention is paid to the future trend of consumer demand and of individual tastes (admittedly hard to ascertain in present circumstances). The effect of basing prices primarily on financial returns is to lessen the resistance to the rising spiral of costs in general, and the wage level in particular. Moreover, the data considered at the review now include an index of farming profitability in relation to the income of other rural workers, thus further tying the Ministry to a duty of making farming pay rather than of paying farmers what the nation can afford.

These remarks do not amount to a contention that farmers as a class are grossly overpaid. Some of them may be. It is an inevitable corollary of a system that bases prices on average costs (especially when this has come to mean in practice costs that are a good deal above the average) that the really efficient or fortunately located farmer gets high profits. The averagely efficient small farmer, though he is far better off than he was before the war, gets no more than a satisfactory real income for his exertions. The contention simply is that an industry whose remuneration is handed out by the Government on a mainly cost-plus basis leads a dangerously sheltered life. It is unresponsive alike to the changing conditions of world markets, from which it is effectively insulated, and to the changing needs of the national economy, which are expected to follow rather than to lead its internal requirements.

The next few years, however, will force British agriculture out of its shell. No other nation protects its agriculture so thoroughly, and as the tide of inflation recedes all round the world this fact may become unpleasantly plain if high farm prices remain here. At the same time, the need for internal economy—for cutting costs and for reducing



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Government expenditure—is getting too strong to be gainsaid. British agriculture cannot be permanently insulated from these changing circumstances. The only question is whether its adjustment will be gradual and harmonious, and carried out in a way which preserves its stability and facilitates its expansion, or whether it will be sudden and unpleasant, involving the modification or postponement of its main objectives. The phase of production at any cost is definitely over. Even the programme of agricultural expansion will not be pursued if its cost becomes excessive; and even the guarantee of assured prices and markets may one day be dishonoured if its interpretation is too exacting.

The farmers would do well to think twice before asking for higher prices in such unpropitious circumstances. It is very much in their interest to make the Agriculture Act work successfully, and the way to do this is to pursue their rights under it with moderation and adaptability. This is the more necessary since it is now quite clear that the coercive powers which the Act provides are being used with great moderation. Even the farmers' fears of wholesale dispossessions and of "farming from Whitehall" are gradually receding. They never, of course, had much foundation. This means, however, that the price-fixing mechanism must act as the main instrument for raising efficiency as well as for ensuring stability, and for guiding production as well as for stimulating it when necessary. It is the channel for interpreting the nation's needs to the farmers, as well as for satisfying the farmers' requirements. Therefore, to bind this mechanism closely to a costings formula is to prevent it from fulfilling a vital half of its function.

The present method of fixing farm prices primarily by reference to farming profitability rests only on convention and is not written into the Agriculture Act itself, which carefully enables the guarantee to agriculture to be fulfilled in a wide variety of ways—for instance, by the payment of an annual subsidy, varying with the quantity of a commodity produced, instead of by the fixing of prices. So far, the ingenuity of the draftsmen has been put to no use. It is time the Government took a stand against this unsatisfactory convention which every year it has allowed to get more rigid and more firmly entrenched. To do so will not mean immediate drastic changes. The Government's powers of limiting the quantities of any commodity for which the guaranteed price will be paid might profitably be used soon in one or two cases—for instance, to establish a larger riddle for potatoes for which the guaranteed price is payable. Generally speaking, however, the nation still needs all the food it can get. The main principle for the Government immediately to establish is that other factors besides farmers' costs (interpreted in a somewhat favourable way), and, in particular, the cost and availability of overseas supplies, the needs of consumers, and the exigencies of the national economy, are given their full weight in determining the guaranteed price schedules. This does not mean that farmers' costings should be ignored or that they should be given a raw deal in any way. On the contrary, to make the Government guarantee to agriculture more flexible and more productive of farming efficiency is the one sure way of stopping the risk that it may one day break down.

One Year of the Cominform

TO single out one year of Soviet Russia's relations with its satellite states and Communist parties is, in a sense, misleading, for it may suggest that the year is in some way different from all preceding years and that Soviet policy during that period underwent some striking change. This is not, in fact, the case. Ever since foreign Communist parties lost their last vestiges of independence from Moscow—somewhere at the beginning of Stalin's ascendancy, say, in 1928—one principle and one alone has guided the policies of nations and groups which accept Russia's spiritual overlordship. It is that the defence of the Soviet Union by the exact methods laid down by the Soviet Union is the sole *raison d'être* of a Communist government, party or individual member. As Dimitrov, the prewar head of the Comintern, put it in defending the Nazi-Soviet Pact of 1939:

> The historical dividing line between the forces of fascism, war and capitalism on the one hand and the forces of peace, democracy and socialism on the other hand is in fact becoming . . . not the formal attitude towards Soviet power and socialism in general, but the attitude to the Soviet Union which has been carrying on a real existence for the last twenty years.

Dimitrov's definition might have been written yesterday. There is now, as there always was, only one loyalty in the Communist Party—to the interests of the Soviet State as interpreted by the Soviet Communist Party.

The foundation of the Cominform on October 5, 1947, should not, therefore, be thought to denote any profound change in Soviet foreign policy; but it did mark a definite change in tactics. From 1945 to 1947, the Russians pursued what might almost be called a leisurely policy in Europe. It is true that they secured Communist predominance in the states occupied by the Red Army and had succeeded in suppressing the remnants of German Social Democracy in their own zone before Easter, 1946. But in general they permitted "bourgeois elements" to survive in the various governments of eastern Europe; and though the Communist members of western coalition governments were troublesome, they were not entirely obstructive. It may be that this relatively mild phase was due to a belief in and a desire for co-operation with the western world. It is equally likely that the slice of Europe bitten off by the Communists needed some mastication before it could be swallowed. It is also likely that the leaders in the Kremlin, gazing into their Marxist horoscope and seeing the stars foretell inevitable depression and slump for the western world, believed not only that time was on their side, but that not much of it would be required.

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Whatever the explanation, the year 1947 brought this period to an end. The reasons were partly political. Even at its leisurely pace, Russia had swallowed enough of Europe to perturb the western world, and in Germany and Greece the pace was becoming anything but leisurely. Another factor was economic. The plight of western Europe seemed to make the spread of Communism inevitable, and the strongest member of the western world, the United States, woke up to the dangers of letting Europe drift under Soviet domination. The Truman Doctrine—of March, 1947—was limited and confined itself to an area, Greece and Turkey, in which Russian pressure had already become definitely threatening. But the second move—the offer of Marshall aid in June, 1947—affected the whole of Europe. Moreover, since it was made impartially to needy nations on either side of the Iron Curtain, it struck at the core of Soviet influence. The Czechs and the Poles actually accepted the offer before they could be called to heel by their masters in Moscow.

It may well be that this acceptance on the part of the Czech and Polish Governments was the decisive factor in determining the Russian leaders to establish the Cominform. In October, members of eight of the Communist parties of Europe were summoned to Warsaw to confer with the parent Russian party, and there the late General Zhdanov, at that time a secretary of the party and an ex-member of the Comintern, outlined to them the "new historical situation," called on them to set up a new Communist Information Bureau—the Cominform—and laid down for them the methods whereby the interests of the Soviet Union must be defended.

Zhdanov echoed Dimitrov in defining the essence of the new situation. The world was once again divided into "two camps"—

> the imperialist, anti-democratic camp, the principal aim of which is to establish the world domination of American imperialism and to defeat democracy; and the anti-imperialist and democratic camp, the principal aim of which is to undermine imperialism, strengthen democracy and liquidate the remnants of fascism.

In other words, America and the western world were formally outlawed and the Communist parties were called to follow Soviet leadership in defeating, rooting out and destroying the common enemy.

General Zhdanov was perfectly explicit on the means whereby the "western threat" was to be countered. In the first place, the Marshall Plan would be defeated in the West. This part of the strategy fell principally to the lot of the French and Italian Communist parties. They were censured for leaving the coalition governments in France and Italy, since they could have wrecked the Marshall Plan more easily in office than out of it. They must now either attempt to recover political power or by strikes, unrest and local violence to undermine the economic bases of the Plan. These were the marching orders of the western parties.

The second aim of the new strategy was to "close the ranks" in eastern europe. The two years of co-operation with the "bourgeois" and social democratic elements in each eastern country had left some non-Communists in positions of authority, and had also inflated the Communist party itself with new recruits of doubtful ideological purity. Closing the ranks under the direction of the Cominform was therefore to take two forms—the ejection and suppression of all non-Communist elements in government and state, and the purging of the Communist parties themselves to bring them back to the true Lenin-Stalin line—in other words, to total subservience to Moscow.

The third aim of the new campaign was mentioned only briefly by Zhdanov, since it could only be of indirect concern to the Communist parties of Europe. This was the launching of an attack upon "the rear of the capitalist system" by backing and reinforcing local nationalist movements in south-east Asia and in the colonies.

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This, then, was the triple programme of the Cominform—to undermine the Marshall Plan, to impose total Communist control on eastern Europe and to stir up difficulties in the colonial world—and now that a year has passed since the campaign was launched, some attempt can be made to assess its effectiveness. The first effort—to check and undermine the Marshall Plan—has had only very limited success. In fact, were the Marshall Plan confined to 1948 alone, the Communists, particularly the Communists of France and Italy, would have to admit failure. The Marshall Plan has come into being and the two chief attempts to defeat it before it even began ended in fiasco. Last November, the attempted general strike in France petered out and, as a result, a mass of workers left the *Confédération Générale du Travail* and joined or formed independent unions. In Italy, the April elections which were to have "swept the Left to power" ended in a resounding victory for the Christian Democrats. The Marshall Plan, however, has four years to run and, since the first anniversary of the Cominform has coincided with a new Communist-inspired coal strike in France, it is still too early to say whether the French and Italian Communists have been decisively defeated in their efforts to undermine the economic and political stability of western Europe.

On the second aim—the consolidation of eastern Europe—a similarly hesitant judgment must be passed. On the one hand, a social revolution of major proportions has been forced through. In each eastern European state the remnants of non-Communist rule have been brushed away. The execution of Petkov in Bulgaria, the condemnation of Maniu and the emergence of Anna Pauker in Rumania, the crushing of the Social Democrats in Hungary, Rumania and Bulgaria, the disappearance of the Peasant Party in Poland have all been accomplished and, at the end of February, the most "bourgeois" of all eastern European countries—Czechoslovakia—was forced from one week to the next into the rigid framework of a people's democracy. Today, Communist rule is absolute from one end of the Iron Curtain to the other.

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At the same time, each country has purged its own Communists, and dropped all pretence of having local Communist interests separate from those of Moscow. Since eastern Europe is still predominantly a peasant area, it is above all in the agricultural field—with the imposition of speedy collectivisation—that the adoption of the Moscow line has been most immediately felt. In each country the change of policy, coupled with the purge within the party, has led to great tension and uneasiness. In Poland, it even ended in a sensational change in party leadership, Mr Gomulka going into semi-disgrace—in spite of recantation—and new power passing to the men of Moscow, President Bierut and Jacob Berman.

Thus it would seem that the policy imposed by Moscow has had reasonable success. It has, however, also led to the worst and most damaging defeat yet inflicted on Russian leadership. One man could not tolerate the process of *Gleichschaltung*: Marshal Tito's revolt, which earned him expulsion from the Cominform and has left him as the lonely challenger of Russian overlordship in the Communist world, did more damage to Moscow than any failure in non-Communist territory could ever do. His opposition proved that Russian hegemony can be unbearable even to convinced and devoted Marxists and that Soviet imperial control cannot automatically crush out of existence all local differences and revolts: instead of consolidating eastern Europe, the Cominform has succeeded in producing a deep and undisguisable split.

The third point in the Russian programme—the anti-western offensive in the Far East—has now been proceeding for some six months and no judgment of final success or failure can yet be hazarded. But the immediate aim of diverting western attention and resources eastwards and of disrupting Far Eastern production has at least been partially realised, and it is no use disguising the fact that it is among these backward colonial peoples that the Soviet Union is likely to find its most fervent recruits.

One salient fact surely emerges from the record of 1948. It is that the Cominform, like Mr Molotov's diplomacy or Mr Vyshinsky's rhetoric, has had in reality an effect exactly opposite to that intended by its Russian instigators. The aim was to defend the vital interests of the Soviet Union, to weaken and divide its enemies, and to safeguard it against the risk of war. But instead of dividing Russia's enemies, it has united them. Instead of lulling them, it has roused them. Instead of disarming them, it has driven them reluctantly to consider the possibility of war. For one year's work of a body founded solely to safeguard the security of the Soviet Union, this is surely a very momentous and quite disastrous result.

NOTES OF THE WEEK

Berlin: No Change

From the first day of the blockade in Berlin, the Russians have made no secret of their purpose in imposing it. They have sought, by means of its pressure, to compel the western Powers in the first place to postpone or abandon their plans for a government in western Germany and for drastic economic reorganisation—including the reform of the currency—and in the second place, to bring the whole question of Germany's future back to the Conference table of the four Foreign Ministers. Such was the plan four months ago. It has not changed today—as Marshal Sokolovsky, Mr Molotov and Mr Vyshinsky have all reminded the west this week.

Both Marshal Sokolovsky in a press interview in Berlin and Mr Molotov in a formal Note from Moscow have offered to reopen the talks on Berlin. Mr Molotov has even hinted that the point upon which the talks broke down—the Soviet claim to control all future air traffic with Berlin—might be modified and control limited to the "elimination of currency frauds." Nevertheless, Marshal Sokolovsky let it be understood that the renewal of talks would reach a positive conclusion—the raising of the blockade—only if the western Powers agreed to reconvene the Council of Foreign Ministers.

This point was taken up vigorously in Paris by Mr Vyshinsky in his attempt to convince the Security Council that the Berlin crisis lies outside its competence. He maintained that, according to Article 107 of the Charter, matters concerning enemy countries must be referred to the Foreign Ministers' Council and that, in attempting to bring Berlin before the Security Council, the western Powers were acting in violation of international law. The only correct course, Mr Vyshinsky argued, would be to reconvene the Council and refer to it not Berlin only but the problem of Germany as a whole.

The western Powers have naturally refused to defer reference of the dispute to the United Nations and by 9 votes to 2 the Security Council has been seized of the issue. Yet it is difficult to see how its deliberations can change the situation. Too much importance need not be given to the idea of a truce during which both parties would mark time and try to reach an agreed settlement for all Germany. The value of Uno's intervention lies in the fact that any "incident" arising out of the Berlin situation will now come to the notice of the Security Council before national feelings can be exasperated to the point of violence.

* * *

Vyshinsky and the Atom

Precious days which might have been spent in working out a settlement for Palestine have been wasted by the Political Committee of the United Nations Assembly in repeating the familiar debate about the control of atomic energy. The Americans and Canadians began it by proposing adoption of the reports which embody two years' work by the Atomic Energy Commission. This would have meant that the Assembly gave its authority to the largely American proposals for control and inspection agreed to by a majority of the Commission, but opposed by a Russian-led minority.

A swift end to Russian attempts to postpone any such decision seemed in sight. So on Saturday Mr Vyshinsky performed not a somersault but a handstand: he suddenly gave up his previous insistence that atomic weapons must be destroyed and banned before any control system is agreed and established. He asked that the Atomic Energy Commission should prepare simultaneously two draft conventions, one for the "prohibition of atomic weapons" and the other for the "establishment of effective international control over atomic energy." The wording is vague, but the proposals may be regarded as a concession from Moscow, provided it is not forgotten that the three Communist members of the Commission have already held up progress for two years, have shown themselves badly briefed on technical matters, and could quite well spin out convention-drafting over another year.

It should be noticed, too, that bad staff work in the Vyshinsky camp led the Ukrainian Mr Manuilsky to denounce a Belgian suggestion which was intended to soothe the obvious Soviet anxiety about American bomb stocks. It was that a convention on the abolition of weapons and the control of energy should be *concluded* simultaneously. Mr Manuilsky, presumably aware that Mr Vyshinsky had come very close to this in asking for simultaneous *preparation* of two such conventions, attacked the Belgian suggestion as "nothing but sophistry calculated to attain nothing but complete lack of control." Such frivolity—or carelessness—makes it difficult to believe that the Russian proposals are sincere.

Yet Mr Vyshinsky's insistence that the abolition of atomic weapons must come first is understandable and shrewd. He knows it disturbs the consciences of the Americans and their friends. If it were the Soviet Government and not the Americans that had a stock of bombs, there would be a large majority of the Assembly in favour of their immediate destruction. No one wants the weapon to be used but, until they are stronger and better organised, most governments in the west will feel safer for knowing that the Americans have it in reserve. However, by the time it could be displaced by adequate "conventional weapons" the Soviet Government would probably have the bomb too. And so the dilemma goes on.

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In the present state of American-Soviet relations there seems to be only one way to get atomic energy controls started: it is for the Americans to put into action with Britain, the Commonwealth and the Brussels Powers the main principles of the Lilienthal Report and the Baruch Plan. They should be tried out on a regional basis, over the vast area of territory represented by the North Atlantic group and their overseas allies and possessions. That would at least ensure control of atomic materials over a great portion of the earth. It would give Americans the chance to show how sincere they are in offering to submit their own research and production to international inspection. It would offer opportunities to find out whether international control and inspection are workable, even among governments with a common interest in peace and good will (they are obviously not yet practicable for a government so distrustful and secretive as that of the Soviet Union). It might calm the fears and soothe the consciences of many scientists and statesmen. It might even begin the release of the Soviet rulers from their present fear of facing an angry, impatient America, conscious of a monopoly of power to destroy quickly what it fears.

By east as well as west defence is now being organised regionally. So is economic recovery. There is no reason to suppose that control of atomic energy can yet be organised in any other way.

* * *

Miners Below the Mark

Mr Gaitskell, who called the members of the National Coal Board and the executive of the National Union of Mineworkers together on Thursday to discuss coal production, has to face an increasingly firm prospect that the mines will fall short of their production target for this year. It is doubtful how much can now be done about this, and Mr Gaitskell may well be worrying already more about the effort for 1949 than about the failure in 1948.

It is true that the target of 200 million tons of deep-mined coal for 1948 was once "an absolute minimum," but these things have a way of proving relative after all. The probability now seems to be a deficit of 3,000,000 tons of deep-mined coal, to be partly offset (but only partly, both as to quantity and quality) by an extra 1,000,000 tons of open-cast. Regrettable though this is, it turns out that it can be borne, and without reducing exports, by using up some of the excessive stocks which were left from last winter (and which, it now appears clearly, might just as well have been exported six months ago). But what of next year, when the production target for the mines will be 10 million tons higher than the target which is now being missed, and when exports and foreign bunkers have been fixed at 23 million tons? To meet these commitments will require (whether the coming winter proves mild or sharp) not an occasional spurt but a sustained effort. But they will have to be met if the British coalfields are to return to their proper place in the European economy.

The organisation of a sustained effort for this purpose is, frankly, more important than the reaching or missing of a precise figure for the present calendar year. From this point of view it is less the absenteeism of the moment that matters than the general tendency to rise which absenteeism has displayed over the past few months. It is the general intractability of the productivity

problem despite large investments of machinery and despite all the assaults that have been made on it that causes concern.

This can be diagnosed in London, but it can only be tackled at the pits. The new joint committee which Mr Gaitskell has established will only justify its existence if it sets clear objectives and succeeds in making them mean something to the men in the pits.

* * *

Air Transport Economics

Their appetites whetted by references to various future types of aircraft with inter-planetary speeds of up to 25,000 m.p.h., some enthusiasts may regret the comparative timidity of Mr Peter Masefield's paper* read before the Royal Aeronautical Society last week. Such regrets would be quite misplaced, for by concentrating on the vital economic aspect of air transport, Mr Masefield has done a useful service. "Operating economics are the essence of air transport," he says: a fact that is commonly overlooked by the politician and the technician. Even those who recognise the truth of this statement are themselves frequently handicapped by the lack of satisfactory standards of measurement. Mr Masefield, in an illuminating and well argued paper, attempts to provide some.

Starting with the proposition that air transport, if it is to be fully effective in its essential purpose of providing improved communications, must be safe, swift, regular, frequent and cheap, he examines the main economic factors which must be reconciled to achieve this. The incidental information is apt and interesting. More persons were kicked to death by donkeys in the United States last year, for instance, than were killed in air crashes. The deficit on British civil aviation "for a typical year in the immediate future" is estimated at some £28 million, on an expenditure of £71 million under all heads. In 10 or 12 years, however, Mr Masefield expects it to pay its way.

To reach this happy state progress is necessary in three main directions. Aircraft and engines must be made more reliable. Air traffic control must be improved: not only do 40 per cent of present air fatalities occur during approach and landing—which automatic control would largely remedy—but the inadequacy of the existing system rules out jet air liners as a practical proposition. Thirdly, the business efficiency of the air lines must be increased: on the main lines overheads at present average 40 to 70 per cent of total costs.

In taking advantage of any improvements in these fields it is essential to match, as far as possible, the sizes and types of aircraft to the routes and stages over which they will operate. To do this, satisfactory methods of assessing operating standards are necessary. Mr Masefield makes a great contribution to this problem. Among the unconscionable number of variables which appear when an attempt is made to assess the performance of a particular aeroplane on a particular route, there is only one constant—time. Using a unit of time as his base, he has developed an "Hour Chart," which makes possible a quick and reliable comparison of performances. Operating costs are also treated in a new and more precise way than is provided by the usual division into direct and indirect costs. The fundamental conception is that costs are governed by the hours flown and the number of landings, and that revenue is governed by the miles covered and the load factor achieved. He therefore divides costs into fixed annual costs, hourly cruising costs and take-off and landing costs. The result is a much better analytical method. Various representative aeroplanes, both present and future, are tested by these formulæ. And it is encouraging to note that, on present information, the Airspeed Ambassador and the Bristol Brabazon appear outstanding. Operational experience with these machines may modify the verdict. But the new approach in Mr Masefield's useful paper will be a great help in evaluating the evidence for these and other aircraft.

* * *

De Gaulle's Recipe for France

On October 5th, the first anniversary of the Cominform, the French Communists presented their parent organisation with a birthday present in the shape of a coal strike. Refusing the offer of M. Queuille's Government to raise wages by 15 per cent, the *Confédération Générale du Travail* has declared a strike of indefinite duration in the coal mines; so great is the workers' discontent with the constantly rising standard of living that neither the Socialist *Force Ouvrière* nor the Christian Federation has been able to counter the strike movement—although the Christian unions are seeking to limit it.

The strike is one more alarming symptom of the disintegration of public order and discipline in France. The succession of weak centre Cabinets, the alarming fall in the value of money, rising prices and rising costs have all conspired in recent months to counteract the revival of production and the return to greater political stability which followed the collapse of the general strike last November. After reaching an index of general production of 112 compared with 100 in 1938, the monthly index for August fell back to 100. More ominous still, recent polls have shown that the Communist vote is again rising—a sure sign of disillusion and disgust among the rank and file.

Against this background, General de Gaulle has no very difficult task in attacking in the most violent terms the men of the "Third Force" politically responsible for the present *débâcle*. In his press conference in Paris last week he compared them to "rotten planks" and to men "swimming in dirty water." But the General would carry more conviction if he could give reasonable proof that he is better equipped than the Socialists and the Radicals and the MRP to resolve—within the framework of democratic order—the two fundamental problems of French society. The first of these concerns the Left. How can effective administration be carried on if the mass of the workers give little or no support to their own government and are led by men whose first loyalty is to another state? The second concerns the Right. How can a country's finances be stabilised if the well-to-do consistently avoid the burden of taxation? Both problems might be settled by strong-arm methods—by outlawing Communism and by imprisoning reluctant taxpayers. But would democratic freedom survive the strong arm? This is the dilemma M. Queuille and his followers cannot solve. Could General de Gaulle do better?

It is difficult to believe from his published statements that the General's solutions are compatible with the maintenance of liberty. His identification of "Frenchmen" with the members in his own "Rally," his dismissal of Communists as "separatists," his promise that no strikes or "illegality" would stand in his way if once he were elected, are not reassuring in a century in which dictators have been more easily established than overthrown. As for the economic difficulty—the non-co-operation of the prosperous classes—the General glosses it over. He speaks of reducing state expenditure and of simplifying taxation, but by no hint does he suggest that the burden of French recovery shall be more equitably shared. All this has an ominously familiar ring—strong measures to suppress the Left, the velvet glove over the not very iron fist for the Right. Such has been the universal recipe of dictatorship in the twentieth century. General de Gaulle may have other, more constructive paths in mind. He has yet to prove that this is in fact the case.

* * *

The General's Price

The possibility that the return of General de Gaulle to power may be the signal for authoritarian rule in France was underlined by the General's comments at his press conference on the future

* Fourth British Commonwealth and Empire Lecture. Some Economic Factors in Civil Aviation. By Peter G. Masefield, Director of Long Term Planning and Projects, Ministry of Civil Aviation.

Economic Intelligence

The Economist Intelligence Unit provides a means whereby the specialist knowledge of *The Economist*, its research facilities and its sources of information, both at home and overseas, can be directed to the particular requirements of business firms and other organisations. The Unit can supply information and prepare reports on a wide range of subjects. In suitable cases, it can provide authoritative opinions on specific problems.

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of European defence. A pathological sense of national pride and an utter inability to consider national prestige and power in reasonable perspective have been two certain hall marks of dictatorship in this century. Unhappily, General de Gaulle misses almost no opportunity of betraying the presence of both emotions in his conception of France's mission in the world. His recent press conference was no exception. His statement that it was a cockeyed idea (*quelque chose de boiteux*) to defend Europe from London and that the centre of European defence must be France is perhaps geographically and theoretically justifiable. But General de Gaulle, of all men, should know how much better after 1940 the defence of France fared in London than in Paris and, on the morrow of Britain's full entry into the Pact of Western Union, it is more than ungenerous to imply that Britain always thinks of defence in terms only of its own island.

No doubt, General de Gaulle was not making a considered statement on the Western Defence Pact—a military development without parallel in time of peace—but the direction of his thought is only betrayed the more clearly by the fact that the comment was almost an aside. France's associates are warned that a French Government headed by the General will be an exceptionally difficult and intransigent ally. Thus, at a time when many people on both sides of the Channel are beginning to wonder whether General de Gaulle may not after all be the only solution to France's discontents, the General himself has gone out of his way to remind them what a price they may be called upon to pay in return for "Gaullist order."

* * *

Europe's Advance in Production

The general purpose of the European Recovery Programme (ERP) is to put western Europe "back on its feet" by 1951. Several interpretations of this target are possible. If it is taken to mean that industrial production should be restored to at least the prosperity levels of 1937, then in many of the ERP countries that has already been achieved. By the beginning of this year each country's index of general industrial production, with the exception of Belgium and western Germany, was ahead of the prewar base year.

INDEX OF GENERAL INDUSTRIAL PRODUCTION
WESTERN GERMANY (BIZONIA) AND 7 ERP COUNTRIES
(Base 1937=100)

Countries	1946	1947	1948					
			Jan.	Feb.	Mar.	April	May	June
Belgium	72	86	93	92	96	98	95	92
Denmark	101	112	123	125	124	124	123	121
France*	79	95	105	112	112	112	117	115
Netherlands	94	93	103	99	107	106	103	109
Norway	100	115	116	132	128	129	139	138
Sweden	107	108	108	111	112	113	112	112
United Kingdom†	96	100	109	113	109	113	109	114
W. Germany (Bizonia)‡	33	38	44	45	48	50	46	51

* 1938=100. † Adjusted from *Monthly Digest*. ‡ 1936=100.

Figures for the third quarter of this year are not yet available, but it is reported that the increase in the index of Bizonia is striking. Production by the end of August was back to 67 per cent of the 1936 level, undoubtedly a reflection of the currency reform last June.

In Bizonia, increased coal production is the key to further gains in production. This is no less true of France, where any prolongation of the current miners' strikes must soon be reflected in a sharp fall of the index of industrial production. Even before the strikes there had been little success in building up coal stocks, and it was clear that domestic consumption would have to be restricted during the coming winter. Industry is now threatened with similiar restrictions.

* * *

Boundary Commission's Progress

The Local Government Boundary Commission is having a trying time. Wales, as its last annual report pointed out, presents special difficulties; and it now appears that these include, besides a sparse population and a difficult terrain, a mole-like intransigence on the part of its locally elected representatives. The Welsh Counties, apart from Glamorgan, are much too small and poor to be satisfactory administrative units; their average population is 85,000, and average rateable value under £400,000. In its report, the Commission put forward four alternative ways of regrouping the Counties to form better units, and invited discussion and counter-proposals. The Welsh Counties' sole response has been to declare before the Commission their unanimous and unalterable opposition to any change whatever, an attitude which amounts to requiring the Commission to abandon the task which Parliament has set it. The most the Welsh Counties will voluntarily do is to investigate the possibilities of mutual co-operation, a field in which they are anyhow extremely backward. Since the Commission can get no assistance or evidence on the spot, it has cancelled its Welsh tour. If the Welsh Counties' fate is now settled in London, it will be nobody's fault but their own.

The Commission is now embarking on a review of the minor local authorities, but it is up against the strange obstacle that it may not reduce the status of a municipal borough. How is it to deal with the many small boroughs which at present are ineffective units? It can, in theory, incorporate a rural district within a borough—with the undesirable consequence of eliminating the parish councils—but it cannot do the converse.

This difficulty must sometime be rectified; but the basic trouble, which may legitimately exasperate the Commission, is that of having to begin reorganisation of the minor local authorities without first receiving the Government's verdict on its major plan for the reform of counties and county boroughs in England. The politicians, viewing this as an issue on which votes cannot be won but may be lost, mean to stall until after the next election, and very likely longer. The plan, however, has had a better reception from the local authority associations than any other plan of comparable effectiveness would be likely to receive. If ever it is politically unacceptable, then local government will continue to decline to the loss and dissatisfaction of everyone except those Government departments which are anxious to supersede it. Meanwhile, it is wasteful and unfair to keep the Commission and its staff engaged on tasks which can only be properly carried out after the major decisions have been taken.

* * *

London's Gravel

The first report of the Advisory Committee on Sand and Gravel contains a valuable and detailed analysis of the situation of gravel workings in the Greater London area, which have already caused considerable loss to agriculture and amenity. Sir Patrick Abercrombie's belief that reserves were abundant, and that the industry's activities in this region could therefore be closely circumscribed, is shown to be unfounded. On the contrary, after allowing for the indefinite reservation of 10,000 acres of first-rate agricultural land, and for immediate and projected development (including Heathrow airport, which conceals valuable deposits), there remain only about 20,000 acres suitable for gravel-winning, all of which should in the Committee's view be earmarked for this purpose in planning schemes. Much of this 20,000 acres too is highly valuable agriculturally, and should theoretically be kept back as long as possible. Unfortunately the best agricultural and gravel-winning lands are found together in the Lea Valley and western Middlesex. If no restrictions are imposed, it is expected that London's enormous demand for gravel—put at perhaps 10 million cubic yards annually—will have exhausted all the main sources of supply within 30 to 40 years, except the larger but less satisfactory reserves in the Vale of St. Albans.

The issue therefore is whether or not to stimulate artificially workings in the Vale of St. Albans, in the interest of conserving reserves elsewhere and of temporarily protecting good farmland. The Committee reject this idea on the grounds that it would involve excessive and difficult restrictions over output, markets, and prices. It does not consider sufficiently the possibility of guiding development in a broad way by fixing differential development charges—by areas, not by firms—under the Town and Country Planning Act. However, it does suggest that the land allocated for gravel-working should be released by instalments, so as to give greater security to agriculture. It also insists rightly on the compulsory restoration of worked land after use, and is optimistic about what can be done in the direction of protecting amenities, although less so over reinstating agriculture.

This report, despite the difficulties it reveals, is on balance a good example of the advantages which can be had from the planned resolution of conflicting claims on land. Even if the conclusions are not all right, its method of closely reasoned argument is the right way to enlist the co-operation of the interests and local authorities affected, and the understanding of the general public. Moreover, the Committee plumps for broad allocations of land between different uses, but eschews detailed finicky controls over individual applicants, except in the issue of restoration. In this it is surely right.

Tightening the Middle Class Belt

"The toad beneath the harrow knows
Exactly where each tooth-point goes. . . ."

Mass Observation's September Bulletin, following in more detail an earlier inquiry, gives the results of a questionnaire circulated to its own panel of observers, who were asked to submit full details of one week's expenditure and thus provide evidence on how adjustments were being made to the higher cost of living. The average net income of panel members was £11 10s. a week, which puts them, as a group, rather below the middle-class average figure, though still well above the average wage-earner; and they were one and all finding the going extremely difficult. Even where the weekly income still covers the regular, easily budgetable outgoings on food, rent, bus fares, smokes and such, the less regular items—clothing and household replacements, holidays, etc.—can disastrously tip the balance towards insolvency. As one informant is quoted as saying, "There is always *something*." Some are digging into savings; others are making practically a clean sweep of expenditure on books, entertainment and even tobacco; others, more constructively, are looking for extra part-time jobs. No one is shown as taking a deep breath and, so to speak, moving down one—to working-class quarters for instance. The average budget offers no scope for major readjustments such as giving up the family car; and if one is outside that charmed circle of subsidised housing and subsidised canteen from which the weekly wage-earner sallies forth to make the fortunes of pool promoters, it is not much use trying to better one's condition by entering it.

A little further up the scale, the rather better-paid technicians and professional workers hang on by the skin of their teeth to a standard which, at the grim last, they could relax; the misguided creatures still insist on paying education fees, but it is much more possible to remove a child from the pleasant surroundings and small classes of a private school than to scrape the necessary cheeseparings off other items in the family budget. Higher still, it is genuine luxury expenditure which is being pruned—as witness the troubles of the radio and hotel industries. But among small salary earners questioned by Mass Observation the middle-class dilemma appears at its grimmest. In a sense, it typifies the national problem itself—the extreme difficulty of moving down the economic scale in the face of necessity. It is all very well to cut one's coat according to one's cloth when working in one's shirtsleeves. The trouble about budgets, both national and private, is that when the cloth is cut it shrinks before it can be fashioned into garments.

* * *

Hopes and Fears in China

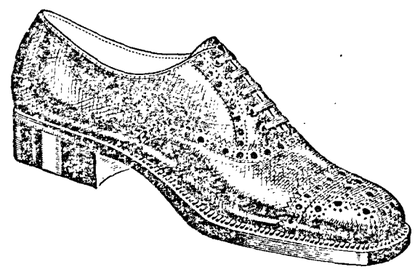
The Republicans have been making China an issue in the American Presidential election campaign. To judge from Mr Dewey's reported declarations, American support for the Chinese Government is likely to be increased, rather than reduced, if he becomes President. The sub-committee of the House Foreign Affairs Committee headed by Representative Bolton, Republican, of Ohio, has brought out a strongly worded report rejecting the thesis that the Chinese Communists are "not really Communists" and describing China as a "laboratory" for the expansion of Communism in industrially backward regions of the world. There are other signs, too, of pressure for a more energetic policy towards China. In the present state of American feeling about Communism and the Soviet Union, it is inevitable that there should be concern over the one sector of the world front on which Communism is at the moment militarily gaining ground, especially as the country involved is the most populous on earth and is traditionally an object of American protective care.

The Nanking Government leaders are aware of this trend in America and are anxiously hoping for a Republican victory and an increase of American backing after November. But meanwhile they are under heavy attack, for the Communists also are no doubt influenced by the same prospect and are doing their best to make hay while the sun shines. Their capture of Tsinan, the provincial capital of Shantung, was the most important victory they have yet won south of the Great Wall, and in Manchuria Changchun has now fallen to them, leaving only Mukden and the coastal strip from the Great Wall to Chinchow in the southwest in the hands of Government forces.

According to the Nanking version the Changchun garrison has not been captured, but is fighting its way southward to join the troops holding Mukden; the move follows the emergency visit

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of President Chiang Kai-shek to Peiping and Mukden to deal with the situation created by the fall of Tsinan. The President has doubtless been urging his commanders in the north, Fu Tso-yi and Wei Li-huang, now cut off from Central China except by sea, to hold out until more American help is forthcoming. The war is passing out of its guerilla phase, as the Communists now have enough industrial plant in Manchuria, including Soviet-occupied Dairen, to produce munitions on a fairly large scale, and determined attempts to take Mukden, Peiping and Tientsin may be expected in the near future.

* * *

Educating the Manual Worker

Sir George Schuster, addressing last week's annual meeting of the Union of Lancashire and Cheshire Institutes, expressed some doubts about the present educational policy which deserve very serious consideration. Educational ideals today suffer from confusion; confusion, among the recipients, between the ideal of something to live by and that of something to live with, between technical qualification and the quality of civilisation; confusion, among educationists, between the ideal of making accessible to all the treasures hitherto most generally reserved for the upper strata of the "black-coated" class, and the ideal of finding for each type (whether potentially "black-coated" or not) the education which should fit it best.

The traditional education of the public or grammar school and of the university fitted the needs and tastes of the professional man and administrator. It gave him both equipment for his work and enrichment for his leisure, and until comparatively lately the controversy over the value of the classics was almost the only indication that there might be some difference between these two aims. For commerce and for technical work in industry, the gap was wider, but science and economics could still form part of a "liberal" education producing a civilised, as well as a proficient, new entry. For the manual worker, however, the case is different. The humanities have no obvious bearing on the work of a fitter, as they have on that of a cleric, a statesman, or a lawyer.

One danger is that of casting, if not pearls before swine, at all events caviare to the general—a process not merely wasteful but positively harmful to the bored and rebellious victims; another is that of labelling youngsters as members of a caste nearly as rigidly delimited as Aldous Huxley's Alphas, Betas, and Epsilon Semi-Morons, and thereafter conditioning them by a properly determined diet, without unsettling ingredients, whatever their later development. Distasteful as the notion may be to democrats, there are Alphas and Epsilons, and a super-Epsilon developed to the top of his epsilonic capacities is still not an Alpha—"parity of esteem" notwithstanding. But that is no good reason against preferring the super-Epsilon to the Epsilon double-minus who emerges, from long endurance of an irrelevant curriculum, to confound employers with his ineptitude and unreliability, civic and military authorities with his illiteracy, and himself with an utter incapacity for enjoyment above the level of the pin-table.

* * *

University Salaries

The perennial controversy over university salaries boiled up again last week when the Vice-Chancellor of Cambridge University addressed the University Senate. Since the controversy is composed of two distinct sets of arguments, which are about to become inextricably mixed up, it is as well to distinguish between them at the start. On the one hand there are the arguments, common to almost all the professions, that salaries have not kept pace with the rise in the cost of living. Actually the salaries of university teachers have risen quite considerably since 1939, but in neither leisure nor in cash are they, and particularly the professors, as well off as they were before the war. Dons are not singular in this, but the difficulty of their situation is underlined by the more attractive rates of pay which are available in industry. Below is a table of salaries typical of the civic universities.

	£†
Professors*	1450 — 1750
Lecturers Grade I	850 — 1050
Lecturers Grade IIa	750 — 850
Lecturers Grade IIb	600 — 750
Lecturers Grade IIc	550 — 600
Assistant Lecturers	400 — 500

*Full-time clinical professors receive £2,500.
†All staff receive £50 p.a. children's allowance for each child.

It should be observed that, contrary to the Vice-Chancellor's assertion, £1,450 per annum is the minimum and not the maximum salary for a professor, and one not really unsuitable for the less distinguished men or for the smaller universities. In addition every university receives a block sum from the University Grants Committee in proportion to the number and distinction of its professorial staff, for distribution at the university's discretion to its professors. And a university may prefer to raise every professor's salary a little, rather than reward outstanding men. But even £1,750, representing the earnings of a highly trained man with great influence in the community at the peak of his career, is not an attractive salary.

The second and explosive element in this controversy is the recommendations of the Spens Report on the "Remuneration of Consultants and Specialists" (Cmd. 7420). If these are adopted specialists in hospitals will be entitled to £1,500 at the age of 32, rising to £2,500 after ten years. In addition, if they are of outstanding ability, they may be eligible for the special awards which will increase some specialists' salaries by from £500 to £2,500 a year (all at 1939 values). Such a proposal hits the universities directly. Non-teaching specialists, working at a hospital and paid under the National Health Service will receive £2,500 per annum, plus an adjustment for the fall in the value of money, plus, perhaps, a special award, whereas the clinical professors at the hospitals, paid by the university, will have to be content with £2,500. This is hardly to persuade good clinical men to take up teaching. If, on the other hand, the university equates the salaries of its clinical professors with those of the non-teaching specialists, it would leave a large gap between the clinical and the non-clinical professors, which is equally unfortunate. Or thirdly the universities may be forced to upgrade all professorial salaries (on government grant) thus setting up a new merry-go-round of salary claims, which may affect still other professions. The effects of the Spens report are likely to go on reverberating for a long time; they illustrate the embarrassing side of bringing hitherto unplanned and unco-ordinated parts of the economy under the aegis of the state.

* * *

Nurses' Salaries

Another example of the difficulties that arise when salaries of groups of workers are treated in isolation can be found in the nursing profession. The salaries of student nurses have been revised from September 1st, with the result that those in their first year are now paid £200 a year, of which £100 is paid in cash and £100 is the value of board and lodging. From next January they will receive an all-in payment of £200, out of which those resident in hospital will pay £100 for their keep. This change in the method of payment is designed to emphasise their status as students rather than hospital workers. In cash they will now have an increase of £30 a year (£45 a year compared with their salaries before July 5th). Second and third year students will get an extra £10 and £25 a year respectively, plus £5 for passing the preliminary examination.

These increases in salary should put an end to one of the student nurses' grievances—that, after deductions for superannuation, national insurance and this-and-that, they have little salary left to them. It is worth noting, however, that the new method of an all-in payment will make their income taxable, to a negligible extent at the bottom of the scale, but quite heavily if, as seems to be generally desired, the new method is introduced all the way up the nursing scale. But if the monetary demands of student nurses are satisfied, what of the staff nurses and sisters? The actual cash salary—that is, exclusive of the value of board and lodging—of a staff nurse is £140, rising to a maximum of £200 after fifteen years. The cash salary of a ward sister is £180, rising to a maximum of £260 after twelve years. The rise in the salaries of student nurses may increase the number of nursing recruits, but if the present gap between student nurses' salaries and those of staff nurses and ward sisters remains as small as it is, where is the incentive for trained nurses to stay in the profession?

Staff nurses and ward sisters have another grievance. As the Royal College of Nursing recently pointed out, when all due deductions are made from a staff nurse's salary, a kitchen maid in a London hospital gets £12 a year more and a ward orderly £25 a year more. When Sunday work and split shifts are paid for, the London kitchen maid and ward orderly receive more than the ward sister. Many hard things have lately been said of the ward sister and her attitude to the student nurses. But how is the right person to be selected to fill this responsible post when her services are assessed at little more, and possibly less, than those of an untrained, unprofessional person under her command?

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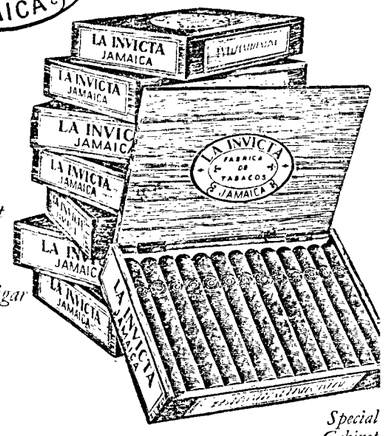
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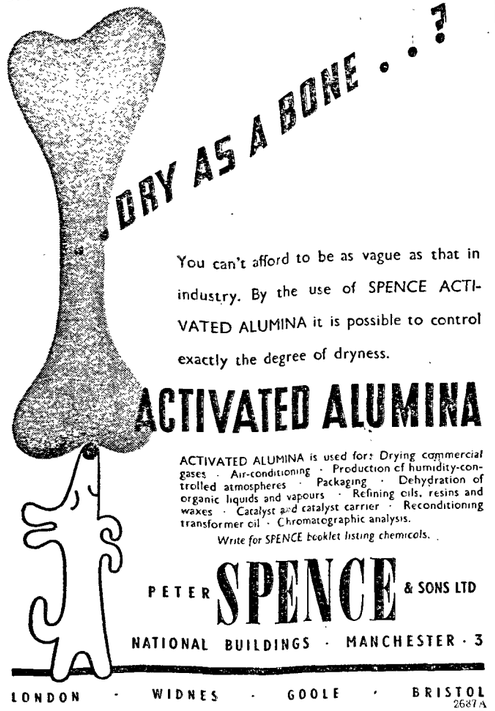
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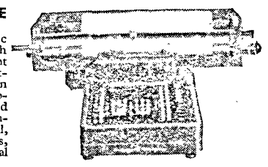
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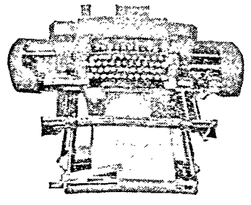
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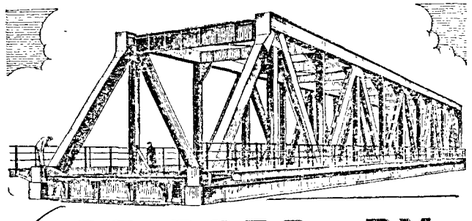
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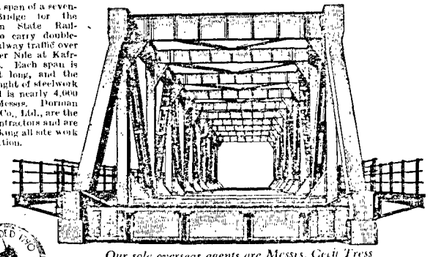
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No Future for Dismantling

Fewer and fewer Germans believe that the bulk of the dismantling plans agreed between the British and the Americans a year ago will now be carried out. The attempt to sell the revised level-of-industry plan to the Germans as something final and inescapable never went well; since the American initiative a few weeks ago asking for a final review of the dismantling question, its failure has become complete. Dismantling has again become the main issue between the British authorities and the public opinion of the British zone. Americans and Germans find themselves on the same side. As always, it is against the British, not against the distant member Governments of IARA and their reparations claims, that feeling arises. However unfair, it is clearly inevitable, and the British authorities (hard though it may be to blame them for changing their policy at a slower pace than the State Department) can reasonably be blamed for failing to take such an obvious fact into account in their tactical handling of the dismantling question.

The present version of the German case against British dismantling policy runs somewhat as follows. If, it is argued, the western European countries aim seriously at a co-operative effort for European recovery, then the claims of individual governments for this German plant or that can hardly weigh against the oversiding question: will the plant best serve the European economy during the vital years 1948-51 if it is being worked by Germans, or if it is being pulled down, shipped abroad, and fitted together again? German technicians, who have experience of pulling down foreign industrial plants and bringing them to Germany, know that a heavy plant will take eighteen months or two years to pull down and eighteen months or two years to put up again. In some of the most important plants on the dismantling list (notably the steel plants) it is doubtful whether they will ever be fit to put up again at all.

Granted their assumptions, these arguments are, over a certain field of heavy industry, unanswerable. They can only be rebutted by denying that the economic need for production in Europe is more important than the political demand (mainly from France and eastern Europe) for a reduction of potential German power. The Germans know that the Americans have decided that the economic need comes first and believe that the British will soon have to toe the American line.

In the circumstances it is exasperating to the Germans to see the British putting up a show of resolution and tackling the physical task of dismantling with unprecedented energy. The increase in dismantling activity at this moment may be accidental; it may result merely from the fact that currency reform has made it easier to hire labour. But many Germans believe it to be an attempt to get as much as possible pulled down before the inevitable reversal of policy comes.

It is, for instance, fairly common knowledge at Frankfurt that, once the British concede the principle of revision, the August Thyssen steel works at Duisburg-Hamborn will be one of the first to come off the list. But dismantling operations have started at these very works in the last three months. It will be some time before the heavy installations begin to come down—and before then policy may have changed—but already about 3,000 tons of lathes, milling machines, shaping machines and presses have been dismounted from their foundations and collected in one of the undamaged shops. What is the reason for this—pure enthusiasm? The August Thyssen plant has not yet even been allocated. It was not, until lately, the practice to dismantle a plant until it had first been allocated and a representative of the recipient country had inspected it.

* * *

Dutch Food Subsidies Cut

It should be useful and interesting to watch the social and political effects in Holland of the Government decision to make a 40 per cent cut in food subsidies. It reflects, among other things, the fact that the new Cabinet is slightly more to the Right than the old, even though it is headed by a Labour man, Mr Drees.

The representatives of the workers have been quick to warn against the rather jubilant note which they thought they detected when the cut was announced last month in Queen Juliana's speech from the throne. The Socialist trade union congress has reported to the Cabinet that the peaceful state of Dutch labour relations since the war (almost unparalleled elsewhere in the West) would be endangered if prices went up while wages stayed down. They point out that freedom from rationing will prove a one-class pleasure if the expected general fall in the price level is too long in coming, or does not come at all. Likewise the Protestant trades unions asked the Cabinet to consult organised labour before committing itself once for all to the liberal economic policy which the completion of the Benelux union with Belgium demands.

Our correspondent in The Hague points out that even now the poorer classes cannot make ends meet without drawing on their savings bank accounts, or using the so-called consumers' credits (government subsidies for the purchase of textiles, household equipment, shoes, etc.). The rich are still relatively well off, even though the differences between their living standards and those of the rest of the country have narrowed since the war. It is only a year ago that the Government "dividend stop" of 6 per cent was raised to 9 per cent instead of being abolished, to the annoyance of those business men who do not see in it the necessary price for industrial peace and continuity of production.

The cost of these subsidies, as expressed in the agriculture equalisation account, under a special head in the Dutch budget, was 376 million guilders in 1946, 283 million in 1947 and 498 million in 1948 (it will, in fact, amount this year to some 600 million guilders). The decision to make the 40 per cent reduction is rooted in the pledge to the Château d'Ardennes conference of June 1st to achieve complete economic union with Belgium by 1950, and is only one of the sacrifices that face the Dutch before they cure their growing indebtedness to their neighbour.

Shorter Notes

The British Government has lost no time in its effort to stimulate recruiting. Within two days of each other Mr Shinwell inaugurated a six months' campaign to treble the size of the Territorial Army, and the Secretary of State for Air launched a drive to recruit 1,000 men a week for the next two years into the regular RAF. The two objectives are quite different, although the public, confused by oratory, brass bands and posters of smiling youths sunning themselves on tropic shores, may find it hard to decide just what their country needs of them. The Territorial Army needs a very swift expansion from 50,000 to 150,000, chiefly to undertake the training of National Service men from 1950 onwards, and partly to form the immediate emergency reserve. If it can expand at that speed, it will certainly need the whole of 1949 in which to shake down into efficient units. The RAF, on the other hand, in addition to needing 60,000 men for its reserve formations, must recruit its regulars at five times its present rate of 200 a week in order to compensate for increase wastage caused by diminution of the length of National Service to 12 months and in order to increase its regular strength from 129,000 to 180,000. It will be a new test of the Government's powers of explanation and persuasion, and of the extent to which improved conditions can overcome the ex-Serviceman's intense antipathy to the thought of returning to the old grind.

*

The export of British jet-engines to Russia is one of the points on which Sir Stafford Cripps had last week to reassure American opinion. No such engines have been exported for a long time. Under an agreement reached in the cordial days of 1945 several dozen Rolls-Royce "Nenes" have been sent to Russia. These were of a model earlier than that on which the Americans themselves rely so much; and the Russians have not had the benefit of continual collaboration in improvements with the Rolls-Royce research team. The fact remains that a Cabinet decision three years ago gave the Russians jet engines with centrifugal compressors. This type has several advantages over the engine with axial flow compressor, which they had already captured from the Germans. With Rolls-Royce engines delivered from Britain, they will have been able to save themselves much time in research and experiment by comparative tests of the two types.

*

The first essential step in standardising industrial and military equipment between Britain, the United States and Canada is about to be taken. Reports from Washington last week foreshadowed an early agreement on standard screw threads for all three countries. At present British and American nuts and bolts

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are not interchangeable, and before anything can be done to standardise bigger items the screw threads must first be brought into line. The agreement will clearly take some time to put into practice, for, apart from the need to alter the machinery producing nuts and bolts, the change may affect every mechanical contrivance in the country. The agreement will be of great importance to defence and to industrial co-operation between the three countries. Endless delays were caused during the Second World War because of the difference between British and American screw threads, and the need for standard measurements has been the subject of conferences in London, Ottawa and Washington ever since.

*

The British Communist Party is grasping the opportunity presented by the Government's rearmament policy. In a manifesto issued on Wednesday it sets out a comprehensive list of objects for "the people." Throw out the Superforts—in occupation of Britain. Bring home the troops from Malaya, Greece and the Middle East. End the servitude to Wall Street. Co-operate with Socialist Russia to save peace. Strengthen the United Nations. Raise wages and living standards. More houses and schools, not more planes. This is to be achieved by agitation, by street corner and factory-gate meetings, by bombarding MPs and by bringing every trade union organisation into the fight. Unlike the battle on wages, this new programme will be in rivalry with conduct in opposition to the Government's policy. By a confusion of words and facts the Communist Party will strive to appear as the champions of peace and order. Since they have decided to fight the battle in the open they present the Labour movement with an excellent opportunity to explain the real issues.

Commonwealth co-operation on defence is at last being lifted above the level of junior staff officers and training colleges. Mr Dedman, the Australian Minister for Defence, has announced in Canberra that Britain and New Zealand have sent service representatives to join the Australians for planning defensive strategy in the Pacific. More important still, he announced that reciprocal arrangements had been made for the Australian Government to be represented in the higher defence councils of Britain and New Zealand. The new arrangements mean that each of the three Dominions, including Britain, will share in the defence councils of each of the others. Such co-operation is a real advance on the loose system of liaison officers which has hitherto bound the three countries together in peacetime. By working together at the point where strategy is discussed and formulated they will be able to evolve and recommend common views on defence policy which will have far more weight than the present separate and sometimes divergent doctrines.

*

The British Travel Association announces that in August 68,421 overseas visitors arrived in Britain, an increase of 34 per cent on the average for August in the years 1936-38. The £28 million estimated for tourist earnings in 1948 is almost certain to be achieved. Whether this year's record figures, helped by the Olympic Games, will be repeated is another matter. The efforts of the British Travel Association are not helped by the Catering Wages Council, whose wage scales for hotel employees are making it difficult, if not impossible, for many hotels to provide decent service or even to keep open at all in the winter months.

Letters to the Editor

The Passing of Mr Jinnah

SIR,—I write to protest against the two editorial notes dealing with the Indo-Hyderabad affair and Mr Jinnah's death, which appeared on pages 448 and 449 of your issue of September 18th. To assert that Mr Jinnah's death was "hastened by the news of the impending Indian invasion of Hyderabad and the nervous strain of deciding Pakistan's policy in the crisis" is pure hyperbole; but if it is meant to be taken seriously we ought, in the interests of accuracy, to add that other contributory factors to the Quaid-e-Azam's demise were Kashmir, the tribes, Pathanistan and provincial stresses, particularly in East Bengal and West Punjab. Actually, Mr Jinnah had been a very sick man for two months or more; but even had he been in robust health there are no grounds for thinking that Pakistan had the right to intervene in support of Hyderabad or could have done so successfully. In any case, the Nizam has now made it clear that the solicitude of his admirers, both here and abroad, was really rather overdone. I suspect that many Pakistanis are glad that the Hyderabad issue is at last out of the way, though they would probably not admit it publicly.

But what is really distressing to those who believe that a close Indo-British friendship is not only desirable but possible, is the apparently almost unanimous condemnation of India's action based on what appears to be a fundamental misunderstanding of Hyderabad's position before and after the lapse of paramountcy. Never at any time in the last 200 years has Hyderabad been an independent sovereign state in direct relationship with other such states. If she had, paramountcy itself would have had no meaning. Such relationship as the Nizam had with Britain was through a government subordinate to the British Government, i.e., the old Government of India. The position is admirably set forth in the late Lord Reading's letter to the Nizam of March 27, 1926, when as Viceroy and Governor-General he was called upon to answer claims of a much more moderate character than those which His Exalted Highness has more recently preferred against the Indian Government. It was not to be expected that the latter Government would require a smaller interest in Hyderabad than its predecessor, but to imply that there is some kind of basic similarity between events in Hyderabad in 1948 and those in Czechoslovakia in 1938 is, I suggest, straining credulity a bit too far. In any case, the dissolution of the Mir Laik Ali administration, and the Nizam's wise and creditable action in the face of the Indian advance into the State puts an end to speculation as to what might have been.

Whatever the arguments may be about Kashmir, the writer's opinion, based on a fairly long study of conditions nearer the spot than most British commentators, is that India has been almost wholly right over Hyderabad. In the circumstances, it is a pity that a large section of the British press and public opinion has shown so unfriendly an attitude to India on this question. The average Hindu is now more than ever convinced that British opinion is permanently biased in favour of Moslem interests wherever they are situated, which (apart from questions of right and wrong) seems rather a pity seeing that the great bulk of our own interests in the sub-continent are located in the Indian Union.—Yours faithfully,

4, *Lyons Range, Calcutta,* 1 GEOFFREY TYSON



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Uses of Manpower

SIR,—The article in your issue of October 2nd on "Uses of Manpower," which poses the problem of the distribution of labour and suggests possible action, does bring out clearly our present unbalanced labour position.

Comparing July, 1948, with mid-1939, why are public utilities employing more? There seems no reason, apart from shorter hours or lower output, why they need 14 per cent more labour. They should be reorganised on a 1939 basis.

In building and civil engineering we could get all the work at present planned, if not more, from the prewar number of workers and so save 67,000 men, if their effort was up to prewar. In house building, as you say elsewhere in your issue of October 2nd, the productivity of labour is down 31 per cent.

Consumer service, sport, etc., should be reduced to 1939 and save 55,000. The main reason for the increase is because we have too much leisure, too many Saturdays off when we ought to be working to save ourselves. The Civil Service by reorganisation—it is notoriously overstaffed—and by removing controls, which policy had a good result in Germany, could be pruned of 150,000 persons. In the same way local government should be made to disgorge 200,000.

The above savings would release half a million workers for the basic and manufacturing industries, increasing their labour force by approximately 5 per cent. The largest savings are well under the control of the Government to enforce if they really want to do so.

Our working week should be increased by three hours. I believe a sincere appeal to do this would bring a real response, if all grades of workers were treated alike, office, factory and public services. It would mean no longer hours than were worked by most in 1939, and seems a small price to pay in order to gain national independence and regain our standards of living.

The 10 per cent increase in production, so often called for, could be found in the two methods suggested above. I am confident such a programme, if properly launched, would be well received and have a stimulating effect on production all round.

Workers are tired of pampering and being lectured at. They want to see firm action with a plan they can understand. They want to see some of the paper-pushers taken off their backs and set to real work. Then they would get some of the cynicism out of their souls and really go to it.—Yours faithfully,

Rutherglen, Stoke Bishop, Bristol J. B. STEADMAN

The Arab Refugees

SIR,—I should like to thank you for the appeal you have made for the Palestine Arab refugees, but I hope you will permit me to say that the article in your issue of October 2nd is in some respects unfortunate.

The British authorities have bad consciences concerning the circumstances in which their sudden withdrawal to the Port area of Haifa before the Mandate ended resulted in its seizure by the Jews and the flight of the Arab inhabitants. Your eye-witness account of this incident reads to me like an *ex parte* statement for the defence.

I wonder what evidence has enabled your correspondent to decide that the announcements made over the air by the Arab Higher Committee had a greater influence in causing the Arabs to flee than their fears of a repetition of the Massacre of Deir Yassin? This is what Count Bernadotte says on the subject:—

> The exodus of Palestinian Arabs resulted from panic created by fighting in their communities, by rumours concerning real or alleged acts of terrorism, or expulsion.

My doubts as to your correspondent's objectivity are enforced by his statement that "it was possible that the Arabs feared a repetition of the Deir Yassin *incident* (my italics) as an act of retribution for the massacre of the Jewish technicians at the CRL Installation in Haifa Bay in December."

You are no doubt aware that the Arab attack on the Jews employed at the Haifa refineries was started because Jewish terrorists flung two bombs at a car containing a hundred Arab workmen, and that the Arab Legion beat off the attackers and rescued many Jews. That he should find any analogy between this incident and the appalling atrocity of Deir Yassin casts grave doubts on your correspondent's judgement.

With regard to Jaffa, you write of Syrian and Iraqi looting. I have seen an eye-witness account which states that the Jews descended on Jaffa like a swarm of locusts, and stripped the Arab houses of everything, including telephones, pipes, basins and electrical fittings. On this question of looting, may I again quote Count Bernadotte?

> There have been numerous reports from reliable sources of large-scale looting, pillaging and plundering, and of instances of destruction of villages without apparent military necessity. The liability of the Provisional Government of Israel to restore private property to its Arab owners and to indemnify those owners for property wantonly destroyed is clear.

You would no doubt agree that the remarks you made in your issue of July 8th that "if Arab society were anything but rotten, the Arab States would not be waiting for international charity to do something about their refugees," has been proved by events to be most unjust. As you now realise, Arab generosity in the relief of these refugees has set an example to the Christian world; and it was Great Britain, as you point out, and not the Arab States, who guaranteed the civil and religious rights of these people, and the United Nations and not Transjordan which inherited the Mandate.—Yours faithfully, E. L. SPEARS

164, *St. Stephens House, Westminster, S.W.* 1

Revised Defence

SIR,—In the article on "Revised Defence," which appeared in your number of October 2nd, it is stated that the community pays double for every man in the forces, the cost of his maintenance and the cost of his loss to the productive part of the economy.

No, Sir, it does not. The only thing double is your reckoning, which is incorrect. The real cost is the loss of the man's civilian output, and the calculation stops at that. That is bad enough. Don't make it any worse.—Yours faithfully, G. L. SCHWARTZ

28, *Spencer Drive, Hampstead Garden Suburb, N.* 2

From *The Economist* of 1848

October 7, 1848

"RUINS OF MANY LANDS." By NICHOLAS MICHELL. William Tegg and Co., Cheapside.

THIS poetry is somewhat above the common-place poetry, of which every country has its full share. The thoughts are natural, and generally pleasant, and the verse polished. The following lines from "Petra" will show, if such an expression be permitted, the average worth of this composition:—

> Calm sinks the sun o'er Edom's blighted hills,
> And the whole air a pulseless silence fills:
> The round red orb hath reached th' horizon's brim,
> Shooting its crimson flames ere all be dim;
> Across the broad sand gleam the living fire.
> Quivering, like hope, around each rocky spire.
> These glories change, as lower sinks the sphere,
> And still each moment lovelier tints appear;
> Saffron and amber flood the gorgeous west,
> Fairy-like towers in hues Elysian drest;
> Now shafts of pallid gold are upward cast,
> But all to softened purple yield at last.
> So suns went down when Israel trod this wild.
> So, when they buried Aaron, evening smiled.
> That mighty orb ne'er tires or dims its ray;
> Bright as when earth was born, it flames today;
> Man only passes, with his race, and age,
> His works alone are blotted from Time's page;
> Cities will melt away, e'en like his dust,
> And granite tombs at last resign their trust.

There are some better, but some worse passages, but none in which there is not something to win the reader's attention, or excite his sympathy. Erudite notes at the end of each chapter, give additional value to the volume. The subject chosen by the poet is an excellent one, and susceptible of much illustration. The present number is confined to the Ruins of the Dark Era; but he proposes to treat successively also of the Ruins of the Classic Era, and of the Ruins of the Miscellaneous Ages, though what he means by the latter term is not very clear. If the execution should correspond to the design, a magnificent poem will, in the end, be added to our literature.

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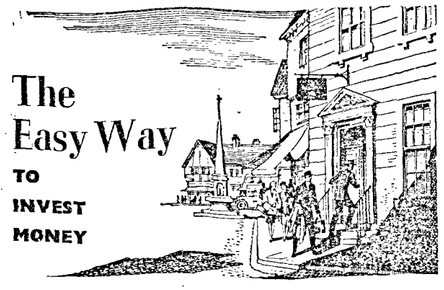
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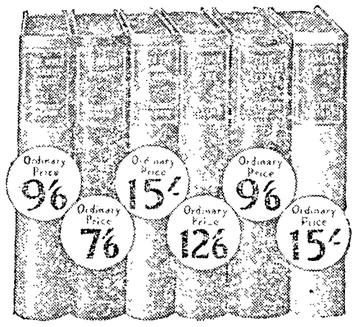
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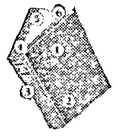
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AMERICAN SURVEY

Balance at Full Employment?

(From Our US Editorial Staff)

WHETHER or not new faces appear in Washington in January, new faces are being presented now to the housewife and the business buyer. They are salesmen soliciting and competing for orders, widespread advertising of bargain sales of merchandise, and the offering of discounts from quoted prices instead of premiums above them. Americans are no longer competing solely in getting goods, but, to an increasing extent, in finding buyers. This change is not universal; goods are not going begging or even plentiful in all cases. But the tone is changing: this winter's prospective oil shortage is failing to materialise, for lately production has been exceeding consumption; much less is heard of the steel shortage since the higher prices imposed earlier in the year have performed their orthodox rationing function; and there are empty houses for sale and empty apartments for rent in many sections of the country with their availability being advertised and prices being stated. The change in agricultural supplies has of course been widely heralded.

The change which is occurring is much more one of tone than of price, though substantial price cuts are no longer as rare as reasonableness among Russians. Indeed, the overall cost of living and wholesale price indexes are still making new highs. But increasingly the price quotation signifies the presence of goods ready for delivery. While the height of prices is certainly unpopular, this annoyance is not aggravated to the extent it has been by queueing or distant and uncertain delivery dates.

The American economy is moving into a state which it has not experienced for nearly twenty years—a condition of something like balance between supply and demand. The nineteen-thirties were of course marked by very low demand and under-employment. From this extreme the war lifted the economy abruptly on to a level characterised by insatiable demand and over-employment without any perceptible interval of balance at full employment. Thus the present trend represents a new experience for the large proportion of the population at or under the age of 40.

This may be only a temporary phase in a long inflation, merely another short interruption like the stock market fall in the autumn of 1946 and the commodity price break of last February. The Chiefs of Staff have just supplied the Munitions Board with M-Day specifications, the pace of activity in the defence organisations is noticeably quickening and military expenditures are mounting. If the Russians wish it—and they still act as though they do—they can bring into existence a much more powerful military force in the United States, possibly accompanied by a further round of inflation. Apart from this possible stimulus, consumers may engage in another wave of bidding prices higher; they have before shown some signs of hesitation, though less pronounced than those now appearing, only to abandon their inhibitions a little later. In the aggregate they are very well supplied with funds and, as always, with desires. There are experienced observers who are convinced that the American inflation still is a long way from ending. In the past, they have been right in disregarding hesitation of demand.

But even more prevalent than the expectation of another wave of inflation is the fear that the change in tone presages depression. The boom already has had an unusually long life. The argument runs that many deferred wants have been satisfied by the high rate of production in recent years, and supplies both in the hands of business and consumers are substantial. Many people are living beyond their means and cannot indefinitely continue to do so. Lower farm prices will cut farm incomes, the Republicans will cut the rate of government expenditure, exports are falling and will fall further, the high level of prices and costs is choking off capital formation. Costs are so high that even a small decline in volume will turn profits into deficits on a wide scale and set in motion a spiral of liquidation.

★

These divergent views have one assumption in common: that the American economy is soon to suffer. This general resignation to approaching misfortune is the almost inevitable result of twenty years of life under conditions of one economic extreme or the other and a vast mass of economic and business literature whose predominate affirmation is that the American economy is unstable. The disciples (and distorters) of Keynes dominate American economic thought and have surrounded themselves with a gloomy haze of inevitable tendency toward depression, about which something could and should, but probably will not, be done. Perhaps the next most influential group follows some variant of the quantity theory of money and postulates inflation and yet more inflation. Many politicians, including most labour leaders, have their own prescriptions, and are persuaded, and try to persuade others, that serious trouble is the inevitable and imminent consequence, of failure to follow their advice. Professional economic advisers and consultants busy themselves finding problems to report to their "customers." The existence of an advanced stage of hyperchondria is not in the least surprising.

The view that misery is inevitable has virtually ruled out any exploration of the possibility that this country could have a considerable period of fluctuations within an area of prosperity and reasonably full employment. Yet the past twenty years are not the whole of history. The most careful analyses based upon various assumptions about this postwar period have consistently proved to be wrong: the country has not yet had depression and high unemployment, nor sufficient inflation to deprive the great majority of the population of a higher standard of living than they enjoyed before the war or even during the prosperous nineteen-twenties.

This third and happier possibility would not, of course, preclude fluctuations. But there have been long periods in this country where the fluctuations up and down have been held within narrow limits. It would not be impossible even with a continuation of the war of nerves—though actual warfare would preclude it. It would rest upon the not unreasonable supposition that unprecedently large and widespread holdings of money, and much more equitable distribution of incomes, would provide large new markets which could be tapped by even small price concessions or increases in attractiveness and utility. It would rest upon the belief that the demonstrably rapid advances in science and technology can make possible just such developments to widen markets. It would be based upon the supposition that unwise or harmful public policies pursued by any private or public group will not persist indefinitely without changes produced either by enlightenment or necessity. It would be based upon the existence of very large resources continually being expanded by science. It is argued that the monetary disintegration which has aggravated previous declines seems most unlikely in view of the vast safeguards which have been erected.

Only time will tell. But predictions of disaster have proved false in both the recent and the long past. It is at least a possibility worth exploring that the change in American economic tone presages prosperity instead of poverty, even though the doubtful profess to hear in it echoes of the "new era" talk of 1929.

Federal Aid to Education

[FROM OUR US EDITORIAL STAFF]

THE first main crop of war babies, scrubbed and polished and six years old, has just presented itself at the doors of the 169,905 public (that is, Government-supported) elementary schools of the United States. Before the war there were from 2.2 to 2.5 million births in the United States annually. Last year there were 3.9 million. In 1952 the elementary school population will be 21.4 per cent larger than it is now; by 1957, 45.6 per cent larger. Between 1939-40 and 1944-45 the cost for each pupil rose by 42.4 per cent; since then, further substantial increases have taken place. The value of public school plant and equipment in 1943-44 was nearly $8 billion. Yet it is hard to find the State in which the provision of more school facilities is not a controversial political issue.

These are some of the reasons why the various Bills for federal aid to education, introduced, considered by committee, and in one case passed by the Senate, but buried by the outgoing Congress, are likely to be back on the calendar soon after the new Congress convenes. Traditionally, education has been considered a matter for the localities and the States. But Federal land grants to the States for the support of education have been made since the earliest years of the republic. Congressional appropriations for State colleges of agriculture and mechanic arts began in 1862 and were expanded with the development of agricultural experiment stations and extension services. The end of the first world war saw grants for vocational instruction in secondary schools and for rehabilitating the industrially disabled. During the last war various training programmes, a school lunch plan, and a construction programme for war areas were undertaken. Since then the GI Bill of Rights has supplied the means of college education to thousands of veterans. In 1945-46, Federal aid for education totalled $47,712,607.

But basically, elementary and secondary education has been planned, executed and paid for by the counties, townships and cities and the States. The question now under discussion is whether the taxable capacities of the governmental units that have supported education in the past are capable of supplying the funds required to give a modern education to all the children, and, if not, whether Federal support can be provided without at the same time introducing Federal control of educational policies.

The case for Federal aid is impressive. The people of the United States are one people. But, educated on a State basis, they enjoy widely differing opportunities. The States differ greatly in the income of their inhabitants, in State and local revenues, in the proportion of those revenues applied to education, and in the number of children to be educated. In 1945, when the total of private incomes for the country was $155 billion, New York's share amounted to $20 billion and Nevada's to $210 million. If the income total of State is divided by the number of its children aged from 5 to 17 the quotient varies from $9,009 in California to $2,067 in Mississippi. The proportion of income payments expended for elementary and secondary public education averaged 1.6 per cent for the country as a whole; it varied from 2.5 per cent in New Mexico to 1.1 per cent in Maryland. In 1939-40 the best financed schools spent some $6,000 on each classroom, the poorest less than $100. The school-leaving age varies in different States from 14 to 18.

In three-fourths of the States more than half of the public school revenues are derived from local taxes, most of which fall on real property. For the country as a whole, in 1943-44, slightly over 65 per cent of the schools' $2.6 billion total revenue came from this source. Increasingly, educators are urging the adoption of a sales tax; they say that its regressive features are less objectionable at present income levels than in periods of depression, and the yields are high.

But with all the tax increases that supporters of better schools may hope to secure from State legislatures, the amounts obtainable seem unlikely to be enough, particularly in the poorer areas, most of which are high in child population. During the war little new construction could be done. The schools went into the war after a depression period when approval of bond issues was hard to get. Available funds have now lost a large part of their purchasing power. There have been sizable gains through consolidation, but more than half the elementary schools still have only one teacher and the transportation of some 20 per cent of the school population by bus to consolidated schools has raised costs by about $23 per child per year.

During the first half of this decade a number of the poorer States made large percentage increases in their expenditures on schools: Nebraska, Kentucky, Virginia, Arkansas and North Dakota raised their school budgets by as much as from 71.1 per cent to 92.5 per cent. A second such increase seems impracticable in the near future; yet three of these States are still among the twelve with the lowest standards. Since the migration from the poorer areas of young people of working age is very high, ignorance is constantly diffused over the whole country, imposing a drag on any increase in production and wealth and handicapping the national security; 8 per cent of the men examined under Selective Service were rejected for educational deficiences.

*

Reasoning such as this was behind the proposed "Educational Finance Act of 1947," which passed the Senate last spring and represents the point at which discussion will be resumed in January. The benefits offered are an annual appropriation of $300 million, for which States applying would be eligible under a formula taking into account the number of children of school age, the State's resources, its own efforts to finance education, and after four years of operation the expenditure from State and local funds of at least $120 per pupil. A minimum flat payment of $5 per child would be made to all States; an additional $45 would be available to States qualifying under the formula. Estimated allotments would range from the basic minimum in the top sixteen States to amounts ranging from $2.3 million to $22.3 million for the twelve States with lowest present expenditure per pupil.

Resistance to the measure comes from four main sources. Large sections of voters wish to minimise all Federal expenditures; the US Chamber of Commerce, the National Association of Manufacturers, and various taxpayers' associations have indicated their disapproval. Then there is the doubt that a government agency which paid a considerable part of the cost of the piper would refrain from suggesting the tunes, however careful a distinction the Act makes between policy and finance. Many of those who fear Federal interference in policy in a programme of support of current running expenses, however, are in favour of a Federal programme to help meet construction costs. Bills similar to the Hospital Construction Act of 1946 have been introduced in both Houses.

Two other objections concern minorities. Funds under the Act would be available for public schools only, except in the sixteen States which already use State funds to support non-public (mostly parochial) schools. The recent Supreme Court decision upholding the use of tax funds in New Jersey to transport pupils to parochial (i.e. Catholic) schools reaffirmed the principle that separation of Church and State must be maintained. Catholic objections in the North are reinforced by Southern alarms over the maintenance of segregation under the Act. A Federal district court in 1940 held that States must not discriminate with respect to teachers' salaries on a colour basis. Led in a number of instances by the National Association for the Advancement of Coloured People, pressure for the provision of equal facilities in elementary and secondary schools is being increased throughout the South. So far, the Courts have regarded the provision of equal facilities within each State as

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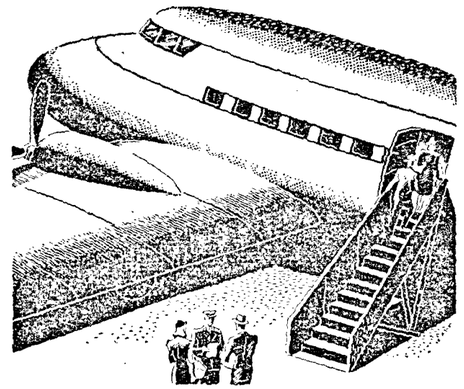
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State and Municipal Securities		263,166,196
Other Securities		78,822,061
Loans and Discounts		1,349,605,149
Real Estate Loans and Securities		2,731,430
Customers' Liability for Acceptances		21,217,081
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Less: Own Acceptances in Portfolio	10,739,479	
		24,432,869
Items in Transit with Branches		6,864,553
Reserves for:		
Unearned Discount and Other Unearned Income		5,757,388
Interest, Taxes, Other Accrued Expenses, etc.		29,247,090
Dividend		2,325,000
Capital	$77,500,000	
Surplus	162,500,000	
Undivided Profits	36,329,782	
		276,329,782
Total		$4,912,440,813

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constituting equality of opportunity. The declaration in the Education Bill that no State shall have to change its constitution to apply for benefits is intended as an assurance that the question of segregation—embedded in the constitution of most Southern States—will not be raised. Nevertheless doubts exist in the minds of some Southerners, in part as a result of the failure to pass, at the last session of Congress, a Bill permitting States to make compacts for the purpose of supporting regional colleges. This measure was intended to permit the organisation of a number of advanced schools of medicine, law, and the like, for Negroes. The establishment of equal facilities, in each State separately, for the number of Negro students now qualified to enter would be more expensive and less efficient than if the States operating segregated school systems consolidated their resources. The measure failed because adherents of non-segregated schools attached an anti-segregation rider.

Yet despite all of the reasons why individuals and groups oppose Federal aid, an educational deficit is accumulating which demands action. It shows up most sharply in current figures on teacher shortages. The economic magnetism of other occupations can be appreciated from the fact that in 1946-47 nearly 54 per cent of teachers in public schools were paid less than $2,000; 16 per cent less than $1,200. In terms of salary, lifting the mind in a public school is less rewarding than minding the lift in a public building. In 1941, 90 per cent of the students in teachers' colleges were preparing to teach; by 1947, the percentage had dropped to 67 per cent. Men teachers are becoming a rarity; the relation between pay and availability is seen in the fact that 21.1 per cent of teachers are men in the twelve States with highest expenditures on education as against 9.6 per cent in the twelve lowest States. Last year the crop of new teachers numbered 19,964. The normal annual turnover due to death, retirement and resignation is 70,000. This year's increased enrolments require 20,000 new teachers. One teacher in eight is serving on an emergency substandard certificate—30,000 to 50,000 of them would be replaced if their boards could do better. All told, the present deficit runs somewhere between 150,000 and 175,000 qualified teachers.

American Notes

The Dewey Doctrine

Of the four major Presidential candidates, Governor Dewey alone appears to have realised that it is the foreign crisis which is in the forefront of men's minds and to have matched his campaign to the hour. Even before the breakdown with the Russians he had insisted that peace was the nation's most urgent domestic problem and unity its best defence. This strategy has the advantage of relegating the Eightieth Congress—and President Truman's attacks upon it—into the shadowy and rather discreditable background. But it also reflects the real anxieties Americans are feeling and the major problems any new Administration must face.

The most important speech of the campaign up to the present has been Mr Dewey's outline of foreign policy at Salt Lake City. None of the points he made was entirely new, but besides giving overwhelming support to the American position at Paris, the speech suggested that the Republicans will want to move faster in Europe and farther in China than the present Administration. The greatest monument to the American Century, in Mr Dewey's view, would be the creation of a United States of Europe; he insisted that economic aid should be consciously used to "push and prod" Europe into a federation which would provide a third force as a bulwark for peace and a guarantee that American generosity would not be frittered away in mere relief.

The funds provided last June for the Marshall plan will all be allocated by April 1st; early in the new session Mr Hoffman will have to apply for a supplementary appropriation for the second quarter as well as laying the groundwork for the second year's appropriation. In the Foreign Assistance Act the federation of Europe appeared only as an aspiration in the preamble. With the growing risk to peace, it has become the greatest of unwritten conditions of aid. When the appropriations come before Congress there will be strong support for linking them with the progress toward breaking down national barriers which in the United States seem obsolete and dangerous as well as wasteful. Whatever the dangers of forcing the pace in Europe, Governor Dewey may, with reason, feel that without concrete political achievements in Europe there is a risk, not only to further aid, but of a disillusionment with Europe which might lead to a new form of isolationism.

* * *

First Round of the Campaign

The first round of the campaign is over: Mr Dewey is back in Albany, Mr Truman in Washington. So far Mr Dewey appears to have outgeneralled the President as successfully as he himself was outgeneralled by Mr Roosevelt four years ago. His statesman-like preoccupation with foreign affairs and the national unity has been contrasted unfavourably with the ease with which Mr Truman left Washington at a time of crisis to pursue his election vendetta against Congress all the way to the West Coast. While Governor Dewey was looking every inch a President and recalling Mr Dulles from Paris for consultation, Mr Truman's absence is taken by his critics as final and incontrovertible proof that he is far from indispensable to the conduct of affairs in Washington. This was a mistake Mr Roosevelt never made.

The Democrats, for their part, accuse Mr Dewey of running a "campaign of cliches" and of taking refuge under the umbrella of the bipartisan foreign policy from the real issues before the country. Mr Truman has taken for granted the fact that there is unanimity on foreign policy, and has tried, sometimes rather crudely, to keep alive the issues of social justice which will be important long after the Russian menace has faded away. Controversy and hard hitting also would, it was thought, bring out the heavy vote usually considered to be favourable to the Democrats. But judging from the registration figures in New York City, the poorest since 1936, the campaign has failed to catch fire.

On the other hand, the maturity and responsibility—and probable success—of the Republican campaign was rewarded this week by the announcement, in what Mr Alistair Cooke has well described as a three-column encyclical, that the *New York Times* will support Mr Dewey. This paper, which, despite its Democratic traditions, prides itself on its independence, supported Mr Willkie in 1940 and Mr Roosevelt against Mr Dewey in 1944, using foreign policy as its touchstone. This year it concludes that Mr Dewey has a firmer grasp on foreign policy than he had in 1944 and that his irrevocable commitments to the Marshall plan, American military strength, and a bipartisan foreign policy are proof of a new and vigorous Republican internationalism which can be counted upon to overrule the party's provincial and isolationist elements.

* * *

Freedom for Food—and Aluminium

The Anti-Trust Division of the Department of Justice is bringing its year-long drive to free the production and sale of food from monopolistic restraints to a not unexpected climax at the height of the election campaign. It has followed its recent attempts to deal with the high prices of milk and eggs by filing suit against the four leading meat-packing firms—the Armour, Swift, Wilson and Cudahy Companies—and is seeking to divide them into fourteen separate units. These four firms, according to the Department, have accounted for well over half the total slaughter of livestock in the last ten years, and they are accused of suppressing competition by agreeing to control the amount of livestock each will purchase, by using uniform cost formulas and by selling at substantially identical prices. The companies naturally protest their innocence and point out that the Courts have not upheld similar charges in the past. In their view the suit is a purely political attempt to shift responsibility for inflationary prices.

Certainly the Administration will not lose votes by a move which offers the housewife a plausible explanation of why meat remains the most expensive item in her budget without putting the blame either on the farmer or on her own greed. But, owing to the slowness of the judicial process, the suit cannot have any direct effect on meat prices until long after the election. By that time they will probably have fallen in any case, as the result of the straightforward working of supply and demand, which is the chief reason for their high level at present.

In the opinion of the Aluminum Company of America, it is political considerations again which have caused the Department of Justice to renew its attack upon the company at this moment. The electoral advantage of showing solicitude for the small business man may also have something to do with the investigation of the Dupont industrial empire which has just been opened. When, in 1945, the Courts decided that Alcoa had in 1940 monopolised the aluminium ingot market, the decision whether that monopoly still existed was left until the end of the war. Alcoa insists that the sale of surplus plants to two other firms, who now control half the aluminium ingot market, has restored competitive conditions, but the Department of Justice argues that Alcoa still dominates the industry entirely and has asked the Courts to force the company to reduce its power and size.

The Department cannot be unaware of the political ramifications of its present activities, but the increase of $1,000,000 (to nearly $3,500,000) in this year's appropriation for the Anti-Trust Division has certainly a good deal to do with the new energy which has been injected this autumn into the fight against "conspiracies to maintain or increase prices of food, clothing and housing" and against the increasing concentration of economic power. Business men who hope that a Republican Administration will turn a blind eye on monopolistic practices should remember that it was a Republican Congress that provided this increased appropriation and that the first President to make a name for "trust-busting" was a progressive Republican, Theodore Roosevelt, in whose footsteps Mr Dewey appears willing to follow.

* * *

Red Herring Rampant

If coats of arms were drawn up to commemorate campaigns, that of 1948 surely should bear a red herring rampant. The House Committee on Un-American Activities has called upon the Attorney-General to indict five men and women for wartime espionage in connection with atomic energy research. Its interim report suggests that two scientists at work on the bomb can be linked with a mysterious Arthur Alexandrovitch Adams, a Soviet agent now vanished; another with a native Communist, and a fourth with a Soviet official. But the report fails to live up to its advance billing as a rival to the Canadian spy-trials; it shows that espionage attempts were made by the Russians (as indeed, who could doubt) but fails to prove that information of importance was transferred. The Committee, so far, has failed to find a Gouzenko. Mr Clark has refused to prosecute, on the ground that the Committee has produced no new evidence to justify an indictment, and that the proposal was pure publicity-seeking. But it will take a better answer than this to satisfy those alarmed by Government inaction, though it will hardly be produced by the old threat to impeach Mr Clark for obstructing Congress.

The temporary chairman of the Committee, Mr McDowell, who recently alleged that the indictment of the twelve Communists had purposely been drawn with loopholes for their escape, is now to have to support his allegations before a Grand Jury; the Department of Justice is considering an investigation into Mr Parnell Thomas's alleged malpractices; and Mr. Alger Hiss has at last brought his suit for slander against Mr Whittaker Chambers for calling him a Communist. At a higher level, President Truman has redeemed, to a great extent, the mistake he made when he flung the "red herring" charge at Congress. In a speech reducing the spy danger to its proper proportions, he urged that the Communist danger without is infinitely graver than that within; the loyalty review programme has found less than three-tenths of one per cent of all the 2,000,000 Federal employees open even to suspicion. He insisted on the importance of maintaining democratic safeguards both to protect innocent reputations and prevent the demoralisation of the civil service. Governor Dewey, however, has not been able to resist the ominous applause greeting statements that after January 20th there will be no more Communists in the Government—and the implication that at present it is riddled with them.

But few liberals at this stage will feel they can quarrel with the decision of the Atomic Energy Commission to instruct two of its contractors, the General Electric Company and the University of Chicago, to refuse to bargain with two unions whose officers have refused to sign anti-Communist affidavits. This alone would constitute no proof of Communist control, but there is no lack of evidence that the policy of the two unions which will be affected—the United Electrical Workers and the United Public Workers—follows the party line faithfully. The risk is not only that they may have access to secret information, on atomic energy, but that work on atomic energy projects might be disrupted. It is hoped that pressure of this kind may persuade the union members to replace their leaders.

THE WORLD OVERSEAS

State and Workers in Hungary

(From a Special Correspondent)

SINCE the beginning of this century the masters of Hungary, for one reason or another, have fitfully urged the country towards industrialisation. Now this aim is being pursued in deadly earnest—it is, after all, the only obvious solution of the problem of the over-population of the Hungarian countryside. The Three-Year Plan, which was launched in August, 1947, is still hampered by reconstruction needs; but it is hoped, nevertheless, to complete it by the end of 1950, and to go straight ahead with a new Five-Year Plan and a longer-term electrification project.

Planning goes hand in hand with nationalisation; mining and heavy industry, and indeed all concerns employing more than a hundred people, are now owned by the Hungarian state, which has, since March, become the employer in 85 per cent of Hungarian industry. As the state tends to become the only employer, it also tends to become more Communist in political quality. What kind of employer is this Hungarian Communist state? Efficient, but unloved, would be the briefest accurate reply.

Hours worked and wages at present received in the factories of Hungary are regulated according to an agreement which was worked out by trial and error during the last three months of 1947. A 48-hour week has been established. This generally means working from 8 a.m. to 5 p.m. from Monday to Friday, with a paid half-hour off for lunch, and on Saturday from 8 a.m. to 1.30 p.m., or in any case for 5½ hours. The factories provide a good midday meal at a nominal price. Wages, raised by 15 per cent in the previous August, are based upon average output in September, 1947. They vary from a minimum of 1 forint (5d.) an hour for unskilled work to 2.50 forints for skilled labour. If one produces more than average output one earns at a very slightly higher rate. Income tax is automatically deducted, but insurance (30 per cent) is paid by the employer only, that is—except for such categories as domestic service or shop assistant work—only by the state; and whereas the insured worker received the sketchiest medical attention before the war and the revolution, he is now as well cared for as anyone, except perhaps the very few people who still have money to spend on private doctors. A fortnight's paid holiday is the rule. The most conspicuous difference between the old private employer and the new state is that the former probably lived in a private house near the factory and that this house has now usually become a Communist nursery-school for the factory workers' children.

Thus the workers' life is well organised but hard. Owing to the austere financial policy of the Government, prices have been high, and the wages indicated above provide the working man with very little purchasing capacity, though he is able to buy bread more cheaply than people who earn more than 1,500 forints a month. During the last few months food has become more plentiful and therefore cheaper; there has been a big drop in the price of sugar. Budapest bus and tram fares have fallen, but one forint even now only pays two single tram fares. Wealthy visitors passing hastily through the capital believe that one can buy everything for money, but this is not true; there are shortages which come and go rather as in Britain—they depend upon seasonal conditions, Russian demands and the requirements of Hungary's export trade. The working people's most frequent complaint is familiar enough, too, for it is about their miserable housing conditions. The Government has, indeed, deliberately

invested capital in the reconstruction of communications, and especially of the bridges over the Danube, rather than in any kind of housing; it is significant that Gerő, whom many consider to be the most important political personage in Hungary, should be Minister of Transport.

Hard living conditions help to account for the lag in production which is still rather below the prewar level. Through a big increase in the number of miners more coal is being produced than in 1938, but it is less per single miner. Poverty of output is a general postwar phenomenon whether in western or eastern Europe, especially in over-populated countries which need foreign currency in order to pay for essential raw materials and are therefore trying to export goods which require intricate workmanship. After a war skilled labour is hard to come by, particularly in a country which draws its labour reserves from an overgrown peasant population. The Hungarian Government is doing a good deal to extend technical education, and picked factory workers are let off two hours work a day in order to receive four hours' evening instruction in their jobs.

No Right to Strike

The last Magyar prisoners of war are now returning from Russia. They, like the agricultural labourers who still have no land, are difficult to employ and tend to remain unemployed. There is in fact a fairly high unemployment figure, and one sees a good many beggars in the streets of Budapest—they are very often peasant women. The trades unions are responsible for unemployment relief, but even today only a small proportion of women workers are enrolled as members of trades unions.

No doubt the majority of working people in Hungary, as in most other countries, is mainly occupied with making both ends meet—in Eastern Europe one has always expected to be at the mercy of authorities whom one cannot control. Before 1945 the severest penalties were attached to holding Communist views which were likely to condemn a man to death or long-term imprisonment. But in a quiet way the Social Democrats had built up a big trades union movement. It was true that it was liable to police interference at the slightest provocation, but it was able to create a certain solidarity and some possibilities of self-help. Though there was a good deal of Nazi talk at the big Manfred Weiss machine factory at Csepel outside Budapest before and during the war, the most intelligent and reliable workmen were bound together in the socialist trades unions. In 1945, when the country was liberated from Hitler and war, the Social Democrats hoped to take the lead in the organisation of industry. In June of that year works committees were set up in every factory with more than 20 employees, and for some time they exerted a good deal of influence even in the matter of management. The trades unions become extremely powerful and were able to obtain a number of advantages for their members. Inevitably lengthy and bitter disputes arose between Socialists, Communists and those of other political complexions within the committees and the unions. By 1947 the Three-Year Planners were not prepared to allow time and energy to be dissipated in dispute, and when the Plan was initiated the right to strike disappeared; for to strike can be made to look like sabotage and the National Planning Office can demand the death penalty for those who sabotage the Three-Year Plan.

End of the Social Democrats

During the first half of the present year the Hungarian Social Democrat Party was eliminated, for it was too humane and it had too many political principles. Those of its members who did not wish to split with the Communists have come into the Communist-deminated Hungarian Workers' Party; the rest have retired and, retiring, have lost their jobs: they are not actively persecuted but they cannot find work. They receive no help from the trades unions which have also become Communist preserves. Since the nationalising decree of last March the Communist or Workers' Party controls both the employing machinery and the organisation of the employed; in other words the trade unions would seem to have become superfluous. They are being preserved, one presumes, in order rather to gain the workers' sympathy for their employer than the employer's sympathy for the men.

The Communist leaders make no bones about it—they know very well that they are not popular even with the industrial working class. On September 19th Jozsef Révai, who is the Communist publicity chief and editor of *Szabad Nep*, the chief Workers' Party newspaper, announced in that paper itself that it is read by only 12 per cent of the Party; he added the figures for the leading Budapest factories—in the Ganz factories 30 per cent of the Party read their own paper, at Csepel 20 per cent and at the big MAVAG factories, where 6,000 out of 8,000 employees are Party members, only some 780 read *Szabad Nep*. That was three weeks ago and Révai's revelation was to begin a campaign which should change the state of affairs. It is unlikely, however, that the working people will really change their attitude towards a regime which has revoked the right to strike and made destitute some of the Socialist leaders in whom they had most confidence. There is a certain anti-Semitism mixed up with their feelings, too, for all the leading Communists are Jews.

It is a little curious to reflect upon the striking similarity between the sociological views of the Communist rulers of Hungary and of some of the most influential citizens of the United States—"Efficiency first and never mind about political principles." Gerő has made some Socialists uneasy because he employs the best technicians regardless of their political past, just as the United States wish to mobilise the technical ability of Germany. The Budapest Communists have no time for democratic discussion in the management of industry. They think we overdo rationing in Britain. And in finance the Hungarian regime is as orthodox as its most orthodox political opponents.

The New Zealand Pound

[FROM OUR NEW ZEALAND CORRESPONDENT]

NEARLY two months have passed since the restoration of New Zealand currency to parity with the pound sterling. It is still much too early to assess the full effects of that dramatic action. Indeed, a year or more may be required to test the wisdom of the decision from New Zealand's point of view. Only now is the period of economic readjustment beginning. But, despite the somewhat critical tone of British comment which has been cabled to New Zealand, return to parity has been accepted with equanimity in New Zealand itself. Now that the shock of Mr Nash's Budget night announcement has subsided, the general inclination is to regard the change as a restoration of national self-respect.

It is felt in New Zealand that British criticism may have been influenced overmuch by Canada's dubious example in revaluing its currency.

The *New Zealand Herald* argues that Canada's revaluation was largely in terms of dollar, not sterling, exchange. By achieving parity with the United States dollar, Canada rendered itself liable to a sudden influx of imports from the only country in the world which has a wide range of exportable surpluses and which, incidentally, has the greatest ease of physical access to the Canadian market. A point of strength in New Zealand's present position is that its revaluation of currency is not an attempt to "buck the dollar." New Zealand may hope to gain from a reduction in the price of dollar imports, but, as a member of the sterling area, dependent on its dollar pool to cover its balance of payments with the United States, New Zealand cannot at this juncture encourage an unlimited flow of American imports. The appreciation of New Zealand currency is with sterling; it is with Britain that New Zealand carries on the bulk of its trade.

New Zealand's vital dependence on its exports of primary products—particularly wool, meat and dairy produce—has caused most attention to be given to the effects of the exchange rate decision on farm finance. It was to offset the fall in overseas prices for primary products that New Zealand depreciated the rate of exchange to £125 NZ to £100 sterling in January, 1933—the rate at which it remained until August 19th last. What, then, are the likely effects on the farms of return to parity?

Effect on Farmers

Last year New Zealand sheep-farmers received a record wool cheque of £37,500,000. The exchange decision will automatically cut the cheque by 20 per cent. While this is a heavy blow it is one which might have been caused by normal market fluctuations. The world still wants wool. But New Zealand's total clip has shown a tendency to decline. It remains to be seen whether increased production can partly offset the loss on exchange. But because wool lacks State guarantees or reserve funds, the exporter of wool is in the least enviable position of any section of the farming industry.

New Zealand's total exports in the year ended March 31st, 1948, produced £140 million so that on those figures the loss through the exchange decision would be £28 million. To "cushion" that loss, increases gained in new seven-year contracts will provide £9,600,000 (dairy produce £5,200,000 and meat £4,400,000) and sums placed in "pool" accounts last year

under the stabilisation policy will produce £11,700,000 (dairy produce £5,700,000 and meat £6,000,000). Thus, on last year's figures, the deficiency remaining would be £6,700,000.

In addition, there has to be taken into account the benefits accruing to farmers through the effect of the new exchange policy in cheapening imports. Some of the most significant items are farm machinery, fencing wire and rock for superphosphates.

While, then, the overall picture may show that New Zealand farmers face a substantial cut in income, there are compensating factors which support the Government's view that the return to parity with the pound sterling has been made at the most appropriate time. The new contracts made with Britain for meat and dairy produce in particular should stimulate production.

Internally, the Government's hope is that the exchange policy will substantially reduce costs. How far the decision was political and how far financial is still being argued, for there will be a general election in New Zealand toward the end of 1949, and the Labour Government's majority in the present Parliament is slender—42 seats against 38.

Demand for Higher Wages

Industrial Labour has refused to be appeased by the promise that the exchange decision will have widespread effects in reducing costs, and through the Federation of Labour (the central trades union organisation), new wage demands are now being formulated. Eighteen months ago the wage demand from the unions was "£1 a week or else," and from October 1st of last year the result of this demand was an increase of 10s. a week in the general wage level. The 1948-49 demand for "£2 or else" is now being prepared.

The National Council of the Federation of Labour, when it met in Wellington late in September, instructed an apparently reluctant National Executive to act upon the decision of the former council in February last to ask the Government for an amendment to the economic stabilisation emergency regulations to enable an approach to be made to the Court of Arbitration for "a greater share of the national dividend for the workers as a class" rather than for the restoration and preservation of wage relationships between various sections of the workers, as has been the Court's practice.

The National Executive has also lately followed a policy of overhauling the price index as a means of establishing a basis for wage rates. This policy, however, has caused delay, and will no doubt involve much more delay before a general wage adjustment, if any, can be claimed. The National Council is insistent that an entirely new clause is essential in the stabilisation regulations to ensure a substantial further wage increase. How soon pressure within the unions will develop and what the Government reaction will be are questions to which the answer will be keenly awaited.

But it is still too early to judge the effect of the new exchange rate on internal prices. The prices of some imported goods have fallen. Motor-cars, bicycles, some motor accessories, paint and wallpapers are already cheaper. But many traders do not want to cut prices of English goods until stocks now on their shelves have been cleared. Mr Nash conceded that such people "might worry a little in the meantime." He said, however, that he was convinced on the evidence of the demand that they should be able to clear a fairly large part of their stocks before any appreciable quantity of new goods arrived. The wisest course, he suggested, was to meet the situation at once; then, when the new goods came in, a rate of prices would rule that would be beneficial to all.

Trade With Australia

Another "worrying" aspect of the new exchange rate is the effect on New Zealand's export trade with Australia, which is reported to have cancelled orders for New Zealand fish, canned tomato goods, processed cheese, crockery and certain wood products. Fiji, too, is reported to be transferring foodstuff orders from New Zealand to the cheaper markets in Australia. As a sidelight on the effect of economic relations with Australia, New Zealand tramways are virtuously refusing to accept Australian coins tendered by passengers, and gas-meter readers are accepting Australian shillings only at a discount.

However, it is not expected that any serious trading difficulties will arise between Australia and New Zealand over exchange. One significant indication of long-term planning between the two countries has been given since New Zealand restored its pound to parity with sterling. Australian newspaper interests will provide £800,000 of capital to enable a New Zealand firm to double its output of kraft (or sulphite) paper pulp. The contract



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The Government's decision to adjust import licences in accordance with the exchange decision means that this year at least there will be practically no change in the volume of goods coming into New Zealand. Mr Nash has said that imports will be so arranged that their cost will not exceed current income. The rising cost structure in the United Kingdom and the ill-balance of stocks in New Zealand are two other factors, making difficult an assessment of New Zealand's future trading position. The unsettling trend of New Zealand's economy was shown by the trading figures for the year ended March 31, 1948—exports, £140,126,000, and imports, £138,390,000. This favourable balance of only £1,736,000 contrasted with £25,642,000 and £31,978,000 in the two preceding years.

Meanwhile, the public awaits the practical internal results promised by Mr. Nash in a national broadcast a few days after his exchange announcement—that there was no doubt that everyone would benefit, some immediately and directly and others by sharing in the national advantage. A few examples of cheapened goods have been quoted, but the signs are that no spectacular declines can be expected and that in some cases the effect of the exchange adjustment will be only to prevent rises, especially in some imported drapery lines.

From a political point of view the Government must have sympathetic regard for the people's pockets in the election year of 1949. Only minor concessions were given in this year's Budget, the main one being a concession of £10 to all income taxpayers. The exchange adjustment has been described as the first shot in the election campaign. While it has won fairly general acceptance because it enables the New Zealand pound to look the pound sterling squarely in the face, the taxpayers and the housewives will expect practical results in cheaper goods. But meantime the militant unions are unrelenting in their campaign for still higher wages. Whether a Labour Government can stimulate production and still hold wages at the present level may well be the test of the exchange policy.

Bulgaria Under the Communists

[BY A CORRESPONDENT]

THE main feature of today's Communist economic system in Bulgaria is the enormous role played by unpaid "voluntary" labour, controlled by two Government agencies: the Headquarters of the "Brigadier Movement," and the High Command of the Labour Army in the War Ministry. According to official figures there is at present a standing army of 250,000 brigadiers, an astonishingly high figure for a country whose entire force of manual workers is about half a million. Nearly four million men and women are reported to have served in the different brigades during the past three years. This summer alone there were 30,000 brigadier groups in the country.

Briefly stated, the system works as follows: all men and women capable of manual work "volunteer" to spend their annual month's leave in a labour brigade. After that the brigadiers are entitled to one week's free holiday in a Government hostel. While working in the brigade volunteers get free food but are not paid anything for their labour. Brigades have been formed in almost every Government enterprise, but they are used mainly in the construction of roads, railways, dams, barracks, etc.

Official figures estimate the work done by brigadiers during the first six months of 1948 at a value of one and a half billion levas. (1,200 levas to the £ according to the official Bulgarian rate of exchange.) The brigadier movement is voluntary in name only. Students who have not been brigadiers cannot go on with their university studies; civil servants who have not spent their month's holiday in the brigade are liable to be dismissed.

The second source of unpaid labour, the Labour Army, is believed to number some 100,000 labour soldiers, is part of the regular army, and is manned by conscripts. It was founded in 1921 by the then Agrarian Prime Minister, Stambolisky (it was successfully imitated by Hitler, on a large scale, in the middle thirties). These men live in barracks, are commanded by officers and receive military training as well. Their term of service is two years, and they are sent to work on enterprises where more skilled manual work is demanded. As soldiers they receive no special pay. The extent to which this labour is used can be seen from the official figures of all workers in the enterprises controlled by the Communist Government's Ministry of Road and Construction: 5,000 skilled workers, 10,000 non-skilled workers, 25,000 brigadiers and 30,000 labour soldiers. Bulgaria's economic dictator, Deputy Premier Traicho Kostov, has declared that "the brigadiers and the labour soldiers are the soul of the Bulgarian reconstruction and building programme."

Inducements for Peasants

The Communist policy towards the peasants marks a definite deviation from the orthodox Communist Agrarian line throughout eastern Europe. It seems that the Bulgarian Communists were directed to concentrate their war against the peasants mainly in the political field. Hence the hanging of the Agrarian leader, Petkov, and the savage persecution of all prominent Agrarian leaders. Economically, however, the Communists have been careful not to antagonise the peasants unduly. Thus, even now, the peasants are allowed to sell all their produce over the official Government quota, which has to be given to the state, on the "free market." This practice was strongly attacked by Left-Wingers within the Communist Party, but was defended by the Communist Deputy Premier, Kostov, with orthodox Capitalist arguments.

> The policy of allowing the peasants to sell their over quota produce in the free market should be continued, in spite of the fact that it gives advantages to the rich peasants and even to the kulak elements in the villages. This is necessary because the collective farms form only a small number of our farms, and there is no other way to guarantee the normal development of agriculture and the food of the people, besides allowing the peasants to be interested in getting a profit on the free market if they get bigger production.

The food and clothing ration system of Bulgaria is a curious example of the Communist idea of equality put into practice. It has six grades. The biggest rations go to the underground mine workers and "those considered at their level"—the party bosses and the senior Government officials. After them come the surface mine workers and the not so important party personalities; followed in their turn by the heavy manual workers, the white collar workers and, finally, the private citizen. Any worker who works overtime becomes a "shock worker" and receives double rations. The "intellectual workers" (writers, artists, musicians, painters, lecturers, etc.) also get double rations in food and clothing. People who are "not employed in a way useful to the community" are denied all rations.

Harvest Militia in Action

According to the Communist Press the economic plan of the country works very smoothly and has resulted in increased production in every field, with the exception of construction and building work under Government projects. Only 31 per cent of the Government projects in this field have been started. The Communists blame the "reactionary minded" engineers, architects and technicians for this failure, but the real reason is known to be an acute shortage of iron, cement and bricks.

That the peasants are still loyal to their executed leader, Petkov, is obvious from the extraordinary police measures which the Government has introduced for the protection of the crops. In addition to the "economic militia," whose aim it is to discover and punish "saboteurs and foreign agents who aim to disrupt Bulgarian economy," this summer—for the first time in Bulgaria, and perhaps for the first time in Europe—a special "harvest militia" was organised throughout the country. This consists of armed Communists who, under the direction of the Communist militia, form "harvest protection groups" to stand on guard in the fields twenty-four hours a day. A special decree forbade any harvesting or any other field work without the supervision of this new militia.

With the exception of Albania, Bulgaria has suffered more than any other Balkan country from the Stalin-Tito rift. Bulgaria's relations with her southern and south eastern neighbours, Greece and Turkey, are actually at breaking point, and this has shut her off completely from the rich Middle East market. Jugoslavia was Bulgaria's only outlet to the west and to central Europe. There are no direct rail and road communications between Bulgaria and Rumania; the construction of a bridge on the Danube was to have begun this year, but it has been postponed indefinitely owing to the lack of building material. Now the Jugoslav-Bulgaria frontier is virtually closed. This has made Bulgaria even more dependent on Russia for exports and imports. According to the latest figures nearly 85 per cent of Bulgaria's foreign trade is now concentrated in Russian hands—a higher percentage than the corresponding figure of German-Bulgarian trade relations (about 60 per cent) ten years ago.

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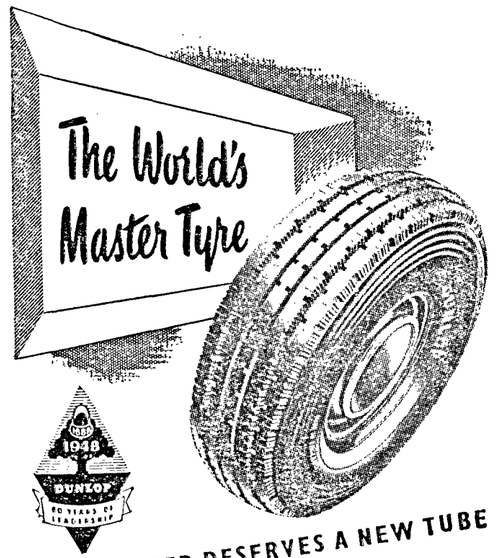
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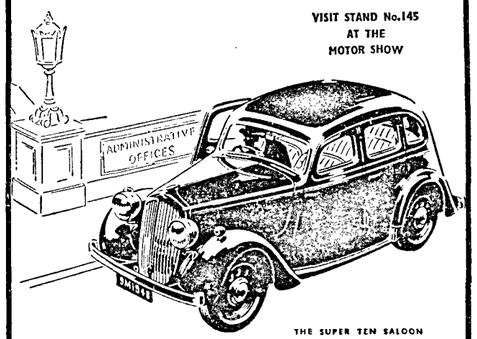
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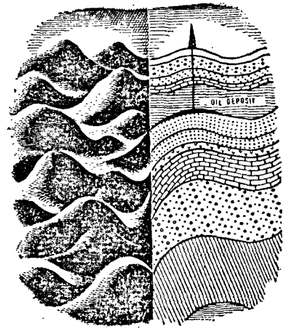
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THE BUSINESS WORLD

European Recovery—II

Factors in European Steel

THE problem of production in Europe has in certain ways shifted its ground since the Paris meetings in the summer of 1947. Coal has ceased to be the main limitation in industrial production; its place has been taken by steel. Coal is becoming more and more a problem of qualities and their utilisation, and of costs. Steel has not yet reached that point; it stands out still as an overriding shortage in total quantity, and no branch of production is exempt from the consequences. Signs that, even in steel, deficiencies which have so far been absolute may soon become relative, and may centre on specific qualities and types of product, can already be discerned. But the total deficiency is not yet overcome. It results from a general expansion of demand in Europe, and from the virtual absence from the industrial scene in the first three postwar years of the former principal European steel producer, Germany.

In simplified form the various national plans which were fitted roughly together last year at Paris are a long-term effort to replace the vanished (or merely suppressed) German capacity, together with an immediate effort to get high production out of the existing capacity in the countries outside Germany. But they are complicated in practice by other factors. The steel industries of Europe at the end of the war were not merely suffering from inadequacy in volume. The war had distorted, as well as reduced, the international flow of iron, steel and the raw materials of iron and steel. Techniques of production, and the balance between different products and types of steel, had been changed under pressure of circumstances, and plans had to be made to change them back. In every European country the war had prevented or delayed the replacement and improvement of plant, and in every national plan could be seen the desire not merely to expand but above all to improve and refashion the technical make-up of the industry to fit it for competition in future years.

Readjustments of this kind are necessary. There is, however, no automatic law which ensures that solutions designed by each country separately to meet its own necessities will result in a general solution of the necessities of Europe as a whole, or of the Marshall countries as a whole. This is illustrated by two of the points on which the plans collated last year at Paris were out of date almost as soon as they appeared. The plans proposed to repair some of the raw material deficiencies (particularly metallurgical coke and scrap) by getting more than 2,000,000 metric tons of crude and semi-finished steel annually from the United States; but the Americans quickly intimated that not more than a fifth of these quantities could be expected. The plans also required substantial imports of scrap from the United States; not only are these unlikely, but the scrap agreement concluded this week reflects the American determination to get scrap from Germany which the European countries had assumed would go to them—and which the Germans have shown little readiness to export at all.

These are merely two of the ways in which the flow of materials for steelmaking is likely to diverge—is, indeed, already diverging—from the pattern outlined in the original Paris plans. They will no doubt be reflected in the new plans now being digested by the OEEC. But what of the longer-term programme, the expansion and improvement of the steelmaking capacity of the sixteen countries? Taken together, the national plans for new steelmaking plant represent an immense effort of capital expenditure which will require self-denial in other branches of capital investment, and will of course absorb substantial quantities from current steel production.

The British plan alone involved, at 1946 prices, an expenditure of £168 million. It involves the building of 24 new blast furnaces, nearly 6,000,000 tons of steel furnace capacity and a corresponding increase in rolling-mill plant: in all, a gross expansion of about 40 per cent in British iron and steel capacity, spread over a period of about eight years. It is designed to produce not merely a larger industry but a more efficient and better-integrated industry; indeed, the plan as drawn up in 1946 included the scrapping of much old plant, so that the net increase in capacity would be considerably less than the volume of new plant installed. Even so, the net expansion in capacity to be achieved by 1951 (shown in Table II) was put at nearly 1,700,000 tons. This is to be accompanied by other advantages, notably a saving of 6 cwt. of coal in the blast furnace for each ton of pig-iron produced (as compared with the 1937 standard) and an increase, urgently needed, in the supply of sheets and tinplate. At the same time the exploitation of the low-grade Northamptonshire ore is to be expanded; the British plan assumed a continued world shortage of scrap.

Any assessment of the net effect of the British expansion must change, of necessity, as the execution proceeds. Costs of construction have risen in Britain, as elsewhere, since the British programme was formulated; they may affect the later stages of the programme in an unexpected way. Large parts of the British programme are designed specifically to reduce production costs, and the new plants will, of course, be more efficient than the old. But they will also have cost more than the old plants, and more than they were expected to cost when they were designed. British steelmasters have begun to consider whether efficient new plant, burdened with its inflated capital costs, will be so much more economical than the old plant after all. They (or their successors, if the steel industry is nationalised in the meantime) may therefore decide to keep old plant in service which they had originally intended to scrap. At the same time the new plant will go into production, and the effect may be a larger net expansion of British steelmaking capacity than was at first intended.

The largest of the Continental programmes is the French plan which requires an eventual expansion of French steel capacity to perhaps 15 million tons at a cost of more than a billion dollars. During the four-year period to 1951 it proposes to concentrate on the modernisation of equipment and the re-integration of the stages of production at a number of the French steelmaking centres. The French steel industry has lately shown itself unwilling to accept the scrapping of old plant which this will involve. But its contribution to annual steelmaking capacity during the four-year period was stated at 2,000,000 tons—still a big net expansion. Financial and political difficulties in France make it uncertain whether these objectives will be reached in the time laid down. And time is in a certain way an essential element of the Monnet Plan; for the plan assumes a fundamental rearrangement of the economic geography of western Europe which is only likely to take place if the restrictions on German output and German economic enterprise

are maintained. It begins to appear unlikely that those restrictions will be maintained in their full rigour for much longer. If they are not, what happens to the basic French thesis that the Ruhr coke must in future be taken to the Lorraine ore instead of the Lorraine ore being taken to the coal?

Of the remaining national plans only an incomplete picture is gained from Table II which shows not the total new capacity which is proposed but only the net increase in capacity which is to result. Thus Belgium is engaged on improvements in the finishing end of the Belgian steel industry, and the Belgian contribution to expanded production during the four years will probably be considerable; but Belgium estimated that there would be no change in the national total of steel capacity by the end of the period. The increase of only 124,000 tons in Luxemburg finishing capacity is only a modest reflection of the activity of the Luxemburg steel industry. Action by Sweden to expand the output of high-grade ore seems essential to the success of the European production plans, but no such prospects were held out in the Paris estimates. Indeed, Sweden's own intention of building new blast furnaces was expected to reduce the Swedish ore available for export. But there have lately been fresh discussions with Sweden by a number of users, and it now seems possible that Swedish exports may increase instead of declining. By using more rich ore the steel industries of western Europe have effected great savings of coke, and Swedish ore has already partly replaced coke as a limiting shortage.

In none of the plans for expanding the steelmaking capacity of the western countries does the possibility of getting plant as reparations from Germany play any important part. Some German steel plant has already gone to Russia—notably the Dinslaken strip rolling mill and the Krupp works at Essen-Borbeck—though nothing has been heard of any results which the Russians may have obtained in attempting to assemble those plants at their new locations. In their attempt at forward planning a year ago, the western countries arrived at a guarded formula: German reparations plants were important to them, but allocations (they said) were too uncertain to permit of their being included in any plans. Since then, allocations have made little progress. The resultant situation is a curious one. Reparations play their part on the debit side of the steel balance-sheet, for the Paris plans for western Germany assume that the dismantling of steelworks in the Ruhr and Lower Rhine continues. And dismantling is, in fact, proceeding at a little more than its previous lethargic pace; it began during the summer at the August Thyssen works at Duisburg. But there is no entry on the credit side. This may prove entirely realistic. A steelworks which was efficient in Germany may, after dismantling and transport, contribute little but scrap to the recipient country. But there is a further uncertainty whether the Americans will permit dismantling to go on at all. American ideas about the policy to be pursued in western Germany have become, since the inception of the Marshall Plan, increasingly difficult to ignore, and the United States has in the last few weeks asked for a fresh review of dismantling to ascertain its effects on the European Recovery Programme. Those effects are fairly simple to describe. The programme, as it stands and so far as the iron and steel industries are concerned, expects nothing from dismantling. But its estimates of national and European production in the years 1948 to 1951 assume that a third or more of the German steel industry will

TABLE I

OEEC COUNTRIES AND WESTERN GERMANY
STEEL PRODUCTION (ACTUAL AND PLANNED)
CRUDE STEEL
(Million Tons, Ingot or Ingot-Equivalent)

Country	Most Active Prewar Year (a)	1938	1947	1951
Western Germany	20·8	20·8	3·6	12·7
United Kingdom	13·2	10·6	12·7	15·0
France	9·7	6·2	5·8	12·7
Belgium	4·3	2·3	2·8	4·9
Luxemburg	2·7	1·4	1·8	3·0
Italy	2·3	2·3	1·6	3·0
Sweden	1·0	1·0	1·2	2·1
Austria	0·6	0·7	0·4	1·0
Others	0·1	0·1	0·4	1·1
TOTAL (excl. W. Germany)	34·0	24·7	26·8	42·7
TOTAL (incl. W. Germany)	54·7	45·5	30·3	55·4

FINISHED STEEL
(Million Tons, Actual Weight)

Country	Most Active Prewar Year (a)	1938	1947	1951
Western Germany	15·7	15·7	2·6	9·7
United Kingdom	10·4	8·2	10·3	12·4
France	6·6	4·1	4·1	9·0
Belgium	3·3	1·8	2·4	4·1
Luxemburg	1·9	1·0	1·3	2·4
Italy	1·7	1·7	1·4	3·3
Sweden	0·7	0·7	0·8	1·5
Austria	0·4	0·5	0·3	0·7
Netherlands	...	0·2	0·1	0·4
Others	0·2	0·2	0·3	0·5
TOTAL (excl. W. Germany)	25·2	18·4	21·0	34·2
TOTAL (incl. W. Germany)	40·9	34·1	23·7	43·9

Source: *Economic Commission for Europe.*

(a) As selected by each country to show greatest representative prewar activity. In most cases a single year is chosen throughout the tables, so that in some columns under this heading the figure given may be less than the figure for 1938. The years chosen are:—Austria, Belgium, France, Luxemburg, 1929; Greece, Ireland, Italy, Sweden, Switzerland, Western Germany, 1938; United Kingdom, Netherlands, 1937; Denmark, Turkey, 1929.

TABLE II

OEEC COUNTRIES (EXCLUDING GERMANY)
PLANNED NET EXPANSION IN IRON AND STEEL CAPACITY, 1947–1951
(Annual Capacity in Thousand Tons)

Country	Ore Mining	Pig Iron	Crude Steel	Steel Finishing
Austria	1,400	550	750	456
Denmark	...	...	40	40
France	...	1,700	2,000	1,500
Greece	340	150	200	150
Ireland	...	...	78	...
Italy	...	915	680	100
Luxemburg	...	...	...	124
Netherlands	...	150	195	190
Norway	...	...	29	27
Sweden	...	400	700	500
Switzerland	...	...	...	10
Turkey	350	...	240	190
United Kingdom	1,524	1,524	1,677	1,271
TOTAL	3,614	5,389	6,589	4,558

Source: *Economic Commission for Europe.*

Capacity is defined as output maintainable over a period of years after deduction of losses of output through repair and other causes.

TABLE III

EUROPEAN STEEL TARGETS
EUROPEAN AND US ESTIMATES COMPARED
A=Original Paris Estimate. B=US Dept. of State Estimate.

	Crude Steel		Finished Steel	
	(A)	(B)	(A)	(B)
Production:—				
1948	42·3	36·8	34·0	28·7
1949	46·1	43·3	36·9	33·7
1950	50·5	48·6	40·4	37·6
1951	55·4	52·7	43·9	40·6
Consumption:—				
1948	45·1	38·0	31·7	26·6
1949	48·9	44·5	33·9	31·0
1950	?	49·8	?	33·9
1951	?	53·8	?	36·1

Sources: *Report of the Committee of European Economic Co-operation, Vol. II; Supplements to the Commodity Reports, European Recovery Programme,* US Department of State.

(A) Estimates refer to calendar years; (B) Estimates refer to the United States fiscal year, beginning July 1 of each year indicated.

be permanently out of action. If particular German plants are taken off the list, therefore, no national plan will be visibly affected. But the effects if the German steel industry were to resume production on the scale of which it is at present capable would be quite another matter. For the German steel industry would in that case again be a full competitor for supplies of coke, scrap, and high-grade ore.

In the past four months a number of happenings, some of them fortuitous, have enabled the steel industry of the Ruhr and Lower Rhine to revive at a startling rate. From 297,000 tons in April ingot steel production in the combined zones rose to 378,000 tons in June, 457,000 tons in July, and 510,000 tons in August. For some months in succession production has been well ahead of the monthly targets set by the bizonal authorities. There seems little doubt that the target figure of 5,725,000 tons for 1948 shown in the Paris report will now be exceeded, and that the figure of 8,188,000 tons for 1949 could be revised to something over 9,000,000 tons. The causes include currency reform (which has transformed the problems of recruitment and productivity), the Berlin crisis (which has diverted metallurgical coke from eastern Germany), and the Anglo-American differences over steel scrap (which helped to assure, during the late summer months, plentiful supplies of scrap to the German steel industry). Imports of Swedish ore have begun to arrive in Germany, and contracts have been made for expanded imports.

The immediate European steel problem is concerned more with the materials for making steel than with the steel plant itself. New construction, larger blast furnaces, new open-hearth plants, better plants for the pre-treatment of ores and for the preparation of scrap, may play an important part in bringing European heavy industry to the level of efficiency needed if it is to hold its own in the future. The problems limiting present production (they bear, of course, on the ability of Europe to provide the steel for new and better steelworks) are problems not of capacity, but of the organisation of supply and the economical use of materials. Pressure of coal and coke shortage since the war has forced the steelmaking countries to reduce heavily the amount of coke used to make a ton of steel, and this can be done. But it is done at the cost of making scrap a scarce commodity, and at the cost of neglecting the abundant deposits of lean ore and competing more and more keenly for the short supplies of rich ore. These are the problems which call most urgently for international planning.

High Shipbuilding Costs

"THE time is coming," declared the chairman of the Peninsular and Oriental Steam Navigation Company, at the launching of a new liner this week, "when shipowners will cease to place orders on a blank cheque." This is not the only occasion in recent weeks on which the industry has been reminded that the problems of costs and productivity are as important for shipbuilding as they are for any other industry. The shipyards have been fully occupied since the war on the rebuilding and reconversion of British liner and cargo tonnage; they have also been building an impressive tonnage for foreign owners; for two or three years they have been enjoying what looked like an unassailable sellers' market. Now the shipbuilders have been put on warning. Shipowners are much less confident than they were about future freight rates and the future volume of seaborne trade. They seriously question whether new tonnage built at present high costs can, over the long view of twenty years or so, earn much more than its mere keep.

That the shipbuilding industry has not already felt the effects of this hesitation is due to a number of factors: the length of time which has been needed to satisfy the abnormal demand for new ships to replace war losses, because of the sheer size of the programme; the much increased emphasis upon new tanker fleets, now that dry-cargo building is passing its peak; and the difficulty of the industry in obtaining a smooth flow of materials and a willing labour force to maximise both the volume and the speed of its output. A shipyard is first and foremost a place where the products of many industries are assembled and converted. To build a large passenger liner on the Clyde, or a whaling factory ship in Belfast, brings employment for many trades in all parts of the country, making a wide range of goods from steel, marine engines, electrical gear, tablecloths, taps or turbines to propellers, paint and plastics. At the moment British shipbuilders have orders for merchant ships on their books valued, at a conservative estimate, at some £325 million; the major portion of this considerable sum will eventually be distributed over many industries, large and small. The rate at which these multifarious ancillary industries can produce components for the shipyards has its inevitable effect on the amount of tonnage which can be completed in a given time. Conversely, any hold-up in the shipyards will influence the demand for these ancillary products. But to say that the efficiency of the shipbuilding assembly process is conditioned by the supply and cost of the many intermediate products which it uses is not to deny the importance of efficiency of management and the productivity of labour in the industry itself.

It is not easy to measure the precise effects of these diverse

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factors upon current shipbuilding output. Shipbuilding is a continuous process, and even in ideal conditions it involves a lengthy period of production. Hence its results can be judged only over a fair period of time. Twelve months ago it was fairly clear that the delivery of ships was being delayed by the inability of suppliers of certain components, such as electrical equipment, to meet the demand, but these difficulties now seem to have been largely overcome, and supplies of components of this kind seem to be coming forward as fast as they can be used in the shipyards. Indeed, some firms which make ships' equipment may now be wondering whether they have not already outpaced the shipyards—an apprehension which in more normal times would only be induced by the absence of orders for new ships, and the threat, or sight, of empty berths. This new element of concern on the part of certain suppliers of components is in significant contrast to the fact that today British shipbuilders have more orders on their books than ever before, amounting to more than 4,500,000 tons gross.

There is no satisfactory statistical method of measuring the output of the shipbuilding industry. To measure completed ships merely in terms of gross tonnage is to overlook the possibility that the amount of work represented by two ships of similar tonnage may be very different. Moreover, different types of ships take varying periods to complete, with the result that wide fluctuations will appear in the figures of ships launched or completed if an unduly short period is taken. The six-monthly figures given in the accompanying table provide a basis for deducing the trends of output in the shipyards, though they do not tell the full story of all the work handled by them, which includes ship repairing and reconversion work and naval shipbuilding and repairing, for which no reliable statistics are available.

TONNAGE UNDER CONSTRUCTION IN GREAT BRITAIN & N. IRELAND
('000 Tons Gross)

Period	Laid Down	Launched	Completed	Under Construction at End of Period	
				Total	Tankers Only
1946 :—					
Jan.-June	686	604	480*	1,765	327
July-Dec.	699	537	504*	1,937	283
1947 :—					
Jan.-June	568	513	439*	2,062	323
July-Dec.	619	692	519*	2,173	448
1948 :—					
Jan.-June	588	482	508	2,244	580

Source: *Lloyd's Register of Shipping Quarterly Shipbuilding Returns.*
* Figures taken from the *Monthly Digest of Statistics*, not strictly comparable with Lloyd's Register figures, which were not available for the periods concerned.

The outstanding feature of this table is the persistent rise in the total tonnage of ships under construction at the end of each period. For some time past the explanatory notes to the quarterly shipbuilding returns issued by Lloyd's Register of Shipping have regularly included the following formula: "It is to be remembered, however, that the tonnage of vessels under construction continues to be influenced by the delays which present circumstances are imposing upon the completion of ships, and the consequent prolongation of the time required for building them." The reiteration of this authoritative, but non-committal, statement invites speculation about the nature of the "present circumstances" which show some signs of becoming semi-permanent. The industrial disorganisation resulting from the fuel crisis and severe weather early in 1947, had serious repercussions on shipbuilding, which is largely an outdoor industry. At the same time, the large-scale programme of reconverting troopships to passenger liners of modern standard was at its peak, and was making heavy demands on labour and materials. In those circumstances the output of completed ships for 1947—958,000 tons gross—was creditable, and cast no reflection either on the efficiency of management or on the willingness of shipbuilders to work. After the milder winter of 1947-48, and the great diminution in reconversion work, the tonnage of completed ships might have been expected to rise more rapidly than present estimates suggest. The figure of 508,000 tons gross for completions in the first half of 1948 does not, it is true, include two or three large liners which have been or will be completed before the end of the year, but the industry itself estimates that the total for the year will be in the region of 1,100,000 tons, or about the average of the years 1941-44, when the industry was occupied mainly with naval work, which this year has been non-existent.

Comparison of the movement of tonnages laid down, launched and completed, indicate a hold-up in the progress of work on the stocks. A hold-up at any stage in the shipbuilding process can soon become serious, for efficiency depends on forward planning and provision, which are frustrated by any interruption to the smooth flow of work from one stage to another. The longer-term prospect for the industry can be measured by the amount of work for which firm orders have been secured for delivery over the next two to four years. This total amounts to some 4,500,000 tons gross; at present, 15 per cent of this tonnage is now fitting out, about 30 per cent is on the stocks, and the remaining 55 per cent is still waiting for berths.

Since there is no shortage of labour, nor generally of components other than steel, and the number of berths occupied cannot be increased, it seems plausible to attribute the slow rate of progress of work on the stocks to the shortage of steel, or to the unproductivity of labour, or to a combination of the two. Shipbuilders themselves are convinced that steel supplies are the predominant factor, and the majority of the workers would naturally be inclined to agree, for they are impressed by the occasional signs of underemployment where work is held up through lack of steel. The risk arises that the worker may be inclined to go slow to avoid "working himself out of a job"—not, as used to be the case, because there are no orders to follow, but because the materials may be exhausted.

Whether shipbuilding labour is putting forward its fullest effort is difficult to judge; when allowance is made for the installation of new equipment since 1939 it seems possible that it is not doing so. The establishment of joint production committees throughout the industry is intended to try every possible method of increasing efficiency and output. Such efforts merit support, but few things would have such a salutary effect on output in the shipyards as a regular flow of materials in sufficient quantities. When shipbuilders had control over the buying and stocking of steel, their efficiency in this respect had a material effect on production costs and economy in individual yards, but managements are no longer free to buy as they choose. But in this they are no worse off than other users of steel—and indeed last year they were probably better off than the rest, for their deliveries exceeded their allocations.

Delay in production inevitably adds to the cost of a ship. It is not the only or even the main factor which influences shipbuilding prices, but other factors being equal, delayed delivery means that a smaller volume of new tonnage must carry a greater burden of wages and overhead expenses. The rise of 5s. in engineering wages will add to the rise in direct costs, and it is likely to be followed by some rise in shipbuilders' wages. The effect of this and of the shorter working week can be compensated only by an increase in output.

At this point the demands of shipbuilders come into conflict with the demands of other users of steel, and the last word must inevitably rest with the Government departments responsible for allocation. Shipbuilders are apprehensive that any increase in steel supplies might be used as a bargaining weapon in the conclusion of trade agreements with some of their competitors abroad. The shipbuilding industry has a good export record, and its export potentialities are not, in fact, being fully used because output is still subject to the limitations on steel. Merchant ships for foreign owners to the value of more than £100 million are on order in British shipyards at present. In the first eight months of this year, ships and boats to the value of £26 million were exported—an average of £3.24 million per month, compared with the revised "Economic Survey" target of £2.15 million by the end of 1948. August, it is true, was an exceptional month, but the proportion of foreign work in hand is increasing, and exports should be at least £3 million a month at the end of the year. Ships built for British owners themselves have an export content, for they are the tools with which the shipping industry earns its invisible income and saves dollar freights.

Shipbuilding is not a luxury industry, and it is discouraging that it should be working somewhat below its maximum capacity. Until the industry's output can be brought nearer to its potential level of some 1,750,000 tons gross of merchant ships a year, however, there is little prospect of a fall in the cost of ships, nor even of a check to the continued rise. If building costs rise farther, shipowners will be the more reluctant to place new contracts when the current tanker shortage has been overcome (and 62 per cent of the ships not yet laid down are tankers), despite the fact that by that time there will be urgent need for replacing older tonnage which is still in use. Hopes of establishing steadier output and employment in the industry will then vanish and high costs will condemn it to a succession of boom and slump.

Business Notes

Gilt-Edged Advance Farther

History was made on Wednesday, when a bargain was marked in 3 per cent Transport Stock at par. This achievement would be the more impressive, but for the reservation that the price includes 16s. 3d. of accrued interest. But it marks the clear emergence of a new phase in the market. For two or three weeks past, it has been the gilt-edged market, and not equities, which have made the running when conditions were favourable. That in itself is not surprising given the readiness of investors in these times to gain what safety they can, and given too the comparative lack of attraction of equities. For the latter are tied down by dividend limitation; there is accumulating evidence that profits are far less easy to make; and even the strongest concerns are now having to tackle the problem of making adequate provision for capital replacement at to-day's high prices out of their taxed income.

GROSS REDEMPTION YIELDS (Per Cent)

Note: All yields to latest date except shorts for all dates and Middles, Medium Longs and Longs for November 14, 1946, which were taken to earliest date.

Stock and Redemption	Cheap Money Peak, Nov. 14, 1946	Dollar Crisis, Aug. 13, 1947	Transp't Stock Issued Jan. 7, 1948	Post Budget Apr. 13, 1948	Oct. 6, 1948
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Shorts					
2½% Nat. War Bonds, 49/51	1 7 9	2 3 4	1 12 2	1 9 6	1 6 9
3½% War Loan, from 1952	2 1 0	3 4 8	2 18 1	3 3 6	2 15 9
Middles					
3% Nat. Defence, 54/58	1 18 8	3 0 0	2 15 9	2 13 3	2 10 5
3% War Loan, 55/59	1 19 7	3 0 6	2 16 8	2 14 5	2 10 7
Medium Longs					
3½% Conversion, from 1961	2 5 8	3 5 11	3 1 10	3 5 0	2 19 2
3% Savings Bonds, 55/65	2 5 11	3 1 1	2 19 2	3 0 2	2 16 0
Longs					
2½% Savings Bonds, 64/67	2 3 8	2 19 0	2 17 4	3 0 0	2 13 10
3% Savings Bonds, 65/75	2 5 11	3 2 3	3 0 7	3 3 9	2 18 8
3% British Transport Stock, 78/88	...	...	3 1 10	3 5 9	3 0 9
Undated					
2½% Consols*	2 10 6	3 1 11	3 1 1	3 6 5	3 3 5
2½% Treasury Stock, from 75*	2 10 0	3 2 5	3 1 4	3 6 5	3 3 9

* Flat yields.

But safety even in the gilt-edged market is comparative. And the surprising feature of the market's behaviour during the past week or two has been the readiness of buyers to absorb the "longs" and the undated stocks. There are suggestions that the departmental "tap" in 2½ per cent Treasury Stock is no longer flowing so freely. Institutional investment funds have returned and are exerting the now familiar pressure on a market relatively short of stock. It was Dr. Dalton's strategy to stoke these funds, and bend the market to his will. His successor has been more discreet and, it would seem, more effective, by letting the market do his work for him.

The table on this page gives a comparison of gilt-edged yields at several important dates under the two regimes. Since the Budget, the whole market (with the exception of its extremes among the shorts and the undated stocks) has advanced so steadily that gross redemption yields are 5s. per cent lower than they were in April. The recent interest in the undated stocks owes something to their relatively attractive yields, though the investor might pause to consider whether the extra 3s. per cent on "Daltons" is a reasonable evaluation of the difference between its one-way Treasury option from 1975 and the fixed final date of Transport Stock in 1988. Certainly, the pace in the undated stocks has been hot this week.

* * *

The Chancellor's American Trip

A few shafts of light have been allowed to reveal intriguing glimpses of Sir Stafford Cripps' crowded agenda in his visit to the United States. The immediate purpose of the visit, namely the business transacted by the governors of the International Bank and the International Monetary Fund, appears to have caused no untoward difficulty. Perhaps the most interesting glimpse that has been allowed to appear of the discussions on the work

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of the Bank was the suggestion made by the President, Mr McCloy, at the final plenary session, that member countries should consider the question of making available for Bank financing some portion of their local currency subscriptions. This suggestion was obviously pointed at Britain. Sir Stafford Cripps pleaded that for the time being at least he saw little prospect of the United Kingdom making any part of its sterling subscription available for sterling loans by the Bank. He justified this by pointing out that Britain was already fully pledged in its commitments to export capital and make the corresponding unrequited exports. He hoped, however, that with a further increase in the volume of production in Britain the Government would bear in mind the desirability of canalising any additional unrequited exports it could afford through the operations of the Bank.

Outside the strict agenda of the Bank and Fund meetings the principal subjects of discussion appear to have been the transferability of sterling and the terms of the ECA loan to Britain. On the first of these subjects the Chancellor found representatives of the US Administration still inclined to prod Britain rather faster on the road to convertibility than the British Government wished to travel. American opinion still takes at its face value the British Government's statement that the suspension of convertibility in August, 1947, was a temporary measure. Administration circles in Washington are beginning to develop serious qualms about possible Congress criticisms of the abrogation of a fundamental clause in the Anglo-American Financial Agreement by the unilateral act of one of the parties to which *post facto* consent was given by the US Secretary of the Treasury without referring the matter to Congress. This renewed interest in convertibility has been given a topical peg by the proposed transferability of sterling contributions and drawing rights under the European Payments Scheme. The familiar British arguments against such transferability have again been propounded in Washington but, apparently, without bringing conviction. The Council meeting of OEEC in Paris which was to put its final mark of approval on the payments scheme this week has been postponed for another few days, a development which suggests that final agreement on this point has yet to be reached.

* * *

ECA Loan Agreement

Sir Stafford Cripps also succeeded in carrying to final agreement the negotiations on the terms of the ECA loan to Britain and the release of the sterling deposited as counterpart to ECA grants. The loan for the first twelve months of the Marshall Plan will amount to 300 million dollars. Interest will be at 2½ per cent, the loan is to be repaid over 35 years and there is to be an initial five-year moratorium on the service of the loan. The full terms will be published in the next few days.

Sir Stafford Cripps has been indefatigable in his public relations work. He has spoken to the Press at lunches and at conferences in Washington and New York. He has been "quizzed" on the radio networks. On all these occasions he has developed the theme of British recovery, of British sincerity in the cause of European co-operation and reconstruction and of the ultimate solvency of Britain by the end of the Marshall Plan period. The US Administration and representatives of ECA appear to have been duly impressed by the details of the four-year plan which is to bring Britain into balance with the Western Hemisphere by the year 1953. Dealing with the long-term programme of the whole group of Marshall nations Sir Stafford, before leaving the United States, made a statement which will surely find a hallowed place in future editions of Sir Ernest Gower's "Plain Words." "When the four-year programme is finalised we expect that as a result of the co-relation of the four-year programme of the eighteen territorial units we shall discover the most effective means of European co-operation." That was not the purest or most lucid note on which to finalise the Chancellor's visit to the territorial units on the other side of the Atlantic.

* * *

Marshall Sterling Released

Agreement has at long last been reached between the British Government and the Economic Co-operation Administration in Washington on the release of the sterling accumulated in the Treasury's special account at the Bank of England as counterpart of the ECA grants to Britain. The first evidence of that agreement was provided by the Bank of England Return published this week, which shows a fall of £49,282,000 in the amount standing in this special account, leaving in it a balance of £4,326,000. It was later confirmed by an ECA announcement that £50,100,000 of the counterpart fund would be used for debt retirement. This figure, it should be noted, is approximately equivalent to about 95 per cent of the previous balance, and thus leaves in the account the 5 per cent of the "counterpart fund" which, in accordance with the ECA Agreement, must be kept at the disposal of ECA to finance its administrative expenditure in this country and to be used for the stockpiling of strategic materials. It might be added that the whole of the amount remaining in this account is already far more than committed for one single stockpiling operation, namely, the American purchases of rubber. The £50,100,000 has been released in accordance with the provisions of the Economic Co-operation Act to repay Government debt, and has been applied in the redemption of the special interest-free notes held by the Bank of England against the moneys deposited in the special account. This operation is clearly shown in the Bank Return, where Government securities have fallen from £361.8 million to £315.9 million. One interesting implication of the decision to apply this money to redemption of debt is that no part of the special account sterling is being earmarked to finance the British contribution to the European payments scheme. When sterling is needed to provide resources under this scheme it will be raised in the normal way by fresh borrowing operations.

* * *

French Bills in London

The political and economic turmoil in France is being watched with some apprehension in the City. There is no free exchange market here by which to measure that apprehension. The only practical evidence of it is an increasing reluctance on the part of the discount market to take French bills, and the difficulties that are being experienced in maintaining the syndicates of acceptance houses which have in the past extended commercial credit facilities to France. One of the most important of these lines of credit, that for financing imports of sterling area wool into France, is at present due for renewal. Quite apart from the question of the risks involved, the problem of renewing commercial credits to France can hardly be divorced at present from the imminent coming into operation of the European payments scheme and of the outright contributions which the British Government will be making to France under that plan. From the French viewpoint, it may also be desirable to switch the financing of sterling area imports from a commercial credit basis to that of the drawing rights under the payments scheme. The credits bear interest and must be repaid. The drawing rights are outright gifts. Unless, therefore, the French authorities are out to raise all the wind that they can muster at the moment, both through gifts and loans, they can be expected to reduce the facilities they are at present enjoying on the London market.

If there is no open market in London in which to measure distrust in the franc, Paris effectively fills the void. In that market, what might be called the official free dollar rate has risen to 313.20 francs. The artificiality of this so-called free rate may, however, be judged by the fact that the rate for dollar notes has this week ranged at around 472 francs. Bank of England notes have also benefited by the flight from the franc, and have risen to their record price of 1,400 francs. These movements have been paralleled by rises in the prices at which gold has been quoted in the free market. If, as is all too evident, the strike movement can only be met by wage concessions, the time will soon arrive when the present official rate of the franc will have to be abandoned. The subject of another French devaluation is said to have been discussed at the International Monetary Fund meeting in Washington. The French representatives again urged the impossibility of fixing an economic and tenable parity for the franc, and suggested that the whole foreign exchange market might be freed, leaving rates to find their own level and thus avoiding some at least of the nefarious consequences of the dual regime of official and unofficial rates that has obtained since the last devaluation of the currency.

* * *

Winter Electricity Charges

The British Electricity Authority and the area boards have taken action, but without evident enthusiasm, on Mr Gaitskell's request to implement the main immediate proposal made by the Clow Committee. A surcharge of 0.35d. a unit will be added to the unit charge for domestic tariffs for three of the winter months. It seems probable that this is the smallest increase which the Ministry of Fuel and Power thought might be effective. The average unit charge in domestic two-part tariffs is about ¼d. But if fixed charges are taken into account, the average total price paid

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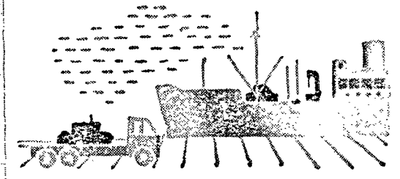
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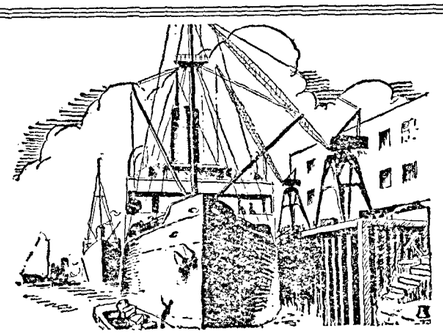
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BARCELONA TRACTION, LIGHT AND POWER COMPANY, LIMITED

REPORT BY PRIOR LIEN BONDHOLDERS' COMMITTEE

In its last Report the Committee said that it would make a further statement when the effect of the appointment of a Canadian Receiver was known. The Canadian Receiver has now through his Solicitors informed the Committee that he proposes to contest the bankruptcy proceedings in Spain. The Committee therefore now presents a further report.

1. Three weeks after its appointment, the Committee sent a Delegation to Spain to investigate the position there. The Delegation returned on May 10th and reported, inter alia, that :—

(*a*) They had been courteously received by the Spanish Authorities, who had afforded them all reasonable facilities for their enquiries, and they were assured that the rights and privileges of the sterling Bondholders would be fully borne in mind in all circumstances.

(*b*) In their considered opinion, after taking legal advice, the interests of the Bondholders would be well served by the Spanish bankruptcy proceedings against Barcelona Traction and, in any case, as Barcelona Traction had not attempted to enter an appearance within an extended time limit, those proceedings could not thenceforward be successfully challenged by Barcelona Traction or any other applicant.

(*c*) The Spanish Judicial authorities had instituted proceedings in the Criminal Courts against certain officials and former officials of Barcelona's subsidiary, Ebro Irrigation Light and Power Company Limited, on charges of misappropriation of funds involving large sums of money. The Spanish Receiver informed the Delegation that the basis of the charges was that there was insufficient evidence in the Spanish books of Ebro to indicate the manner in which such money had been expended.

(*d*) Arising out of the matters referred to in (*c*), proceedings against the Ebro Company itself for the alleged export from Spain without authority of over Pts.40,000,000 (which at the present official rate of exchange is equivalent to over £900,000) were under consideration by the Court having jurisdiction in currency offences.

The Committee has to report that these proceedings for currency offences have since been formally instituted and a provisional embargo of Pts.410,000,000 (equivalent at the current official rate to over £9,250,000) placed on the assets of Ebro, which are the principal underlying security for the Barcelona Traction Bonds.

2. The only interest that the Prior Lien Bondholders have in the matters referred to in 1(*c*) and (*d*) above is the extent to which the payment of Barcelona Traction's indebtedness to them may thereby be prejudiced. The Committee has seen Ebro's recent statement in the Press to the effect that all funds of the Ebro Company have been fully accounted for and that the charges of misappropriation are wholly unfounded. The Committee feels, however, that the Bondholders are entitled to further information on the following matters :—

(*a*) If Pesetas have, in fact, been exported from Spain, the currency in which they became available, and

(*b*) the manner in which such exchange was utilised and the reasons why it could not be made available for payment of interest on the Bonds of Barcelona Traction.

3. In view of the Delegation's report, the Committee on May 20, 1948, asked the President of Barcelona Traction for information on various matters, including whether any funds had been transferred out of Spain, and if so, what had happened to the countervalue as indicated in paragraph 2 above. The President refused to supply the Committee with any of the information required and, further, did not accept the Committee's invitation to a joint discussion.

4. The Committee sent to the National Trust Co., Ltd., of Toronto (as Trustees for the Prior Lien Bondholders and the First Mortgage Bondholders) a copy of its communication to Barcelona Traction together with certain supplementary questions, including whether the Trustees had knowledge of any assets outside Spain. They also invited the Trustees to send a representative to London for consultation and suggested that the Trustees should call a meeting of the First Mortgage Bondholders to ascertain their views. The Trustees in reply said, inter alia, that they were not aware of any assets of the Company outside Spain except the "portfolio" held by the Trustees, a small amount of sterling in London and a small amount of dollars in Toronto earmarked for Head Office expenses. The Trustees refused to call a meeting of the First Mortgage Bondholders and instead of entering into consultation with the Committee announced their intention of applying immediately to the Ontario Court for the appointment of a Receiver. The Committee considered that this was a prejudicial step in the existing circumstances. After taking legal advice in Spain, the Committee is firmly of the opinion that the interests of the Prior Lien Bondholders will best be served at this stage by participation only in the Spanish bankruptcy proceedings. Therefore, as previously reported, the Committee protested strongly against the Trustees' proposed step being taken at that stage without full consultation. Nevertheless, in spite of the arguments put forward by the Committee, the Trustees insisted on the immediate appointment of a Canadian Receiver.

5. Having formed the above opinion, the Committee refrained from entering an appearance in the Ontario Court, since to do so would raise complications as to jurisdiction, but, through the Trustees, informed the Ontario Court of its objections. However, the objections were overruled, and a Canadian Receiver was appointed on July 15th, 1948.

6. The Committee is of the opinion that the information which it sought to obtain from Barcelona Traction, as indicated in paragraph 3, should be made available without further delay. It proposes therefore to request the Canadian Receiver to provide such information.

7. The Committee considers that the object of the Prior Lien Bondholders is to obtain, at the earliest possible date, payment in sterling of their capital and twelve years' arrears of interest. This object can, in its view, only be attained as a result of participation in the bankruptcy proceedings in Spain, where the underlying assets are situated. The Committee has accordingly entered an appearance in the Spanish bankruptcy in order to ensure that the interests of the Prior Lien Bondholders are directly represented, and it has now been advised that its appearance has been accepted. September 30, 1948.

by domestic consumers on two-part tariffs is about 1½d. a unit, so that the surcharge is a little under 25 per cent on the total bill. This is enough for the householder to feel—*though he is* consoled by the prospect of recovering it by a rebate over the remaining three quarters of the year. But is it stiff enough to achieve its purpose of flattening out the winter-peak of domestic power consumption in the cold months ?

No doubt the surcharge will have some effect ; in a mild winter, it might even achieve its full object. In a cold winter, when the need for economy is greater, the deterrent effect of an increase of less than a quarter is unlikely to be spectacular. And, as a note in *The Economist* of August 7th pointed out (and the announcement of the surcharge confirms), its incidence will have to be spread over a wider period than the three months (December, January, and February) at which the measure is aimed. With continuous meter reading, the period of the surcharge will vary from district to district, and in many houses a large part of the surcharge must fall out of the vital months. Thus the modest result obtained will be further watered down ; it may be useful, but it will probably not be enough. It is fair to suppose that the Clow Committee had in mind some stiffer increase than this. But, in the end, no increase of prices for all domestic current in winter can solve the problem of interference with industrial supplies at peak periods. For an effective reduction in domestic consumption at the peak, only maximum demand metering or devices to take domestic appliances out of service in peak periods can be ultimately effective.

* * *

Odeon Indebtedness

As might have been expected, the General Cinema Finance Corporation, whose capital was acquired by Odeon Theatres some nine months ago, proves to be the nigger in the woodpile in the first Odeon Theatres group accounts, for the year ending June 26, 1948. In fact, the consolidated balance sheet is so heavily weighted by the figures for GCFC that the more satisfactory position of the remainder of the group has to be discovered in the separate accounts of the parent company and the other subsidiaries. While there was no obligation upon Odeon Theatres to publish the accounts of GCFC, which is a private company, it was obviously wise to do so. But while shareholders may feel obliged for their inclusion, their content does not remove the doubts (especially on the part of preference shareholders) which were raised last December when, after prolonged public debate, Mr J. Arthur Rank revealed the position of GCFC as at September 28, 1946. Since 1946, short-term advances of GCFC from the banks, from other companies of the Odeon Theatres Group and from other sources have been increased from £7,094,098 to £12,891,001 though other current liabilities have been reduced by about £400,000. Moreover, of these short- and medium-term loans, £10,806,250 (compared with £5,876,525 on September 26, 1946) is represented by expenditure on film productions, of which £4,804,190 is attributed to released films and £6,002,060 to unreleased films, uncompleted films and film rights less amounts written off. While £5,231,310 of this indebtedness is of an intergroup character (which would not be reflected in the consolidated accounts), the remainder clearly accounts for a substantial part of the Odeon Theatre group's indebtedness of £15,263,382 for short- and medium-term loans. Again, the group item of £12,431,117 for film production and rights is only £1,624,867 more than the corresponding figure for GCFC. The accounts of the group are discussed in some detail in this week's *Records and Statistics* Supplement.

What is done is done. The question now is to consider the financial position of the Odeon Group as it now stands, with Odeon Theatres Limited as the parent company with the major part of the country's film production, distribution and exhibition under its sway. Mr Rank has stated that "whilst recognising the important part temporary bank advances play in the finance of our industry and in particular the film production side, my colleagues and I are not unmindful of the desirability as soon as practicable of rearranging on a long-term basis a substantial portion of this credit." But here is the dilemma. On its own profit record, GCFC alone scarcely represents an inviting long-term investment risk, though in the past year it has almost broken even, after showing a net loss of some £474,777 in 1945-6 The fact that it is now under the wing of Odeon Theatres may or may not improve that risk, though its presence there hardly enhances the investment status of Odeon Theatres itself. Evidence of this was forthcoming in the fall of the 5s. shares of Odeon Theatres to 30s on the day following the publication of the accounts.

In his latest statement Mr Rank expresses confidence that the balance sheet value attached to film productions which have been released (amounting to 44 per cent of the total investment of GCFC in film production) will be recouped from their exhibition. The report also states that the value of unreleased and incomplete films should be "good and recoverable"—they amount to just over £6,000,000 in the GCFC books, but "no final opinion can be formed until we see the finished product."

As for released films, the method of valuation is "not as satisfactory now as when the company started to trade more than ten years ago." The group is therefore feeling its way in step with the advice of the Inland Revenue towards the adoption of graduated amortisation tables by means of which the cost of each released film will be written off over the period of its estimated life. Obviously, even if the valuation should ultimately prove to be conservative, its present magnitude, erected on a basis of largely short-term credit, poses a major problem for the group and its bankers. The decisions not to enter into further fresh fields, to institute tighter control and greater centralisation, to eliminate a large number of subsidiaries of Gaumont British Picture Corporation whose results are in the past year less satisfactory, and not to increase dividends above the level of 1947 (though there appears little scope for any increase on the latest results) are first steps in the right direction.

* * *

Mr Rank and the Quota

Mr Rank, in his statement as chairman of the group, devoted enough space to the quota question to make it clear that the maintenance of the 45 per cent quota has become an important interest of the group. He described the 45 per cent quota as "realistic," and indeed stated that he had supported "whole-heartedly" the still higher figure (50 per cent) which was put forward by the Films Council. This was a change from his former public attitude on the subject, and he explained the change by referring to two considerations, neither of them of a particularly reassuring kind. One consideration was the indifference shown by Hollywood to British film interests when the supply of American films was abruptly stopped. This was not the only reference in Mr Rank's statement to the unsatisfactory state of relations with the American industry ; he said plainly later that the Americans had been making "no serious attempt" and taking "no active measures" to play more British films. Still, he intended to persevere in his efforts to secure reasonable playing time in the United States.

The second consideration referred to the independent British exhibitors—and here Mr Rank, who has been bitterly criticised by some exhibitors for appearing to assume the part of enforcement officer for the quota, acknowledged that he had been "examining very carefully the distribution and exhibitors' position in this country." He found that outside the circuits some 800 exhibitors were faced with no competition in their own locality:

> In spite of this, very few exhibitors were playing more than the legal quota of 17½ per cent and, in fact, there were many defaulters who did not play this percentage, though, had they wanted to support British productions, there were films available to them either from this group or elsewhere.

The implication—that British exhibitors were not playing British films because they did not want to do so—is plain.

This reluctance is now, up to a point, acknowledged by both sides. On the exhibitors' side it is attributable to two things: doubts about the quality of many of the films offered, and dislike of the commercial terms on which they are rented. On Tuesday

Fact-finding

In the RECORDS AND STATISTICS supplement to THE ECONOMIST more facts are put promptly on record than anywhere else in the world. By means of the cumulative monthly index, published in the first issue in each month, any fact that has been recorded in the current year's issues can be quickly located.

RECORDS AND STATISTICS is available on postal subscription only. The subscription rates are £2 10s. a year for RECORDS AND STATISTICS alone or £5 together with THE ECONOMIST.

The Economist, 22 Ryder Street, London, S.W.1.

Mr Rank met a delegation from the Cinematograph Exhibitors' Association which tried to persuade him to consider the booking plan drawn up by the independent exhibitors some months ago. They do not appear to have gained any concessions.

Few of the independent exhibitors have entertained any hopes of getting Mr. Rank, in the circumstances, to relax his booking terms. They have come to rely more on the possibilities of exemption from the quota, or at any rate of relief. Most of the decisions on relief from quota obligations have by now been made by the Films Council; the Cinematograph Exhibitors' Association is examining the Council's detailed answers to exhibitors' applications. Up to the present relief has been granted to 1,353 applicants and refused to 835; for the latter there are still possibilities of appeal. Since the quota is much higher than in previous years, it would be unwise to rule out the possibility that default may increase substantially the extent to which the quota fails to be observed. In the year 1946-47, with a 17½ per cent quota, 1,328 defaults by exhibitors were recorded by the Board of Trade. This was higher than in the preceding year, when the quota was 15 per cent and the total of defaults by exhibitors 1,149.

* * *

Easier Controls for Shipping?

Further revision of the present transitional arrangements for the control of British shipping is under discussion, but final details have not yet been worked out, as an announcement from the Ministry of Transport last Saturday was careful to point out. In the deep-sea dry-cargo trades, the present system came into operation in September 1947 for a provisional period of one year, the expiration of which has given rise to some speculation about the future. By agreement with the Minister of Transport, the shipping industry set up the Shipping Advisory and Allocation Committee, which undertook to allocate the available deep-sea tonnage required for the Government's programme of dry-cargo imports, and to advise the Minister generally on the arrangements to relate the supply of tonnage to the Government requirements. Every voyage still requires a licence from the Minister, who also retains his power of direction, although he has not had occasion to use it.

The ability with which the new organisation has handled the import programme during the year, including the Black Sea and Australian grain hauls, supports the case for a further relaxation of controls, but it remains to be seen how far the authorities will be prepared to allow a full return to normal commercial operation. The least that might be expected, perhaps, is an extension of the system in some form to include intermediate and short-sea trades, for the deep-sea dry-cargo programmes have been far more efficiently and economically handled by the Shipping Advisory and Allocation Committee than the short-sea programmes for which Government departments have been responsible. The most that could be done would be to remove all controls, but the Government is unlikely to let the strings go entirely; and so many departments are at present involved that it may not be easy to obtain unanimity of view among them. Those who support the principle of bulk buying of commodities by the State would probably be the most reluctant to see the licensing system abandoned, although they may be prepared to substitute some form of "blanket" licence for individual voyage licences.

As long as the world shortage of tanker tonnage persists, there is little likelihood of a return to a free market for this section, but there is no longer a shortage of dry-cargo tonnage. "Free" tramp freight rates, for example, are generally well below the level of those still subject to schedule, a fact which lends weight to the argument that the schedule should be finally abolished. Free and schedule rates would then naturally find a common level, certainly lower than the latter, but possibly a little higher than the former in most trades. This would confront inefficient operators, who are sheltered by the schedule, with stiffer competition, and some might even be eliminated; but the more efficient owners would be free to exercise their acumen in handling their vessels to the best advantage. In any event, greater participation in the cross-trades is more likely to lead to a further increase in the "invisible" earnings of British shipping (particularly hard currency earnings) than to any increase in the dependence on foreign tonnage for implementing British import programmes.

* * *

The End of Booty Scrap

A year ago the representatives of the sixteen Governments meeting in Paris pointed out that the United States had been, before the war, one of the main sources of steel scrap supply for Europe. Their hope that the United States could be persuaded to resume their part in the postwar world was quickly dispelled by Washington. But little more has come, so far, of the other European hope for scrap supply—Germany. Until June of this year, when currency reform made German scrap dealers for the first time willing to sell, contracts for commercial scrap rarely produced any results. Since then scrap exports have been held up by the Anglo-American differences which have just been resolved by the agreement concluded in Washington. The United States (the agreement clearly shows) must now be regarded as a major buyer of German scrap. There is, indeed, little in the document to reassure either the British steel industry or the other European consumers. Experience has made the British sceptical of the prospects of getting from Germany the 1,850,000 tons of scrap exports which the agreement talks of for the coming twelve months. They have a fair knowledge by now of the special technique required to buy scrap in the Ruhr and Rhineland. They have found that a contract in the brief-case is not the same as a consignment on shipboard, and that three equidistant dealers may well have claims on the same blown bridge. They have even mastered the procedure for dealing with the Joint Export-Import Agency. Knowledge of this kind has brought them advantages, but the material results have not been commensurate with the results of the booty scrap system, which has short-circuited the JEIA procedure and has so far provided the bulk of the scrap obtained by Britain, or by anyone else, from western Germany. Booty scrap is now, after a final 75,000 tons, to end. By any serious political standards it was high time for this decision, and the Foreign Office may well be grateful to Washington for helping them to it. But this does not make any easier the admission in the agreement of the American demand for parity with Britain in future allocations of commercial scrap. The authorisation of last May—200,000 tons to the United States, 300,000 to Britain and 100,000 to other countries—is confirmed. The British view that this arrangement gave more than was reasonable to the United States is well known, and was, indeed, one of the causes of the recent scrap deadlock in Bizonia. Further, another 100,000 tons is allocated to the United States "to bring the US share to parity with the above-mentioned UK share of 300,000 tons." Similarly, the United States is to get another 75,000 tons (but against payment) to match the last British booty consignment.

The other European countries gain no more than a prospect of collective parity with the British and with the Americans in future allocations. When the 850,000 tons already apportioned has gone, the collection of the next 1,000,000 tons is to begin, and this is to start with 125,000 tons for the United States, 125,000 for the British and 125,000 for the other countries together. These quantities are, of course, highly speculative. If they come true, they are an advance on what the European countries have been getting, but much less than they would like; the gap left by the lost American scrap supplies has still to be filled from somewhere. These countries do, however, gain a concession of principle which is not trifling. An *ad hoc* committee is to be established in Paris to recommend allocations of scrap exports from western Germany and the OEEC countries; it is to consist of representatives of all OEEC members and of the United States. It will have no over-riding powers; decision is to remain with the member Governments and in the Bizone (the only important exporter in the near future) with the military governors. But the interest of the OEEC countries—who include Germany's western neighbours—is recognised, and this is to be welcomed.

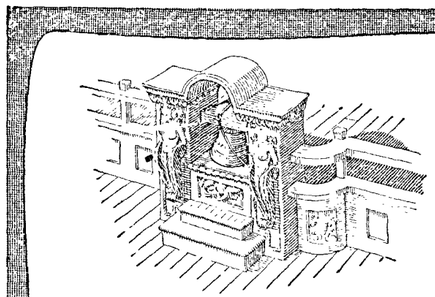
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Three-dollar Crude?

The action of Phillips Petroleum Company last week in raising by 35 cents a barrel their price to Texas oil producers has caused natural concern about the prospects of a new general increase in American crude oil prices, which would soon (if it happened) exert pressure on world prices of crude and of petroleum products. It follows a period of agitation among the independent oil companies in the United States for an independent buying policy, and among the numerous small Texas oil producers for a higher price. But up to the present the majority of the "independents" have not followed the lead given by Phillips Petroleum: the principal exception is the Barnsdall company, which supplies to Phillips and which also buys largely in the same fields. These two companies are now paying three dollars a barrel for the largest range of Texas crude. Up to the moment the general price has not responded.

The major oil companies are perturbed and anxious at the appearance of what they regard as an inflationary buying policy. Economically they think it avoidable; politically they think it most inadvisable at the present time. Their intention is to resist any price-raising tendency at present, but the general shortage of

(*Continued on page 601*)



Belfries

Mounted on or near the forecastle, lavishly decorated belfries were a feature of larger ships from the 16th century onwards. Ships bells were used in all types of ships as they were the only means of making the time known to the ship's Company.

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THE LAST LEG

On the promenade deck one of the Solent's stewards is pointing out places of interest on the last leg to Johannesburg. In a flying boat there is an unrestricted view from every window of the panorama below.

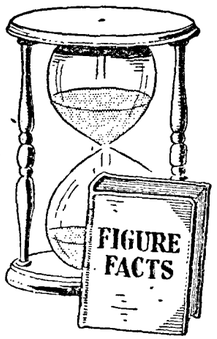
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WHITE BURGUNDY (*Blanc Villages*)	13.0	SHERRY (*Produce of Spain*)	1.0.0
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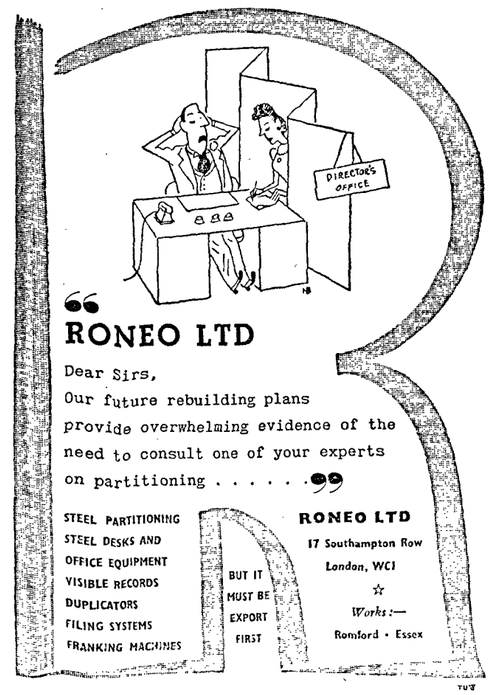
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COURTAULDS

IN THE UNITED KINGDOM

No 8 THE WEST RIDING

COURTAULDS' associations with the West Riding of Yorkshire go back to the time when black silk mourning crape was the firm's speciality, and rayon was only a dream of science.

It was from a famous Yorkshire textile firm that the late Henry Greenwood Tetley joined Courtaulds in 1893, later to play the leading part in establishing the British rayon industry and laying the foundations of the Company as it is today.

In 1917 Courtaulds purchased Spring Hall Mills, Halifax, where they began to use rayon on a large scale for making furnishing fabrics. Then, buying their yarn from Courtaulds, other manufacturers soon followed the Halifax example.

Next, in 1937, the Company acquired Westcroft Mill, Bradford, then at a standstill, and equipped it with worsted combing and spinning machinery. There Courtaulds showed how their "Fibro" rayon staple could be spun into yarns for use in weaving the kind of cloth for which Yorkshire is famous, thus widening the use of rayon in the worsted industry.

During the Second World War Westcroft Mill provided yarn for Service blankets and garments, and Spring Hall Mills wove cloths for West Africa whence Britain obtained rubber, palm kernels and oil.

Finally, Courtaulds recently opened Bull Royd Mill, Girlington, Bradford, acquired in 1944. Here they are weaving, on the most modern automatic machinery, Yorkshire suitings and dress fabrics in which rayon staple is blended with wool.

Of over 25,000 people employed by Courtaulds in the United Kingdom about 400 are engaged in the Company's three West Riding Mills, each of which demonstrates under commercial conditions how rayon can best be used in one form or another.

This is one of a series of statements to inform the public of some part of the contribution made by Courtaulds' industrial enterprise to economic well-being in various districts of the United Kingdom.

Issued by Courtaulds Ltd., 16 St. Martins-le-Grand, London, E.C.1

oil, though it has recently shown signs of relaxing, is still enough to make resistance not entirely a straightforward matter. It is to be supposed that they will do what they can. A curious question arises for students of American anti-trust law, who are learned in the price-maintaining operations of monopolists. How does the law stand if the big companies concert action not to keep prices up, but to keep them down?

* * *

The Nuffield-Austin Arrangement

It is hard to set a precise limit to the trading advantages which might be attained in the motor industry—especially when trading and supply return to less artificial conditions—by large scale, the pooling of models and the joint development of production and design. If the arrangement announced this week between the Nuffield Organisation and the Austin Motor Company means these things, it can be a notable step forward. But precisely what it means is by no means clear at the moment. The joint statement issued by the two companies lays emphasis on the "constant interchange of information" which is intended; but it goes on to suggest much more than that:

> The object is to effect maximum standardisation, coupled with the most efficient manufacture, and, by the pooling of factory resources, a consequent reduction of costs.

Standardisation of vehicle accessories (which has still not gone far enough) is obviously included in the intention. Does the intention also include a reduction of the number of models produced by the two groups, a concentration of the production of engines and chassis and an expansion of the volume of production of each remaining model to a point at which the full advantages of large scale can be brought to bear on production costs? At present neither partner in the arrangement is able to employ its plant at full capacity. In both, changes in production and the announcement (recent or expected) of new models make it misleading to draw any close conclusions from the actual ranges of models at present on the market. But these, though they have been reduced in the last few years, are still fairly numerous, and there are evident possibilities for reduction. Measures to bring costs down are urgently needed, and decisions of this kind, if they are to achieve their effect, will need to be radical.

If, however, co-operation in design, production and marketing were to be complete, it is hard to avoid the conclusion that a pooling of financial interests would be necessary too. The two firms have said nothing yet about any such arrangement.

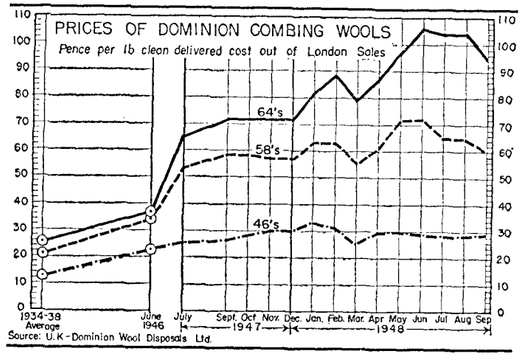
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Fall in Wool Prices

Mr Harold Wilson's recent contention that the abnormally high prices for wool were the result of private trading, whereas under centralised buying raw cotton prices have tended to fall, was unfortunate on two counts. In the first place, the cotton and wool markets cannot be directly compared, for conditions of supply and demand in them differ greatly. In the second place, the remark was ill-timed, for it was made after the wool market had already begun to reveal a noticeable weakness. In fact, since the beginning of the new season wool prices have failed to maintain their buoyancy. At the London sales which closed last week, merino prices were almost 10 per cent lower. In the Dominions, particularly Australia, prices have fallen even more markedly and the fall appears to be gathering momentum. So far, the drop has been largest in best "free" merino wools, prices of which have fallen 20 per cent. Prices for "faulty" merino wool have fallen between 10 and 15 per cent, while crossbred prices (56s. and under) have remained firm.

Wool buyers seem at last to be switching to the cheaper qualities instead of insisting on the best types. At the close of last season, prices for the finer merinos were bid to a very high level by countries indulging in bulk purchase, and some readjustment is overdue. At the moment, there is a marked disparity between London and Dominion prices; the former are on the average 7 per cent dearer. This is no doubt due to the shortage of combing wools in Britain and European countries to feed the mills. Wool bought now in Australia would not be available to the manufacturers until three months hence. The uncertain international situation is also making buyers cautious, particularly as consumer resistance is beginning to be felt in many countries. In France, the possibility of a further devaluation of the franc must tend to accelerate purchases to the limit of the available sterling.

A recent issue of the Commonwealth Economic Committee's *Wool Intelligence* suggests that world wool production during the current season may increase by 3 per cent to 3,800 million lb. (greasy basis), and the output of apparel wool, by the same percentage, to 2,980 million lb. The proportion of merino wool is expected to increase. This improvement in supplies may tend to correct the abnormal rise in fine merino prices, but as the accompanying chart shows, the disparity is still so great that a full readjustment will only be possible if consumers shift their demand to inferior qualities on a large scale. At the second meeting of the International Wool Study Group in London this



week, it was estimated that world stocks of apparel wool would decline by 790 million lb. to 2,761 million lb. during the current season, an estimate which suggests that the level of consumption will be only 3 per cent smaller than a year ago. If this proves to be correct, it will be all the more imperative for countries to switch to crossbred wools because there are now little or no Government owned stocks of merino wools.

* * *

Coke Ovens and Coal Board

The independent coke ovens, unlike the collieries, are not subject to compulsory purchase. If the National Coal Board wishes to acquire an independent coke oven plant, or the owner to sell, it must negotiate a sale with the other party. Altogether nine companies owning coke ovens fall into this group. The National Coal Board has so far made two bids, one for the coke ovens of the Birchenwood Coal and Coke Company, of Stoke, and the other for the coking assets of Brancepeth Gas and Coke (which is controlled by Strakers and Love).

If the coking assets of the nine companies in this category are eventually sold to the National Coal Board, the coke oven owners may, as the Coal Industry Nationalisation Act, 1946, is worded, be able to obtain a satisfactory price. It would be to the detriment of all parties if, in the long run, a sale were not achieved. The coke ovens are often surrounded by plant and land already vested in the National Coal Board, which is no doubt ready to acquire more coking capacity—nowadays highly profitable. But that prosperity is the trump card of the coke oven owners. In prewar days many of the ovens were making little or no profit. Plants are ageing and often in need of renewal Some of them were built 15 to 20 years ago, and considerable sums will soon have to be spent on relining and more costly measures of renovation.

The sums involved play a decisive part in determining the eventual valuation which should be placed on the equity of the companies concerned. Considerable advances have taken place in the shares of the coke oven undertakings, based on widely differing estimates. Public interest has centred on three concerns, Monckton Holdings, British Benzol and Coal Distillation, and Benzol and By-Products. Monckton Holdings, according to the chairman's statement, has been approached by the National Coal Board to open negotiations for the sale of its coking plant. Shareholders are informed that "every facility has been given towards the furtherance of negotiations, but so far no concrete proposal has been received." At the beginning of this year, Monckton Holdings ordinary shares were dealt in only on the Sheffield Stock Exchange and could be bought at 8s. Six months ago, when the shares were introduced to the London market, the price of the fully paid £1 ordinary shares was 17s.; this week it has reached 50s. 6d. Movements in Benzol and By-Products have been no less spectacular. The company has paid no ordinary dividend in recent years; its 10s. ordinary shares are now valued at 12s. 6d. compared with no more than 1s. 1od. at the beginning

of the year. British Benzol and Coal began coke production in 1929, and in 1937 a capital reconstruction was effected. Its coal and ancilliary assets were vested in the National Coal Board on January 1, 1947. The 10s. ordinary shares have recently advanced from 55s. to 92s. 6d.

These price movements show the measure of confidence first, that the National Coal Board will take over the coking plants and secondly, that it will be prepared to pay generously. But they count on very favourable assumptions turning out to be true. It remains to be seen whether the Coal Board will be prepared to agree to the sort of prices which some recent purchasers of coke oven shares have been assuming.

* * *

Rise in Bank Deposits

London clearing bank deposits rose by £47,389,000 between August and September. The rise in true deposits was £1,635,000 larger than this, cheques in course of collection and items in transit being down by that figure. Deposits are thus within the £4½ million of the high record for the end of June, and are well above this record if the true figure be taken, since at the end of June cheques in course of collection and items in transit were about £56 million higher than last month. The principal influence in the continued expansion of deposits is still to be found in the increase of bank advances. Last month this item rose by a further £14,928,000 to £1,341,537,000, which is about £193 million higher than a year previously. The next largest change among bank assets last month was a rise of £12 million in Treasury deposit receipts. This was accompanied by increases of £11,232,000 in bills discounted and of £1,234,000 in short loans. The banks investments, which touched their peak towards the end of last year, when they were within a few hundred thousand pounds of £1,500 million, have declined with considerable regularity to £1,472,173,000. Last month's movement represented a drop of just under £2,000,000. The cash holding underwent a sharp contraction of £8,232,000 in September as compared with August, thus correcting the abnormal inflation of the cash ratio in the previous month. From 8.45 the percentage figure has fallen back to the more normal level of about 8.34.

* * *

Half-year's Revenue

No final conclusions were ever to be drawn from the revenue figures for the first half of the financial year. Students of the trend of the nation's finances will take note of the fact that the surplus of ordinary revenue over ordinary expenditure for the six months to September 30th amounts to £261.2 million. Ordinary revenue itself is £21.1 million lower than in the corresponding period for 1947-48, but the estimate for the full year presumes a fall of nearly £80 million, and comparability between the two periods is seriously affected by the process of "clawing back" credits a year ago, and by the inclusion of Indian payments under miscellaneous receipts this year. Genuine tax revenue is coming in satisfactorily, but expenditure is proportionately higher than the estimate for the full year. The reduction is £62.9 million for the half-year, compared with a budgeted reduction for the full year of £211.4 million. Supply expenditure has been running at a higher rate in recent weeks, reflecting in part the increased cost of food subsidies (officially admitted to be costing £480 million a year, instead of £400 million provided in the Budget).

On capital account, the six months' figures are broadly in line with Budget calculations. But the savings side of the account is, of course, far less satisfactory, since heavy repayments are in effect absorbing a disproportionate part of the revenue surplus. The extent to which these factors will prevent the Chancellor from achieving his full aim of a genuine surplus of £330 million cannot be prejudged from the half-year's figures alone. And the second half of the financial year will begin to reflect the extra costs of rearmament which did not appear in the Budget.

* * *

"Counterpart Funds" Accounting

The official announcement on the release of ECA counterpart funds gives a detailed account of the sequence of moves through which these funds are created and utilised. This may be summarised as follows:—

1. The funds originated from the sale by the UK Government to British importers of the dollars to pay for ERP imports. These dollars came from British dollar reserves and the sterling went into the Exchange Equalisation Account.
2. This sterling was invested by the Account in short-term Treasury obligations. The sterling acquired by the Treasury in this way replaced a corresponding amount of short-term debt held by commercial banks and the money market.
3. When necessary documentation had been completed, the ECA in Washington reimbursed the British Treasury for the dollars it had spent. The Treasury then sold these dollars to the Exchange Equalisation Account, which paid for the dollars by turning back to the Treasury the short-term Treasury obligations it had bought in the previous step.
4. Normally, the Treasury could have cancelled these obligations at this stage and its short-term debt would have fallen to a corresponding degree. However, in order to anticipate its commitments under the Economic Co-operation Agreement, the Treasury had to maintain the identity of the counterpart funds. To do this, the Treasury transferred its obligations to the Paymaster-General, who opened a Suspense Account in the name of the Treasury.
5. As the United States Government notified the Treasury of the dollar cost of assistance, the Treasury transferred its assets from the Suspense Account with the Paymaster General to the Special Account with the Bank of England, and the Treasury's short-term obligation to the Paymaster General was replaced by a corresponding obligation to the Bank of England.
6. The two Governments decided that the most effective use that could be made of 95 per cent of the funds in the Account at the present moment would be to apply them to the retirement of debt. This will be done by the Treasury, which will draw on the Special Account to effect a cancellation of a corresponding amount of the Treasury's short-term debt held by the Bank of England.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Odeon Theatres Group; Powell Duffryn; John Lewis; Qualcast.

Prices, Year 1948 Jan. 1 to Oct. 6 High	Prices, Year 1948 Jan. 1 to Oct. 6 Low	Name of Security	Price, Sept. 29, 1948	Price, Oct. 6, 1948	Net Yield, Oct. 6, 1948 (a)	Gross Yield, Oct. 6, 1948	Last Two Dividend (a)	Last Two Dividend (b)	Last Two Dividend (c)	Name of Security	Price, Sept. 29, 1948	Price, Oct. 6, 1948	Yield, Oct. 6, 1948
		British Funds			£ s. d.	£ s. d.	%	%		**Other Securities**			£ s. d.
101⅝	100⅞	War Bonds 2½%, August 1, 1949-51	100⅛	100⅛	1 6 9c								
101¼	100¼	Exchequer Bonds 1¾% Feb. 15, 1950	100⅛	100⅛	0 6 4	1 3 8							
102⅛	100⅞	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 8 3	1 11 5e	104⅞	101⅛	(d) (d)	Australia 3½% 1965-69	104⅛	104⅛	2 19 0e
102⅝	100⅞	War Bonds 2½% March 1, 1952-54	102⅛	102⅛	0 14 2	1 17 1e	94⅛	91⅛	(d) (d)	Birmingham 2½% 1966-71	93½	93½	2 19 4d
105	100	War Bonds 2½% March 1, 1952-54	102⅛	102⅛	0 14 2	1 17 1e	83⅛	6⅝	50 c 50 c	Anglo-American Corp. 10/-	6⅝	6⅛	3 16 11
104⅛	101⅜	War Loan 3½% (after Dec. 1, 1952)	103⅛	104	1 2 1	2 15 9	10⅜	7⅜	5 a 25 b	Anglo-Iranian Oil £1	7⅛	8⅛	3 13 9
102⅛	99⅛	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	0 19 10	2 2 8c	76/3	62/4½	15 c 15 c	Assoc. Port. Cem. Ord. Stk. £1	71/6	72/	4 3 4
103⅜	100⅛	Funding 2½% June 15, 1952-57	103	103⅛	1 3 4	2 10 5f	38/6	29/6	40 c 40 c	Austin Motor 'A' Ord. Stk. 5/-	32/6	33/1½	6 0 10
105⅛	100⅛	National Def. 3% July 15, 1954-58	104⅛	104⅛	1 4 4	2 10 7f	84/-	72/9	7 a 7 b	Barclays Bank Ord. 'B' £1	74/-	76/-	3 13 8
105¼	100⅛	National Def. 3% July 15, 1954-58	104⅛xd	104⅛xd	1 4 4	2 10 7f	10⅝	8⅛	120 b 15 a	Bass Ratcliff Ord. £1	9	8⅛	2 15 11f
103½	100	War Loan 3% Oct. 15, 1955-59	104⅛xd	104⅛xd	1 9 2	2 16 0f	103/9	85/-	12 b 8 a	British Oxygen Ord. £1	97/6	97/6	4 2 1
103⅛	100	Savings Bonds 3% Aug. 15, 1955-65	102⅛	103⅛	1 6 5	2 8 9f	46/1½	36/-	21 a 5 b	Courtaulds Ord. £1	37/6	39/3	3 16 5
101⅛	96⅞	Funding 2½% April 15, 1956-61	100⅛xd	100⅛xd	1 9 8	2 16 3f	32/6	25/1	20 a 1⅛ b	Distillers Co. Ord. 4s.	27/6	27/3	4 0 9
103⅛	98⅛	Funding 3% April 15, 1959-69	102⅛xd	102⅛xd	0 19 11	2 13 3e	32/10½	27/9	8 c 8 c	Dorman Long Ord. £1	31/6	32/3	4 19 3
114⅜	110⅛	Funding 4% May 1, 1960-90	112⅝xd	113xd	1 10 6	2 17 4f	79/9	68/-	15 c 15 c	Dunlop Rubber Ord. £1	73/3	74/-	4 1 1
102⅜	97⅛	Savings Bonds 3% Sept. 1, 1960-70	101⅛	102⅛	1 11 1	2 13 10f	53/-	44/-	7 b 3 a	Imp. Chem. Ind. Ord. Stk. £1	44/9xd	46/9xd	4 5 7
97⅛	92⅛	Savings Bonds 2½% May 1, 1964-67	95⅛xd	97⅛xd	1 3 10	2 16 9f	8⅞	4⅜	194 b 134 a	Imperial Tobacco £1	5½	5¼	6 8 9
115¼	112⅛	Victory Bonds 4% Sept. 1, 1920-76	114⅛	114⅛	1 11 8	2 16 8f	48/9	40/3	10 c 10 c	Lancs. Cotton Ord. Stk. £1	42/3	43/-	4 13 0
101⅛	96⅜	Savings Bonds 3% Aug. 15, 1965-75	100⅛	101⅛	0 19 9	2 14 9f	56/6	44/10½	10 c 10 c	Lever & Unilever Ord. £1	48/9	48/9	4 2 1
111	107⅛	Consols 4% (after Feb. 1, 1957)	109⅛	110⅛	1 8 7	2 19 2f	61/3	47/6	12½ c 10 c	London Brick Ord. Stk. £1	51/3	51/3	3 18 1
105⅜	102⅛	Conversion 3½% (after Apr. 1, 1961)	105xd	105⅛	1 8 7	2 19 2f	25 c	31⅓ m		Penin. Tinson Ord. Stk. 10/-	53/6	54/-	4 12 6
83¼	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	77⅛xd	78⅛	1 15 1	3 3 9f	66/1½	47/-	25 c 31⅓ m	Prudential 'A' £1	32⅛	32⅛	2 7 6
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	94⅛xd	95⅛	1 14 6	3 2 9f	35⅛	30⅛	174⅛ c 177½ c	Stewarts & Lloyds Def. £1	51/-	56/-	4 9 3
100	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	98⅛xd	99⅛	1 15 4	3 5 0f	59/3	49/9	12½ c 12½ c	'Shell' Trans. Ord. Stk. £1	73/1½	75/-	2 0 0
85⅝	74⅛	Consols 2½%	77⅛xd	78⅛	1 14 10	3 3 5	85/7½	71/6½	12½ a 15 b	Tube Invst. Ord. Stk. £1	6½	6⅝	4 0 8
101⅝	96	British Electricity 3% Gtd. 1968-73	100⅛xd	101⅛	1 11 10	2 18 8f	7⅞	5⅛	12½ b 12½ a	Turner & Newall Ord. Stk. £1	75/6	76/-	3 18 11
100	95⅞	British Transport 3% Gtd. 1978-88	99⅛	99⅛	1 13 4	3 0 9f	90/9	73/3	111 b 52 a	Woolworth (F. W.) Ord. 5/-	79/6	79/6	4 8 1
101⅛	95⅞	British Transport 3% Gtd. 1968-73	100⅛xd	101⅛	1 11 10	2 18 8f	93/3	77/-	55 b 15 a				

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (a) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) To latest redemption date. (m) 15 months. Yield Basis 25%.
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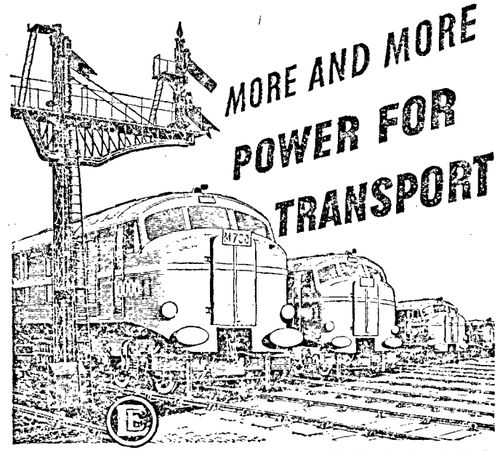


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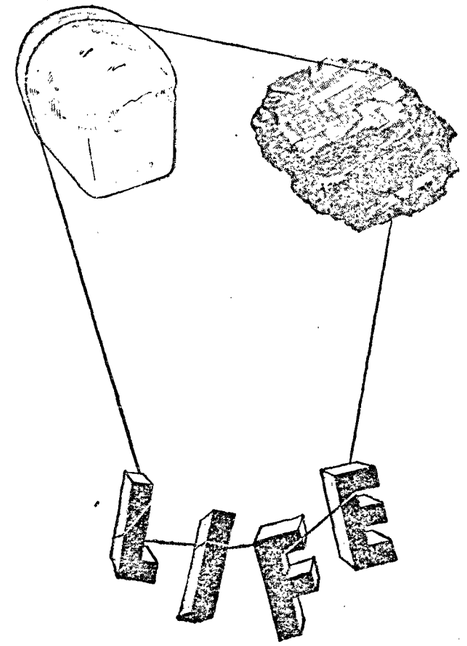


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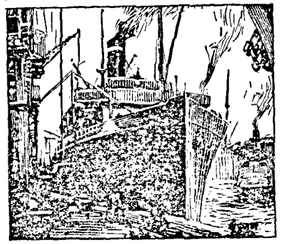
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AVIATION AND SHIPPING COMPANY, LIMITED

SATISFACTORY TRADING OF VESSELS

MR NOEL PURVIS'S SPEECH

The twenty-fifth annual general meeting of the Aviation and Shipping Company, Limited, was held on the 30th ultimo at Winchester House, Old Broad Street, London, E.C., Mr Noel W. Purvis, F.I.C.S. (chairman and managing director) presiding.

Mr G. E. Titley read the notice convening the meeting and the auditors' report.

The chairman said: Ladies and gentlemen.—The directors' report and statement of accounts for the year to June 30, 1948, have been before you for a while and with your permission I would suggest that they be taken as read, but in one or two instances where I think you should have further enlightenment on the accounts I will touch upon such items later.

DETAILS OF VESSELS

We have this year put before you the details of the vessels which we actually own and those which we run as disponent owners. I would like you to know that the profits on voyages for the year under review have not been affected by the steamers "Avisford" and "Avisbay," as the former since being acquired has undergone extensive survey and only commenced trading after the end of our financial year. The "Avisbay" will commence trading towards the end of this year as she is now being reconverted for commercial trading. With regard to the "Avisglen," this vessel did six weeks trading before the end of the financial year. You will, therefore, appreciate that had these three units been available for earlier trading your directors would have had a higher profit to disclose. We are very pleased with these three ships and feel sure that they will prove a useful acquisition to our fleet.

You will recollect that at our last meeting I mentioned that we were acquiring the control of two further vessels of 10,000 tons deadweight each. These vessels are the Avismoat and Avisvale, registered in the name of your wholly owned subsidiary the Ascot Shipping Company, Limited, whose accounts I think you will regard as satisfactory.

With the exception of the Avismere, now undergoing survey, and the Avisbay previously commented upon all vessels are satisfactorily trading. The majority of the vessels are well fixed to the end of December, 1948, and in some cases to later dates. There has been, as you are no doubt aware, a reduction in rates in various freight markets which is bound eventually to be reflected in the figures of tramp ship-owners. Nevertheless, I still feel that reasonable profits may be earned even at the reduced rates and provided we do not see, as we do not at the moment, any serious slump in rates the figures for your company should again make satisfactory reading when they are before you next year.

AVIATION BALANCE SHEET

If you will be kind enough to refer to the Aviation balance-sheet you will find that an investment at cost stands at £114,318. This represents the cost of the acquisition of the share capital of £1,000 in the Ascot Shipping Company, Limited, but carried with it the option to purchase the two ships which we have since exercised for the Ascot Shipping Company, Limited—namely, the "Avismeat" and the "Avisvale." Effectively, therefore, the figure of £113,318 was the cost to the group of the option to purchase these two vessels and in the consolidated balance-sheet has, therefore, been added to the cost figures shown in each individual balance-sheet. In other words, the total figure in the consolidated balance-sheet is made up of Aviation vessels at cost less depreciation, etc., £686,564, Ascot vessels at cost less depreciation, etc., £188,961, plus £113,318, being the cost of the option to purchase as mentioned before, a total of £988,843.

There is one other item which I would like to explain to you this morning, and that is, if you refer to the consolidated balance-sheet you will notice there is apparent an excess of current liabilities over current assets. This is not at all alarming, or to be viewed as such, but the position is that as required by the new Companies Act, we have provided fully in the creditors for future capital expenditure instead of showing it by way of a note on the balance-sheet. The principal item concerns the cost of the reconstruction of the Avisbay, but this liability does not fall to be fully liquidated until early 1949, although your directors have considered it sufficiently current to be put in the current liabilities.

TAXATION

The method of showing the reserves for taxation has been altered in the accounts presented to you in order to comply with the requirements of the Companies Act, 1948. Taxation currently due now appears under current liabilities, while the reserve for future taxation, that is, the 1949-50 income-tax assessment to June 30, 1948 (not due until January 1, 1950) is shown under revenue reserve. Your companies have provided for all taxation arising out of the profits to June 30, 1948.

The amount provided in the Ascot Shipping Company, Limited, accounts is the estimated 1949-50 income-tax assessment not due until January 1, 1950.

As regards The Aviation and Shipping Company, Limited, you will see in the profit and loss account that £11,212 has been provided for profits tax to June 30, 1948. The reserve for taxation has been arrived at after availing ourselves of initial allowances, previous losses and carry forwards for tax purposes. There is no estimated liability for income-tax for 1949-50. The reserve for future income-tax consists of income-tax not due until January 1, 1949.

TRIBUTE TO STAFF

I would once again express my personal thanks to the members of the Board for their continued valuable co-operation. Also to the shore staff and officers and men employed by the company.

I now take pleasure in proposing that the directors' report and statement of accounts for the year ending June 30, 1948, be received and adopted and that a final dividend of 35 per cent., less tax, be declared payable on October 1, 1948, to members registered on September 20, 1948.

The resolution was carried unanimously.

The retiring director, Mr. H. Ascoli, was re-elected; and the auditors, Messrs. Willoughby Binns and Company, having been reappointed, the proceedings terminated.

THE ANGLO-CEYLON AND GENERAL ESTATES COMPANY, LIMITED

RECORD CROPS

The sixty-second annual ordinary general meeting of this company was held, on the 5th instant, in London.

Mr Robert Adeane, O.B.E., presided in the absence of the chairman, Mr Francis W. Douse, who is abroad on a visit to the company's estates.

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

The operations of the company for the year ended March 31, 1948, have been satisfactory. Despite the none too favourable climatic conditions during the year, the tea crop harvested on the Ceylon estates constituted a record at 5,314,725 lb. and represented 5.2 per cent. increase over the crop for the previous season. This was particularly gratifying as it has been the policy to increase the yield from the estates in order to offset so far as is possible the continually rising cost of production owing to the persistent upward trend of wages and all other production costs. As a result of the larger crop, working costs rose only 1d. per lb. Our cocoa interests have been diminished by the acquisition of Kondesalle Estate by the Ceylon Government. The compensation received by the company was fair and reasonable.

I must now refer to the very serious burden of taxation being borne by European interests in Ceylon. At present there is, in effect, double taxation, and British companies are actually paying out something in the neighbourhood of 65 per cent. of their profits in taxes. If estates are to be properly kept up and efficiently run this burden must be eased and sufficient cash resources left available for carrying out capital expenditure and improvements, and other development which is not allowed as a deduction for tax purposes.

SUGAR RESULTS

Mauritius.—Climatic conditions during the year were good and the island produced a record crop of approximately 350,000 tons of sugar. The crop secured by the company and its subsidiary, Mon Tresor and Mon Desert Ltd., amounted to 45,485 tons, and the net price realised was approximately £22 per ton. Costs continued to rise but were offset to some extent by the larger crop. During the year, Beau Climat Estate, covering some 425 acres, has been purchased, and will provide additional canes for our Britannia factory.

For the year under review the trading profit of the company and its subsidiaries amounted to £554,980, of which £539,474 was earned overseas. There remains a balance of £140,499, which represents the profit available for the company itself, and, with the £57,110 brought forward from last year, less £10,000 for retrospective taxation in the United Kingdom and Ceylon, there is £187,609 to be dealt with. An interim dividend of 10 per cent. was paid in February last, and the directors now have pleasure in recommending a final dividend of 15 per cent. These dividends will absorb the sum of £82,500.

The consolidated balance sheet again reveals a strong position, the reserves and undistributed profits of the company and its subsidiaries standing at £692,013. The surplus on liquidation of a subsidiary company has been increased from £242,480 to £260,494 by the addition of a further amount received from the liquidator. As regards the current year, prospects are quite good. The crop in Mauritius is favourable, although it is too early yet to estimate whether it will be larger this year than last.

The report was adopted.

THE AUROCHS INVESTMENT COMPANY, LIMITED

SATISFACTORY RESULTS OF YEAR'S OPERATIONS

SIR HAROLD MOORE ON THE CAPITAL REORGANISATION

The twenty-third annual general meeting of the Aurochs Investment Company, Limited, was held on the 30th ultimo, in London.

Sir Harold Moore (the chairman), in the course of his speech, said: The balance-sheet and accounts together with the directors' report having been printed and circulated, I assume it is your pleasure that they be taken as read. (Agreed.)

It will perhaps be an advantage to all present, and particularly to those who have become stockholders since our last annual meeting, if I recall the financial situation which existed at that date. The present board had just assumed office, and through their efforts the company had been provided with a sum of £100,000 in cash. With this amount at their disposal and with the assistance of borrowing facilities which the stockholders then accorded to the directors and with the active co-operation of the Whitehead Industrial Trust, Limited, as managers, an operating profit of £44,000 has been earned in something less than 11 months.

At the time of the last annual meeting *The Financial Times* Industrial share index was 135. By the end of August, 1947, the index figure had fallen to 104.2, a drop in values so severe as to constitute a slump. Although since that time there has been some recovery, Industrial equities are still in a somewhat depressed state. I mention these facts merely to emphasise the difficult position in which investment and finance companies were placed, particularly after we assumed control, and I think I may be allowed to say that the greatest possible credit is due to our managers, to whose care and selective judgment the satisfactory result of the year's operations is mainly due. In times such as those through which we have been passing a net gain of £44,461 on an effective capital of £100,000 is no mean achievement.

SOUTH AFRICAN INTERESTS

In the early part of 1948 I visited South Africa with the object of exploring in conjunction with the directors of the Whitehead Industrial Trust, Limited, the possibilities for the satisfactory employment of capital there. You are probably aware that the Whitehead Industrial Trust, Limited, have established a South African company which has carried out some successful business. We are very interested in the future of South Africa and have no doubt that the preliminary work which we have done will in due course produce satisfactory results.

After the conclusion of this ordinary general meeting you will be invited at an extra-ordinary general meeting of the stockholders to consider two matters—first of all to adopt new articles of association which are required to bring us up-to-date and in line with the new Companies Act. The only novel features in the new articles are those to which your attention is directed in the circular letter which accompanied the notice.

RECONSTRUCTION SCHEME

The other matter which you will be asked to consider at the same extra-ordinary general meeting is the scheme for the reorganisation of the company's capital which has already been fully explained in my circular accompanying the notice of meeting. You will, I am sure, agree with the board that it is not in the interests of the stockholders to carry £2,100,000 of capital with effective assets of only £140,000 and after much thought and consideration of the best advice obtainable the reconstruction scheme has been put forward with a view to altering that state of affairs and providing means whereby the available assets of the company can be substantially increased from time to time.

If these proposals receive your approval their adoption will pave the way to restoring the company to a financial position comparable with its large issued capital and will accelerate the date at which the payment of dividends can be commenced.

I think you should know that since the last annual meeting three directors of the Whitehead Industrial Trust, Limited, were co-opted to the board. They were Mr J. E. Williams, Mr Philip Randall and Mr J. D. Kyle. As part of the present scheme it has been considered desirable that two of them, Mr J. E. Williams and Mr Philip Randall should retire from the board in order that the majority of the board shall consist of directors who are independent of the Whitehead Industrial Trust, Limited. The only representative of the Whitehead Industrial Trust, Limited, now on the board is accordingly Mr J. D. Kyle, who is a very valuable member, and offers himself for re-election.

At the risk of repeating myself I should like to say that both Mr Hughes and I greatly value and appreciate the good services which the stockholders have received from the managers during our first year of control. The directors feel sure that the scheme of reorganisation which I trust you will presently adopt coupled with the close co-operation between ourselves and the Whitehead Industrial Trust, Limited, will ensure for your company a most successful future.

The report and accounts were adopted.

At a subsequent extra-ordinary general meeting the proposed new articles were adopted, and the scheme for the reorganisation and refinancing of the company's capital was approved.

BRITISH HOMOPHONE COMPANY, LIMITED

SIR HERBERT MORGAN'S SPEECH

The annual general meeting of the British Homophone Company, Limited, was held, on the 30th ultimo, in London.

Sir Herbert E. Morgan, K.B.E. (the chairman), presided, and in the course of his speech said: The net profit for the year, before taxation, shows a slight increase, being £16,007, as compared with £14,482. The consolidated profit and loss account of this company and its wholly owned subsidiary company, Ebonestos Industries, Limited, shows a result which I am sure you will agree is very satisfactory. The charge for taxation on the current year's profits amounted to £26,100, as compared with £2,764. In spite of that, the combined net profit, after taxation, is almost double that of the previous year, being £19,965, as compared with £10,002.

The consolidated balance-sheet shows a very strong position. The shareholders must always bear in mind that the British Homophone Company, Limited, and Ebonestos Industries, Limited, trade as one complete unit. They are both under the same general direction and in their turn are a part of a group of plastics undertakings controlled by Crystalate, Limited.

May I now say a word of the products of our company and emphasise the distinguished position that it has gained for itself in the plastics industry? We, who have been established for 50 years, are proud of the fact that we supply high precision plastic mouldings to all the Government Departments concerned with production, such as the Admiralty, Air Ministry and Ministry of Supply. Your board look forward to the future with reasonable optimism.

The report and accounts were unanimously adopted.

AMALGAMATED ANTHRACITE COLLIERIES, LIMITED

REPLACING LOST INCOME

The twenty-fourth annual general meeting of Amalgamated Anthracite Collieries, Limited, was held on 4th instant, in London, Mr John Waddell (the chairman) presiding.

The following is an extract from his circulated statement.

The ultimate position of A.A.C., Limited, will be that of a holding company holding the balance which remains of compensation stock, together with the shares of the trading group, Anthracite Holdings, Limited. The principal trading subsidiary of Anthracite Holdings, Limited is British Anthracite Sales, Limited, and, the foresight in forming this company many years ago is likely to prove it to be the most valuable asset belonging to the company. This company has for many years enjoyed an excellent record.

I must say that, although we cannot anticipate replacing all the lost income within 1948, or even for a year or so after that, we have already made substantial steps towards replacing this loss in income, and I can say with every confidence that the income from sources other than wagon owning in 1948 is likely to show a useful appreciation over that for 1947. Although I am confident of a satisfactory improvement in this respect in 1948, I must sound a cautionary note. The long-term position is likely to turn out satisfactorily.

This company, however, which is the successor to activities started as long as 20 years ago, is now solidly established and has a good record and widespread activities, both as regards the value of its assets and earning capacity, and is likely to prove of the greatest possible value in securing a regular return to stockholders.

The report was adopted.

OLYMPIC PORTLAND CEMENT COMPANY, LIMITED

PERCENTAGE OF PROFIT MAINTAINED

The thirty-seventh annual ordinary general meeting of this company was held on the 27th ultimo, in London, the hon. Gerald H. G. Williamson (chairman of the company), presiding.

The chairman in the course of his speech said:

The operations at Bellingham for the 15 months showed a profit of £16,125 after providing £19,947 for depreciation and depletion. The corresponding figures for the 12 months ended December 31, 1946, were £12,153 and £17,033, so that the percentage of profit has been maintained.

The manufacturing cost of cement produced was considerably higher than in 1946 the relative increases being 18 per cent. for standard and 25 per cent. for high early.

I am pleased to inform you, however, that now that the new kiln has really got going, manufacturing costs are coming down. Production of both clinker and cement have increased considerably since April. Deliveries during the first quarter of the new year—that is, April to June—totalled 138,500 barrels, while in July they were 99,000 barrels and in August 107,000 barrels.

I said last year that thanks to the conservative financial policy adopted in the past, it had been possible to undertake the modernisation programme from the existing resources of the company, but I am afraid this forecast has proved too optimistic in so far as the final costs greatly exceeded contractors' estimates.

The report and accounts were unanimously adopted and a dividend of 10 per cent. actual, less income tax, for the 15 months period was declared.

Statistical Summary

GOVERNMENT RETURNS

For the 12 days ended September 30, 1948, total ordinary revenue was £141,817,000, against ordinary expenditure of £104,599,000 and issues to sinking funds £160,000. Thus, including sinking fund allocations of £6,229,000 the surplus accried since April 1st is £253,016,763 against £211,508,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand) April 1 to Sept. 30, 1947	April 1 to Sept. 30, 1948	10 Days ended Sept. 30, 1947	12 Days ended Sept. 30, 1948
ORDINARY REVENUE					
Income Tax	130915(0)	376,133	402,432	8,625	20,141
Sur-tax	90,000	18,855	24,900	750	1,050
Estate, etc., Duties	160 000	83,429	89,250	4,900	4,300
Stamps	55,000	24,330	28,163	1,700	1,628
Profits Tax } E.P.T. }	250,000	17,370	66,781	1,600	7,971
		123,898	57,700	12,701	2,250
Other Inland Rev.	1,000	110	100	...	...
Special Contributn.	50,000	...	14,500	...	1,550
Total Inland Rev.	1915150	644,125	683,826	30,276	38,890
Customs	820,600	388,596	407,297	25,546	26,037
Excise	726,550	286,100	368,000	24,000	31,600
Total Customs & Excise	1547150	674,696	775,297	49,546	57,637
Motor Duties	50,000	10,343	9,456	...	...
Surplus War Stores	102,000	103,397	64,408	24,700	42,032
Surplus Receipts from Trading	57,000	30,000	826	5,000	...
P.O. (Net Receipts)	...	...	...	...	*Dr 769*
Wireless Licences	11,000	3,970	4,175	780	875
Crown Lands	1,000	450	400	10	10
Receipts from Sundry Loans	14,000	16,650	9,090	1,266	15
Miscell. Receipts	68,000	163,954	78,970	1,415	3,117
Total Ord. Rev.	3765300	1647584	1626445	112992	141817
SELF-BALANCING					
Post Office	150,200	67,880	73,360	2,100	4,760
Income Tax on E.P.T. Refunds	16,000	12,195	3,840	582	200
Total	3931500	1727659	1703645	115674	146777

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Sept. 30, 1947	April 1 to Sept. 30, 1948	10 Days ended Sept. 30, 1947	12 Days ended Sept. 30, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,600	254,936	242,165	3,234	3,114
Payments to N. Ireland	26,000	10,609	11,054	965	2,262
Other Cons. Fund Services	8,000	3,474	3,499	156	172
Total	534,600	269,019	256,718	4,354	5,548
Supply Services	2442671	1159054	1108482	100278	99,051
Total Ord. Expd.	2976657	1428073	1365200	104632	104599
Sinking Funds	...	...	8,229	...	160
SELF-BALANCING					
Post Office	150,200	67,880	73,360	2,100	4,760
Income Tax on E.P.T. Refunds	16,000	12,195	3,840	582	200
Total	3142857	508148	1450629	107314	109719

Net increasing Exchequer balances by £58,901 to £214,516; the other capital use for the 12 days decreased the gross National Debt by £33,080,702 to £25,712 million.

NET RECEIPTS (£ thousand)

P.O. and Telegraph Acts, 19.6 and 1948	4,950
Under the Housing Act, 1914	2
Tithe Act, 1936, sec. 96	45
	4,997

NET ISSUES (£ thousand)

E.P.T. Refunds	245
Overseas Trade Guarantees Act, 1939, sec. 4(1)	5
Local Authorities Loans Act, 1945, s. 3(1)	4,350
Post Bonage: War Damage Commission	4,000
Finance Acts, 1946 and 1947, Post-war Credits	315
	8,915

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	27,375	3% Def. Bonds	*718
Nat. Savings Certs.	1,050	3% Term Annuities	1,111
2½% Def. Bonds	482	Other Debt:—	
Tax Reserve Certs.	12,999	External	100
Other Debt:—		Ways & Means Advances	62,740
Internal	682	Treasury deposits	11,000
	42,588		75,669

* Including £130,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Sept. 26	2190·0	2557·1	322·3	...	1292·5	6361·9
1948						
June 12	2210·0	2608·9	281·7	1·0	1423·5	6525·2
„ 19	2210·0	2635·1	274·0	11·3	1443·5	6573·8
„ 30	4617·3		270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
„ 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
„ 24	2210·0	2632·8	291·6	13·3	1429·5	6580·1
„ 31	2210·0	2620·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2596·6	270·5	...	1429·5	6508·5
„ 14	2210·0	2355·6	287·0	...	1429·5	6282·0
„ 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
„ 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
„ 11	2210·0	2378·7	297·0	2·0	1460·5	6348·2
„ 18	2210·0	2399·7	300·5	18·8	1460·5	6389·4
„ 30	4637·3		256·5	...	1449·5	6343·3

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Oct. 3	190·0	299·9	190·0	10 1·39	49
1948					
July 2	170·0	286·8	170·0	10 1·45	45
„ 9	170·0	276·5	170·0	10 1·48	48
„ 16	170·0	279·7	170·0	10 1·55	48
„ 23	170·0	294·3	170·0	10 1·31	43
„ 30	170·0	291·8	170·0	10 1·24	43
Aug. 6	170·0	288·1	170·0	10 1·50	44
„ 13	170·0	289·1	170·0	10 1·91	53
„ 20	170·0	272·7	170·0	10 1·87	52
„ 27	170·0	268·1	170·0	10 3·05	53
Sept. 3	170·0	295·8	170·0	10 2·43	41
„ 10	170·0	284·6	170·0	10 2·84	48
„ 17	170·0	263·8	170·0	10 3·31	56
„ 24	170·0	273·5	170·0	10 3·14	52
Oct. 1	180·0	277 5	180·0	10 1·72	54

On October 1st applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 54 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Application for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £190 million (maximum) of Treasury Bills are being offered for October 8th. For the week ended October 5th the Banks will be asked for Treasury deposits to the amount of £160 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended Sept. 27, 1947	Week Ended Sept. 25, 1948	Totals Apr. 1 to Sept. 25, 1948
Savings Certificates:—			
Receipts	2,750	3,300	57,500
Repayments	3,250	2,250	64,200
Net Savings	*Dr 500*	1,050	*Dr 6,700*
Defence Bonds:—			
Receipts	790	945	19,960
Repayments	996	1,052	22,701
Net Savings	*Dr 206*	*Dr 107*	*Dr 2,741*
P.O. and Trustee Savings Banks:—			
Receipts	11,734	10,980	304,575
Repayments	9,078	10,287	310,002
Net Savings	2,656	693	*Dr 5,427*
Total Net Savings	1,950	1,636	*Dr14,868*
Interest on certificates repaid	585	405	11,962
Interest accrued on savings remaining invested	2,285	2,320	58,519

BANK OF ENGLAND RETURNS

OCTOBER 6, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1237,850,844	Other Govt. Securities	1288,167,936
In Bankg. Department	62,396,989	Other Secs.	807,069
		Coin (other than gold)	9,895
		Amt. of Fid. Issue	1300,000,000*
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	315,918,941
Rest	3,145,265	Other Secs.:—	
Public Deps.:—	17,747,994	*Discounts and*	
*Public Accts.**	*13,422,375*	*Advances*	*27,129,665*
H.M. Treas. Special Acct.	*4,325,619*	*Securities*	*21,176,603*
Notes		Notes	62,396,989
Coin		Coin	1,836,282
Other Deps.:—	393,012,221		
Bankers	*296,980,168*		
Other Accts.	*96,032,053*		
	428,458,480		428,458,480

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

COMPARATIVE ANALYSIS

(£ million)

	1947	1948		
	Oct. 8	Sept. 23	Sept. 30	Oct. 7
Issue Dept.:—				
Notes in circulation	1347·3	1237·8	1236·4	1237·9
Notes in banking department	75·6	62·4	63·9	62·4
Government debt and securities*	1449·2	1299·2	1299·2	1299·2
Other securities	0·2	0·2	0·2	0·2
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	12·3	17·2	22·3	13·4
Treasury Special Account	...	52·8	53·6	4·3
Bankers	288·0	301·0	300·0	297·0
Others	92·2	92·2	93·3	96·0
Total	392·5	463·2	469·2	410·7
Securities:—				
Government	303·5	389·6	361·8	315·9
Discounts, etc.	10·0	6·6	25·0	27·1
Other	18·6	21·8	35·4	21·2
Total	332·1	418·0	422·2	364·2
Banking dept. res.	78·1	63·7	65·4	64·2
	%	%	%	%
"Proportion"	19·9	13·7	13·9	15·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Sept. 30	46½	76½	172 10	113 12
Oct. 1	46½	76½	173 6	113 12
„ 2	Markets	Closed	173 6	114 7
„ 4	46½	77	177 12	114 15
„ 5	47	77½	Market	Closed
„ 6	47	77½	178 6	115 8



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ASSETS EXCEED £102,000,000
CLAIMS PAID EXCEED £189,000,000
(1947 Accounts)

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INTERIM DIVIDEND

NOTICE is HEREBY GIVEN that an Interim Dividend of FOUR SHILLINGS per £5 share on Coupon No. 120 will be paid without deduction of British Income Tax but less Egyptian Government and Alexandria Municipal Taxes amounting to 5·92d., making 3s. 6·08d. net, on and after the 15th October 1948, at the National Bank of Egypt, in Alexandria at Rue Toussoun, or in London at 6, King William Street, E.C.4. Dated, Alexandria, Egypt, the 16th September, 1948.

By order of the Board.
ROBERT WALTON, MANAGER.

MARKETING OFFICERS, NIGERIA

A number of vacancies exist for Marketing Officers in the newly-formed Department of Export and Marketing, Nigeria. Salary £660 x £30—£900, plus expatriation allowance of £200—£300 (pensionable).

Their duties would be to exercise executive functions in connection with the controlled marketing, evacuation and shipment of produce from Nigeria. This would involve correspondence and direct negotiation with buying agents in regard to matters affecting marketing, from the time produce is purchased at upcountry buying stations to the time of delivering on board ocean vessel. The subjects dealt with include the prescription of buying prices and transport differentials, inspection, grading, storage, handling, containers, means of conveyance to port, lighterage, check weighing, the transmission of shipping documents and the maintenance of statistics. They will be required to advise on matters of policy in regard to produce marketing and will be required to advise African shippers in matters regarding the export trade in general, and they should possess tact and administrative ability, a sound general education with a University degree, preferably in Commerce or Economics. Candidates should, if possible, have had some experience of the produce trade, and a knowledge of general conditions in Nigeria or a West Coast Colony would be of advantage. Familiarity with Government procedure is also desirable but not essential.

Candidates under the age of 35 preferred but up to 40 will be considered.

Write for application form, quoting this advertisement, to:—Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, S.W.1.

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W. O. BELL, Chief Education Officer.

County Education Office, Stracey Road, Norwich.

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Prospectus from Dept. P17, WOLSEY HALL, OXFORD

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UNIVERSITY OF SYDNEY

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Applications are invited for the position of Lecturer in Economic Statistics in the Faculty of Economics. The salary range is £600 (Australian) per annum rising by annual increments of £50 to £800 (Australian) per annum and is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to qualifications and experience. Applicants should have an Honours degree in Economics with specialisation in Statistics or a degree in Mathematics with training in Economics and Statistics. Duties include teaching of statistical theory and methods to both Pass and Honours students under the supervision of the Senior Lecturer in the subject. Previous lecturing experience is not essential, and recent graduates will be considered for the position. There will be opportunities for research. Duties commence as soon as practicable in 1949. Further information may be obtained from the Secretary, Association of Universities of the British Commonwealth (formerly Universities Bureau of the British Empire), 32, Woburn Square, London, W.C.1. Applicants supported by testimonials and giving the names of three referees close on December 31, 1948, with the undersigned.

G. DALE, Registrar, University of Sydney.

FOOD chemist and nutritionist, Ph.D., F.R.I.C.; seven years in chemist to a firm of food manufacturers and to an associated company making animal feeding stuffs followed by seven years in *scientific civil service at home and in Africa and Germany*, seeks constructive appointment offering more scope than a post-war Ministry. Box 848.

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THE Federation of Master Cotton Spinners' Associations, Ltd., invites applications for an executive position requiring the following experience:

(a) Principles and modern methods of cost ascertainment.
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Experience on the spinning side of the cotton industry, though essential, would be an advantage.

The appointment carries a commencing salary of not less than £1,[illegible] with participation in the Federation Pension Fund.

Applications stating age, professional qualification and experience should be addressed to the Director, The Federation of Master Cotton Spinners' Associations, Ltd., 68-70, Deansgate Arcade, Manchester, 3.

VACANCY exists in a Government Department for Temporary Principal of Research Officer in Leeds. Salary range £880-£1,188 a year, starting pay according to age, experience and qualifications. Candidates must have University degree in Economics, Statistics or kindred subject with at least Second Class Honours or equivalent, and knowledge and research experience on distribution of population, trade and industry, communications and services, natural resources, etc.

Applications giving age, particulars of experience and qualifications and posts held including dates should be addressed to the Regional Appointments Officer, Ministry of Labour and National Service, Bishopsgate House, Bishopsgate Street, Leeds, 1, quoting Reference No. 7[illegible]. Original references must not be forwarded. Only candidates selected for interview will be advised.

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October 16, 1948 — One Shilling

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Cards on the Table

THE record of the first three weeks of the General Assembly unhappily suggests that the Russians have a shrewder view than the western Powers of the use to which the gathering can be put. The Assembly is not and cannot be a place where decisions are taken. It was conceived, not as a legislative or executive body, but as a place for free and constructive discussion. It has become the biggest sounding board in the world, and it can send the speeches of the statesmen assembled there to the ends of the earth. It is open to any power to distort it into an instrument of propaganda.

Mr Vyshinsky has so far gained the advantage simply because he has shown more understanding of the vital role of propaganda in the battle that rages between east and west. His own rear is guarded by the almost total censorship of the Soviet sphere of influence. Before him lies the wide open ear of public opinion in the western states, and it is to this audience that his every word is addressed. Such a tactic should not be dismissed—as it tends to be dismissed by traditional professional diplomatists—as "mere propaganda." The concurrence of the mass of the people is a vital factor in the effectiveness of democratic diplomacy, and what Mr Vyshinsky aims to do is to bewilder and disillusion public opinion until people feel alienated from their government and unwilling to respond to its lead. He is concerned with far more than a propaganda campaign; he is attempting to strike at the foundations of western defence.

The Russians are shrewd enough in their assessment of mass psychology to know that in the world today the profoundest feeling of ordinary men and women is a longing for peace. They know, too, that of all forms of warfare it is atomic war that casts the darkest shadow over people's imagination and conscience. They are therefore trying to exploit this deep passion for peace in order to weaken the solidarity of the western world. Mr Vyshinsky's performance at the General Assembly is simply a high light in a campaign that has been going on ceaselessly for months—a campaign designed to convict the western Powers, and the United States first of all, of the charge of "warmongering" in the eyes of their own people.

The fact that, at this moment, Russian intransigence has compelled each western state to consider, with the utmost unwillingness, the necessity for some measure of rearmament makes the charge of "preparing for war" more difficult to brush aside. All over the world the Communist Party is engaged in passionate attacks upon increases in western military expenditure and in demonstrations "for peace." Mr Wallace has subordinated every other issue in his campaign to this. Wherever today there is fellow-travelling, there is the whispered or shouted accusation that the United States is actively preparing for war with Russia, that the leader of world imperialism is poising its atom bomb to strike down the "Land of Socialism." Day by day, this flood of propaganda pours out across the world, amplified by the General Assembly.

This is the background that must be grasped if the significance of Mr Vyshinsky's performance in Paris is to be properly assessed. He

has made three offers to the other Powers: to sign a convention on atomic control provided there is a simultaneous convention on the destruction of atomic weapons; to reduce armaments by one-third if others will do the same; and to "put all the cards on the table"—in other words to disclose Russia's scale of armament provided the other Powers furnish the same information. These are the offers which have been headlined from one end of the free world to the other. Each is designed to show the reasonableness of Russia's approach; each seeks to pin responsibility for the present state of armed preparedness upon the western Powers; each was launched in a lather of accusations of American imperialism and warmongering; and each is now the main basis of discussion in the Assembly. In short, by being the one to make the proposals, Mr Vyshinsky has seized the initiative. To the outside and largely ignorant world, he has managed to appear the one leader pleading for disarmament, while the others hesitate and discuss and hold back.

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This western failure to capture the initiative is understandable. The concerting of the policies of three separate sovereign Great Powers is bound to be a more formidable business than the enunciation of purpose from a single centre—Moscow. Mr Vyshinsky does not have to worry lest Marshal Stalin should send Mr Malenkov to talk to Mr Truman "face to face" on atomic energy just as he, Mr Vyshinsky, is taking an opposite stand in Paris. The episode of President Truman's attempt to send Chief Justice Vinson to Moscow to discuss atomic energy was doubly unfortunate. The proposal suggested division among the western Powers, but the President's withdrawal of the project on Mr Marshall's *strong advice* has played straight into the hands of Mr Wallace and his supporters. They are now saying that the President's "effort for peace" has been crushed by the warmongers in the State and War Departments.

DISARMAMENT BY THE WEST

	United Kingdom			U.S.A.		
	1944-5	1945-6	1948-9	1944-5	1945-6	1948-9
Men in Armed Forces.....	5,119,500	2,055,000	846,400	8,300,000	...	542,000
Military Budget	£5,125 million	£4,410 million	£692·6 million	$83,735 million	$84,530 million	$13,400 million
Naval Vessels in Commission— (a) Major.... (b) Minor....	approx. 450-500 ...	... ...	approx. 100 ...	1,182 92,165	... ...	277 483

It is not only the inevitable hesitations of non-totalitarian governments which make their mistakes in public that has led the western Powers to lose the initiative. They almost certainly underestimate the effectiveness of the Russian line. Anyone in possession of all the facts must obviously find it very difficult to take Mr Vyshinsky seriously, for he has not bothered to present a serious case. When a man of his intelligence rolls out the stock figures about the percentages of the American and Russian budgets devoted to armaments—79 per cent in the American case, 17 per cent in the Russian—without mentioning that the Russian budget, being that of a totally planned and government-owned economy, covers most of the Soviet Union's national income, whereas the Federal Budget is a fraction of the American national income, he can hardly be surprised if informed observers conclude that he is not concerned with facts but only with effects.

As for disarmament, the scale of western disarmament since 1945 is so staggeringly beyond the one-third proposed by Mr Vyshinsky that it is all too easy for the western Powers to believe that the facts speak for themselves. The table on this page measures disarmament in Britain and America by three vital criteria—budget expenditure, scale of armed forces and scale of the navy (which received particular emphasis from Mr Vyshinsky). In each case, the fall has been nearer to seven-eighths than the timid one-third proposed by Mr Vyshinsky.

As for his plea for "cards on the table," it comes as a crowning impertinence from the one Government that has refused all information on the state of its military forces. There has been no secret about British or American armaments since the war. Year by year, budgets and blue books have publicly recorded their decline. Only in Russia is information totally inaccessible. Yet this is the Power that demands full access to the facts—as if the west, and not Russia, had guilty secrets to hide.

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This combination of drastic disarmament and demobilisation on the western side and the total darkness obscuring the Russian picture has one meaning only. Mr Vyshinsky is asking those who have disarmed already to cut their defences still further, when they are in complete ignorance whether Russia's armaments may not be at this moment two-thirds greater than their own. Moreover, he asks them to do so at the moment when their delayed and unwilling acceptance of the menace of Russian policy is compelling them to rearm. It is hard to blame western statesmen for failing under these conditions to take Mr Vyshinsky seriously.

In such a situation of total distrust, there is only one conceivable method of banning atomic warfare and of achieving genuine disarmament in the immediate future. That is to institute a system of international control of armaments so effective that not even the Russians with their vast territory and their vaster duplicity could evade its provisions. Control is the only answer to the present crisis of confidence, and to judge by the Russian record on the Atomic Energy Commission, control is the one thing they will not concede.

This is the case which no doubt dominates the minds of the western leaders—a case as self evident as it is unequivocal, a case upon which the disarmed west can rest with a clear conscience. Unhappily the case is by no means so self evident to the world at large, which either does not know or has forgotten the facts and is in any case more likely to read the headlines than the full report. In spite of the excellence of the western position, in spite of the full rebuttals made by various western statesmen, Mr Vyshinsky retains the initiative. Even if Mr Warren Austen's case is irrefutable, even if Sir Hartley Shawcross's summing up is masterly, they are still discussing Mr Vyshinsky's proposal and in fact turning it down. Out of the world, therefore, goes the picture of Mr Vyshinsky pleading passionately for peace and disarmament while the "warmongers" think of more and more arguments to evade his challenge.

There is only one technique for dealing with Mr Vyshinsky, and that is to wrest the initiative from him. Instead of refusing a reduction of one third in armaments, the western Powers should have instantly proposed instead a reduction by three quarters and have concentrated discussion on Russia's weakest point—the question of control. Every proposal on disarmament from this day forward should come from the western leaders and each should be backed with a detailed plan of supervision which the Russians must be forced to accept and respect. The present pattern—that of Russia offering and the west rejecting—is precisely the situation which Mr Vyshinsky set out to achieve. The most careful arguments, the best marshalled facts, the most patient explanations by the western Powers will not counter this situation. It can be met only by compelling the Russians to say "no" until they find it pays better to say "yes."

Towards a Conservative Policy

THE annual conference of the Conservative party presented a strange contrast between the cheerfulness and confidence with which the routine business was conducted and the sombreness of Mr Churchill's closing address. His words were intended for a wider audience than the delegates at Llandudno, and his review of the balance of peace and war had as little bearing on the fortunes of the Conservative party as his speeches of the nineteen-thirties. He was speaking as a world statesman, for whom the grand strategy of international affairs has a greater significance than the vicissitudes of party politics. If anything can be deduced from one speech, it may be that it marks his preference for a more olympian and judicial role over the detailed responsibilities of party leadership.

On domestic party issues, the Llandudno conference exhibited greater unity and confidence than any since the general election. It is apparent that one of the Conservative party's greatest handicaps, the apathy and intransigence of the constituency associations, has been partly overcome. It is true that the Conservative Central Office possesses nothing like the centralised power of Transport House; in particular, it has too little voice in selection of good candidates. But the party as a whole has taken to heart Lord Woolton's remarks about the need for money and membership. To more than double the membership of the party in two years and to increase it by a million members in the first six months of this year, is a considerable achievement. Whatever may be said of Lord Woolton as a source of political inspiration, there can be no doubt of his ability as a party organiser.

This rebirth of confidence within the Conservative Party should not blind its leaders or its supporters to the great distance which has yet to be travelled before it can exert an overriding claim to the leadership of the nation. In the first place, many subjects of which the Tories were once the especial champions now receive equal attention from the Labour party. There have been times when the Conservatives talked—and with some justice—as if they had a private monopoly in Imperial affairs, but there is no truth in it today. The Opposition may claim that in Commonwealth affairs the Government has pursued a policy dictated largely by the pressure of events, but equally it cannot avoid the reproof that its own attitude on India and Burma has not been helpful. In colonial affairs the Labour government has been exceedingly active, and although it can be charged with administrative naïveté and over-optimism, the only difference here between Socialists and Conservatives is one of timing and not of aim. In foreign affairs, too, the same basic similarities are to be found; for the best part of three years the Opposition has supported the Foreign Secretary against the recalcitrant members of his own party. Opposition criticisms are perhaps gaining increasing weight, but criticisms do not amount to an alternative policy. Only on questions of defence can the Conservatives make out a serious charge against the Government, and defence is not a subject on which elections are won.

On the issues which do exercise the voters, the same difficulty confronts the Conservative party. Full employment and social security are linked in the public mind with the Socialist government, and their conjoint origin in the wartime Coalition government is easily forgotten. If these policies were to break down, it would be Communists, rather than Conservatives, who would gain in popularity. Even so, if the Conservatives are seeking working-class votes, they will have to convince the voters that a freer economy offers prospects of full employment at least as good as in the period of postwar state control and Daltonian inflation. Equally, simple opposition to economic controls cannot of itself constitute an alternative economic policy. "Set the people free" is a ringing but elusive slogan; challenged by Ministers about the particular controls they wish to remove, the Opposition have been too content to point to a few obsolete regulations overdue for reform, and have shrunk from putting forward a comprehensive programme of financial and economic policy. Diffidently and under pressure, the Government is lifting controls, and by the time the election comes it may have gone as far as any Conservative administration might dare to go in the same direction.

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The indispensable condition of party government has been classically defined in terms of "broad and intelligible differences of opinion, views of home and foreign policy of two distinct sorts, each of which might be held and was strongly held by honest and capable men." It is just these broad and intelligible differences which seem to be lacking from the present political scene. And it is a characteristic defect of the Tory party in opposition that it attempts, in Disraeli's words, "to construct a party without principle," relying on some supposedly superior quality in its leaders rather than upon offering a sounder policy to the nation. It is always tempted to appeal to the nation on the ground that it represents a higher level of political courage and ability and is able to minister to the practical needs of the country unhampered by dogma or copybook theory. But here again circumstances are against it. It is true that the Tory party contains a number of able administrators of long experience, but it is questionable if they have any overwhelming advantage in ability over the present government. Mr Churchill apart—and his gifts are pre-eminent in only part of the field of government—the senior members of the present government match in experience most of the figures on the Opposition front bench. And dominating both front benches is the figure of Sir Stafford Cripps, marching like Weir of Hermistoun "up the great, bare staircase of his duty, uncheered and undepressed." He is applying, without abandoning his own political principles, all that a Conservative chancellor could apply with any hope of success, in the present temper of politics and the present difficulties of the country.

There are three situations which might cause a revulsion of feeling in favour of the Conservatives. The first is a grave worsening of the international situation, including the direct threat of war. The second is a major breakdown in the British economy, caused, say, either by an unexpected break in Marshall Aid or by acute industrial unrest brought about by Communist activity. The third would be the capture of the reins of government by the left-wing of the Labour party. The first eventuality would probably result in a coalition. The second might produce a coalition, and the third would almost certainly bring a Conservative government to power. Although all three are possibilities which it would be unwise to write off, none of them comes within the realms of practical political prophecy. No wise Conservative would wish to see any of them come about, nor aspire to office in the bitter circumstances which they would create.

There is at present a dangerous tendency in the Conservative party to confuse successful party administration with successful policy making. There is a strong belief that the results of the opinion polls show an inevitable swing towards Conservatism, whereas they need the most cautious interpretation. There is a conviction that the Conservatives, as the largest alternative party, are benefiting from the inevitable unpopularity of the policy of austerity, and that the swing of the pendulum is with them. There is a belief that the timing of the Iron and Steel Bill will

make it possible to fight the election on that issue, and thus rally all but the diehard advocates of nationalisation. Failing that, it is held that the growing importance of defence and of foreign affairs will make the nation readier to listen to the Conservatives.

All this may be true, but if the Conservatives wish to regain the leadership of the nation it is all largely irrelevant. On a generous assessment of the present swing of the pendulum, the Conservatives in 1950 might achieve no more than rough parity with Labour—a majority of fifty seats either way. A solid rally of the middle-classes to their banner might enable them to form a government, but it would be quite impossible to carry one on, without the respect, if not the votes, of organised labour. To take or share office as the result of a crisis would be merely to set aside and not to solve the problems of an alternative policy.

Largely as the result of its own internal divisions, the Conservative party has not in the past three years evolved an alternative policy for the nation, and it has now less than a year and a half in which to do so. The Industrial Charter touches only the fringes of an immensely difficult subject. The Agricultural Charter is an attempt to outbid the Socialists for the support of the farmers. "A property-owning democracy" is still hardly more than a slogan. No attempt has yet been made to tackle the internal and external economic problems of Britain as they will exist in, say, 1952, and to work out a policy for economic expansion, for Western Union, or for colonial development. No statement of policy exists which applies, within the limits of what is possible, the principles of enterprise to industry and commerce, and which unequivocally reverses the old Tory habits of favours for big business and restrictive practices. Statements of a general character are not enough. The Conservative party must work out a detailed application of general principles, in terms simple enough to bring conviction and comprehension to the ordinary man and woman. Until it has gone through that painful process of re-education, it cannot claim to possess an alternative policy for the nation.

If there is nothing in the present state of public opinion which should give the Conservative party any ground for complacency, there is nothing to give it cause to despair. The interests which it represents are for the most part honourable and permanent. The candidates it presents for Parliament are individually as able and upright as those of any other party. At its best, its leadership is as courageous and intelligent as that of the Labour party. It has a sense of the historic needs and aspirations of Englishmen which are too often overlooked by Socialists. But it has lost its hold over the imagination of ordinary men and women in Britain. To regain it it must show that it is not the party of big business, of landowners, or even of the middle-class. It has to produce a national policy for national problems, superior in merit and more appealing to the electorate, than any the Labour Party can offer.

The Unimportance of Franco

FOR two years or more British policy towards Spain has been to let sleeping dogs lie. Mr Bevin and the Foreign Office have had their hands much too full to spare time for the long, delicate political and economic game which has to be played before sufficient Spaniards will combine to force General Franco into retirement, or before he mellows by natural processes into a dictator as relatively reasonable as his neighbour, Dr Salazar. At intervals Mr Bevin has been briefly critical about the state of affairs under the Caudillo—sufficiently rude to reassure the Labour Party that the civil war has not been forgotten, yet tactful enough to get a British trade agreement with Spain signed without undue fuss. The rest has been silence, with an occasional discreet glance at the activities of the Spanish republicans in France and of the monarchists in Portugal.

Within the last fortnight a Republican Senator from America, on a quick tour of strategic sight-seeing in Europe, with two generals and an admiral, has woken the sleeping dogs. The barking has begun all over again—in Paris, Washington, London, Madrid and, of course, in Moscow. What impressed Senator Gurney, as chairman of the Senate Armed Forces Committee, was the morale of the Spanish people, the size of General Franco's army—the second largest in western Europe—the defensive possibilities of the Pyrenees, and the air bases available in Spain and its neighbourhood. By the time he reached home he had concluded that Spain should be admitted into the United Nations: he stated publicly that "it's not up to us to tell any country what kind of government it can have." During the Senator's tour it had become known that fifteen of the twenty Latin American governments in the United Nations were likely to propose the admission of Spain to membership. This made it inevitable that Mr Marshall, Mr Bevin and Mr Schuman should consult in Paris on the subject; and the Spanish monarchists and republicans in exile naturally felt impelled last week to lay before the western statesmen such evidence of unity and determination in the quarrelsome ranks of the Spanish opposition as would deter the three foreign ministers from any change of attitude towards Franco.

Senator Gurney has, of course, done nothing more than strike a match rather carelessly near a trail of powder laid by others. American and European strategists—not surprisingly—have had their eyes on Spain for some time; they would have been poor advisers if they had not appreciated the importance in war of the ports and airfields on the Bay of Biscay, of the mountain barrier in the rear of France and of the air route to Africa and the Middle East. Indeed, it was their duty to point out these facts to their political chiefs. It was then an easy step to suggest that diplomatic pin-pricking of Franco should cease, and to ask why Spain should be ostracised when the ex-enemy Italy was being spoken of as a possible member of Western Union. And all the time, behind the casual talk of service chiefs and the marshalled arguments of their staffs, lay the tendency of some Americans to think of a future war in terms of the last: withdrawal from central Europe in a rearguard action, followed by counter-attack and liberation. In such trains of thought nations—the British Isles as well as Spain—figure as bases and defensive positions, not as moral and political entities; and, in some American eyes, Spain is seen as a more defensible position than France. When such thinking begins to influence foreign policy it is time to call a halt for reflection.

Reflection must begin with the facts as they are, and the relevant facts at the moment are these. First, there is in Britain, the Commonwealth, France and in the Scandinavian countries the strongest feeling against Franco and his regime. Its roots are deep and tangled. Young men and women who barely remember the victory of Franco in the civil war, with Nazi and Fascist aid, feel as strongly as veterans of the International Brigade. A mood of shame and indignation comes over any European Liberal or Socialist who hears talk of coming to terms with the regime established 12 years ago. He may be able to suggest no alternative; he may not even understand the Spanish people's dread of further civil war—now the main prop of the Caudillo's power; he may even recognise that international Communism is not what he thought it was in 1936. But the fact remains—he will have no truck with Franco. This is an

unchangeable political fact, well understood by Mr Bevin and by statesmen in all countries of Western Union.

Second is the fact that the whole movement towards co-operation in the west, economic as well as political, has declared its loyalty to certain principles. It is true that there has been no suggesion of inviting Spain to join the Brussels Pact, although that would come if the strategists had their way; but it is worth recalling that the signatories of that pact declared their intention

> to fortify and preserve the principles of democracy, personal freedom and political liberty, the constitutional traditions and the rule of law which are their common heritage.

If those are to be the rules of the western club—and they should remain so—then Franco must expect to see Spain blackballed so long as he retains power. To choose this moment, therefore, in the development of Western Union to press the question: "How shall the west come to terms with Franco?" is to foment deep suspicions and dissensions in western Europe, to divide parties which have been slowly rallied by such leaders as Mr Bevin into confident and united support for their present foreign policies. It is easy to demonstrate that the arguments used to exclude Spain from Uno—notably by Poland—could be turned against Communist governments which are already members. It can likewise be argued that many things said and done against the Franco regime in fact rally many patriotic Spaniards behind him. Yet on this matter mere logic will make no impression on the average European Liberal and Socialist, or on many men and women of the centre and right as well.

Third is the fact that the governments of the west—among them the United States Government—have accepted the United Nations Assembly's decision of December, 1946, that members should withdraw their ambassadors from Spain. That decision stands, and there is not the slightest reason to believe that the British Government would propose or even vote for its reversal, even though the absence of a skilful ambassador in Madrid probably does more harm than good to British interests and policy in Spain. What is now less certain is whether a Republican President would feel bound by this decision, although a spokesman of the State Department last week did his best to cover Senator Gurney's tracks by saying that "American policy is to support the decisions of the United Nations."

Last and not least important is the fact that, as recently as March 4, 1946, the Governments of Britain, France and the United States issued a joint statement on policy towards Spain. They agreed that so long as Franco continued in control

> the Spanish people cannot anticipate full and cordial association with those nations of the world which have, by common effort, brought defeat to German Nazism and Italian Fascism which aided the present Spanish regime in its rise to power and after which the regime was patterned.

They expressed the hope that liberal-minded Spaniards would soon find means of bringing about "a peaceful withdrawal of Franco," abolition of the *Falange*, and the establishment of a *caretaker government* which would leave the Spanish people free to determine the type of government they wanted, and to choose their leaders; "the Spanish people themselves," it was emphasised, "must in the long run work out their destiny." There would be no interference from outside.

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These then are the political facts—as important as geographical facts—which must be understood by the strategists. A word must be added about the political and strategical probabilities. To bargain at this moment with Franco—whose price is and will remain high—would be to weaken the west in the cold war of propaganda and prestige, for the sake of uncertain gains in defensive preparations. For what might be spent on Spain's railways, power stations, airfields, army and equipment would have to be taken away from the Brussels Powers—for on present estimates there is no surplus for Franco. Is this really the intention of Senator Gurney and those who think like him? Again, is it conceivable that the Franco regime would allow that free movement, close collaboration and friendly interference which military and economic co-operation with the United States involves? Would Franco trust even a Republican administration in Washington sufficiently to give its representatives in Spain the free hand they would ask for? It is surely more realistic to assume that only imminent danger, the dread of losing his grip on power under the impact of a European war would induce in the Caudillo a compliant and trusting mood. Lastly, can the Americans really afford to let the French believe that, in case of war, they contemplate a retirement to the Pyrenees and the British Isles? Such an assumption makes nonsense of the whole European Recovery Programme.

It is the declared intention of the British, French and American Governments not to interfere in Spain's internal affairs. In spite of the excited accusations of the Spanish press during the last week, there is no trace of Mr Bevin's hand in the latest moves of Señor Prieto and Señor Robles among the exiles. Is there then to be no British or no western policy towards Spain? Is economic aid to be denied indefinitely to the Spanish people, burdened as it is by inflated food prices, huge military expenditure, worn-out industrial equipment, scarcity of raw materials, and inability to trade in a normal way?

There is surely a clear answer to both these questions. Economic aid to Spain now would benefit not the people but a corrupt and economically inefficient regime. As for British policy, the answer surely is that the curbing of Communism and the displacement of Franco are part and parcel in the same operation. As the Communist threat to western Europe recedes Franco's *raison d'être* will disappear. As Europe's recovery advances, the contrast with their own poverty will become in-

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tolerable to the Spanish people. As liberal and democratic forces in the west show themselves strong and efficient—as they were not in 1936—more Spaniards will see an interest in bringing them to bear on the problems of their country.

It will be objected that this is a long-term policy, that it does not meet the defensive needs of the moment. It is, indeed, a long-term view, but the west must postpone some of its tasks to the future. In the huge operation of political and economic recovery which is now under way there must be priorities, as in every great enterprise. And to decide what shall be done about Franco and his part in the defence of western Europe is no more a matter for decision in the immediate future than is the future defence of western Germany by Germans—another topic discussed among the strategists.

What is needed now in the west—with the aid and advice of America—is steady agreement on principles and aims, and concentration of purpose and energy. Anything which distracts attention and promotes dissension is a nuisance; and at the moment the regime in Spain is merely a nuisance. Franco is not now strong enough either to threaten peace or to give the west a decisive advantage in war. In fact, the relations of the west with Spain would demand serious attention only if the Franco regime were crumbling, and if there were an effective opposition within and outside Spain ready to guide the country peacefully and democratically into new paths. At the moment there is no sure sign of either development. It would be better to wait until there is, to forget and forgive Senator Gurney, and let the dogs go to sleep again.

Will the Planning Act Work?

THE object of the Town and Country Planning Act is to get effective public control of all uses of land. The Act has introduced revolutionary changes in the British system of land tenure. It requires any private owner or builder who seeks to develop his land, or to put it to a different use, first to get permission from the local planning authority (or on appeal from the Ministry of Town and Country Planning). If permission to develop is refused, no compensation is normally payable to the owner; if permission is granted, the owner must pay a "development charge" to the state, equivalent to the anticipated increase in the value of the land, before he starts to develop it. In theory, the logical effect of this arrangement should be to reduce the market price of every piece of land to the value attributable to its existing use, whatever that may be; for the state now holds the exclusive right to develop land and to sell this right if it chooses. Finally, the Act extinguishes all development values previously in private hands, but seeks to compensate owners for their lost rights from a fund of £300 million. Responsibility for disbursing this compensation fund and for levying development charges is in the hands of the Central Land Board, appointed by the Minister.

So much for the theory of the Act. But the land market—always a tricky and unpredictable forum—is not reacting as the official logicians expected. Land has been changing hands at prices well above "existing use" values. Some aberrations of this sort are natural and were expected. The Act is highly technical, and the public finds its implications difficult to grasp. Allowance must be made, too, for personal and incalculable factors. A householder, for instance, who specially covets a neighbour's field or garden will willingly pay much more for it (and will probably have to) than its agricultural value. But, as the chairman of the Central Land Board made clear on Thursday, the prices now being paid by many purchasers of land will get them—and of course the Board as well—into serious difficulties.

The Town and Country Planning Act rests on two assumptions, which if unfounded would seriously damage the public interest and offset the Act's effectiveness as a planning measure. The first assumption is that the Act will not, on balance, discourage or retard private development but will merely steer it to appropriate sites; the second is that it will not put up the average costs of development. These assumptions are in part complementary—for an increase in costs must eventually defer development. Their validity is challenged by the present behaviour of the land market. If land is consistently bought for development at more than its existing use value, and if the full development charge is then exacted by the Central Land Board, the total cost of development must be greater than it was before the Act was passed, and the extra cost will eventually be passed on to the occupants of new premises. Moreover, much private development is at present being carried out by individuals who build their own houses, and they have no remedy against excessive land costs beyond their own willingness to pay the purchase price. At present, perhaps, there is more danger that private development may be made unduly costly (to the consumers' detriment) than that it may be stopped by high prices. Both dangers exist, and the second is likely to grow with time and could have very damaging effects if the permitted volume of private development were to be raised above its present low level.

A further complication arises from the changed character of many current land transactions. It is not infrequent for a vendor to sell jointly with his land the benefit of his claim on the £300 million compensation fund, and to get in exchange the equivalent of a 1947 price. Unless the claim for compensation is eventually met in full, the purchaser stands to lose on the transaction, whilst the vendor passes on an obligation which the Act meant to be his. Of course, the purchaser may again pass on the difference, or some part of it, to the purchaser or tenant of the developed property. How far the £300 million will suffice to pay reasonably fair compensation to all claimants is uncertain. It is, in any case, quite unlikely to be sufficient unless extra provision is made for the mineral rights whose value was supposedly allowed for but was probably undercalculated. Moreover, few claims on the fund will be met in full since they mostly contain an element of floating value which will quite legitimately be discounted, whilst a further loss arises from the fact that claims will not be settled for several years. If purchasers pay much more for land than its existing use value, and take a contingent claim on the £300 million, they may be aggrieved by the final settlement; in part, their own ignorance will be to blame, but an inequity will arise which even legislation would find it difficult to remedy.

If the Town and Country Planning Act is to work even with some degree of efficiency and equity, the Central Land Board must assume the unenviable task of coaxing or coercing the land market into complying with the Act's broad intentions. The Board's main coercive weapon is its ability to enter the market with compulsory powers of acquisition, which it is already threatening to employ. Even this weapon, however, could not tame a really obdurate market, for it is quite impossible for the Board to watch and to intervene in all the multitudinous private transactions in land. Nor would the Board wish to do so. Even if it were practicable, to resort to measures of public compulsion on a really large scale would be to defeat the intention of the Act, which is to work with and not against private enterprise.

To gain its ends, the Central Land Board will have to rely primarily on persuasion and not on coercion. Persuasion may

be employed on two fronts. Purchasers of land can be encouraged to resist prices which are obviously higher than existing use values; and vendors may be wheedled into disposing of their land more cheaply than at present. The first tactic may enjoy some measure of success. Many private purchasers are still unaware of the full meaning of the Act, and the market could not quickly bring itself to make a drastic revaluation of the established scale of land prices. The Act supposed that it would, and so missed the essential point that the conventional element in prices, particularly of land, is proving stronger than the theory which underlies the Act. There is no great shortage of building plots (building licences are the difficulty) yet in some areas keen competition for particular sites is driving up prices. Would-be developers are free to report cases where the price asked is excessive, and the Board will then offer to buy the land itself. Its intervention in such cases, if necessary by the use of compulsory powers, could only affect a corner of the market directly, but its indirect restraint on the offers of purchasers and the demands of vendors might have some effect.

The task of wheedling the vendor is much harder. As regards land whose early development is not contemplated, the Board can do little more than urge the purchaser to pay no more than existing use value. The case is rather different with land whose early development is desirable and practicable. Contrary to the strict theory behind the Act, it is now accepted that the vendor should be allowed—indeed, he cannot easily be refused—some margin of profit in such cases, otherwise he simply will not sell at all. The Board's problem is to keep his profit to a minimum to prevent land from being acquired for speculation instead of development, and to stop the exploitation of compensation claims, as it were, as a condition of sale at high prices. It may be possible to persuade the vendor himself to pay the development charge before parting with his land in cases where permission to build is immediately available. The Board is willing to fix the charge subject to the conditions that the land is sold to a specified purchaser who must begin building within twelve months (thus preventing the creation of a market in development charges which would inflate prices and retard development). It will then let the owner sell at any price he can get, on condition that the amount of the development charge already paid is disclosed to the purchaser. This arrangement gives owners a clear incentive to sell their land in appropriate cases, whilst giving the Board a useful and necessary indication of the proper level of development charges, which would certainly be revised upwards for similar cases in the future if the owner's profit turned out to be a large one.

By a cunning blend of persuasion and coercion the Board may make some headway in bending the market to its will. The market may also of its own accord move slowly into a greater compliance with the Act's intentions. Neither result, however, is certain, nor in any event can the Board's success be complete or be secured in a way that is free from unsatisfactory and inequitable features. Partly because of the unsatisfactory compensation provisions, and partly because of the inherent character of the land market, neither owners nor builders are willing to forgo all profit from the development of land. Since, however, the Central Land Board has a statutory claim to the whole of the profit arising from development, the necessary incentive to private owners and builders can only be supplied either by fixing the development charge at less than the theoretically "right" level or else by adding to the total cost of development—or by a mixture of both. Both results are undesirable. To have to vary, for reasons of practical expediency, a charge which ought to be settled for all applicants by a uniform rule is to introduce an undesirable element into public administration. Yet this may be the only way of lubricating the machinery of the Act.

To ensure the effective public planning of the use of land is an aim accepted by all political parties; it is essential to physical and social reconstruction; and it involves the solution of the problem of compensation and betterment. No way of doing this which is clearly superior to the method introduced by the Act, has yet been propounded. There may well be a case—indeed a necessity—for amending legislation on some of the Act's particular features. But the only fullblown alternative which could replace it is that cherished by the extreme Left—the nationalisation of the land.

NOTES OF THE WEEK

Mediation on Berlin

The Argentine Foreign Minister, as chairman of the Security Council, has been attempting mediation in the Berlin dispute and has failed. The Russians, despite some indirect evidence that Mr Vyshinsky was impressed by what Dr Bramuglia told him of the western attitude, insist on keeping the matter out of the hands of the Security Council. They want to take up negotiations where they were broken off on August 30th—that is to say, in the meeting of the military commanders in Berlin. That would at least ensure further delay and argument until the end of this month, when weather conditions—the Russians seem to believe—will threaten the air lift more effectively than the rolling of Yaks or the flying of balloons. What is less generally realised is the disastrous effect that continuance of the blockade is having on the economy of the Russian zone. The western Allies have at least one ace in their hand. They too can afford to wait, provided that they do not keep their eyes fixed only on Berlin.

The records will show that the western Ministers did not send Dr Bramuglia empty-handed to Mr Vyshinsky. They made it easier for the Russians to be moderate without losing face, provided that Mr Stalin wanted good relations more than a local success. All the details and complications of the British White Paper on the dispute published last week—on which the Foreign Office deserves congratulation—must not be allowed to obscure the real issue: which is that force has been and is being used to blockade Berlin.

There is growing reason to suspect that the Russian reason for not wanting an equitable settlement in Berlin—except on terms which would bring them a bonus—is their awareness that, if the power to squeeze the western Powers in Berlin were once given up, they might find it impossible to assert a similar grip elsewhere. What they are bargaining for is a position from which they can wage the cold war with the maximum effect and the minimum risk of actual fighting. That Berlin has a unique value for this purpose is shown by the war scare which has run through the west in the last two months. It would be only worth giving up in exchange for concessions which would expose western Germany to economic distress, political disillusionment and infiltration from a Communist-dominated capital.

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Mr. Churchill's Warning—and Omission

Few seem to have noticed the significant differences between what Mr Churchill actually said at Llandudno on Saturday and the text of his speech released to the press beforehand by the Conservative Central Office. The changes that he made show how carefully his words were weighed and how conscious he was of his responsibility to a vast audience beyond his immediate vision. They suggest too that he was not thinking of an ultimatum backed by atomic bombs to be delivered to Moscow, but was expressing cautious confidence that by firmness the western Governments could avert war.

There remains, nevertheless, a puzzling and sinister vagueness about his renewed demand that "we ought to bring matters to a head and make a final settlement." Is he proposing presentation of the west's terms for settlement, backed by an implied

threat to use force sooner or later; or does he mean a bold broadening of the narrow front on which the diplomatic struggle with the Soviets is now joined? Presumably he means the latter: for in one and the same paragraph he urged that the western Governments should "formulate their just demands while they have the atomic power and before the Russian Communists have got it too"; and he referred in no apologetic spirit to "our Christian and altruistic inhibitions against using this strange new power." Mr Churchill knows that the western Governments, as now constituted, are incapable of threatening resort to war, and would not be believed in Moscow if they tried to do so.

Mr Churchill had one outstandingly apt and penetrating passage in his sombre and memorably phrased address. "We ought not," he said, "to go jogging along waiting for something to turn up." The west must formulate "its just demands," and he gave a rough list of them: let the Russians "retire to their own country" and "liberate the eleven ancient capitals of eastern Europe"; let them "cease to oppress, torment and exploit" their zones of Germany and Austria; in the Far East let them "cease to distract Malaya and Indonesia . . . liberate the Communist held portion of Korea," and stop fomenting civil war in China. That is not a bad programme, provided it is understood that the price of its fulfilment might be Anglo-American withdrawal from Germany and Austria. It is at worst a timely reminder to Mr Bevin that he has not clearly restated the objectives of British foreign policy since he admitted that collaboration with Moscow in international activities of control, security and reconstruction had become impossible. If the Berlin question were cleared up satisfactorily tomorrow, what would Mr Bevin press for next?

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Mr Churchill's brutal and realistic analysis is a necessary answer to the ruthless Communist analysis by Soviet leaders dead and alive (of which specimens appear in an article on the Moscow-Belgrade correspondence on page 629). What he said at Llandudno may have sent shivers down many spines in the west, but it will have thrilled many still hopeful hearts in eastern Europe. For there the next question for Mr Bevin and Mr Marshall—and for whoever speaks for France—is clear: how is the growing economic and military strength of western Europe and America (including their temporary monopoly of the atomic bomb) to express itself in diplomatic strategy and tactics? How, in fact, is power to be exerted offensively against the Soviet Union without recourse to war? That is the question which Mr Churchill did not answer at Llandudno, and which Mr Bevin was unable to answer when it was put to him recently by his military advisers.

* * *

Dominions at Downing Street

There is a faint hope stirring that the Prime Ministers of the Dominions will get down to hard facts. The fine phrases which characterised the first few days of their meeting this week in Downing Street seem to be giving way to plain speaking. So long as the meetings remain secret—and it is right that they should be—it is impossible to judge their temper accurately; nevertheless, the official daily bulletins of their progress are beginning to show welcome signs that the Prime Ministers have not gathered together simply to indulge in an orgy of self-praise.

The two most important issues before the meeting are economic co-operation and defence. Both involve a degree of give and take which the Dominions have not had to consider before in times of peace, and it is too much to suppose that agreement will be automatic. On Monday Sir Stafford Cripps outlined Britain's four-year plan for its share in the European Recovery Programme. His speech to the Prime Ministers encouraged their faith in Britain's recovery, but at the same time it emphasised that Britain is a member of two clubs, the European and the Commonwealth. The Dominion representatives were obviously worried, for if Britain was to provide so much capital equipment for the continent, would there be enough left over for the ambitious schemes for industrial development which most of the Dominions have drawn up? The dilemma is by no means insoluble, but the solution will involve the co-ordination of the economic plans of the Dominions, and this in turn will mean that some Dominions may have to curtail some of their pet schemes. Hard bargaining will be the order of the day, but this should serve to strengthen rather than weaken the bonds of the Commonwealth. It will at least reveal who is willing and who is not willing to co-operate.

Constitutional issues appear to have been shelved for the time being, but they cannot be avoided for ever. Eire's break with the Commonwealth and the absence of Mr Costello from Downing Street show that the links between the Dominions are not infinitely elastic. It is also probably more than a coincidence that the opening of Parliament on October 26th, when the Prime Ministers will still be here, is to be accompanied by the full regalia of Crown and Sceptre.

* * *

The African Conference Goes Home

It is generally agreed that the conference of delegates from the British African territories was a good idea successfully carried out. From every point of view closer contact and mutual understanding between the various colonial legislatures and Great Britain are desirable. This would be true at any time, but especially now, when plans for a forward surge of colonial development coincide both with a time of severe economic difficulty for the whole complex of which the colonies form part, and with a determined attempt from the outside to exploit those difficulties, spread disaffection, and, if possible, reproduce the conditions of Malaya throughout the African continent.

There is an obvious short-run possibility of conflict between the interests of the colonies and of this country, and a rather less obvious but overwhelmingly more important long-run harmony. Like other economically and socially backward areas, Africa faces a dilemma. A poverty-stricken and largely uneducated people, chronically below par through malnutrition and ill-health, needs trained men, equipment, transport, social services, a service for soil reclamation and pest control—in a word, capital investment on a huge scale both in human and material form—in order to raise itself to tolerable standards; yet it has no margin, or no margin approaching the adequate, out of which to provide itself with these things, nor, even if it had attained them, to carry their immediate running costs until such time as they shall have produced their beneficent effect. Help must come from outside—in this case, from Britain.

Britain's own dilemma, the strain on its own resources, is, however, such that a full-speed, uninhibited campaign of *colonial development for colonial benefit alone is impossible.* Such assistance as Britain can give depends on its success, and the success of the sterling area as a whole, in restoring and maintaining solvency in face of the rest of the world. The short cut to solvency, favoured by totalitarian powers of all kinds and at all times, is to exploit every inch of colonial territory and every pair of colonial hands for all they are worth; therein lies the opposition of interests, and the opportunity of malignant trouble-makers. The long-run harmony lies in the advantage accruing to Great Britain from association with enriched, transformed and permanently prosperous colonial territories—an association certainly not to be achieved by the methods of the exploiter—and in that accruing to the colonies from association with a stable, solvent Britain able, by reason of that stability and solvency, to provide further help towards their economic progress. The fact that the interests of both parties must—in the interests of both parties—be harmonised at every step affects both the nature and the timing of colonial development, and makes mutual understanding more important than ever. The Lancaster House conference, as a contribution to that understanding, ought to be the first of a series.

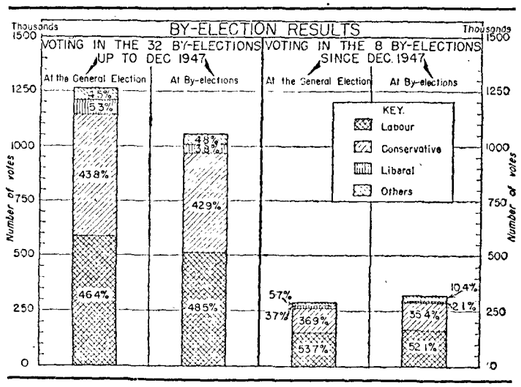
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Above Suspicion

Whatever the outcome, it is good that a full judicial enquiry should follow the allegations of irregularities in the Board of Trade. The integrity of the Civil Service, and indeed of the whole administration, ought to be in every sense above reproach; which means that it must not only be complete, but be manifestly seen to be complete. It has always been one of the great assets of British public life; and its maintenance has grown immeasurably in importance as the role of the Government has been extended. That very extension, of course, both offers opportunities for more or less serious lapses from the high traditional standard and, even given an impeccable maintenance of that tradition, opens a wider field to suspicion. It is the more essential that suspicion, where it arises, should be thoroughly ventilated. Any other course would lead either to a general lowering of standards, or to irresponsible imputation of guilt even when no shadow of evidence exists.

Scottish By-elections

The by-elections in the Gorbals division of Glasgow and in the Stirling and Falkirk Burghs have continued the Government's remarkable record in holding on to its seats. As the following chart indicates, there is nothing in the voting at by-elections during this year to show any important change in the percentage of the votes polled by the Labour Party. Such votes as they have lost appear to have gone as much to minority parties as to the Conservatives.



Nevertheless, there is no uniform pattern about the division of public opinion, as the Gorbals story clearly demonstrates. The total poll was down by about 7 per cent from the General Election, but the Labour majority fell from 15,804 to 6,525. This was partly due to the difference in personality between the locally beloved Mr George Buchanan, who held the seat for many years, and the new Labour Member, an extremely self-effacing lady who was nominated largely as a result of Roman Catholic pressure, and who refused to discuss such burning topics as housing. The increase in the Conservative poll by 2,000 votes is an indication of the growing disillusionment with Labour, especially in Scotland. The casting of over 4,000 votes for the Communist Mr Kerrigan was largely due to his own personal qualities and to the energy which his party put into the contest. He used almost every known device to gain local popularity, including a platform of anti-Americanism, recognition of Israel, anti-partition in Ireland (45 per cent of the Gorbals population is Irish Roman Catholic), home rule for Scotland, and disarmament. This is the first time in 25 years that the Irish question has been in Scottish politics, and the size of the Communist poll is a tribute to its usefulness.

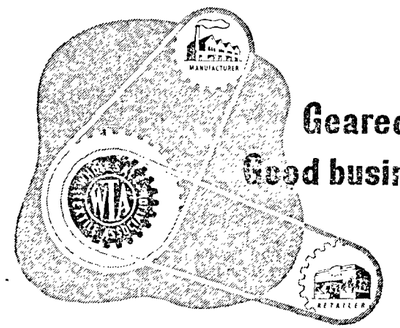
In the Stirling and Falkirk election, the Labour majority was reduced by more than a third, but the Conservative vote was only slightly increased, the change in balance being due to the candidature of a militant Scottish Nationalist. The Labour Party put up a determined effort to return the seat and their success indicates among other things the urgent need for the Conservative Party to improve its Scottish organisation which at the moment is exempt from the reforming zeal of Lord Woolton.

* * *

Recurring Strikes in France

The strikes in France are the epitome of the country's mortal sickness. They are virtually unavoidable in a community in which the cost of living has risen by 30 per cent in a year while the maximum increase in wages offered so far is 15 per cent. This situation reflects the incompetence of the divided central government, the refusal of the possessing classes to accept the necessity of high and strict taxation and the constant flirting of sections of the government with the idea of total *laisser faire*. In such conditions, all respect for the central authorities tends to banish among the more poorly paid workers and the situation is ripe for protests and strikes.

At this point, the other fundamental weakness in France comes into play—the existence of a body of determined well-disciplined men who are pledged to do all in their power to disrupt the French economy. The Communists are open in their determination to destroy the Marshall Plan and to ensure that no

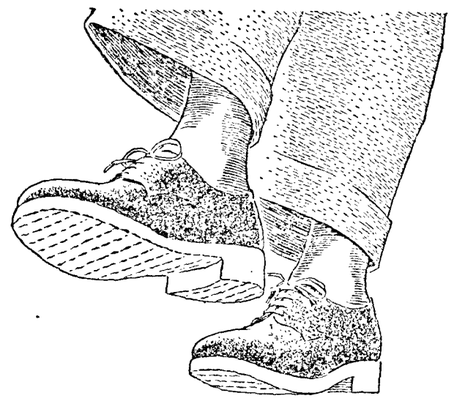


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worker takes part in the "war against the Fatherland of Socialism." The strikes which have closed the mines for a fortnight and are continuing sporadically in all the vital sectors of the French economy—in metallurgy, in transport, in the docks—might have broken out in any case. Indeed, the non-Communist miners were unable to counsel their members not to strike, so bitter is the feeling over the rise in prices. But the presence of a Communist general staff fomenting and exploiting the situation clearly means that the strike movement will do the maximum harm to the French economy.

There is only one way to break the deadlock. It is to stop inflation and stabilise prices. The French worker is chary of purely political strikes—as he showed in November, 1947. But the pressure on daily existence is now too severe for patience. However, the Queuille Government shows no more sign than any previous coalition of possessing the courage to grasp the financial nettle, and while the central power hesitates and dithers, the Communists grow daily more confident of their power to reunite the trade unions under their leadership—and General de Gaulle more certain that he will be called to re-establish "republican order."

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Western Commanders at Work

Planning, as distinct from reconnaissance, for the defence of western Europe really began this week with the first meeting in London of the committee of commanders-in-chief, with Lord Montgomery in the chair, and some familiar Shaef figures around him. It has taken six months to work towards this stage, and the shindy in Paris that attended the appointment of the chairman and of his land commander, General de Lattre de Tassigny, revealed the kind of political and social difficulties that arise in the co-operation even of friendly governments.

The intention is that what is now called a committee of commanders-in-chief shall become, in case of war, the nucleus of an integrated operational staff, chosen and trained beforehand. There has been so much misunderstanding of the Western defence organisation that it is as well to make the pattern clear. At the top of the hierarchy stands the Western Union Defence Committee, consisting of the Defence Ministers of the governments concerned. This body deals with high policy and meets periodically to discuss decisions like those taken in Paris last week. Below it comes the Western Union Chiefs of Staff Committee, also meeting periodically, which considers broad policy and strategy. This met recently with Lord Tedder, representing the British Chiefs of Staff, in the chair. So far this committee has had no American representative present at its meetings.

At the base of the hierarchy comes the first organisation of all—the parent cell, as it were, of the whole defence organisation—the Military Committee of the Five Powers and its service staffs. This has the job of planning, exploring difficulties and solutions, co-ordinating information and generally keeping momentum. American and Canadian observers sit in at its meetings.

Five Power Defence Organisation

Western Union Committee of Defence Ministers

Western Union Chiefs of Staff Committee

Commanders in Chief Committee (Western Europe) | Military Committee of the Five Powers and their Service Staffs

The body of which Lord Montgomery is chairman is an offshoot of these three related bodies. It is responsible to the five Ministers of Defence and to the Chiefs of Staff in their joint capacity, although salaries and expenses are for the time being paid by individual governments. It is incorrect to describe Lord Montgomery as chairman of the West European Chiefs of Staff; he is in fact commander-in-chief of land, sea and air forces that will be combined—if not integrated.

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The French still feel, in their heart of hearts, that the cart has been put before the horse—that a guarantee of American aid and a military alliance should have been obtained before they committed themselves so deeply to a defensive combination against the Soviet Union. It is, of course, constitutionally impossible for Mr Marshall or Mr John Foster Dulles to give such a guarantee without the authority of Congress; but they seem in Paris to have gone as far as they dare in assurances about future American policy.

These American assurances may have lightened the most pressing difficulty, which is not military but financial: how is France, and to a lesser degree Holland, to pay for the urgently needed equipment which Britain and others can supply? Presumably Sir Stafford Cripps has brought back from his American visit new ideas on a riddle which is holding up the service experts in their planning.

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Jekyll and Hyde Horner

The split in Mr Arthur Horner's personality as a member of the Communist Party Executive and as an official of the National Union of Mineworkers is becoming increasingly apparent. The Wigan by-election, where as the secretary of the NUM he had to send good wishes to the official Labour candidate in his campaign against a Communist, was but one incident in a long series. Now as a member of the committee which is studying the problem of coal production, he has to support the policy of maximising output, at a time when the Communist line is to sabotage the European Recovery Programme and slow down production.

This state of affairs might have continued for some time, so long as Mr Horner committed no major indiscretion. But the incident that has arisen during his presence at the conference of the French Confédération Générale de Travail (which is officially boycotted by the TUC, although the miners agreed to send him as a fraternal delegate before the strike began) must surely bring matters to a head. Mr Horner has declared that he welcomes the resolution from the Communist-dominated South Wales branch protesting against the shipments of Welsh coal to France while their French "comrades" are on strike. Mr Will Lawther, the miners' President, has vehemently declared that the miners must support these exports as a necessary contribution towards European recovery. For the moment, this is a battle of words and press statements, since both men are speaking as individuals. But when the full Executive of the NUM meets at the end of this month there will be strong pressure on Mr Horner to "come clean" and say whether he is in fact the miners' Jekyll or the Cominform's Hyde.

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A Bribe for the Miners?

With the now familiar autumn exhortations and threats to the miners there has appeared the suggestion that some concession should be made on pay-as-you-earn income tax, which is alleged to be a deterrent to regular attendance. At the meeting of the Coal Board and the miners' leaders last week, the point was put forward, and the board is to make a study of the effects of PAYE which Mr Gaitskell may then take up with the Government. If any concession is applied exclusively to the miners, it is a thoroughly bad suggestion; there is no justification whatsoever for singling out the miners and letting them off part of their tax payments on their overtime earnings at the expense of other taxpayers, in order to induce them to work harder and turn up more regularly. Criticism of the detailed working of PAYE is, indeed, widespread, and a modification may well be due. But this criticism is valid for industrial workers generally, and if the system is wrong, why should textile, agricultural or steel workers have to submit to it, if the miners do not? Mr Gaitskell's offer to look into the case is only justifiable if it is applied generally.

Fortunately the Trades Union Congress is as unlikely to favour preferential treatment for miners in the shape of tax concessions as it was for extra rations. But the very fact that inducements of this kind are canvassed only underlines the need for more constructive ideas. The announcement that the round target of 200 million tons is to be broken down and discussed in each pit is, therefore, welcome. Hitherto the target for the year has been fixed at the headquarters of the Coal Board. It would be far more sensible to calculate it from the bottom up on the basis of what each pit can be expected to produce. Until the colliery manager and the individual miner are working towards a properly calculated objective, neither can give his full support. This is a matter for management on the spot, and it is an ominous sign of its own lack of self-confidence that the Coal Board has been prepared to support yet another *ad hoc* committee of six Coal Board members and six trade unionists to examine the means of encouraging increased output and to boost production generally. Can this body contribute anything more than further confusion? What has happened to the Burrows Committee set up last May after Sir Charles Reid's resignation? It is still investigating the Coal Board's organisation, and it appears that its report, even when ready, will not be made public. A new committee every three months will not achieve anything.

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The Choice Before Israel

Fresh breaches of the Palestine truce, at Jerusalem and in the Negeb, are deflecting attention from problems of equal scale in the settled areas. Of these, the most far-reaching at present in the balance is the future pattern of the Israeli state. Shall it be democratic in the western, or in the eastern, sense of the word? Israelis are divided. Large numbers, chiefly those born in central Europe, hope that it will turn out to be something like Czechoslovakia in its heyday—with Weizmann as its Masaryk and Ben Gurion as its Benes. Numbers also large, but born farther east, see nothing repugnant in totalitarianism and think that an expansionist Israel would do best to hitch its fortune to the Russian star.

The easterners have scored two successes in the last week. One was in the sentence passed on a Briton, Mr Sylvester, for alleged espionage during the fighting in Jerusalem. The other was in the superficially comic, but at bottom sinister, incident of the mass Stern Gang "escape" from Jaffa gaol.

Mr Sylvester, one of the five British employees of the Jerusalem Electric Corporation who were kidnapped by the Irgun two-months ago, but later handed over to the Israeli authorities, was sentenced by the Jerusalem District Court to seven years imprisonment for "broadcasting information useful to the enemies of Israel." He in fact used one of the three small local transmitters that were supplied for purposes of intercommunication to the three points at which the British residents remaining after May 15th were asked to congregate for safety—the cathedral, the consulate and the power station. Mr Sylvester was at the power station. Most of the messages interchanged seem to have been of the "All well here" variety. One transmitted by Mr Sylvester may have been less prudent. If so, an adequate and balanced reaction to it would have been a warning by the Jewish security authorities on no account to refer to the accuracy of anyone's shooting; an alternative would have been the impounding of the transmitting apparatus. Upon the evidence, the sentence of seven years delivered by Judge Halwy (who referred, in his judgment, to membership of a "spy ring" of which no evidence whatsoever was proffered) is explicable only on grounds of politics. It was a manifestation of anti-British gall. It was also the delivery of a pound of flesh to the Irgun. There is to be an appeal. Possibly the higher court will produce new and strong evidence against Mr Sylvester. Unless it does so, it should not let pass this first display that the judiciary is a prey to political considerations.

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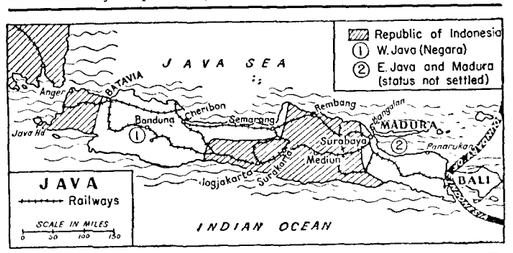
The incident of the Stern Gangsters' escape from gaol points in the same direction. Nearly two hundred of them got out "for a breather" and "to prove that there are no walls which can hold us." Some of their guards connived. The majority strolled back in their own time. Their armed escapade, said one Israeli police officer, was unimportant because they would "never shoot Jews." But is this the heart of the matter? These young men and women stand for a totalitarian solution of Israel's case. They have already proved that by battle and if necessary by murder they intend to secure a bigger Israel and to brook no interference from the United Nations. Either their crimes and intentions must be taken seriously and baulked now, or else the Israeli Government must admit the logic of the conclusion that it is so sympathetic to the gangsters' ends that it is ready to wink at their means. On present evidence, it is running with the hare and hunting with the hounds. It is refusing to follow the gang's train of thought to its inescapable climax, which is that no Israeli leader can afford to parley or compromise with the outside world without risking his neck.

These two happenings are not complete parallels, but they have points in common. And, of these, the most important is that both are manifestations of a sense of justice that is not objective. To found a new state upon this basis is to face east, not west. The choice is open. Only Israelis can make it. Will it be freely made, or made at the point of a Stern Gang gun? This the Israeli Government still has it in its power to say.

Communists Misfire in Java

The Communist insurrection in the Republican area of Java now appears to have been a failure in so far as it aimed at the overthrow of the Soekarno-Hatta Government. Even as an outbreak of earth-scorching it has had only limited success, if it is true, as claimed in Jogjakarta, that the oil refineries at Tjepoe have been recaptured intact, though some of the oil tanks were burnt out. Guerilla warfare may continue, but the Communist armed forces have clearly been insufficient to seize power; the bulk of the Republican army remained loyal to the Government. It is reported that the Javanese Communists were not ready for open insurrection, but obeyed the instructions brought from Moscow by Moeso. If so, it is merely an example of the Kremlin's use of expendable local Communists in attempts to embarrass and distract nations belonging to Western Union.

The slogans used by the Communists in Java revealed the fear that at long last an agreement between the nationalist Hatta Government and the Dutch was imminent; to prevent such agreements and maintain a condition of warfare or armed deadlock, at whatever cost to the native population, is clearly the present policy of the Communists in South-east Asia. The point should be made very emphatically in British publicity in that region.



The outbreak of the revolt and its collapse have had the advantage of separating the goats from the sheep in Java. As long as the Indonesian Communists were a part of the Republican nationalist movement, with a strong hold on various para-military, youth, peasant and trade union organisations, there was always some force in the Dutch argument that the moderate leaders were merely a "front" without real power, and that concessions to the Republic would be likely only to transfer the ultimate control of Java to the Communists. Fear of such a possibility has recently affected American policy with regard to Indonesia, and has increased sympathy in Washington for the more intransigent school of Dutch opinion. Now, however, that the Communists have come out in armed opposition and have been crushed, it will no longer be possible to discredit the Jogjakarta Government with charges of crypto-Communism, and the Republican Ministers themselves can be expected to be less frightened in future of being lashed from the Left if they sign a treaty with the Dutch. The new situation may be disappointing to the Dutch irreconcilables who hanker after a "second police action" in Java, but it should strengthen the hands of those who have genuinely striven for an agreement.

* * *

The Ground Roots of Monopoly

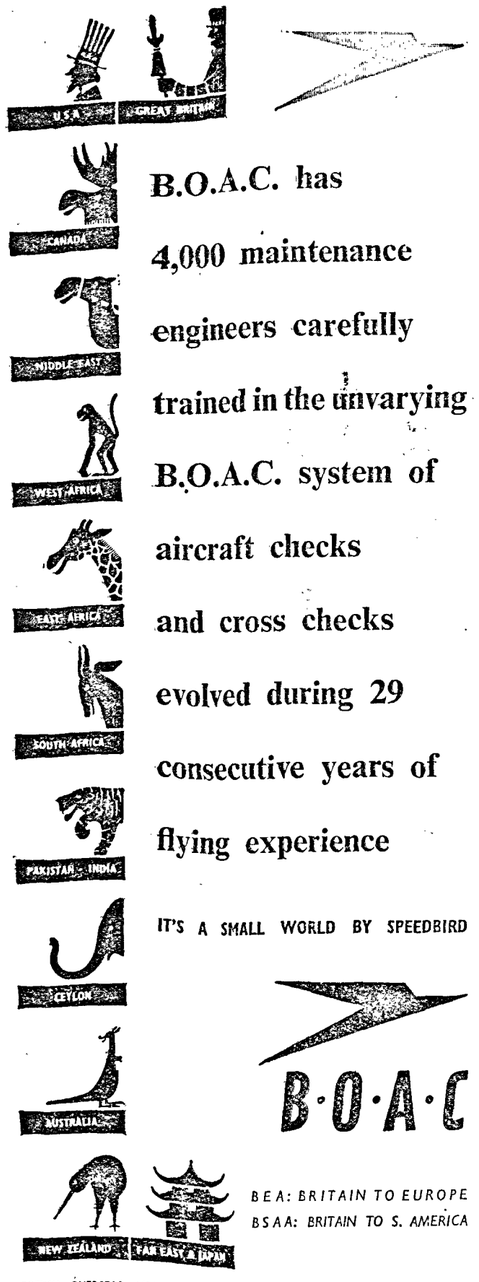
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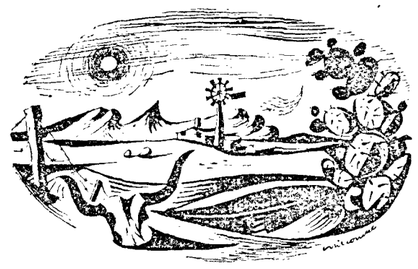
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B 6

Practices (Inquiry and Control) Act, which received the Royal Assent last July. Sir Arnold Plant, in an article in the current number of *Lloyds Bank Review*, has some detailed criticisms to make, which agree very closely with those made in these columns, of the limitations imposed on the Commission's freedom of action and the refusal to make possible any parallel inquiry into the restrictive practices either of trade unions or of Government-established bodies; but his welcome is none the less a warm one. When, however, he considers the prospects of success in achieving the Act's purposes, he puts his finger at once on a paradox of Government policy. The same Government which loses no opportunity of denouncing either monopoly capitalism as such or—according to which voice is speaking—"private unenterprise"—has done everything to provide and perpetuate a perfect medium (in the bacteriological sense) for its growth. The precedent was set between the wars, and wartime expedients reinforced the trend away from competition. "The most potent single cause of the recent increase in restrictive agreements," says Sir Arnold, "is the detailed Government planning of production, distribution and foreign trade." The example to which he gives most attention is that provided by the film industry; but the same effects can be observed throughout the economy. Concentration reduces competition; allocation of materials by quotas strangles the growth of the efficient and safeguards the inefficient; the control of profit margins and the allocation of markets "imitates," says Sir Arnold, "the practices of the private cartel," and the importance of trade associations has been enhanced by their role, both during the war and after, as negotiators with the Government planners and controllers.

Much of the consequent growth of restrictionism must be regarded as merely part of the inevitable price paid for the equally inevitable distortion of the economy by war. Controls were necessary then; many are still necessary now. Others, however, are not, except on the Socialist assumption that anything is an improvement on the detestable price system, and in face of a Socialist disinclination to relieve the strain on the economy by reducing public expenditure. The principle of not allowing one's right hand to know what one's left hand is doing, or how one's general economic policy may be frustrating the effectiveness of any particular piece of legislation, is the last one which should satisfy genuine planners.

* * *

Abusing the Health Service

A new barrier has come between the health services and those who need them. Before July 5th the barrier was money. It is now the claims made on the services by those who do not really need them but are determined to get something in return for the large insurance contribution they pay each week—ignoring the fact that the insurance contribution would have to be paid whether there was a health service or not. Mr. Bevan's recognition that the health service is being abused in this way, as shown in his address last week to the Association of the Executive Councils, is very welcome, for the popularity of the health service, after such an inauspicious gestation period, might have blinded him to the danger of its becoming too popular.

To a certain extent the abuses are the fault of the professions concerned—of the doctor who prescribes unnecessarily in order not to lose a patient, of the optician who supplies spectacles unnecessarily in order to make more money. But in the main the abuse comes from the public. The man who bought a new pair of spectacles before July 5th and now demands a free pair from the health service to keep as a spare is guilty of further delaying the time when a person who genuinely needs spectacles can get them. The woman who treats her doctor's consulting room as if it were a grocer's shop and says "I want a certificate for corsets, a certificate for spectacles and a bottle for my indigestion" is reducing the practice of medicine to a farce.

Doctors could cap stories like these a hundred times over. The effect of such abuses is not only to waste the resources of the health services to the hurt of those who really need them and to lower the general standard of medicine. It also adds considerably to the cost of the health service. The estimated cost of the prescriptions dispensed in England and Wales in the first month is £1,500,000. This, it should be emphasised, was both a summer and a holiday month; the cost in the season of illnesses will be far higher. It may well be that the original estimate of £11,450,000 for the period July 5th-March 31st will have to be doubled. Clearly, the introduction of the health service has added an unforeseeable amount to the already high cost of the social services.

It was always arguable that the principle of a free national health service was mistaken since it could so easily and so dangerously be abused. Unless the general public uses it, in Mr Bevan's words, "prudently, intelligently and morally," the pessimists will be justified.

* * *

Whitehall Goes to the Country

Further details have been published about the plans for the permanent transfer from London of 50,000 civil servants. These cover twenty departments, and involve the removal of sections of anything from 250 to 13,000 persons. Out of a civil service of some 700,000 people, 60 per cent are already scattered over the country in post offices, employment exchanges, assistance board offices and the like. The present scheme is to take a slice out of the hard core of headquarter offices in order to relieve the congestion of the metropolis.

During the transitional stage there are bound to be difficulties while old ties are broken and new ones are made; nor are all receiving centres equally enthusiastic about their new visitors. But the main difficulty is how an efficient service can be maintained when individual departments are divided between several centres. On the whole the choice of the sections that are to be dispersed seems to have been judicious and they appear to be as nearly self-contained as is possible. But the secret of successful dispersal in peacetime as in war is a proper delegation of authority, so that contact between London and Bath, Worthing or Gloucester is limited to important questions of policy at the top and routine exchange of information at the bottom. It is fatal to the speed of business and to a sense of local responsibility if authority is not delegated to the limits of good sense. During the war regional offices were often the object of ridicule because they appeared to be forever awaiting instructions from Whitehall. This mistake should not be repeated. If physical dispersal also results in local independence something more than relief from congestion will have been gained.

Quite apart from these advantages, dispersal can add new life and interest to old areas. The drift to London and the big cities over the past fifty years has denuded many smaller centres. A well-directed reversal of this movement will have an effect that is good or bad, depending on the extent to which the displaced communities become absorbed into local life, and do not regard themselves as superior enclaves of metropolitan exiles.

* * *

The Rockefeller Millions Move South

Comparatively little attention has been paid to the important experiments which Rockefeller interests have been promoting in Brazil and Venezuela for the last two years. Yet they may lead, there, to revolutionary changes in farming and in living standards. The sponsoring authority is the International Basic Economy Corporation, which was founded as a result of Mr Nelson Rockefeller's wartime experiences of the stimulus given by American methods and capital to all fields of Latin American production. A group of US enterprises, financed by Rockefeller, is endeavouring, in co-operation with the governments concerned and on a profit-making basis, "to break"—in Mr Rockefeller's words—"the bottlenecks in the economies of these countries."

The main emphasis is on improving agriculture, from the development of the land itself by irrigation, scientific feeding, and the use of modern machinery and techniques, to the efficient and economic distribution of produce. At every stage in the process difficulties arise. Innovations are resisted by suspicious supporters of traditional primitive inefficiency, and vested interests wanting to perpetuate existing conditions offer no support. Because present methods are inefficient farming is considered a bad risk by local capitalists who expect quick and large returns and have not the country's interest sufficiently at heart to attempt to improve agriculture by long-term loans at low rates of interest. These have to be provided spasmodically by the Government.

So far fresh finance without fresh methods has achieved little. It is the peculiar merit of the Rockefeller plan that new techniques are to play at least as important a role as fresh capital. If the project succeeds, it should start a self-perpetuating process. Agriculture, being on a sounder footing, will attract capital to up-to-date farmers. By cheapening production as a result of improved efficiency, and by making investors content with a reasonable profit in return for increased security, this process could transform the economies of the countries where it is applied.

There are so far few signs that domestic capital in Brazil and Venezuela is being tempted away from purely speculative enterprises with glittering profits into more solid development. The project may provide the pattern of a new influx of American capital—if it succeeds—as well as a justification of the concept of free enterprise. And in the technical sphere, whether it succeeds or not, this private Development and Welfare Fund may well have useful lessons for British enterprise in the colonial empire.

Shorter Notes

Russian pressure on the Finnish Government has increased in recent weeks. At the end of August a formal complaint was lodged against the allegedly slow progress of work on the strategic Salla railway, which Finland has undertaken to build for Russia. Then there was a protest against the condonation of "fascist activities"—in contravention of the peace treaty. Meanwhile the Communists inside the country lost few opportunities for criticism. These tactics have a twofold interest. First, the responsibility for the sins of omission or commission belongs mainly to the previous Cabinet, with its strong Communist element. Second, the reports of the Finnish Communist press, even of the Cominform's paper, were quoted as serious evidence—a familiar trick. The aim apparently is to frighten the Socialists into admitting Communists into the Cabinet.

★

The influence of Sir Ernest Gowers can be discerned behind the announcement that London Transport's notices to the public are to be written in simpler and friendlier language. Examples of the new look given to the notices show that it abides by three of the rules for official writing he laid down in *Plain Words*: short sentences, the active rather than the passive voice, and the concrete rather than the abstract noun. Thus—to take one example—"failure to adhere to the scheduled times of the buses" becomes "if your bus is late." Government departments, business men—and journalists—please note.

A short visit by Mr Schumann to the French Zone of Germany this week establishes a remarkable precedent. It is the first time since the war that a French Foreign Minister has gone out of his way to meet and establish points of understanding with German political leaders in the zone under his charge. The visit probably foreshadows an attempt by Paris to consolidate German opinion favourable to French policy before the zone merges with Bizonia.

★

The true reasons for the resignation of the late Dr Benes from the office of president of Czechoslovakia in May have been established beyond doubt by an article contributed on October 12th to the *Manchester Guardian* by the former editor of *Narodni Osvobozeni*. It is clear that the present Communist Government received from Dr Benes a signed record of a conversation with Gottwald, the Prime Minister, in which he strongly criticised the new constitution, its conception of the "will of the people" and the proposal to hold elections with a single list of candidates. Dr Benes found in the constitution no guarantees of civil rights or of the independence of the judges; they would be in practice at the mercy of the Minister of the Interior. For these reasons, not because of his doctors' advice, President Benes insisted on resigning.

★

Oxford University is the first university to come into the open about its opposition to the new school examination proposals, which would debar any child from taking the proposed "general certificate of education" until the age of 16. Criticism of the Minister's decision is contained in the University's annual report, which points out how undesirable it is to use age as the basis for assessing a child's readiness to take an examination. And it condemns even more roundly examination arrangements which are viewed solely from the point of view of the average pupil and done in such a way that the education of the more gifted is prejudiced. Will the Minister of Education listen to such authoritative criticism before it is too late?

Books and Publications

Blackett on the Bomb

"Military and Political Consequences of Atomic Energy." By P. M. S. Blackett, Turnstile Press.

PROFESSOR BLACKETT has written a book which is in part extremely valuable and in part extremely mischievous. Its value lies in the technically competent and clearly argued analysis of the potentialities of atomic energy within present or closely foreseeable technical limits for military or economic purposes. It is a salutary corrective to the more extravagant conceptions of the atomic bomb as the "absolute weapon" which have had a great influence on public opinion and even on high official circles. Professor Blackett makes a good case for the view that the atomic bomb is not a weapon by which a Great Power could be knocked out by a *Blitzkrieg* unless adequate military forces were available to follow up such an attack with invasion and occupation; that atomic bombing from the air is no substitute for military strength on the ground; and that the record of strategic bombing during the last war does not justify the theory of its decisive character, even with far more potent (but necessarily far fewer) bombs. He claims that recent technical developments have favoured the defence against the bomber, except over short distances, while rockets with accuracy of aiming at really long range are not yet in sight. He concludes that the idea of an easy victory in a war against Russia owing to America's lead in atomic explosives is fallacious, and that the Russians themselves do not take the bomb very seriously. Their behaviour certainly seems to confirm this view.

On the economic side Professor Blackett points out that the more deficient a nation is in supplies of fuel and power, the more it has to gain from the development of atomic energy as a supplement to its other resources. For this reason there is a basic conflict between an international control of energy for purposes of strategic security, which would require primary atomic plants to be evenly distributed between various parts of the world, and the economic need of backward countries to concentrate on atomic energy development owing to lack of other sources of power. This conflict of interests indeed exists and its importance has, perhaps, not been sufficiently recognised. But the fact that a majority of nations, many of which might suffer economically from control such as was proposed in the Baruch Plan, have nevertheless supported it, shows that they set security from atomic war above limited economic interests, and they are not likely to be persuaded otherwise by Professor Blackett's suggestion that, because the atomic bomb is not "absolute," it is not a serious danger at all.

It is on the political side that Professor Blackett's book may do great harm, because lucid technical arguments are used, in combination with political assumptions never explicitly stated, to lead to conclusions which are oddly reminiscent of editorials in the *Daily Worker*. According to him the only danger to peace arises from bellicosity in certain American military and political circles; the Western European nations are seen as in no way endangered by Russian expansion, but merely as pawns of the United States, and their neutrality in a Russo-American war is discussed. From the valid criticism of the magical qualities commonly ascribed to the bomb the author proceeds to infer that the Western nations ought to take risks in accepting the Russian proposals for abolition of bombs without thorough inspection, because absolute security is unattainable and a limited agreement is better than none at all. Yet he himself, in justifying the Russian stand, says that the secrecy of Russian arms production is one of their greatest military assets and that it would be sacrificed under the Baruch Plan without sufficient guarantee that America would actually discard the bomb. But as long as Russia envelops her productive system in a mantle of secrecy unparalleled in modern times and pursues a policy as treacherous as that to which the world has become accustomed during the last three years, the Western nations are fully justified in refusing to discard, for mere paper guarantees, a weapon which, even though not "absolute," could have important military uses.

New Books

Barbara Ward.	*The West at Bay.*	12/6
John Bowle.	*The Unity of European History.* ...	18/-
Jane Degras (compiler).	*Calendar of Soviet Documents on Foreign Policy.*	18/-
T. S. Ashton.	*The Industrial Revolution*, 1760-1830. ...	5/-
G. Woodcock (editor).	*A Hundred Years of Revolution.*	15/-
Somerset de Chair (editor).	*Napoleon's Memoirs.* ...	42/-

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A Political Novel

"The Plague." By Albert Camus. Translated from the French by Stuart Gilbert. Hamish Hamilton. 285 pages. 9s. 6d

The Economist does not now usually review novels. Nor would it review this one simply in order to discuss how far it is in line with pure Sartre, and how far heresy to existentialists. M. Camus's impressive book is *The Economist*'s business, however, because it contains a political as well as a philosophic message.

The plague of the title strikes Oran in, presumably, 1939. First, rats appear. They die on doorsteps. They stink. Their significance is not understood. Then men, too, sicken. Still the danger passes public understanding. "They went on doing business, arranged for journeys and formed views. How should they have given a thought to anything like plague, which rules out any future, cancels journeys, silences the exchange of views." Finally the true nature of the emergency is grasped. Oran is sealed off from the world. The occupier has settled in. The plague, like the Germans, has severed a portion of France's living tissues from the rest of the body.

The remainder of the book is the portrait of a community's reaction to unimagined danger, as well as to the total upset of daily life. And as such it is a human document of the first order. Its power lies in its capacity for spotting and probing thoughts and emotions—some of them base, others stimulating—that lie, ready to germinate, in all of us, but that blossom only when conditions become exotic. Several French critics have said of the book that no written word has caused them to relive to the same extent the trials, fears and futilities of the years under the Germans. To one British reader, perhaps the most poignant passage in a searching book is its description of the sense of severance from an outside world that is broadcasting futilely inappropriate messages into the beleaguered city. Is it for lack of space, or for lack of imagination that English reviewers have dwelt only upon the book's philosophic significance, and have forgotten to say that it is also an important political document? If for lack of imagination, the lapse is alarming. For does it not mean that we are mentally out of tune with the very neighbours with whom we seek Western Union?

Economic History for Everyman

"The Industrial Revolution, 1760-1830." By T. S. Ashton. Home University Library (OUP). 161 pages. 5s.

THIS latest addition to the Home University Library sets a new standard of excellence even for that admirable series. In so small a compass the reader may expect, perhaps, to find minute and up-to-date scholarship ingeniously compressed, at the cost of a total dessication of all human interest and mental stimulus; a succession of generalisations memorably stated and convincingly linked, but backed by inadequate evidence; or a thesis selectively expounded without perspective or balance. It is certainly rare for him to find, as in Professor Ashton's work, a combination of neatly summarised research, lively humanity, stimulating generalisation, bread-and-butter fact, and an unfailing sense of perspective, all embodied in prose of unmistakable, though entirely unpretentious, literary quality. It is a pleasure to be able to recommend a book, whether to the student or to the general reader, so entirely without reservation—unless, of course, a reservation is implicit in the reviewer's disclaimer of that special expertise needed to pass judgment on the minutiæ of historical scholarship.

The period covered is brief, from 1760 to 1830, picking up the story when Professor G. N. Clark's admirable *Wealth of England* left it and stopping short of the Railway Age, the great reforms, and all the *Sturm und Drang* of the mid-nineteenth century. But it is skilfully keyed in to its place in history. The genesis of the "wave of gadgets" which, in the words of the schoolboy so pleasantly quoted by Professor Ashton, "broke over England in 1760" is carefully traced; among the contributing causes—the filtering down of scientific curiosity, the agricultural advances of the preceding half-century, the spread of propitious political ideas, and the accumulation of capital—Professor Ashton attributes most importance to the last. (Indeed, one of the most remarkable features of his book is the way in which, without painful technicalities, the reader is introduced to the theory of the relation between interest rates, industrial activity, real wages and technical progress.) This emphasis on the economic does not prevent him from giving due attention to the technical aspects of change. Few accounts of the great inventions leave the unmechanical reader with any genuine understanding of the problems and solutions involved. This one does.

Nor is the human side of the story neglected. Just how individualistic were the early captains of industry? What was the balance of human gain and loss in the movement of industry from home to factory? Just how damnable was the institution of child labour? Professor Ashton certainly does not whitewash the Industrial Revolution, but he does set its black spots in perspective beside its achievements, and exonerates it from many of those evils, which, coinciding with it in time, were the result not of technical change, but of war and harvest failure.

Shorter Notice

"Handbook of Latin American Studies: 1944. No. 10." A Selective Guide to material published in 1944. Edited by Miron Burgin. Harvard University Press. xvi pages+440. $7.00.

THE tenth volume of this invaluable handbook shows several changes from its predecessors. Sections on changes in public administration and on treaties and international acts have been omitted for reasons of space. The section on cartography, omitted in the preceding volume, is resumed.

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Letters to the Editor

Soviet Propaganda

SIR,—The word "propaganda" continues to flourish in any description of the Russian system of behaviour. We read of some "western spokesman" "dismissing" every Russian move, such as the offer to supply the western sectors of Berlin, as "pure propaganda." You yourselves speak, in this week's first article, of Mr Vyshinsky winning the "propaganda war."

This seems to me a most dangerous underestimate of what the Russians are doing. Whom do the Russians hope to propagand ? Us ? We are not to be converted. The Russians ? The secret police can attend to that.

The Russians are the world's best chess players. No move which they make is propaganda. Everything is manoeuvre. They have very nearly pulled off a fool's mate in Berlin. There is an almost exactly parallel threat to our queen in Vienna. Their bishop is still threatening Greece. And how have they achieved this position on the board ? Because every subtle knight's move, every quiet slipping up of a distant pawn, is "dismissed" by her completely non-comprehending opponents as "propaganda."

The only thing to do, sir, if we are not to continue to be outmanoeuvred like this, is to break off the game and refuse to play. Whenever that happens Mr Vyshinsky, or some other, delicately uncovers a piece, as an invitation to stay on the board. The atom proposal is a case in point. You think this is propaganda ? I think not. It smells far more like a temptation to exchange our most valuable pieces for some worthless castle in the air. Then, indeed, the four million Russian pawns could move in for the checkmate to our King, unopposed.—Yours faithfully,

ANTHONY GIBBS

Spurfold House, Peaslake, Surrey

More Ministries

SIR,—Your article "More Ministries," October 2nd, suggested that granted an effective system of government by Cabinet Committee administrative bottlenecks might be reduced by increasing the number of departments, and therefore the number of political heads available to deal with matters needing Ministerial decision.

Two criticisms seem inevitable. With more departments Cabinet committees grow bigger, and may lose some of their power of effective decision. Discontented minorities being larger are more likely to wish to break the rule of collective responsibility to the committee and to appeal to the Cabinet.

Then more Ministries will mean that more MPs hold government posts. The glory of the House of Commons is that reserve of strength which enables it to bring down a Cabinet—as we saw in May, 1940. But any increase in the number of Ministries must weaken this independence. In May, 1940, 55 M.P.s were Ministers, Parliamentary Secretaries, etc., today the number is 68. You suggest that the number of departments be increased from 25 to 40. If that were done over 80 M.P.s would hold Government office, and the hordes of Parliamentary Private Secretaries would multiply further. Goodbye to the vitality of the Commons!—Yours faithfully,

University College, Southampton PETER G. RICHARDS

From *The Economist* of 1848

October 14, 1848

But the great feature of the week [in the City] has been the panic in the railway market. We have forborne entering at length into this question in the present week, pending some inquiries which are being made. That a great depreciation of railway property would take place sooner or later from the causes which we have so often pointed out, we were quite prepared to expect; and if distrust has now assumed an indiscriminate and wild character, the directors have themselves chiefly to blame in not having furnished more explicit accounts to the public.

In making these remarks, we are fully alive to the difficulty of showing such accounts in a form which, while they are not exposed to be greatly misunderstood in swelling the actual liabilities of a company, will fairly and explicitly show all its engagements, many of which may be contingent upon events very much under the control of the companies themselves. As it is, there is no doubt that very heavy contingent liabilities for further expenditure of capital upon works which promise but a very small dividend, while high rates of interest have been guaranteed upon the capital with which they are to be completed, attach to most of the companies; and the folly . . . of companies giving absolute guarantees to lines, whatever may be the general receipts at the time, now becomes apparent. As long as trade is brisk, and traffic good, such an arrangement may answer; but when the general receipts, from any cause, fall off, the fixed payments still to be made to the guaranteed lines may absorb a large portion, if not the whole, of such diminished receipts, in cases where the extent of guaranteed liabilities bear a large proportion to the lines on which they are chargeable.

Nationalised Industry in France

SIR,—In the article which appeared in your issue of October 2nd on "Nationalised Industry in France," your Paris correspondent stated that in the mines the proportion of clerks and administrators to miners has doubled since the liquidation of the private companies. I think that this statement conveys a rather misleading impression.

The greatest effort in modernisation and extension of mines is taking place in the coal basin of Lorraine. Since the geological conditions there are more favourable than in any other coal basin in France the French are making their main investment effort there, though naturally the Nord and Pas de Calais region is also of great importance. In view of the requirements in administrative personnel and employees made by the investment programme it may be of interest to give the figures of these personnel employed in 1938 and in 1948, together with the figures for miners of all classes.

	1938	Feb. 1948	Proportion of B+C to A 1938	1948
A. Miners	24,069	43,270		
B. Employees	1,900	3,300	8%	8%
C. Administrative...	150	270		

These figures relate to the basin of Lorraine only. After the war and before nationalisation took place, the 1938 figures had been largely exceeded. Unfortunately I have not the figures for June, 1946, just before nationalisation. It would appear, however, from statements given to me by members of the staff of the Charbonnages de France, at Merlebach, in Lorraine, where I obtained the above figures that there have been no major changes.—Yours faithfully,

167, *West Heath Road,*
London, N.W.3 RAYMOND F. LYONS

Uses of Manpower

SIR,—From his letter of October 9th I feel that Mr Steadman is falling into the common trap of assuming that a simple, all-embracing solution can be found for the complex problem of the re-distribution of our manpower.

Would the suggested pruning of 150,000 civil servants really help to man our coal mines, foundries or farms? It is no easy matter to adapt the army of penpushers so detested by the disciples of Mr Lewis Ord to the completely different types of work and abilities demanded by the undermanned industries: the same general argument holds good for the majority of the workers in the other "undesirable" occupations.

Again, it is easy to comment from the pleasant surroundings of Stoke Bishop that we have too much leisure, too many Saturdays off and that our working week should be increased by three hours. It is quite true that with our present economic difficulties the hours should not have been shortened, but Mr Steadman would find it a hard task to put over such a line of approach to the workers living in the backstreets of Birmingham or my own Black Country,-who for the first time in their lives have the opportunity of spending long week-ends away from the smoke and grime.

From the years I spent as a machinist and foundry worker I feel that the solutions suggested, though theoretically sound, would not work in practice. When we talk of the "Labour Force" we tend to forget that it is composed of individuals and that, unless compulsory direction of labour is resorted to, a plan of action must be formulated which appeals to the individual, not one which only takes into account the mass. It may be that "workers are tired of pampering and being lectured at (and that) they want to see firm action with a plan they can understand," but the answer, to my mind, is far deeper than that, though what it is I frankly do not know, and neither, it seems, does anyone else !—Yours faithfully,

The Union,
The University, Birmingham 15 JOHN CLEWS

AMERICAN SURVEY

Power and Policy

(From Our US Editorial Staff)

UNTIL last week Senator Vandenberg had been staying quietly in Michigan and taking no part in the campaign. On September 11th he had flown to New York to see Mr Dewey and Mr John Foster Dulles and issue the statement that "regardless of political differences at home, we are serving notice on the world that America is united to protect American rights everywhere," but that was a national, and not a party, appearance. But on October 4th he returned to Washington and, in a half-hour talk on the wireless, described his conception of the bipartisan foreign policy. When he had finished his listeners had heard little about campaign issues, but they had learned a great deal more about how a foreign policy is born and agreed upon than they had done in weeks from either Mr Dewey's manicured paragraphs or the President's roughcast sentences.

On October 10th he carried the lesson one step farther by showing how such a foreign policy is to be carried out in a world in which the United States has agreed to act not only through Congress, but also within the United Nations. Both lessons were underlined by the dangers inherent in the President's highly publicised impulse, withdrawn almost as soon as suggested, to send Mr Vinson, Chief Justice of the Supreme Court, as his special messenger to discuss the Berlin situation with Mr Stalin.

One of the problems of American foreign policy in the past has been the gap between protestation and performance. There appeared to be no contact between the men who spoke of idealism and those who acted with realism. Mr Wallace Carroll, Director in London of the Office of War Information from 1942 until 1944, writing of the arrangement with Darlan in his "Persuade or Perish" says "America had spoken such fine words, America had proclaimed such proud principles and now, at the very first temptation, America had to all appearances cast principle aside and struck a bargain with one of the most despicable of Hitler's lackeys." "To-day when we wonder," he goes on, "why Europe doubts our motives and even fears us, we must think of those days in 1942. . . . Here was a classic example of the folly of ignoring public opinion in war or in politics." Here, even more, perhaps, was an example of the American habit of leaving words and action in separate compartments and believing American action was automatically hallowed by American interest.

Senator Vandenberg has been able, since then, to bring the two halves of American foreign policy together. At San Francisco he made the words of Article 51 fit the reality of the Monroe Doctrine and legalised the "regional arrangements" which are being of such use today. During the debate on Greek-Turkish Aid, he insisted on associating the programme with the United Nations, thereby making the actions fit the protestations. He insisted, both in the Marshall plan and in the Vandenberg Resolution, that self-help and mutual aid must be apparent and that national security of the United States must be affected before aid was given. And it was he who put into the Republican platform the paragraph:

> We shall say what we mean and mean what we say. In all of these things we shall primarily consult the national security and welfare of our United States. In all of these things we shall welcome the world's co-operation. But in none of these things shall we surrender our ideals or our free institutions.

Last week he said that "these are principles of intelligent self-interest." This week he suggested that European countries by intelligently consulting self-interest also might find the formula that would shake them out of their "sixteen airtight compartments" and that then the United States would be able "to retire from a Europe which has restabilized itself."

The danger is no longer that the United States will not admit its self-interest but that it will use its power too diffidently. It is no accident that international diplomacy has always been pictured in this country as a game of poker, a game in which the cunning European powers—and particularly Britain — always held the aces. It became accepted in the United States that the possession of aces was, in itself, a disgrace, a proof of cheating. Aces, it was felt, were not come by honestly; they came from the sleeve and were known as Power Politics. Now that the United States finds itself monotonously with four aces in every hand, it is often reluctant to use them. When it does its blushes lead others to believe that they have, indeed, come from the sleeve.

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Mr John Foster Dulles has said that no nation is so poor as one that has only dollars to give. The United States has had a sneaking feeling for many years that it was in exactly that position. Many of its own prophets have said so, beginning in the last century with Henry Adams, who, believing that his country was quite unfitted for the responsibility that would be its when British economic power began to fade, recommended an isolation as complete as possible to save the United States from the shame of failure. Ever since, the fear of failure has driven one Administration after another to shelter, after short forays into the foreign field. Policies have been picked up and laid down as if they had no more weight than jack-straws and the Truman-Vinson demarche, threatened and then withdrawn, shows how persistent that habit is. The fact that a President of the United States, feeling however close at home the hot breath of a campaign rival, could fail to realise what havoc his suggestion would wreak upon a delicate situation abroad is a symptom of an unawareness that is national as well as personal. They are still a minority who know, as one commentator puts it, that "unhappily we live in a time when we cannot draw a breath or flick an eyelid without international complications."

Last week, when Senator Gurney announced that he thought that Spain should be included in the European Recovery Plan and given military aid he did it, as he said, "from a practical standpoint" and made no pretence that he considered General Franco a "Christian gentleman." When asked whether he cared whether a country was democratic as long as it was anti-Communist, he replied that "I do care, but it is not up to us to tell any other country what sort of government it shall have." Senator Gurney is from South Dakota, in the heart of that Middle West which has until lately made a profession of giving other countries far more impertinent advice than hints on the constitution of their governments.

American foreign policy, unless, which is unlikely, it ever again gets into the hands of those prophets of unintelligent self-

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interests the isolationists, seems now to be set on a steady course. "We are realists," Senator Vandenberg said, "in the presence of the dangers which confront us and the Western world today." This automatic acceptance of the identity of the United States with the Western world also makes present policy different from past policies. It was hardly as common members of a Western civilisation that President Wilson or even Mr Roosevelt suggested solutions of European problems. They were gods who came in on their machines and left on them again somewhat in the manner of schoolmasters after restoring order in the dormitory. They recognised no continuing danger to their own country.

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The size of the country and the strength of its industrial machine have, in the past, blinded the American people to the limits of their power, to the fact that their population of 140 millions could not hope to stand alone forever against other races, already more numerous and increasing at a faster rate. But the potential enemy is no longer a western European power which can be under-rated on a basis of acreage; it is a power which, in both space and manpower, has the advantage over North America. In such a position, any country would be well-advised to look for allies, and to forget some of the ideological rigidity which has inhibited the United States in the past. Governor Warren may say, and believe, that it is the American Constitution which makes the difference between freedom and serfdom, but there are many who would now prefer to agree with Sir Stafford Cripps when he told the Federal Bar Association in Washington that "democracy as we understand it denotes a control by a freely ascertained majority of the people over what would otherwise become the irresponsible acts of their leaders." And it is in western Europe and the British Commonwealth that such democracy is available in the present crisis. Mr Dulles remarked in January to the Senate Foreign Relations Committee concerning the countries of western Europe that "they are plenty strong of themselves. They have over 200 million people—educated, able people. They can be stronger than we are. They are not now, but they can be." The value of that strength is now being recognised.

At the moment American foreign policy is, understandably, pre-occupied, on the surface, with stopping at all costs the advance of Soviet power. What is remarkable is that it should be trying to do it with a strategy which, even though it may be imperfect, is designed to have a permanently beneficial effect and is not a mere stopgap. If the United States seems not to understand the difficulties, for European countries, of the economic integration, the military co-operation and, above all, of the political federation for which it is pressing that is not strange. The real test of understanding will come when, by the logic of its own arguments, it is faced with the next step. Senator Vandenberg has not said anything about Atlantic Union; but it is implicit in his arguments.

American Notes

No Mission to Moscow

Mr Truman stumbles from one miscalculation to another. During his recent election tour he was criticised both for leaving Washington during the Berlin crisis and, by the more sophisticated, for allowing it to become apparent that his absence made no perceptible difference to American policy. But his brief interlude in Washington between campaign forays has proved even more disastrous. Whatever motives Mr Truman himself may have had for proposing to send Mr Vinson as a special envoy to Moscow, his political advisers plainly hoped that this new initiative would dispel the insinuation that the President has no share in shaping foreign policy, and dreamed of a diplomatic triumph which would transform his chances of re-election.

No calculations could have been more mistaken. Owing to a certain precipitancy in engaging time on the air for Mr Truman to make a "non-political" broadcast before Mr Marshall had been consulted, the news of Mr Vinson's shortest-lived assignment leaked out, causing consternation in Paris and rumours of a rift between the President and his Secretary of State at the worst possible moment. The cancellation of the broadcast which followed Mr Marshall's veto came the same day, but too late to prevent the damage to the President's prestige.

A fatal comparison has now been drawn between Mr Truman's inability to foresee the consequences of appearing to go over the heads of Mr Marshall and the American delegation at Paris, and his blind spot two years ago when, during another campaign, he rashly approved Mr Henry Wallace's Madison Square Garden speech and had to choose, a few days later, between the foreign policies of Mr Wallace and Mr Byrnes, then Secretary of State. Then it was Mr Wallace who had to go. This time it will be Mr Truman himself and the millstone he has hung round his own neck is so heavy that it is thought it may drag down to defeat other Democrats whose prospects in the contests for House and Senate, up to now, have been much brighter than those of the President.

The incident has given Mr Dewey another opportunity for a display of statesmanlike restraint. In the interests of national unity, he has refrained from any direct reference to Mr Truman's gaffe, though the occasion of his renewed charges of weakness, wobbling, and clumsiness on the part of the Administration will be lost on no one. The incident, after all, can be relied upon to speak for itself. If tailor-made, it could hardly have been better designed to illustrate the Republican thesis that Democratic vacillation and irresponsibility have marred the execution of the bipartisan foreign policy.

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Commodity Price Setback

Almost throughout the postwar boom, a prosperous United States has lived in fear of depression. It is a fear which has coloured every discussion of anti-inflation controls, and one which has on several critical occasions seemed to justify the acceptance of openly expansionist measures, such as the generous settlement of wage claims, the timidity of monetary controls, and the prolongation of inflated farm price guarantees. Only a week or two ago, Reserve Board policy was attacked by one influential economist who declared that monetary restraints were adding more uncertainty "to what is already a disturbing down-trend."

The most recent pointer to some decline in business activity ahead has been the behaviour of commodity prices. In sharp contrast to the upward curve which followed the winter break in grain prices, the Bureau of Labour index of wholesale prices has made no net headway for about three months, touching a postwar peak (1926=100) of 169.2 on two occasions in that period, but falling back to 167.1 for the week to October 2nd.

A more sensitive indicator is the Moody's index of staple commodities (1931=100). Moving in a range far wider than the Bureau's index, which covers finished goods prices and fuel costs, the Moody's index plunged from a late 1947 high point of 462 to almost 400 in February. Unlike the Bureau of Labour index, the Moody's yardstick has never regained its 1947 high. At the end of June it began a slow but persistent decline which culminated in a sharp dip to below the 400 mark on October 5th. Since then a modest recovery has taken place.

The weakness of grain prices (especially maize) accounts for a very large part of this tumble which is justifiably held to be an important pointer to possible changes ahead. But some other commodities such as vegetable oils and dairy products have fallen, and there has been what looks like a temporary flurry in meat and livestock prices. Perhaps more important is the "stickiness" shown by some other groups, although the latest attempt to lift crude oil prices, and the railroad wage claims, with their consequent pressure for higher freight charges, show that directly opposing forces are still at work.

Are the temporary props of the postwar boom (on which the Council of Economic Advisers spoke at such length some time ago) now being kicked away? To such a query, the answer today contains something affirmative, unless one assumes the development of an arms programme, in which case business could not anticipate the retention of its present freedom from direct controls. Despite the autumn trade recovery from seasonal summer slackness, there has long been an accumulation of evidence to suggest that inflationary forces have lost their earlier vigour. But it is by no means possible yet to assess the potential pace or scope of the forces of recession. The Council, in a recent declaration, held that inflationary forces would continue to present dangers throughout the rest of 1948. The balance of probabilities certainly does not suggest that anything like a collapse is near at hand.

Sisyphus at the Federal Reserve Board

Business caution has been reinforced in recent weeks by widespread speculation on the possibility of an abrupt change in monetary policy, through an abandonment of the bond support programme which has attracted a growing measure of criticism.

For well over a year now, the US Treasury has been juggling with the dual policy of making some attempt to impose mild curbs against credit expansion, and simultaneously "protecting" the long-term rate on Government securities at 2½ per cent. The net result has been that every effort to apply the curb has been offset by sales of Treasuries to the Reserve system—sales which bring an automatic and corresponding increase in bank reserves, which can be used again to create a volume of credit several times as large as the actual gain in bank reserve balances.

As the boom has progressed, this flow of bonds to the Reserve banks has been quite unprecedented. From the close of June until October 6th, Reserve bank holdings of government securities, the foundation of the credit structure, have risen by $1.6 billion to $23.1 billion, and commercial bank reserves by $2.2 billion to $19.6 billion, although reserve requirements over that period were up by as much as $2.4 billion. The flood of security sales has followed naturally from the effort made by the commercial banks to comply with new reserve requirements, but insurance companies, and other financial institutions have been equally large sellers.

From a purely technical viewpoint, this process could no doubt continue for some time. But the banks, which are naturally far more sensitive to falling bond values than some other commercial holders, have become increasingly restive. They have seen the imposition of gradually tightening restraints against their own expansion, and they look wistfully at the freedom of insurance companies to unload their Treasury portfolios, and to seek more attractive investment channels. Their growing discontent was summarised by the *National City Bank Review* which declared in September that there were two ways out of the monetary dilemma: one, the restriction of bond sales; the other, removal of the bond price "peg." "The first solution is that of a controlled economy. The second, that of a price economy."

The Reserve Board and the Treasury hold still to their task of maintaining long-term Governments at par. By hardening short-term rates, they are endeavouring to attract bank funds into Treasuries, and thus to offset the inflationary effects of long-term bond sales. It is a process which cannot continue indefinitely. In the words of Mr Russell Cornell Leffingwell, chairman of J. P. Morgan and Co.: "To try to make short money scarce and long money cheap is a task for Sisyphus." Paradoxically, Mr Leffingwell's attack stems mainly from the belief that Reserve Board tactics hold the menace of a deflationary movement far more drastic than any which might follow a general rise in interest rates. While he does not like bond "pegging," Mr Leffingwell, too, shies away from "active dear-money or any deflationary steps." The Reserve Board has not solved its dilemma; but whether it enforces another rise in short-term rates, or raises reserve requirements to their full legal limits, or retreats altogether from its bond support programme, it must move, so long as income and employment remains at present high levels, in a direction which does not encourage speculative fervour.

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Mr Wallace's Olive Branch

The Third Party has shown a belated sensitiveness to the charge that, by splitting the liberal vote, it was serving the Communists' interests by ensuring the election of reactionaries to Congress. Despite Mr Wallace's public misgivings of three weeks ago Mr C. B. Baldwin, the party's campaign manager, has announced the withdrawal of its candidates from a number of races in which liberal Democrats are facing strong Republican opposition. Most important, because it affects a Senate contest in one of the doubtful states, is the withdrawal of the Progressive Party's candidate in Minnesota, where Mr Humphries, the Democratic Mayor of Minneapolis, is attempting to unseat Senator Ball. Other candidates to whom the olive branch is being extended include Mrs Helen Gahagan Douglas, campaigning in California to hold her House seat, and Mr Chester Bowles who is running for Governor in Connecticut. Mrs Douglas has been the classic example of an outstanding liberal who incurred Progressive hostility because of her support for the Marshall Plan and her criticism of Russia.

Many Democrats, Mr Baldwin earnestly assured his press conference, have become much more liberal in recent weeks and

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Progressive candidates, even when their names are on the ballots and cannot therefore be withdrawn officially, will campaign for their election. The quid the Third Party hopes to gain for this quo appeared when Mr Wallace appealed to the Congress of Industrial Organisations to support Progressive candidates engaged in a straight fight against Republicans.

This about-face may be merely a concession to moderate opinion inside the Third Party, but it looks very much as though Mr Baldwin were throwing half his passengers overboard to keep the ship afloat. In Illinois it appears that the party offered—in vain—to withdraw its Congressional candidates in return for help in securing Mr Wallace the place on the ballot now denied him. In Minnesota a recent unofficial poll promised Mr Benson, the Progressive candidate, only a handful of votes. At a time when estimates of Mr Wallace's vote in November are steadily declining—it is now put as low as 2 million—the party may reasonably have decided to concentrate what funds, energies, and hopes remain behind its Presidential candidate.

Mr Baldwin pointed out that the Progressive Party now has only about 100 candidates running for the House and 11 for the Senate. Two of these are negroes in the South—a purely symbolic gesture. Outright endorsement of Democratic candidates, Mr Baldwin said wistfully, would be much greater if it were not that Democratic backers threatened to cut off campaign funds if the advances of the Third Party were accepted. Certainly the political ineptitude and unreliability which, with its Communist support, account for the sharp decline in the Third Party's fortunes, make Mr Wallace's blessing a doubtful asset. The endorsement of the Third Party has been sharply repudiated by Mrs Douglas and carefully avoided by Mr Bowles. Its somersault comes too late to do either its candidates or those of the Democrats very much good.

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PROs Abroad

(From Our US Editorial Staff.)—The refusal of Sir Stafford Cripps's Public Relations Officer, Mr S. C. Leslie, to talk to a group of correspondents unless *The Chicago Tribune* was excluded—which aroused some indignation in Washington—brings into question the wisdom of Cabinet Ministers taking with them to America men who, whatever their value at home, have no knowledge of the very different and more complicated technique needed for relations with the press in Washington. The British Information Services, even after severe postwar cuts and the limitation on its independence and, therefore, on its efficiency, since its absorption into the Foreign Office, is trained and equipped to handle a visitor's relations with the press better than a stranger after a few days' stay. A great deal of lip service is paid, in the United States, to the ideal of a "free and responsible press," but it is the freedom which is guarded with vigilance by newspaper publishers and correspondents alike, while the question of responsibility is left largely to individual conscience. A strong tribal feeling still exists in every profession and community in the country and the tribe, even though it may disapprove of the actions of one of its members, comes to his help as a body when he is attacked from outside. The correspondents of the other papers involved would probably none of them have been inclined to defend either the policies or the methods of *The Chicago Tribune*, but they were prepared to defend the right of its correspondent to attend any press conference to which they were called. They are always on the watch for any sign that their privileges, which are such that any diplomat might envy, are being or might be abridged. The thin end of this wedge is, in the eyes of the newspaper profession, as dangerous a weapon as the atomic bomb. If Public Relations Officers must go to the United States they should at least remember this.

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House-cleaning in January

Mr Dewey has guaranteed that the Communists will be the first into the Washington dustbin next January, when he gives the Federal Government its promised house-cleaning—"the finest there ever was." That house-cleaning may be a good deal more thorough than the Republican party regulars have bargained for. After sixteen years without a home, their chief desire is to find room for as many pieces of their furniture as possible. But, if Governor Dewey's housekeeping methods in New York are any guide, he will probably feel that the Federal house in Washington is overcrowded; he may even want to close some of the rooms. He will certainly not be content merely to replace Democratic junk with Republican lumber.

Mr Dewey will have the advice of a house-cleaning expert, Mr Herbert Hoover, who heads the Commission on the Organisation of the Executive Branch of the Government, due to report to the new Congress in January. The monumental task of this Commission is to recommend means of simplifying the structure of government, of clarifying its lines of authority and of reducing its cost. The need is unquestionable: for example, there are said to be 57 agencies making loans to farmers, 28 doing social welfare work, 16 preserving wild life. In the last quarter of a century, the number of Federal employees, now over 2,000,000, has been quadrupled and the Federal budget has increased tenfold.

Mr Hoover is not alone in thinking that the high cost of government threatens the national standard of living. Congress set up the Commission in the hope that an expert and objective study of the structure of government would make it possible to give substance to the Republican promises of economy and efficiency, which years of reiteration on political platforms and Congressional floors have not made any less empty. The Democratic Administration, on the other hand, has done a certain amount not only to abolish some of the emergency agencies which grew up during the depression and war years, but also to regroup some of those remaining into more comprehensive units. Nevertheless, Mr Truman welcomed the establishment of the Commission wholeheartedly; he is well aware that the present system—or lack of one—imposes an intolerable volume of work on the President. In recommending means by which this burden may be lightened, the Commission is expected to put more responsibility on the Vice-President, and thus to enable Mr Dewey to keep his pledge that Mr Warren will be more than a figurehead.

In choosing the twelve members of the Commission, a careful balance was preserved between the political parties, between officials and non-officials, between the legislature and the executive. Both the members of the Commission and the many experienced citizens who are assisting their investigation are men of the highest reputation; they are refusing to publish their report until after the election, so that it will not become a political issue, even though it will inevitably be critical of the Democrats who have been in charge of the Government for so long. The first attempt to reorganise the Executive was made in 1798 and there have been many since, all unsuccessful; however, the enormous expansion of governmental activity in recent years has given the question a new urgency. There are strong vested interests in the Government and in Congress, which resist any change, and not only will the recommendations be complicated, but they will deal with such controversial questions as Federal responsibilities and States' rights. Nevertheless, this time the prospects are unusually bright for the achievement of at least some degree of reorganisation, particularly if the recommendations of this exceptionally authoritative Commission are given the energetic backing of the new President while the prestige of his election is still fresh.

Shorter Notes

General Eisenhower took office as President of Columbia University this week. His inaugural address, which was one of the most statesmanlike speeches made in the United States for a long time, will probably be quoted long after the words of all the Presidential candidates are forgotten. His theme was the challenge to freedom and the role a modern university must play in its defence through devotion to intellectual liberty and refusal to take refuge in academic ivory towers. He said: "In today's struggle no free man, no free institution can be neutral." General Eisenhower received an ovation at the close of his address and the hope of many people that he will not remain permanently in academic life has been revived.

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Mr Petrillo, head of the American Federation of Musicians, has reversed an opinion; he now finds that the sound made by a harmonica is, after all, musical and he has decided to admit harmonica players into his union. Mr Petrillo does not deny that his change of heart or, more precisely, of ear, is connected with the fact that harmonica players have been making recordings which are still banned by the Musicians Union. Recently several well known entertainers, including Larry Adler, have joined the Musicians Union and so presumably the public will in future hear their harmonicas less often. An official of the Guild of Variety Artists to which the harmonica players have belonged, accuses Mr Petrillo of raiding his union—artists cannot be members of both—and he charges that the "czar" of the Musicians Union is living up to his high-handed reputation by this most recent arbitrary decision.

THE WORLD OVERSEAS

The Moscow-Belgrade Letters

(By a Correspondent)

WHILE the Jugoslav Foreign Minister, Mr Kardelj, performs in Paris as a loyal member of the Soviet diplomatic train, the bitter disputes between his master and Mr Stalin, between the Belgrade Communists and the Cominform goes on. Last week the Belgrade Communist newspaper *Borba* carried hostilities a stage further with a series of articles revealing to its readers Mr Stalin's personal activity in the attack on Marshal Tito—who may be the author of the articles. These recall the correspondence between the Central Committees of the Soviet and Jugoslav Communist parties, which led to Jugoslavia's expulsion from the Cominform. It would easily fill the pages of a middle-sized book; although it consists only of eight letters—three Soviet and five Jugoslav. Although the Soviet letters reveal, better than any other postwar Soviet documents, the real motives behind Moscow's international policy, as well as Mr Stalin's tactics in his dealings with Communist parties outside Russia, they do not seem to have received in the British press the attention they deserve.

It is worth bearing in mind that one of the chief actors in the Moscow-Belgrade drama, the Soviet Ambassador in Belgrade, Arkady Lavrentiev, is no ordinary Soviet diplomat, but one of the Kremlin's most trusted political agents. An engineer by profession, Lavrentiev was sent to the Foreign Ministry for the first time during the 1937-38 purges, when he was in charge of cleaning up Soviet representatives in south-east Europe. Mainly as a result of his activities, the Soviet Ambassadors in Ankara and Sofia were proclaimed traitors and liquidated. The Ambassador in Turkey was shot in 1938, together with a score of other diplomats, but the representative in Sofia, Razkolnikov, escaped to France, where he published his own version of the purges. (He was reported to have "committed suicide" during the war.) Lavrentiev was then sent to Sofia, with the rank of Minister, in charge of Balkan affairs. During the war he acted as the liaison between the Soviet Central Committee and the east European Communist parties. In 1945 he attended the San Francisco Conference in charge of Soviet satellite delegations.

The published correspondence reveals that the first serious difficulties between the Soviet Government and Marshal Tito occurred in 1945, and Lavrentiev was sent soon after to Belgrade. Tito was doubtless fully aware of the real meaning of this diplomatic appointment, and it is obvious from the correspondence that Lavrentiev was cold shouldered and distrusted in Belgrade from the start. The Marshal even forbade him to get in touch with party leaders, and complained to Mr Stalin:

> We think that he (Lavrentiev) has no right to collect information about the activities of our party. That is not his business as an Ambassador.—(Jugoslav letter of 13.4.48.)

Informers Around Tito

Lavrentiev was successful, however, in obtaining the services of two members of the Jugoslav Politburo—Hebrang and Zujovic. Apparently Marshal Tito was unaware of this until the spring of 1948 when, in the Jugoslav Politburo, they backed the Soviet viewpoint. Both were promptly arrested, and Marshal Tito, in protesting to Mr Stalin about it, pointed out that the information of the Kremlin's two informers was "faulty." Rather naïvely Mr Stalin replied that his information came "not only from Zujovic." (Second Soviet letter.) However, at present Moscow appears to have no informers in the Belgrade Politburo, and Marshal Tito has liquidated all would-be candidates by the quick Stalinist method: they were shot. Zujovic was denounced by his former colleagues of the Central Committee as an "indurate fractionalist."

The correspondence draws a striking and unfamiliar picture of Stalin as a sensitive, peevish man, who cannot tolerate criticism either of his regime and his policy, or of the behaviour of his officers abroad. Thus, when Djilas complained of the moral behaviour of Soviet officers at a meeting of the Jugoslav Politburo (which, after all, is the Jugoslav Inner Cabinet, and whose proceedings are the most sacred of all state secrets), Mr Stalin despatched a long and angry telegram to the Marshal, and Djilas had to take an aeroplane and hurry to Moscow to apologise in person. (2nd Soviet letter.) General Velebit, one of Marshal Tito's most trusted assistants and Deputy Foreign Minister, was sacked because, on an unspecified occasion, he expressed "anti-Soviet views." (For this he was accused of being a British spy, but it is obvious that Mr Stalin did not take the charge seriously, as he recommended that Velebit should only be removed from the Foreign Ministry and not liquidated.) (2nd Soviet letter.) Three secretaries in the Jugoslav Embassy in London, besides the Ambassador himself, were accused of being British spies, though the Soviets would not reveal their names. (2nd Soviet letter.)

Supreme Authority of the Cominform

The most valuable part of the correspondence deals with Communist internal affairs, and relations among the European Communist parties. Mr Stalin leaves no doubt about the true role of the Cominform: gone are all pretences of the independence of national parties. The 3rd Soviet letter says:

> During the organisation of the Cominform all Communist parties agreed with the unquestioned principle that every Communist party is responsible to the Cominform.

Further, the Cominform is raised to the status of a supreme political body for all states in the Soviet bloc:

> The Cominform is the party political basis of the united international front. Any policy of deviation from it leads to treason. . . . —(3rd Soviet letter.)

In the Soviet letters there are many more revealing and most interesting—because they are so authoritative—explanations of Soviet policy. On the problem of the Communists' relations with non-Communist parties and states, Mr Stalin's Central Committee states: "Communist parties can live and develop only in open warfare against the enemies of Communism." (2nd Soviet letter.) Or: "In the transition period from capitalism to socialism the class war does not become less bitter but, on the contrary, more bitter and more intensified." (2nd Soviet letter.) The theory that there could be "peaceful development of capitalist elements alongside socialism" is called a "rotten and opportunist theory." (2nd letter.) Soviet Russia gives "material and other assistance only to friends" and any country or party which is anti-Soviet "deprives itself of such help." (2nd letter.)

Further on Mr Stalin points out that the Jugoslav Communist regime was established only by force of Soviet arms, which "created the conditions for the Jugoslav Communist party to come to power." He openly states that the Communist parties in France and Italy could not seize the reins of government only because "unfortunately the Soviet armies could not give the French and Italian Communist parties similar assistance." (2nd letter.)

Finally, Mr Stalin's lengthy explanations on the role of the Communist parties within the state are also worth quoting, if only because they are the first published official Soviet postwar admissions that the Communists have absolute power in all Eastern "democracies."

> The Party is the highest political organisation of the working class, which stands over and above all other political organisations and state departments, including the Soviets in the Soviet Union and the National Councils in Jugoslavia.—(2nd Soviet letter.)

One could hardly find a better formulated definition of the completely subordinate role played by the non-Communist parties, city and county councils and parliaments, trade unions, etc. in the countries behind the Iron Curtain.

Appeal to the Masses

Most surprising of all, especially in the light of later events, was Moscow's apparently complete ignorance of the real feelings of the Jugoslav people, including the Communists, towards the Soviet Union. Mr Stalin certainly believed that his denunciation

of Marshal Tito would be enough for the "healthy" (anti-Tito) Communists to take over. His first letter says, somewhat pompously:

> We have no doubt that if they get the chance to know about it the Jugoslav party masses will reject with anger this (Tito's) criticism against the Soviet Communist Party, as anti-Soviet, as alien and enemy-inspired. We think it is precisely for that reason that the Jugoslav party leaders have been criticising us secretly, without telling the masses of the people of their attitude.

Dutch Plans for 1949

WHEN the Netherlands Minister of Finance last month introduced the budget for 1949, he outlined briefly the present economic position of the country. His outline is of particular interest at a time when the ERP nations are taking stock preparatory to convincing Mr Hoffman that they will be on their feet by 1952.

The Minister pointed out that while industrial production for 1948 will probably be some three per cent above the 1938 level, this apparent recovery is none the less deceptive. Since 1938 there has been a 13 per cent increase in the working population, and this means that output per head is in fact down by about ten per cent. Moreover, the indices for individual industries show a good deal of variation. The black spots are in building, where production is 70 per cent of the 1938 level; in coal mining, lumber and clothing at 80 per cent; and in agriculture at 88 per cent.

The export-import position, according to the Minister, is still highly unsatisfactory. At the moment, only 50 per cent of Dutch imports are covered by exports—a gap that makes Britain's balance of payments look positively healthy.

In bringing together these unpromising statistics of production and international trade, however, the Minister pointed to some light at the end of the corridor. He expected a fall in world prices of agricultural produce which would enable the government to reduce food subsidies, and he welcomed the proposed return of intra-European trade and payments to multilateralism as "a step in the right direction." Having offered these crumbs, the Minister, so to speak, shook his head and advised his listeners at home and abroad that for the Netherlands such aids were inadequate. The future welfare of the country depended above all on the economic recovery of Germany and Indonesia and on fully restored trade relations with these two prewar bases of Dutch prosperity.

Resources	Billions of Guilders 1948	1949	Needs	Billions of Guilders 1948	1949
National product at market prices of business sector*	11·11	11·96	Consumption of :— Personal sector	9·68	9·98
Public authority sector	1·18	1·14	Public authority sector	2·07	1·94
Deficit in balance of payments on current account†	1·13	0·84	Net investments of :— Business sector	1·63	1·87
			Public authority sector	0·01	0·15
	13·42	13·94		13·42	13·94

* Including 0·102 income from abroad.
† The deficit with the dollar area is higher; the amount given here is a balance including some non-convertible surpluses with soft-currency countries.

Hint of Lower Taxes

Inevitably the budget was set against a background appeal to the nation to live soberly and to save. In return there was a hint, almost a promise, of a reduction in the heavy tax burden now borne by the Dutch citizen. The budget estimates for next year are based on calculations made by the Central Planning office; and the planners, in their turn, have worked on three main assumptions. First, production in 1949 will show a further expansion of six per cent—largely as the result of increased output in mining and building. Second, there will be no further reduction in holdings of gold and foreign investments. Third, public authorities will not require any resources beyond those provided for in the budget.

On the basis of these assumptions, the budget laid down the following general lines of action. Imports required for rationed goods must not exceed the mid-1948 level, and as far as possible imports of non-essential goods and all imports from the dollar area are to be reduced. Investment by public authorities must be held severely in check, while investment in the private sector is to be stimulated. Stocks of raw materials will not be increased and the consumption of building materials, paper, petrol and coal will be held down.

From the standpoint of other ERP nations, one of the more interesting tables in the budget statement deals with the national income and its proposed uses.

The table shows that the net investment, both public and private, for 1949 is estimated at 2.02 billion guilders, or approximately 14 per cent of the national income. It is expected that half of the funds required for this investment next year will come from the net savings of business and nearly 40 per cent will be furnished from abroad. Such reliance on outside aid for the expansion of Netherlands industrial capacity may strike some critics as excessive, but it is well to remember that average consumption per head in Holland is still considerably below prewar levels.

Throughout the budget statement runs the suggestion that Netherlands Government policy is moving in the direction of increased economic freedom—in part the result of a change in faith, in part because such a realignment is a necessary condition for fulfilment of the Benelux union, where the pace is set by the decontrolled Belgian economy.

Disarmament After Three Years

WHEN President Roosevelt returned from the Crimea Conference he said he had hopes of a peace so secure that the Allies would gradually be able to cut down their armaments. Later events proved him to have been far too optimistic, but the precariousness of the present peace has not deterred Mr Vyshinsky from bringing up once more before the United Nations Assembly the subject of general disarmament. The delegates at San Francisco in 1945 approached the problem tentatively, merely authorising the General Assembly to "consider the general principles of co-operation in the maintenance of international peace and security, including the principles governing disarmament and the regulation of armaments"; they made the Security Council responsible, with the assistance of the Military Staff Committee, for drawing up plans for the regulation of armaments. It was obviously felt that the necessary corollary to the regulation of armaments was the formation of an international police force.

The Soviet Union has never been loth to take the initiative in producing far-reaching disarmament proposals, ever since Mr Litvinov made his début in the Preparatory Commission for Disarmament in 1927 with a startling proposal for the abolition of all armies, navies and air forces. In October, 1946, when the General Assembly was preoccupied with Mr Baruch's proposals for the control of atomic energy, Mr Molotov suddenly produced—what few doubted was a red herring—vague but grandiose proposals for "a general reduction of armaments." He later amplified these proposals with the suggestion that two commissions should be established "within the framework of the Security Council"; one was to supervise the reduction of armaments and the other the prohibition of the use of atomic energy for military purposes.

Throughout the ensuing Assembly debates the main point at issue was whether or not the special control commissions should be subject to the Great Powers' veto in the Security Council. The stubborn Russian stand that they should be so subject on one occasion provoked Sir Hartley Shawcross to declare that "a scheme subject to such hazards would be a fraud, a delusion and a snare. Do not let us foist this humbug on the world." Eventually, however, on December 14, 1946, the Assembly unanimously passed a resolution which, after recognising "the necessity of an early general regulation and reduction of armaments and armed forces," provided for the establishment "within the framework of the Security Council" of an international system of control and inspection operating through special agencies, which should derive their powers and status, not from the Security Council, but from the conventions under which they were established. Their work would, therefore, not be at the mercy of a veto by any of the Big Five. This important concession by Messrs Molotov and Vyshinsky led to a certain modified optimism, although most of the Westerners would have agreed with the Canadian Secretary of State when he said that any further progress would require a "pious obstinacy."

New and Conventional Weapons

At the end of December, 1946, the Russians, again taking the initiative, suggested the immediate establishment by the Security Council of a commission which would submit proposals for carrying out the Assembly's resolution on disarmament within three months. But the Council soon became hopelessly embroiled

in disputes as to whether or not the proposed commission should concern itself with atomic weapons. The Russians held that it should, and alleged that the Americans were determined to hold on with both hands to that "queen of horrors, the atom bomb." The Americans felt it would be both unnecessary and unwise, since the Atomic Energy Commission had already reached the point of producing a plan for the most stringent control of atomic weapons. They asked whether the Security Council was to advance towards atomic security from the point already reached, or was it to retreat and start the whole weary business all over again.

The absurdity of such a procedure made the Russian motives seem extremely suspect, especially as they more or less admitted that they planned to renew their efforts to obtain information about atomic weapons through the new commission. When the Atomic Energy Commission had been proceeding with such admirable discretion,, no one in the west could regard with equanimity the prospect of a new commission, legally empowered to demand wholesale revelations about atomic weapons. It was also felt that the Russians did not want to be held to what pledges had been wrung from them on atomic disarmament, and would try to submerge them in the vast and complicated issues of general disarmament It was certainly true that the chances of agreement on atomic control would be immeasurably lessened if it was made contingent on an agreement on general disarmament, because while there were bases for agreement on the former, for agreement on the latter there were none.

At last, on February 13, 1947, the Security Council voted, by ten votes to none, with Russia abstaining, to set up a Commission on Conventional Armaments, consisting of members of the Security Council, which should submit to the Council proposals "for the general regulation and reduction of armaments and armed forces." Although matters falling within the competence of the Atomic Energy Commission were specifically excluded from the jurisdiction of the new Commission, the Russians started their old game of trying to get atomic weapons included in the Commission's discussions; but it was eventually decided to leave all mass-destruction weapons—atomic as well as lethal chemical and biological ones—to the atomic energy experts. The Commission was supposed to submit proposals within three months, but its progress has been aptly compared with the picture of a man mounting a descending escalator backwards. It was not until nearly five months after the Council's decision that a working plan for the Commission was approved; twelve months later again the Commission had not got as far as deciding how to start work, and its working committee reported last July that there was no point in going on until there were peace treaties with Germany and Japan, international control of atomic energy, and, above all, "an atmosphere of international confidence."

Inspection or Abolition First?

The discussions in the Conventional Armaments Commission showed that the Russians and the west were poles apart in their approach to the problem of disarmament. While Russia argued that nations must first disarm and then evolve a system of control and inspection, the west held that a reduction of armaments must be accompanied by agreement on a system of control and inspection. Again, while Russia argued that disarmament would itself remove the mutual mistrust which was bedevilling international relations, the west held that armaments were the effect not the cause of the prevalent distrust, and that disarmament could not precede a satisfactory peace settlement. As a first step towards establishing mutual trust the British delegate made a vain appeal that all members of the United Nations should submit detailed reports of their trained military manpower.

It is difficult to see that Mr Vyshinsky's latest proposals, now before the General Assembly, do anything more than provide new material for the Russian diplomatic offensive. It is true that they contain a novel element in the proposal that the Big Five should immediately reduce their land, air, and sea forces by one third; but quite enough is known of the relative strength of their armed forces to make it obvious which power would benefit most from such a plan. In fact the paradoxical situation continues in which the country most prolific with suggestions for a policy of disarmament is the country which, by its whole policy, has steadily destroyed the necessary bases for such a policy. When the British representative on the Conventional Armaments Commission, referring to the need for international confidence, said that men were justified in carrying umbrellas so long as there were prospects of rain, Mr Gromyko retorted that rain was not man-made, but international confidence was. He did not, however, add that no men could do more towards restoring that confidence than himself and his colleagues.

China's New Currency

[FROM A SPECIAL CORRESPONDENT]

SHANGHAI, *September 18th*

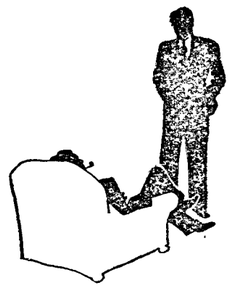
CHINA'S new currency, whose introduction on August 19th was greeted with scepticism in commercial circles in Shanghai, has so far held up better than anyone expected, and no rate in regard to the American dollar other than the official rate of 4 gold yuan to US $1.0 is being quoted. It has resulted in a temporary improvement in the position of the central government; but it is generally agreed that the new measure will mean little unless the government can follow it up with some military victories against the Communists. There is no change in the factors responsible for China's inflation—the civil war, lack of revenue, an unfavourable balance of trade, an inefficient administrative machine and the maintenance of a vast army. The lull which has characterised the military scene all through this summer is now drawing to a close, with the Communists attacking strongly at Tsinan in Shantung and in south-east Manchuria.

The government's campaign to enforce the surrender of gold, foreign currency and foreign holdings is being carried out by terroristic methods—probably the only methods that would work in the present situation. The Generalissimo's eldest son, Russian-educated Chiang Ching-kuo, has been despatched to Shanghai as Economic Supervisor, in charge of the Economic Police and other special intelligence units, and more recently has been appointed Commander of the Woosung Garrison. Shanghai, in effect, is under martial law. Several prominent Chinese businessmen have been arrested, including a son of that strange, powerful, underworld figure, Tu Yueh-sheng, who is said to control most of the gangs and labour unions in Shanghai. A colonel of the Woosung garrison has been shot for illegal speculative activities and a Chinese businessman is under sentence of death. Many more Chinese businessmen have been arbitrarily arrested and detained for interrogation. The result is that a wave of apprehension verging on panic has gripped the Chinese merchant community and many members of the foreign community as well. There is a widespread feeling that, praiseworthy as may be the government's determination to curb present abuses, it is unjust to make investigations into the past, for it is safe to say that there is not a man in Shanghai, British or foreign, military, official or civilian, whose slate is completely clean. Prior to August 19th contravening official regulations was a condition of life.

Goods Not Coming Forward

Several unfavourable results of the currency reforms are to be noted. Firstly, as was only to be expected, Chinese, who are now afraid to keep their funds in gold or American dollars, are turning to other commodities, such as diamonds. Some, with holdings abroad, are allowing these holdings to go into escrow. Secondly, it is reported from outlying areas, like Hankow and Canton, that uncertainty over the new currency, combined with the enforcement of price controls, has resulted in goods not coming forward. In Shanghai, for example, you can buy a chicken at one of the city markets at the controlled price; but if you want a nice fat chicken you will either have to pay extra on the side or buy it in one of the villages just outside the city. Thirdly, the current campaign to stop hoarding is making all traders nervous about holding stocks and is inevitably slowing up what trade there is.

The government's present economic campaign in Shanghai, illegal and arbitrary as it often is, is yet an indication of their determination to try and make the new currency work. They realise that this is their last chance and that if this fails it will almost certainly result in the downfall of the government. The introduction of the new currency was carried through with a skill and secrecy of which one would not have thought the present government capable. It was known only to a small number of people and there was only one small leakage—from the Ministry of Finance—which resulted in the unloading on the stock market of a large number of Wing On shares. The malefactors are now being tried in Shanghai. One of the most interesting features of the reforms was that the Americans were neither consulted nor informed. The American Ambassador, Dr Leighton Stuart, accompanied by Admiral Oscar Badger, visited the Generalissimo at Kuling not long before the announcement of the new reforms, but they were not let in on the big secret. This new-found resolve of the national government to help itself and not to depend on outside aid is a welcome phenomenon—although one cannot help wondering whether it is not already too late in the day to affect the eventual outcome.



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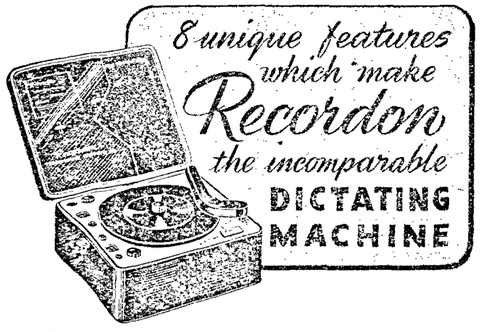
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THE BUSINESS WORLD

Inflation in India

AMID the turmoil and distractions of India's post-partition problems, economic affairs were inevitably allowed to fend for themselves. There was no positive or blameworthy neglect but to a new, harassed and largely untried administration, finance cannot have occupied a high place among the many urgent problems that were crying for attention and solution. As a result, many unhealthy developments of which the germs were already very much alive in the body economic before partition have gained in virulence since India attained its independence in August of last year. The inflationary potential has now reached a point at which the twin problems of prices and currency have thrust themselves to the very top of the list of priorities and within the past few days an ambitious plan of anti-inflationary action has been announced.

It must be stressed at the outset that India's monetary stability had been greatly undermined during the war years. The official index of wholesale prices, based on the month of August, 1939, had risen to almost 300 by the end of 1946 and was just over this figure by the date of partition. Since partition it has climbed steadily to the neighbourhood of 350. The Bombay cost of living index also based on August, 1939, had risen to around 250 by early 1947 and has since been climbing towards 275. It is only necessary to compare these indices with the comparable figures for Britain, and to bear in mind the fact that the sterling-rupee ratio has remained unchanged at 1s. 4d., to realise that a dangerous measure of inflation has taken place in India and that unless it is corrected it must ultimately call into question the existing exchange valuation of the rupee.

The report of the Reserve Bank of India for the year 1947/48 is both eloquent and threatening on this subject. It points out that the rising trend in the general level of prices gathered momentum during the twelve months to last March. It attributes the steady increase in inflationary pressure to a number of influences. The money supply tended to remain more or less stable during the first half of the period but increased sharply during the second. Although the Government had almost balanced its revenue budget during the year, a deficit in the capital budget contributed considerably to this inflationary expansion in the circulation. In addition there was a general decline both in agricultural and industrial production. The output of food grains in the Dominion of India (including Hyderabad), which had averaged 43 million tons in the years 1942/46, had fallen to 40 million tons in 1947. In such major industries as jute, cotton, cement, paper, matches and chemicals, output in 1947 was lower than in 1946. This fall was partly due to inadequate supplies of raw materials but it was also explained by civil disturbances, particularly in the north, and by industrial unrest.

Against this background of declining production, aggravated by restrictions on imports, particularly after the suspension of convertibility of sterling in August last year, salaries and wages continued to rise—a movement which was helped by a number of awards by industrial courts and the Government.

Towards the end of 1947 the Government of India announced a policy of gradual removal of controls over prices and distribution. Its action was justified by the glaring administrative defects which had been revealed in the working of these controls and which had tended to perpetuate conditions of relative scarcity. The gradual decontrol of prices and the upward revision of those of such materials as steel, cement and coal, which remained under control, inevitably appeared to reinforce the already severe inflationary pressures in the country, despite the expectation, in the longer run, that the policy of decontrol might achieve its object of releasing goods from hoards and securing a substantial increase in industrial production.

The measures of decontrol which were then taken, and the summoning of the Industries' Conference, which set out a programme of increased productivity, have not produced, in the relatively short period which has elapsed, the results expected of them. A point has now been reached at which more drastic and immediately effective measures must be taken if the danger of really damaging inflation is to be averted. The new plan, of which the broad outlines were announced last week by the Indian Minister of Finance, at least aspires to the necessary virtues of comprehensiveness and severity.

The Government's policy has four immediate objectives. The first is to keep Government expenditure as low as possible and increase revenue by all possible means. The second is to allow no further rise in prices and the cost of living. The third aims at securing as soon as possible a progressive reduction in prices and at increasing the volume of goods and services available for consumption. The fourth contemplates an effective curtailment of the purchasing power in the hands of the community. To these ends, a number of specific measures have been tabled. One is to limit the dividends distributed by public companies to a figure not exceeding the average paid for the two years ending March 31, 1948, or to 6 per cent on the paid up capital, whichever is the higher. In order to keep down Government disbursements, it has been decided to postpone the repayment of EPT deposits and the release of refunds for a period of three years. Exceptions to this last rule will be allowed in special cases where industrial concerns have been counting on the repayments to pay for new capital equipment.

It has also been decided that the deficits of the Government and of the Provinces must be covered and that budget surpluses must be aimed at for next year. The estimates for the current year indicated a deficit of Rs 2.13 crores for the Central Government budget and of Rs 15½ crores for the Provinces. In addition to this, the volume of capital expenditure to be covered by borrowing will add appreciably to the inflationary pressure created by the deficits on the ordinary budgets. A committee of the Cabinet has now been set up and charged with the task of reviewing, and pruning where possible, all development plans of the central and provincial governments. This committee will establish an order of priorities of accepted schemes and all expenditure on schemes which are not likely to prove immediately productive will be postponed. The provincial governments whose deficits have played so large a part in fanning the inflationary flames are being strongly urged to strengthen their finances and to reinforce their revenues by a levy of agricultural income tax wherever it is not now levied.

To stimulate industrial production, the Government has decided to make considerable concessions in tax allowances for depreciation of plant and machinery. New industrial undertakings are to receive complete exemption from income tax for a specified period, while the raw materials, plant and machinery

imported into India for industrial purposes are to be granted relief from customs duties. With the same object of improving industrial production, the Government of India is now considering a scheme for the better distribution of essential and scarce commodities such as iron and steel, cement and oil products.

In the hope of encouraging savings the Government has decided to raise the permissible limits for investment in postal savings bank accounts from Rs 5,000 to Rs 10,000 and in national savings certificates from Rs 15,000 to Rs 25,000. To meet the needs of institutional investors for short-term securities, the Government has also decided to issue Treasury deposit receipts somewhat on the British model. These will run for six, nine and twelve months. Finally, in order to give some reality to its policy of wage stabilisation, the Government is taking steps to enforce compulsory arbitration in industrial disputes and to ensure that the awards of industrial courts are duly obeyed.

On paper, the programme looks impressive and its form is in keeping with the immense task that has to be tackled. The prospects of its fulfilment must, however, be realistically discounted to allow for continuing political uncertainty in India and for the raw and untried administrative machine that will have to put it into operation. Something must be seriously wrong with the state of India when such a sober and respected firm of bankers and bullion merchants as Messrs. Premchand Roychand & Sons of Bombay can state, as they do in their latest Annual Market Review, that "the controls had become a great farce and were only creating a cesspool of corruption. The black market was the rule rather than the exception . . . inflation ran its hectic course spilling misery all around. The upward pressure of prices never relaxed but was often accentuated by wage increases which labour wrung from employers." India is probably learning in a hard school how difficult it is to maintain an honest administrative machine. Only an administration of unquestioned integrity can tackle the economic problems that will have to be solved if the rupee is to be held at anything like its present exchange value.

European Recovery—III

The Role of Agriculture

WESTERN Europe depends largely on its own agricultural production. Even before the war imported food supplies accounted for only one-fifth of annual requirements at the most; if the United Kingdom were excluded, the proportion imported would be much smaller. Since the war, however, agricultural production in western Europe has been lower than it used to be. For the crop year 1946-47 it was estimated at only 75 per cent of the 1934-38 level. Imports, moreover, have been restricted by payments difficulties. In all, consumption measured in terms of calories has been reckoned to be some 20 per cent below the prewar standard. In the first two years after the war some relief was afforded by UNRRA shipments; latterly it has been afforded by Marshall aid. But although the Marshall Plan provides for some expansion of food imports, the success of the recovery programme in food depends on western Europe's ability to resuscitate its own agriculture.

The agricultural patterns of western and eastern Europe differ widely. In the west, agriculture takes second place to industry, but it is more highly capitalised, with a higher productivity per man and per acre than in the east. It specialises more on livestock products; it requires fertilisers and imported feedingstuffs in large quantities. In eastern Europe, it tends to be more primitive and is concentrated largely on grain production. If this pattern is to persist, it will be essential to revive trade between eastern and western Europe. Before the war, there were two dominant movements in the European trade in foodstuffs; first, the large scale shipment of wheat and other cereals from eastern Europe to the West and, second, the shipment of livestock products and fresh fruit and vegetables mainly from western Europe to Britain. The plan for European recovery assumes that both these prewar characteristics will be restored.

In 1946-47, the acreage devoted to the main agricultural crops in western Europe was 8 per cent lower than before the war, except for coarse grains, where the acreage was slightly larger than in 1934-38. The output of these crops, however, apart from sugar, was fully 10 per cent below that of the prewar period, and the same was true of the livestock population. The numbers of cattle had regained their 1934-38 average, though those of sheep and pigs were 5 per cent and 37 per cent smaller respectively. Output of milk products was down by 30 per cent and of meat by 34 per cent. The same trend was also evident in poultry; flocks were reduced by 20 per cent while egg production was 34 per cent smaller. These figures give some impression of the serious fall in agricultural productivity in Europe. Fertilisers were scarce during the war and soil fertility was seriously depleted. Farm equipment was worn out or destroyed. Labour in the occupied countries was drafted to Germany. Supplies of concentrated feedingstuffs for the livestock production were no longer available. Modern agriculture also depends on a host of other specialised materials such as improved seeds and insecticides, which were equally in short supply. This legacy of the war years had to be made good.

But the production cycle in agriculture is lengthy; the simplest plans may take two or three years to materialise. For livestock they take even longer. If at the end of hostilities there had been an abundance of fertilisers, farm equipment and feeding stuffs, and if agricultural labourers had returned to their former occupation, recovery to the prewar level of output would still have taken at least three years. But, instead of abundance, there were shortages. Some improvement was achieved in agricultural production in 1946, but matters were made worse again by the severe winter of 1946-47 and the summer drought which followed, causing output in 1947 to fall sharply. A serious reduction in yields of arable crops has been made good this year. But the shortage of feed for livestock caused a reduction in numbers of cattle and sheep, so that recovery was postponed by at least two years.

Most western European governments have embarked on long-term agricultural development schemes. These give some impression of how agricultural production is expected to expand by 1950-51. Broadly speaking, the area devoted to grain crops and the numbers of livestock are expected to regain their prewar level; the acreage under sugar beet and the numbers of poultry are expected to exceed their 1934-38 averages. These targets for 1950-51, with actual figures for 1946-47 and the average of 1934-38 are shown in Table I. But output is not expected to increase so rapidly. A comparison of Tables I and II reveals that the target increase in output by 1950-51 compared with prewar is not commensurate with the corresponding increase in acreage or cattle numbers, except for potatoes. But within this period the population of western Europe is expected to increase by 11 per cent. The restoration of livestock numbers to their prewar level can be achieved only if adequate supplies of feedingstuffs are available—and about this there is some doubt. One of the main objectives will be the expansion of milk

production by 1950-51 to slightly above the prewar level. The recovery in meat production is expected to be less marked; by the end of the Marshall period output will still be 12 per cent below its 1934-38 average, though the proportion of meat in the form of bacon and pork will increase. On the basis of information so far available it is difficult to criticise the official data contained in Table I; even so, the planned increase in cattle numbers appears to be too rapid, and in pigs too slow.

Although total agricultural production in western Europe may, perhaps, regain its prewar level by 1950-51, the pattern of trade in foodstuffs between the participating countries will alter appreciably. The United Kingdom, for instance, expects to be less dependent on imported foods, particularly those at present obtained from the Western Hemisphere. Cereal and potato production, which was expanded considerably during the war years, will be reduced in favour of livestock production, but the level aimed at will still be 10 to 20 per cent above prewar. With livestock, the emphasis will be on milk rather than meat. Both Denmark and the Netherlands expect to resume their prewar exports of meat and dairy products, still mainly based on imported foodstuffs; the Netherlands, however, intends to switch from the export of butter to the export of cheese and processed milk. Norway and Sweden intend to expand agricultural production for their domestic markets without attempting to recapture their prewar export trade which was largely focused upon the British market, whereas France plans to expand output from a smaller cultivated area. Such are the plans. Whether they are mutually compatible remains to be seen. The dovetailing of export surpluses with import requirements will be only part of the problem; the major difficulty will be fitting these agricultural programmes into the general economic programme.

Yet these plans, which form the basis of the European Recovery Programme, are dependent for their fulfilment on certain assumptions. In the first place, they presuppose an adequate supply of agricultural raw materials—fertilisers, equipment, feedingstuffs, insecticides and seeds. Secondly, they presume the maintenance of East-West trade in Europe. Thirdly, they envisage development of agricultural production in colonial areas. These latter projects, so far as the United Kingdom is concerned, are well behind schedule, so that to this extent the targets laid down in the European plan may not be achieved. East-West trade is likely to continue in spite of the apparent worsening of political relations. South-east Europe will still want to dispose of its grain surplus to western Europe in return for industrial equipment. Nevertheless, in the longer term, this basic assumption of East-West trade may be open to question, because the splitting up of large estates and the development of industrialisation in these countries is likely to change their agriculture towards mixed farming and livestock and away from cereal production. Major changes of this kind might mean the destruction of the very basis of East-West trade in foodstuffs.

The most important assumption of immediate concern is the availability of fertilisers, farm equipment and feedingstuffs. Before the war, western Europe was a net exporter of nitrogen and potash but an importer of phosphates; in 1946, however, it was a net importer of nitrogen. The bulk of plant nutrients is obtained from farmyard manure and this source has been affected by the decline in livestock numbers. Consumption of commercial fertilisers at present is probably at the prewar level, but Europe, nevertheless, plans almost to double its output of fertilisers by 1950-51 and most of that will be consumed domestically. But the future level of fertiliser production depends on industrial plant, coal and electricity, and it is doubtful whether production can be increased at the anticipated rate. Europe is not short of phosphate; the small import requirement shown in Table III is due to the relatively restricted capacity to manufacture superphosphate—the raw material, phosphate rock, is in plentiful supply and readily available in North Africa. Western Europe, however, is not so well supplied with potash. The only important sources are France and western Germany, but the latter's output is used entirely for its own needs. Imports could be obtained from eastern Europe (in particular the Soviet zone of Germany), Spain and Palestine provided that trade is maintained with these countries.

No less important than fertilisers is the supply of agricultural machinery. There has already been a marked expansion in the mechanisation of western European agriculture, but requirements of tractors are expected to be three times their prewar level by 1951. If the plans materialise, western Europe will have a sizeable export surplus of tractors—although it will still be necessary to import small quantities of heavy tractors—while import requirements of other machinery in 1950-51 are estimated at 543,000 tons compared with an export surplus of 390,000 tons. Britain must be the mainstay of this increase in production of agricultural equipment; its share of total output can be seen in Table III. It has already achieved a remarkable rate of increase in production of tractors and agricultural machinery, and exports have been maintained at a high level. But the future plans depend largely on sufficient steel. If supplies of steel for farm equipment were curtailed, the future of Europe's agricultural recovery would be in jeopardy. Criticism has already come from the United States that the projected increase in mechanisation is too great.

But given the present scarcity of agricultural labour in all countries of western Europe except Italy, increased supplies of agricultural machinery are essential to raise agricultural productivity and to replace the loss of draught animals since 1939.

Western Europe's agricultural recovery programme depends on increased livestock production. Hence it requires an expansion in the supply of feedingstuffs and, in particular, of concentrated feeds. The Food and Agriculture Organisation has recently estimated that in 1946-47 the supply of concentrates in the principal countries of western Europe was less than two-thirds of the prewar level, and that the supply of all feeds was 85 per cent. The shortage of bread grains, the higher extraction rate in flour milling, and the use of certain coarse grains for human consumption have led to a further shortage in the supply of feedingstuffs. During the current season there will certainly be a sufficiency of bread grains and coarse grains. But this improvement is likely to benefit only egg and pork production. Cattle and sheep are more dependent on oil-cakes, and not even the most optimistic estimates expect the world supply of oils and fats to regain its prewar level before 1951, if then. There has, of course, been considerable develop-

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October

With the close of the holiday season many firms are preparing plans and reviewing prospects for future endeavours. All interested in overseas trade, and particularly those who are entering this field for the first time, are invited to consult the Midland Bank. At Overseas Branch, 122 Old Broad Street, London, the Bank has a Foreign Trade Information Department which is specially equipped to give information and advice on trade with other countries. It is prepared to assist in establishing agencies and, from the wealth of material at its disposal, to provide channels of approach between exporters and importers. This service is at the disposal of traders and merchants in all parts of Britain, and is available in response to inquiries at any branch of the Bank.

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ment in improving grasslands, grass drying and silage which has helped to increase indigenous supplies of animal food. Nevertheless, farmers will have to be assured of a more enduring increase in the supply of feedingstuffs before they can be encouraged to expand their livestock herds to the required extent.

This year's favourable crops, therefore will increase the amount of food available for human consumption in western Europe. But they are unlikely to contribute directly to agricultural recovery. There is always scope for better farming methods, better seeds, and other technical improvements, but basically agricultural recovery depends on an expansion in industrial output. This relationship is very close. It implies that agriculture must be assured of increased supplies of fertilisers and farm equipment ; it also implies an expansion in consumer goods and a general improvement in the economic health of western Europe. It is one thing to expand agricultural production ; it is another to ensure an efficient distribution of the goods produced. Ration schemes and governmental regulations help, but the only certain method of securing a proper distribution is by making it profitable for farmers to exchange their produce for the goods they want.

TABLE I

WESTERN EUROPE CROP ACREAGE AND LIVESTOCK NUMBERS

('000 acres and '000 head)

	1934-38 Average	1946-47 Actual	1950-51 Planned	Percentage of Prewar	
				1946-47	1950-51
Bread grains	55,638	52,446	58,811	*94*	*106*
Coarse grains	44,856	45,336	48,347	*101*	*108*
Sugar beet	2,401	2,201	2,759	*92*	*114*
Potatoes	10,658	9,754	11,582	*92*	*109*
Cattle	74,955	74,897	80,370	*100*	*107*
Pigs	41,081	26,051	37,119	*63*	*90*
Sheep	106,308	100,613	109,549	*95*	*103*
Horses	13,373	12,359	11,853	*92*	*89*
Poultry	538,079	432,854	611,453	*80*	*114*

TABLE II

WESTERN EUROPE AGRICULTURAL PRODUCTION AND IMPORT REQUIREMENTS

('000 Tons)

	Agricultural Production					Import Requirements				
	Average for 1934-1938	Actual for 1946-1947	Planned for 1950-1951	Percentage of Prewar		Average for 1934-1938	Actual for 1946-1947	Planned for 1950-1951	Percentage of Prewar	
				1946-1947	1950-1951				1946-1947	1950-1951
Bread grains	53,508	27,839	33,493	*83*	*109*	13,721	15,107	17,579	*110*	*128*
Potatoes	56,824	49,926	67,120	*88*	*118*	1,102	26	...	*2*	...
Sugar	3,403	3,237	3,853	*95*	*113*	2,664	1,670	2,272	*63*	*85*
Fats	2,791	1,927	2,888	*69*	*103*	2,628	1,048	2,260	*40*	*86*
of which :—										
Butter	1,175	857	1,204	*73*	*102*	(a)	(a)	(a)	(a)	(a)
Milk	71,353	54,816	72,305	*77*	*101*	...	...	...	...	...
Cheese	1,029	645	1,159	*63*	*113*	133	207	213	*156*	*160*
Eggs	1,756	1,163	1,839	*66*	*105*	148	284	122	*192*	*82*
Meat	8,969	5,788	7,932	*66*	*88*	1,670	1,579	2,461	*95*	*147*
Coarse grains	30,000	26,906	31,322	*90*	*104*	11,268	4,624	11,481	*41*	*102*
Oilcakes	39	242	460	*622*	*539*	4,338	1,250	4,222	*29*	*97*
Protein feeds	409	321	453	*78*	*111*	97	85	159	*88*	*164*

(a) Not separately specified.

TABLE III

SUPPLIES OF FERTILISERS AND AGRICULTURAL MACHINERY

('000 Tons)

	Production in Western Europe			Import Requirements	
	1934-38	1946-47	1950-51	1946-47	1950-51
Nitrogen	(b)	945	1,971	103	(c)
Potash	(b)	833	1,578	225	650
Phosphates	(b)	1,385	2,518	(c)	(c)
Tractors*	31	74	380	(c)	(c)
of which United Kingdom	15	60	275	(c)	(c)
Agricultural machinery	(b)	447	1,433	437	543
of which United Kingdom	30	148	369	(c)	(c)

* '000 units. (c) Net export surplus. (b) Not available.

Business Notes

The New Governor

The City has learned with regret that Lord Catto will retire from governorship of the Bank of England at the end of the current year—that is, on February 28th next. His decision to do so was not, however, unexpected. Lord Catto succeeded Lord Norman in 1944, and thus completes this year the five-year term which he has long been known to have regarded as a maximum. Indeed, on his reappointment after the nationalisation of the Bank in 1946, it was generally understood that his aim then was simply to ensure due continuity in the Bank's affairs. The two years or so which have since elapsed have demonstrated that the formal change in regime has been accomplished, as most informed people expected it would be, without the slightest hitch. In ensuring this smooth transition, the close personal relations which Lord Catto had established with the Treasury during the war have doubtless played an important part. Meanwhile, Lord Catto, as he points out in a letter to the Chancellor, will attain the customary retirement age of seventy within a few weeks of the date on which he will retire.

The new Governor will be Mr Cameron Cobbold, the present deputy-Governor, whose appointment sets a precedent. Mr Cobbold will be the first Governor in the Bank's long life of over 250 years to arise from its select ranks of senior officials and executive directors. He joined the Bank as an Adviser in 1933, became an executive director in 1938, deputy-Governor in 1945 and now, at the very early age of 44, is Governor-designate. It is an impressive record, and all in the City will wish him well. Nationalisation of the Bank has certainly not made its governorship a less critical post ; and the prospect of gradual transition of the national economy from rule by rationing to rule by price may add greatly to the responsibilities of the Governor in the next few years. The new deputy-Governor will be Mr D. G. M. Bernard, now aged 60, who has been an executive director since 1939.

* * *

Dollar Drain Slackening

The drain upon Britain's gold and dollar reserves—which are the central reserves for the whole sterling area—showed a welcome slackening during the third quarter of this year. In that period the total gold and dollar deficit for the sterling area, before taking account of ECA reimbursements of dollar expenditure, amounted to £76 million. This, as the accompanying table shows, compares with a total expenditure of £147 million in the first quarter of the year and £107 million in the second quarter. Earlier in the year the deficit was being partly financed by drawings on the residue of the dollar credits or by purchases of dollars from the International Monetary Fund, but in this latest quarter the only offset against the gross expenditure has come from a further reimbursement under the European Recovery Programme. These reimbursements necessarily take place in arrear, and it is clear from the figures to date that the lag is considerable. For the second quarter of the year—i.e., the initial ECA period—Britain was allocated £100 million in ECA grants and loans, but by the end of the quarter it had received dollar reimbursements equivalent to only £22 million. Further reimbursements in the third quarter amounted to £41 million, although for that quarter an additional £83 million was allocated in grants and loans. After taking credit for the reimbursements actually received at the quarter-end, the net drain on reserves during the quarter was accordingly £35 million, reducing the total gold and dollar reserve to £437 million (to the nearest million).

BRITAIN'S GOLD AND DOLLAR RESERVES

(£ mn.)

Holdings at December 31, 1947			512
First quarter, 1948 :—			
Expenditure	— 147		
Receipts :—			
South African Loan	80		
Drawn on U.S. credit	74		
Drawn on Canadian credit	11		
$ bought from International Monetary Fund	15		
$ bought from I.M.F. (India)	7		
	+ 187		
Net gain in quarter	+ 40		
Holdings at March 31, 1948			552
Second quarter, 1948 :—			
Expenditure	— 107		
Receipts :—			
Drawn on Canadian credit	2		
$ bought from I.M.F. (India)	4		
First E.R.P. refund	22		
	+ 28		
Net loss in quarter	— 79		
Holdings at June 30, 1948			473
Third quarter, 1948 :—			
Expenditure	— 76		
Receipts :—			
Further E.R.P. refund	+ 41		
Net loss in quarter	— 35		
Holdings at September 30, 1948			437

Britain's gold and dollar reserves for the whole sterling area showed a welcome slackening during the third quarter of this year. In that period the total gold and dollar deficit for the sterling area, before taking account of ECA reimbursements of dollar expenditure, amounted to £76 million. This, as the accompanying table shows, compares with a total expenditure of £147 million in the first quarter of the year and £107 million in the second quarter. Earlier in the year the deficit was being partly financed by drawings on the residue of the dollar credits or by purchases of dollars from the International Monetary Fund, but in this latest quarter the only offset against the gross expenditure has come from a further reimbursement under the European Recovery Programme. These reimbursements necessarily take place in arrear, and it is clear from the figures to date that the lag is considerable. For the second quarter of the year—i.e., the initial ECA period—Britain was allocated £100 million in ECA grants and loans, but by the end of the quarter it had received dollar reimbursements equivalent to only £22 million. Further reimbursements in the third quarter amounted to £41 million, although for that quarter an additional £83 million was allocated in grants and loans. After taking credit for the reimbursements actually received at the quarter-end, the net drain on reserves during the quarter was accordingly £35 million, reducing the total gold and dollar reserve to £437 million (to the nearest million).

By end-September, therefore, Britain had received in dollar reimbursements only £63 million of the £183 million of Marshall aid ostensibly due for the previous six months. It would perhaps be unwise to assume that the whole of this provisionally allocated aid will in fact be received ; but the outstanding sum of £120 million is sufficiently large to enable the Government to feel that the true level of reserves—after allowing for the lag in dollar reimbursements definitely due—is being maintained above the £500 million which, as the Chancellor recently announced, must be regarded as the basic minimum. By contrast with the catastrophic rate of exhaustion of reserves last year, the recent performance is heartening. But it cannot be too strongly emphasised that the extent of ECA aid expected in the first year is still only just sufficient to finance the current rate of sterling area expenditure—after taking credit not only for ECA loans as well as grants, but also for that portion of the grants which will be received only if the sterling area makes corresponding unrequited exports to western Europe.

* * *

Postscript to Ottawa and Washington

On his return from his visits to Canada and the United States the Chancellor of the Exchequer this week gave the Press a carefully phrased summary of the results of his talks. Even the careful phrasing could not altogether hide the fact that the end of the talks in Ottawa still left considerable differences of views between the two parties. The Canadians "accepted the harsh necessity of our limitation of Canadian imports during the period of recovery, but stressed their anxiety that by the end of that time we should be able to deal more freely in Canadian products. They were anxious that our necessity to enter into bilateral agreements with other countries should not prejudice our capacity to export to Canada, and should not tend to channel our trade permanently in other directions than the Canadian." Sir Stafford tried to reassure them by explaining that Britain was equally anxious to reach a much larger degree of multilateralism in its trade, but that in the existing circumstances bilateralism was inevitable. The question of releasing the remaining $240 million of the Canadian credit was broached, and an early announcement on this subject is due to be made.

From his visit to Washington the Chancellor brought back an impression of the value of the International Bank and Fund, whose meetings of governors he attended. He expressed his confidence that they could both play a really useful part, not so much in dealing with the present emergency conditions, but in organising longer-term methods by which more stability can be brought to international economic relations and provision made for the development of world resources. The Chancellor discussed the European Payments Scheme with Mr Hoffman, and, answering questions on this subject at his press conference this week, appeared well satisfied that the British point of view, and in particular the British objections to the transferability of sterling drawing rights under that scheme, had been adequately met. The Chancellor had reviewed the operation of the 1945 loan agreement with Mr Snyder, Secretary of the US Treasury, but explained that it would have been inappropriate in existing conditions to enter into negotiations for altering that agreement. In answer to a subsequent question, Sir Stafford said that no one could assume the resumption of sterling convertibility to be

near enough to warrant discussion of the matter. Reports from Washington continue to suggest that in the minds of many Americans one criterion only is used by which to judge the return of Britain to solvency and viability by the end of the Marshall period, and that is the resumption of complete convertibility of sterling. The Chancellor seems to have done his best to disabuse Americans and also Canadians of this idea, and to substitute for convertibility as a criterion of recovery the Government's plans—and hopes—of restoring the UK balance of payments to equilibrium by the year 1952-53. The detailed document, which apparently goes into *minutiæ* of the likely balance of payments between Britain and all other important nations of the world in the year after the Marshall Plan is due to end, has provided the text for most of the "off the record" and behind the scenes lectures given by the Chancellor. It also has provided him with a new fount of buoyant optimism, which, since his return from North America, he has been trying to impart to the delegates at the Commonwealth conference in London.

* * *

Intra-European Payments

The council of OEEC this week gave its final approval to the details of the intra-European Payments Scheme for the year ending June 30, 1949. The net contributions and equivalent drawing rights under that scheme have already been published and were set out in *The Economist* of September 18th. More detailed figures of the prospective surpluses and deficits in the balance of payments between each set of European countries will be found in a table on page 352 of the current issue of *Records and Statistics*.

Since the agreement was reached on these figures on September 10th, the remaining points of doubt have been successfully cleared. The most important of these concerned the transferability of drawing rights granted under the scheme. Automatic transferability was strongly objected to by Britain and will not in fact be granted under the scheme. Automatic compensation will apply only in what, under the Bank for International Settlements scheme, has come to be known as "Category A" compensations which are simple cross-cancellation of debts, the net effect of which is to reduce intra-European indebtedness all round. In "Category B" compensations, which are possible only where one creditor is prepared to increase his claims on another member as a result of compensation of a debt owed to a third party, transferability will be effected only on an "administrative" basis, that is, with the consent of all the parties concerned. This in fact means that Britain will be able to safeguard itself against the possibility that sterling may get into the hands of countries which, by the operation of the Payments System, would be able to demand gold.

Other points which have caused some difficulty are concerned with the linking up of the contributions in the European payments scheme with ECA conditional grants. Belgium has strongly objected to making its contributions, which are relatively substantial, in anticipation of the receipt of conditional grants. The fear which constantly haunts Belgium is that by increasing its unrequited exports to Europe it will stimulate the inflationary forces which already are far too strong in the Belgian economy. Belgium appears to have been reassured on this point of timing by a promise that conditional grants will be made as soon as the creditor countries in Europe make their currencies available to the debtors. The other difficulty has concerned the possibility that the drawing rights may not be fully utilised. The point at issue has been whether, in such a case, conditional grants would be correspondingly reduced. Such a possibility must be envisaged with some apprehension, since the total amount of Marshall aid is barely sufficient for Europe's essential needs. On this point, also, some reassurance has been provided by ECA, with a suggestion that unutilised drawing rights might be carried over from one Marshall year to another. The full details of the payments scheme and of the trade rules which have been hammered out in Paris over the past few weeks should be published during the coming week-end.

* * *

Rewriting the Steel Plan

"It is not, perhaps, altogether appreciated," observes the September issue of the *Statistical Bulletin* of the Iron and Steel Federation, "how exceptional has been the achievement of the industry in formulating a national development plan so promptly—a plan which in 1946 the Government accepted as being broadly right—and then in actually carrying it through." But this does not mean that the results which the steel plan produces will be the results which its authors expected it to produce. The *Bulletin* discloses that the plan, as it has developed, is likely to raise British steelmaking capacity to a point well above the expected 16 million tons. The new figure is put at 17½ million or possibly even 18 million tons.

One of the reasons for the revised expectation was discussed in an article on European steel in last week's issue. The increase in costs of construction is prolonging the economic life of old plant, which may therefore be kept in service instead of being scrapped. Another reason is to be found in the various expedients which have already enabled more production to be got out of the existing capacity: notably the conversion of 25 per cent of steel melting plant to oil-firing, and the agreement for the continuous working of steel melting shops, which alone has added about 750,000 tons to effective melting capacity. At first sight these considerations might suggest that the expanded estimates apply more to steel melting than to the other stages of iron and steel production. But the fourth reason given by the *Bulletin*—that "the actual plants being built have almost invariably a larger capacity than was allowed for in the broad scheme originally formulated"—means particularly that the blast furnace capacity will be larger. The industry has not lost sight of the shortage of scrap, and, as the plan is working out, the ratio of pig iron to scrap used in British steel production will probably, in fact, be greater than the first estimates envisaged. This will require larger imports of ore, which seem unlikely to come from Sweden; the possibilities of expanding ore supplies from North and West Africa (and particularly from Sierra Leone) are receiving attention.

Nobody wants redundant steel capacity. But by a happy chance the recent Government examination of future steel demand has led to the conclusion (the *Bulletin* discloses) that demand also will be greater than was expected. The requirements of export to balance Britain's overseas payments have made it necessary for British foreign trade to concentrate more on machinery, vehicles, and other steel manufactures than was thought probable in 1946. At the same time the necessity has been accepted of cutting down imports of commodities such as timber for which steel will have to be substituted. Colonial development and the new oil refineries will both take more steel. "Assuming a continued high level of employment, therefore, a figure of 18 million tons has been agreed as a reasonable estimate of probable requirements in the early 1950s."

The matter is not automatically one for congratulation. In the forecasts of future trade requirements there is much that is speculative, and (as the *Bulletin* acknowledges) resources invested in steel are withheld from other industries and withheld from export. "It is not, therefore, lightly to be assumed that it is all gain to build a steel industry of almost unlimited capacity."

* * *

Steel Output and the Scrap Prospect

In September, the first full month after the holidays, British steel production returned to the high level of June. The average weekly output of 296,800 tons of steel ingots and castings in September corresponds to an annual rate of 15,435,000 tons; it is 25,300 tons a week more than in August and 30,600 tons a week more than in September, 1947. The organisers of the home scrap collection drive, which was launched a year ago, can reasonably congratulate themselves on the increase of iron and steel scrap supplies by a million tons in twelve months. Further appeals are being made to maintain and, if possible, to increase the scrap collections. These continued efforts are clearly necessary if the high rate of steel production is to be maintained.

In Germany the Anglo-American scrap agreement has already been reflected in an announcement by the Joint Export-Import Agency that 1,225,000 tons of scrap are to be released for export between now and January. Of this, 500,000 tons are to be released to American buyers, 500,000 tons to Britain, and 225,000 tons to other countries. These are handsome figures, but it would be unfortunate if they led anyone to suppose that their realisation can be taken for granted. Bizonal export trade in scrap has never yet approached the dimensions which have been predicted, and in the last few months it has been almost at a standstill. Only with the German steel industry has a brisk German trade in scrap come into being since currency reform; this is reflected in the improved bizonal steel production figures which were announced at Düsseldorf on Tuesday. It is not to be supposed that the German buyers will now retire from their own scrap market, or that official policy will oblige them to do so. The export programme is therefore presumably additional to their requirements, and it may be doubted whether the organisa-

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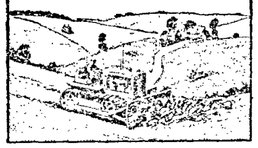
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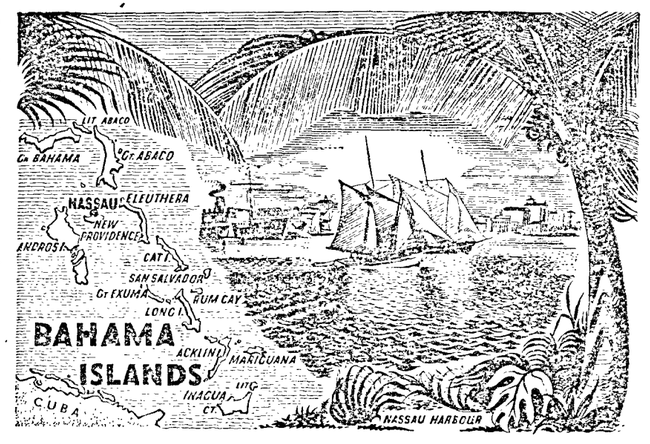
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tion or the physical equipment for handling these vastly increased quantities is ready to hand. The new price of $28.50 a ton at the German frontier, announced by JEIA, does not differ greatly from the price of $26 on the site at which export contracts were being concluded in the spring, before the deadlock arose; but it is still a high price. The British steel industry will do well to continue to place as much reliance as possible on home supplies.

* * *

ECA and the Fawley Refinery

A report from Washington this week brings into the public eye the discussions that have been going on about the projected refinery of the Anglo-American Oil Company at Fawley. This plant, if it is built, will be the largest single unit in the UK home refining programme. The parent company, Standard Oil of New Jersey, although it has promoted the scheme up to a point, has never yet appeared to have taken a final decision to go ahead. This may be attributable in part to a desire to see the future pattern of European politics and of the European oil trade more clearly before the company commits itself to an exceptionally large capital expenditure. But the scheme is also being held up by the uncertainty whether the earnings can be made convertible into dollars. The British Government, though it supports home refining (and the expansion of the oil industry in the United Kingdom) in principle, is presumably reluctant to accept the creation of a big new dollar claim. In the circumstances Standard Oil of New Jersey has been exploring the possibility of getting the ECA to guarantee the investment.

This possibility arises from the clause in the Economic Co-operation Act which empowers the Administrator to "facilitate and maximise the use of private channels of trade," and for that purpose to guarantee the transfer into dollars of the income from approved investments. The Administrator's power of guarantee even extends to eventual repayment of the capital. It is, however, limited to a total of $300 million under the Act of 1948.

To guarantee the full proposed investment on the Fawley project would take a big slice of that total. The sum of $100 million mentioned in the Washington reports appears, at first sight, to be an underestimate. Mr Frank W. Abrams, the chairman of Standard Oil Company (New Jersey), when he addressed the American Chamber of Commerce in London last month, spoke of a planned throughput of 128,000 barrels a day. Estimates of the cost of building a modern refinery vary, and costs have indeed been rising; but if it is taken at the fairly modest figure of £2,250 per ton of daily throughput, a refinery of the size mentioned by Mr Abrams would be likely to cost more than £35 million. To underwrite the whole project would therefore absorb not much less than half of the total amount at present available from ECA funds for investment guarantees. The amount of the guarantee would (under the terms of the Act) have to be deducted from the total of ECA allocations. It would be surprising if Mr Hoffman were to give such a guarantee without hesitation.

* * *

Floating Debt Policy

The Treasury this week has made a small net repayment—one of £6,500,000—of indebtedness to the banking system and money market, despite the raising of the week's tender issue of Treasury bills to the record figure of £190 million, or £20 million in excess of the corresponding bill maturities. During the week there has therefore been a switch of Treasury indebtedness from Treasury deposit receipts (the outstanding total of which was reduced by £26½ million) to Treasury bills. Increases in the outstanding volume of tender bills, often also involving similar switches from TDRs to bills, have been the normal feature of floating debt policy each autumn ever since 1942, when it was first recognised that heavy issues of six months TDRs in the early autumn imparted an undesirable rigidity to the banking position during the phase of heavy tax collections early in the New Year. This particular disadvantage of the TDR, however, has now been mitigated by the arrangement made a few months ago whereby TDR issues, instead of being standardised on a six-months currency, now range from five to seven months. In recent weeks the Treasury has taken full advantage of this new flexibility, not merely to ensure that TDR maturities will occur early in the New Year in weeks in which in the past there have been some embarrassing gaps, but also in order to split up the bigger blocks of maturities. Thus, in each of the past three weeks, when TDR maturities have ranged from £185 million to £90 million, the replacement issue has been broken down into each of the three permissible maturities.

In view of the better disposition of maturities thus achieved, there had been some doubt whether the authorities would this year make the usual seasonal increase in the tender issue of bills. Their decision to do so was the more welcome in money market circles, for, despite the huge volume of bills now passing through the discount market, the ratio of money market assets to deposits shown by the monthly banking statements is actually running a little below its 1947 level. At around 20 per cent, however, it is probably an adequate level, and is slightly above the ratio on which the banks were working in the years immediately before the war—in the phase of so-called "famine" of Treasury bills. The authorities, at all events, seem reluctant to see the tender issue of bills rise much beyond the "basic" figure of £2,210 million which has ruled for the greater part of this year. At yesterday's tender the maximum amount of bills on offer was reduced to £180 million, suggesting that in the ensuing week the offer will revert to the basic figure of £170 million. If that happens, the seasonal increase this year will have been, as in 1947, only £40 million, and will have raised the total outstanding temporarily to £2,250 million—also the same figure as was reached twelve months ago. Over the same period, however, the outstanding total of TDRs has risen by £200 million to £1,452 million—fully £250 million above the postwar low point reached early this year. The direct cause of this expansion is to be found in the redemption, last spring, of the 3 per cent Conversion Loan and in the Argentine Rail re-purchase operation; but the fact that none of these additional TDRs have been translated into bills strongly suggests that the authorities regard the present bill issue as a virtual maximum unless and until bank deposits expand further.

* * *

Coal Output and the Yield of Extra Time

The improved Saturday output achieved in the mines last week is welcome, but there is nothing in the figures to suggest that the problem of reaching the 1948 target is likely to be solved by Saturday work or overtime. An example is the West Midlands division, where a joint appeal from the divisional board and from the National Union of Mineworkers obtained, relatively speaking, a good response. Nearly 50 per cent of the face-workers are reported to have attended for work in 58 pits in the West Midlands; this was the best Saturday attendance of the year, and produced 70 per cent more coal than the previous Saturday. But what are the quantities involved? Last Saturday's production in the division was 23,380 tons—an increase of 9,500 tons over the previous Saturday. But Sir Ben Smith, the chairman of the West Midlands Board, has asked the division for an increase of 55,000 tons a week. Clearly, the required increase can come only from improved performance on ordinary days.

The national figures give the same impression. A Saturday shift was worked last week in 308 collieries and yielded 119,400 tons of coal; on the previous Saturday (October 2nd) it had yielded 107,000 tons in 253 collieries. (Some collieries work the extra shift on alternate Saturdays only, some not at all, and some irregularly.) Output on October 9th was the highest for any Saturday since June 26th, when 121,300 tons were produced. During September the Saturday output had been about 100,000 tons, and during the holiday period it had been much lower. But last April Saturday output was in the neighbourhood of 160,000 tons.

Some pits work, or attempt to work, an extra half-hour a day during the week instead of the Saturday shift. But the extra half-hour, which was worked to a certain extent at 153 pits last week, yielded only 14,800 tons. This, added to the Saturday output figure, brings the product of all extra time worked last week to 134,200 tons—less than a fifth of one ordinary day's output. The detailed figures which would show how much these 134,200 tons cost are not readily available, but the cost of such a marginal increase in output must certainly be heavy. The annual report of the National Coal Board mentioned that extended working hours added 3d. a ton to the average cost of coal in November and December last year.

The weekly statement of the Ministry of Fuel and Power shows that last week's output of deep-mined coal was 3,917,400 tons—an improvement of 38,100 tons over the previous week. Total deep-mined production in the first 40 weeks of the year was 149,292,700 tons. This leaves 50,707,300 tons to be produced in the remaining 12 weeks to reach the target—a weekly requirement of 4,225,000 tons.

* * *

Dollars for Burma

Despite the political and economic turmoil, a further agreement has been made between the British and Burmese Governments to provide the latter with dollars from the sterling area pool. For the half-year ending December 31, 1948, Burma will be able to draw on the central reserve of the sterling area up to an equivalent of £2,000,000 to meet its essential needs for hard currencies. This will be in addition to Burma's own hard currency earnings. This must be regarded as highly favourable treatment of a country which has severed itself from the Commonwealth, has expropriated British property without giving adequate assurances on compensation, and in which the political situation is steadily deteriorating. It is, however, a mark of the integrity with which the banker to the sterling area continues to play his role, and it may yet be the means of giving the recognised government of the Union of Burma the wherewithal to safeguard its authority over that distracted country.

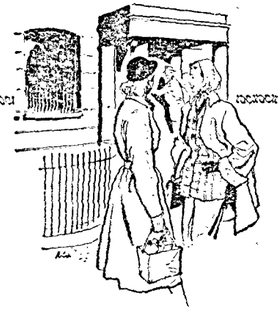
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Australian Loan Success

The latest conversion issue of £15,000,000 Australia 3 per cent 1965-67 stock has had the success generally predicted for it. Since conversion applications amounted to £14,312,882, only £786,118 of the new stock remained to be allotted to cash subscribers. The amount applied for in cash has not been stated but appears to have been considerable despite the lapse in the firmness of gilt-edged issues on the day before the cash list was opened and closed. In consequence cash applications have been drastically scaled down. Full allotment was made for amounts of £100 of stock; £100 of stock was allotted on applications from £200 to £2,000; £200 for amounts between £2,100 and £4,000, and 4 per cent on larger amounts, with a maximum of £2,200 for any one applicant.

In the meantime, interest in Commonwealth internal loans, which were discussed in *The Economist* of October 2nd, continues to grow and prices have advanced up to 1½ points for most of the issues. There has also been a broader inquiry for Australian registered industrial issues from institutional and private investors in both London and the provinces. While this has been largely stimulated by speculation about the possibility of a revaluation of the Australian pound, there has been a wider appreciation of the full effect of the Double Taxation Agreement concluded between Australia and the United Kingdom in October, 1946. There is, however, a difference in the application of this agreement to non-resident individuals and companies domiciled in the United Kingdom. Whereas individuals are allowed exemption from Australian taxation on amounts earned in Australia up to £104 a year, companies are liable to taxation on income exceeding £1. Whereas individuals are not required to lodge an income tax return for income less than £104, companies are required to do so and must appoint a "public officer" in Australia by notice in writing to the Australian Commissioner of Taxation. Introductions to firms of chartered accountants willing to act can easily be effected through any London broker.

In respect of ordinary dividends of companies registered in Australia the Double Taxation agreement works distinctly to the advantage of United Kingdom recipients—either individuals or companies. For, in the case of ordinary dividends the Inland Revenue in this country allows an offset against United Kingdom tax of the full amount of company taxation in Australia, and personal tax (which is levied separately from company taxation) at half rates. This advantage does not apply in the case of a dual resident or a person carrying on business in Australia. Company taxation is, of course, not recoverable by Australian residents. Nor, in the case of preference dividends or the participating portion of dividends on participating ordinary shares, is there any offset against company taxation. But, as with ordinary dividends, in these cases relief is afforded from personal tax at half rates (unless received by individuals entitled to exemption up to £104 of income remitted). In the case of Commonwealth internal loans there is a full offset of personal taxation against the liability for United Kingdom tax, but the Australian liability is reduced to some extent since internal loans issued after 1940 carry a rebate of 2s. in the £ (applicable to all Commonwealth internal loans so far dealt in here), while consolidated loans (all loans issued before 1940) bear interest at the rate applicable in 1930 and are taxed at the rate applicable in that year. It should be noted, however, that new private companies (including companies registered for "nominee" purposes) are subject to a primary tax of 6s. in the £ and to undistributed profits tax but not super tax. New legislation is being prepared in Australia to revise the status of private companies but it seems unlikely that it will result in changes which will greatly affect the position of United Kingdom investors.



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Russia's Offer for Ceylon Rubber

Reports that Russia had offered to buy Ceylon's existing stocks of natural rubber and the entire output for 1949 at a price approximately 2½d. a lb. above the current market level appear to be somewhat exaggerated. It seems that Russia asked for a substantial quantity of rubber for immediate delivery which Ceylon could not meet from its available supplies; subsequently Russia suggested a guarantee of supplies during the next year. This change in Russian buying policy is apparently not due to any political motive, but rather to the fact that some of the rubber it has purchased in the Singapore market did not conform with specifications. Having found that open market purchases had not given satisfaction, Russia appears to have decided to give bulk purchase a trial.

Previous estimates have suggested that Russia's annual requirements of natural rubber were of the order of 100,000 tons. Were Russia to purchase the entire output of Ceylon for 1949—say 90,000 tons—and current stocks—approximately 10,000 tons—the total would reach these estimates. But even so the purchases would provide no net addition for consumption; they would reflect merely a switch of purchases from Malaya to Ceylon, with presumably a counter-balancing switch by Ceylon's present customers.

It is difficult to see what advantage such an offer would have for Ceylon. It would mean closing the present market and substituting governmental control. It would insulate Ceylon from the international rubber market for at least a year, with a consequent loss of goodwill. Other reports that Russia was negotiating to buy 18,000 tons of rubber from the Dutch have been denied in The Hague.

World production of natural rubber up to last August amounted to 977,500 tons, which represents an annual rate of 1,470,000 tons compared with the Study Group's estimate for 1948 (made last April) of 1,390,000 tons. Consumption over the same period has totalled 885,000 tons, or 1,330,000 tons for a full year. There is still no definite evidence that the political troubles in Malaya have actually reduced rubber production, whereas output in Indonesia, which is increasing, was estimated in July to have reached 40,000 tons a month—of which over 30,000 tons came from smallholders. The United States still holds the key to the rubber situation. During the first eight months of this year production of synthetic rubber at 357,500 tons has been 32,500 tons in excess of consumption, but this is still higher than the minimum required by government legislation. Recently the US Reconstruction Finance Corporation approved plans to expand the production capacity of the new "cold rubber" to 160,000 tons. If this new synthetic rubber fulfils its promise and proves suitable for tyre treads, the natural rubber industry may have to revise its long-term calculations. "Cold rubber" has first to prove by experience that it can compete with the natural product. It will not be sufficient to claim that it is better than general purpose synthetic.

* * *

Anglo-French Oil Co-operation

Examples of economic integration are still rare enough among the Marshall Plan countries for the arrangement, reported from Paris, for a measure of Anglo-French co-operation in oil supply and refining to merit particular interest. The French, because of their acute shortage of foreign exchange, are obliged to restrict their own use of petroleum products severely. Their refining capacity, however, is at present greater than the British. France embarked on an official policy of home refining in the early nineteen-thirties. Its refineries suffered a great deal of war damage, but the progress made in restoring them has been impressive, and further expansion is going on under the Monnet Plan. French refining capacity is already 10 million tons a year, and about 2,500,000 tons more than the French economy in its present situation can use. The French Government is anxious, therefore, to use the refineries to earn foreign exchange.

The arrangement now made is that the Anglo-Iranian and Shell groups will deliver 4,000,000 tons of crude oil to France in the year ending October, 1949, and that 2,500,000 tons of this will be at the disposal of the French economy. The intention is that the remaining 1,500,000 tons will be refined in France for British account, and the products re-exported. It is believed, however, that the arrangements between the British and French companies at present cover only the period to the end of this year.

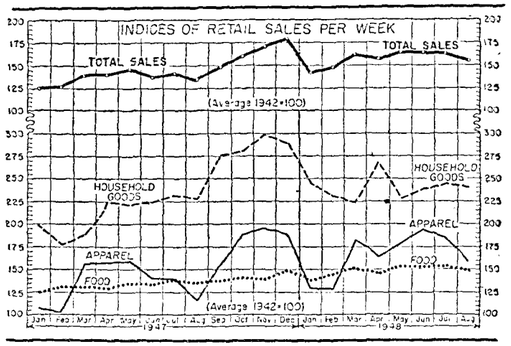
From the French point of view (since it will probably enable France to increase its consumption of petroleum, and this will assist its other industries) the arrangement is no doubt justified. But it may be doubted whether its economics would bear close scrutiny. A large part of the unemployed refining capacity in the Marseilles area, and it seems likely that the products for re-export will be made available at French Mediterranean ports. But Mediterranean markets for refined petroleum are not easy to see; French North Africa, at present supplied from the Caribbean and the Persian Gulf, is the most probable. There seems to be some danger of extended double carriages, and higher costs. But there may be some advantage to the British side in the arrangement, for the supply of refined products to British markets is hampered, in present circumstances, by the closing of the Haifa refinery and the Southern Iraq pipe line.

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Retail Sales Fall

Retail sales in August declined by 5 per cent, but at 156 the Board of Trade index was still well above the level (136) of twelve months earlier. All categories declined, with the largest drop occurring in clothing. This is to some extent a seasonal movement, but coupon concessions became effective at the beginning of the month and footwear was taken completely off the ration. Sales of men's and boys' wear (to which, indeed the coupon concessions were most applicable) fell by over 20 per cent, women's wear by 12 per cent and footwear by 4 per cent. The general experience of retail shops appears to be that the downpointing of certain apparel goods stimulated sales for not much more than one week; buying then fell off again sharply. Regionally, the reduction in weekly sales seems to have affected Central London and the West End least, with a decline of 7½ per cent, and suburban London most, with a fall of 22 per cent. The spread throughout the rest of the country ranged from 13 per cent in the North-East to 19 per cent in Scotland. Yet despite these lower sales figures, apparel stocks at the end of August showed a slight fall owing to a drop in stocks of women's wear, but were still considerably larger than a year ago.

Sales of household goods showed only a slight reduction on the month, but stocks of both furnishings and hardware increased.



Food sales were 3 per cent smaller, but still some 10 per cent above the level of August, 1947. Grocery and bakery sales showed the largest increase (13 per cent) on last year; for this, the abolition of the bread ration may have been responsible. Café and fresh milk sales were 10 per cent higher than in August, 1947, but sales of fresh meat, fruit and vegetables declined. Food stocks at the end of the month were 12 per cent higher than a year earlier.

These trends give rise to certain speculation, but the available data are not complete enough to permit serious conclusions. In any case, since August is a holiday month, movements in sales are difficult to analyse. But it is still apparent that the high prices for textiles are reducing the volume of purchases in spite of the relaxation of clothes rationing. But food prices are still subsidised, and the effect of de-rationing foodstuffs has been an increase in consumption.

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Threatened Jute Shortage

To judge merely by the figures, Dundee ought to be assured of its raw jute supplies until the end of the year, provided that the expected shipments arrive from Pakistan. But recent arrivals of raw jute in Britain have been insufficient to allay Dundee's fears of a shortage, and jute consumption is there-

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All these discoveries have proved of immense importance. Though both his parents were English, Henry Cavendish was actually born at Nice in 1731. He was educated at the University of Cambridge, and from 1760 until his death in 1810 his whole time was devoted to science, and in particular to physics and chemistry. Though he was extremely shy, shunned publicity and never attempted to exploit any of his discoveries, the work of this English chemist has been of great and lasting benefit to science and industry throughout the world.

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fore to be curtailed from an early date. Stocks of raw jute in the United Kingdom were officially reported to total 39,800 tons at the end of August—or nearly 20 weeks' supply—compared with 52,400 tons twelve months earlier.

The figure is low—though at the end of 1947 stocks were as low as 33,600 tons. Stocks of imported jute goods, on the other hand, have increased from 44,800 tons at the end of August, 1947, to 67,300 tons at the end of August, 1948. But it is not the visible supply of raw jute which gives rise to anxiety (though the stocks may not be composed of the required types); the problem is to ensure a steady flow of imports. Some 45,000 tons of raw jute was allocated for shipment from Calcutta between October and December. The Indian Government, however, has now stopped all jute exports during October owing to the low level of stocks at the Calcutta mills. And it is possible that this ban may continue until the end of the year. In that case, Dundee will be entirely dependent on supplies from Chittagong, which are generally of inferior quality.

The export quota of raw jute from Pakistan to the United Kingdom was fixed at 37,000 tons for the first half of the season. This amount would in any case be inadequate to cover British requirements, which for six months would amount to at least 52,000 tons at the current rate of consumption. Moreover, owing to transport difficulties arising from the recent flooding, it is likely that even this export quota may not be met in full.

Dundee is of course trying to use its stocks sparingly, but it is substantially dependent on the shipments of raw jute which arrive from the Indian continent. Production of jute manufactures in Dundee had been improving, although it had not yet reached its prewar level, and the labour force was steadily increasing. Unless the curtailment in consumption is merely temporary, the industry might have to dispense with labour; in that case, it would take a very long time to get it back. The threatened reduction in the output of jute cloth is also likely to have serious repercussions for carpet manufacturers. Although unlimited quantities of woollen, worsted and mixture yarn are now to be permitted in the manufacture of carpets, output cannot be increased unless larger supplies of jute cloth are available. There are no satisfactory substitutes, but clearly if jute manufactures become really short, sacking and other more essential uses will have to take priority over carpets. Part of this deficit in output might be filled by larger imports of jute cloth, but Britain's account with India would hardly allow any significant expansion of such imports.

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Dearer Base Metals

The recent rise in British base metal prices should have caused little surprise to the London market. At the beginning of August, New York prices for copper, lead and zinc were raised to, or above, the corresponding British prices. It was generally known that the Rhodesian selling price for copper was higher than the American; hence, as soon as new contracts were made, sterling copper was bound to become dearer. In the case of lead and zinc, the New York market has usually set the pace in prices. Even the timing of the higher prices could have been foreseen, although admittedly there was no certainty that the Ministry of Supply would necessarily follow the dictates of the market.

From October 1st the British copper price has been raised by £8 to £140 a ton, lead by £22 to £112 a ton, and zinc by £17 to £92 a ton. These prices compare with current New York quotations of £131 a ton for copper, £108 10s. a ton for lead and £83 10s. a ton for zinc. Thus the Ministry of Supply's selling price for copper and zinc is above the American levels (as it has usually been in the past) though the gap between the two sets of prices is narrower. Lead is the exception. Hitherto, the Ministry bought its supplies cheaply from Australia, and British manufacturers benefited accordingly. Some months ago, it was announced that a substantial tonnage of Australian lead would be sold to the United States, and while it was known that the quantity to be exported to Britain was unlikely to fall, it was nevertheless expected that the price for supplies to Britain would be brought more into line with the world level. The new British lead price, like other base metal prices, has been higher than the corresponding New York quotation, but the purchase price still appears to be a little below the world level.

World output of all the base metals continues to expand, notwithstanding the strikes in the United States and Mexico which have caused a temporary stringency in lead supplies in the western Hemisphere in recent months. But world production is still inadequate to cover consumers' requirements, particularly as the new defence programme comes into operation in America. So long as American consumption remains at its current high level, there is little chance of a break in metal prices.

It might be unwise to read too much into the Ministry of Supply's policy of adjusting domestic non-ferrous metal prices, yet it would seem to confirm the belief that the Ministry buys its supplies from sterling sources on short-term contracts of three to six months, and, moreover, that it is now attempting to keep British metal prices in line with trends on the world market from quarter to quarter. If this inference is correct, metal consumers, by watching international price movements will in future have a shrewd idea of what changes may be made in British prices.

* * *

The Movement of Wages

As was generally expected, shipbuilding and repair workers are to receive the same wage increase as the engineers, and in their case also this takes the form of an addition of 5s. a week to the national bonus. Some 200,000 workers, it is estimated, will benefit. The unions' claim, which was for an increase of 15s., was originally to have been heard by a special Court of Inquiry, but after the engineers' acceptance of the Forster award, it was sensibly decided to reopen direct negotiations instead. Last week's agreement is the result. Despite the shop stewards' agitation and threats of strike against the award (which are roundly condemned in the current *Journal* of the Amalgamated Engineering Union) there has in fact been very little disturbance in the workshops.

Several other wage claims are now pending. Negotiations are being opened on the wages of women engineers (who have a clear case for improvement); the railwaymen are next week to hear the Railway Executive's reply to their demand for an increase of 12s. 6d., and the Agricultural Wages Board will meet early in November to decide on the farm workers' claim for a substantial increase. Thus, by the time the special conference of trade union executives meets on November 18th, considerable additions may well have been made to the national wages bill, driving further nails into the coffin of the White Paper on Personal Incomes.

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Denmark's Debt to Britain

The British and Danish governments have agreed to an arrangement for funding the £22 million debt owing by Denmark to Britain. This arrangement took effect from October 1st, the date to which the European Payments Scheme is being antedated. The funding agreement must be regarded as incidental to the European Payments Plan, the intention being to remove this accumulated debt from the intra-European clearing which is about to begin. A sum equivalent to the £22 million is to be placed in a special account in the Danish National Bank and will bear interest at ½ per cent per annum. The debt is to be gradually repaid out of the proceeds of current trading transactions and the intention is to arrange the bilateral trade between Denmark and the sterling area in such a manner as to wipe out the amount outstanding within a period of four years. A number of similar funding or "consolidation" agreements are likely to be announced in connection with the coming into force of the European Payments Scheme.

SECURITY PRICES AND YIELDS

A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Fairey Aviation; Furness Withy; Wm. Doxford; Trinidad Petroleum Development.

Prices, Year 1948 Jan. 1 to Oct. 13 High	Prices, Year 1948 Jan. 1 to Oct. 13 Low	Name of Security	Price, Oct. 6, 1948	Price, Oct. 13, 1948	Net Yield, Oct. 13, 1948 (a) £ s. d.	Gross Yield, Oct. 13, 1948 £ s. d.
		British Funds				
101⅜	100⅞	War Bonds 2½% August 1, 1949-51	100⅜	101	...	1 4 7c
101⅛	100¼	Exchequer Bonds 1½% Feb. 15, 1950	100¼	100⅞	0 6 0	1 3 6
102⅛	100⅝	War Bonds 2½% March 1, 1951-53	102⅛	102⅜	0 7 4	1 10 8c
103	100	War Bonds 2½% March 1, 1952-54	102⅛	102⅜	0 13 2	1 16 2c
104⅛	101⅜	War Loan 3½% (after Dec. 1, 1952)	104	104⅛	1 0 4	2 14 2
102⅛	99⅝	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	0 18 7	2 1 5c
103⅛	100⅛	Funding 2½% June 15, 1952-57	103⅛	103⅛	1 3 0	2 8 4
102⅛	100⅛	National Def. 3% July 15, 1954-58	101⅜	103	1 3 0	2 10 1f
105⅛	101⅛	War Loan 3½% Oct. 15, 1952-57	104⅛xd	104⅛	1 4 0	2 10 4f
103⅞	100	Savings Bonds 3% Aug. 15, 1955-65	103⅛	103⅜	1 8 10	2 15 8f
101⅛	96⅞	Funding 2½% April 15, 1956-61	100⅝xd	101⅜xd	1 5 5	2 7 10f
103⅜	98⅛	Funding 3% April 15, 1959-69	102⅜xd	103⅛	1 9 3	2 15 9f
114⅛	110⅛	Funding 4% May 1, 1960-90	113xd	113⅛	0 19 2	2 12 6c
102⅜	97⅛	Savings Bonds 3% Sept. 1, 1960-70	102⅛	102⅛	1 10 4	2 17 2f
97⅞	92⅝	Savings Bonds 2½% May 1, 1964-67	97⅛xd	97⅛	1 10 6	2 13 4f
115⅜	112⅛	Victory Bonds 4% Sept. 1, 1920-76	114⅝	115⅛	1 3 3	2 16 2*
102⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	101⅜	102⅛	1 11 3	2 18 2f
111	107⅛	Consols 4% (after Feb. 1, 1957)	110⅛	110⅛	0 19 2	2 14 3f
106⅛	102⅛	Conversion 3½% (after Apr. 1, 1961)	105⅝	106⅛	1 8 0	2 18 7f
83⅛	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	78⅛	78⅛	1 15 0	3 3 7f
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	95⅜	96⅛	1 14 3	3 2 3f
100⅜	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	99⅛	100⅛	1 12 11	2 19 11f
83⅛	74⅛	Consols 2½%	78⅛	79⅛	1 14 9	3 3 2
102⅛	96⅛	British Electricity 3% Gtd. 1968-73	101⅛	102	1 11 1	2 17 10f
100⅞	93⅜	British Transport 3% Gtd. 1978-88	99⅛	100⅛	1 13 3	3 8 0f
102⅛	95⅞	British Transport 3½% Gtd. 1968-73	101⅛	101⅛	1 11 3	2 18 0f

Prices, Year 1948 Jan. 1 to Oct. 13 High	Prices, Year 1948 Jan. 1 to Oct. 13 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Oct. 6, 1948	Price, Oct. 13, 1948	Yield, Oct. 13, 1948 £ s. d.
					Other Securities			
105	101⅛	(d)		(d)	Australia 3½% 1965-69	104⅛	104⅛	2 19 0e
94⅛	91⅛	(d)		(d)	Birmingham 2½% 1968-71	93½	93⅛	2 19 4f
8⅛	6⅞	50	c	50	c Anglo-American Corp. 10s.	6⅛	6⅜	3 17 9
10⅞	7⅛	5	a	25	b Anglo-Iranian Oil £1	8⅛	8⅜	3 11 9
76/6	62/41	15	c	15	c Assoc. Port. Cem. Ord. Stk. £1	72/	72/6	4 2 9
38/6	29/6	40	c	40	c Austin Motor 'A' Ord. Stk. 5s.	33/1½	35/-	5 14 3
81/-	72/9	76		7	a Barclays Bank Ord. 'B' £1	76/-	77/-	3 12 9
10⅜	8⅛	120	b	15	a Bass Ratcliff Ord. £1	8⅛	8⅜	2 16 8f
104/9	85/-	12	b	8	a British Oxygen Ord. £1	97/6	97/6	4 2 1
46/11½	36/-	2½	a	5	b Courtaulds Ord. £1	39/3	39/3	3 15 5
32/6	25/1	20	a	4½	b Distillers' Co. Ord. 4s.	27/3	27/3	4 0 9
33/-	27/9	8	c	8	c Dorman Long Ord. £1	32/3	32/9	4 17 9
79/9	68/-	15	c	15	c Dunlop Rubber Ord. £1	74/-	74/-	4 1 1
53/-	44/-	7	b	3	a Imp. Chem. Ind. Ord. Stk. £1	46/9xd	47/-	4 5 1
6⅞	4⅜	19½	b	13½	a Imperial Tobacco £1	5⅛	5⅛	6 8 9
48/9	40/3	10	c	10	c Lancs. Cotton Ord. Stk. £1	43/-	43/-	4 13 0
56/6	44/10½	10	c	10	c Lever & Unilever Ord. £1	48/9	50/-	4 0 0
61/3	47/6	12½	c	10	c London Brick Ord. Stk. £1	51/3	50/7½	3 19 0
66/1½	47/-	25	c	31½	m Pchin Tyson Ord. Stk. 10s.	54/-	52/6	4 15 3
55⅛	50½	171½	c	177½	c Prudential 'A' £1	32½	33	2 6 8f
59/3	49/9	12½	c	12½	c Stewarts & Lloyds Def. £1	56/-	57/-	4 7 9
85/7½	71/67½	12½	a	15	b "Shell" Transpt. Ord. Stk. £1	75/-	75/-	2 0 0†
7⅛	5⅜	12½	b	12½	a Tube Invst. Ord. Stk. £1	6⅛	6⅛	4 0 0
90/9	73/3	11½	b	33	a Turner & Newall Ord. Stk. £1	76/-	76/6	3 18 5
93/3	77/-	55	b	15	a Woolworth (F. W.) Ord. 5s.	79/6	80/3	4 7 2

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (a) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) To latest redemption date. (m) 15 months. Yield Basis 25%. † Free of tax.

Shorter Notes

In pursuance of Rule 113 of the Stock Exchange the Council have fixed October 8, 1948, as the official date of the drawings of Maremmana Railway 5 per cent 1862 bonds, which were drawn in Rome between 1940 and 1946. The numbers of bonds drawn in this period have now been made known in this country. Dealings in these numbers were resumed this week up to Thursday, the final date for dealings.

*

An agreement, recently ratified by the National Joint Council for the Building Industry, which came into force last week, provides for the extension of the guaranteed week for building operatives. Hitherto the guarantee has only operated where time has been lost through bad weather, and the operatives have for some time been pressing for its extension. They have obtained only a part of the full guaranteed week of 44 hours which they sought. Under the new agreement, an operative will receive a minimum payment of 32 hours a week, if he is prevented from working by the weather or by plant breakdowns, material hold-ups or other causes outside his control. On his side, he will be expected to present himself for and remain available for work, and "be willing to perform work in another building operation of which he is capable."

*

A shorter note on September 25th may have given a misleading impression about the exemption of shipping companies from disclosure of certain reserves. Exemption is not an automatic right; it is granted by the Board of Trade only after application is made and the conditions of the Order are satisfied.

*

The clearing banks' Treasury Deposit receipts increased from £1,322.5 million in August to £1,344.5 million in September, that is by £22 million and not by £12 million, as stated in *The Economist* last week. Cheques in course of collection and items in transit did not fall by £1,635,000, as was stated, but rose by £8,305,000.

A market that grows with you — the under

35's

The under-35's are your *vital customers today.* War service and post-war shortages robbed them of valuable years of opportunity to develop buying habits. Now they are looking round and listening, considering and comparing. They want to be told what's good. They are forming brand preferences that are likely to stay with them for the rest of their lives—*and they have the longest buying lives ahead*

More than a third of our adult population is aged under 35. Of this vast army of potential customers, the *Daily Mirror* counts among its readers over a million more than any other daily paper. Tell them what you have to sell. Tell them through the advertisement columns of the *Daily Mirror*

Daily Mirror

THE NATIONAL DAILY WITH THE SECOND LARGEST SALE

1,130,000 more adult readers under 35 than any other national daily paper (vide independent Hulton Survey)

Cost of advertisement space (per column inch per thousand readers) lower than any other national daily

COMPANY MEETINGS

THE MERCANTILE AND GENERAL REINSURANCE COMPANY, LIMITED

INCREASED ACTIVITY IN EVERY BRANCH

Mr RICHARD GUINNESS'S SPEECH

The annual general meeting of the Mercantile and General Reinsurance Company, Limited, was held, on the 14th instant, in London, Mr Richard S. Guinness (chairman of the company) presiding.

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

The accounts submitted for your approval show increased activity in every branch; I wish I could add that this activity carries with it commensurate earnings, but 1947 will be remembered as a most difficult year, not only for world-wide British insurance, but also in every insurance market.

FIRE AND MISCELLANEOUS ACCOUNTS

The premium income on fire and miscellaneous accounts totals £2,136,215. As this premium income increases, it is the constant endeavour of our management to see thereto that these premiums are garnered from many countries so that the laws of average may prevail. Unfortunately, in 1947, these laws have not prevailed, with the result that our fire and miscellaneous account, after provision for all outgoings and for £180,911 increased reserve for unexpired risks, calls for a transfer of £97,719 from profit and loss account.

ADVERSE FACTORS

There are many contingencies that have brought about these adverse results. The havoc of war has left behind serious deterioration in fixed property and industrial equipment; buildings and contents have become less stable and must remain in bad repair for lack of labour and materials; fire protection has in consequence become more difficult and, above all, the normal hazard has greatly deteriorated in every sense. In a period of inflation the costs of replacement become more and more disproportionate to the volume of premium income. The result has been that fire losses have been excessive, motor claims far above the average both in number and amount; burglary, particularly in Great Britain, also theft, more prevalent. Premiums deemed equitable hitherto have proved woefully deficient and in consequence heavy losses have fallen upon both insurers and reinsurers. This unhappy situation will call for skilful adjustment on revised bases equitable both to the insurer and to the insured.

MARINE BRANCH

I am glad to state that the marine branch has enjoyed more favourable results with a net premium income of £73,995 for 1947 account, to which is added £59,486 in respect of previous years, giving a total premium income of £133,481. After meeting all claims and charges, a balance of £174,854 remains in the fund after transfer of £37,284 to profit and loss account in respect of the years 1943 and 1944 now closed.

LIFE ACCOUNT

The life account has again shown great vitality; this important branch has been cautiously built up over a period of years, and it is gratifying to note that the life assurance fund at £1,093,854 has passed the million milestone. Mr Foster, F.I.A., our actuary, and his assistants combine prudent selection with expert service, with the result that our reassurance facilities for the life account meet with ever-increasing demands; a valuable contribution to the general effort to stimulate British insurance and reinsurance in all quarters of the globe.

The United States, South America, Australia, New Zealand and India have been visited by our general manager or by his assistants, old friendships have been cemented and new relations established which we will strive to maintain by efficient co-operation. I am sure that the shareholders will join in expressing appreciation to the management and staff; it has been a year of strenuous effort under difficult conditions.

THE DIVIDEND

The dividend proposed is the same as in recent years, viz., 5 per cent., free of tax.

Mr H. P. Hewitt, who has so ably filled the post of secretary since 1919, has retired. Mr Richmond, hitherto assistant secretary, has been appointed in his place.

Sir Richard Nosworthy has nominated Mr Hewitt as his alternate on the board, a suitable recognition of his valuable services which will thus continue available to us.

Mr Owen Hugh Smith has resigned his seat on the board after thirty-two years' service. I am sure the shareholders will join his colleagues in an expression of thanks for his long service and regret at his resignation. Mr Hugh Kenneth Goschen has been co-opted to fill the vacancy.

I beg to move the adoption of the report and accounts now before you and the declaration of a dividend of 5 per cent. per annum, free of income tax, for the year 1947, upon the paid-up capital.

The resolution was carried unanimously.

The retiring directors were re-elected, the auditors re-appointed and the proceedings terminated with a vote of thanks to the chairman.

GENERAL CEYLON RUBBER AND TEA ESTATES, LIMITED

HIGHEST PROFITS SINCE 1942

The 51st annual ordinary general meeting of this company was held, on the 12th instant, in London, Mr J. Gilroy Annan (the chairman) presiding.

The following is an extract from his circulated statement:

It is with pleasure that your board report an increase in profits for the year 1947, which, at £59,534, before making provision for taxation, are the highest since 1942. The tea crop of 2,533,999 lb. is the largest since 1920 with the one exception of 1942, when some 33,000 lb. more were harvested. The rubber crop on the other hand shows a decrease and is the lowest for seven years past, but this is only to be expected since the areas slaughter tapped under the Government Capital Compensation scheme were in the

main out of production, while the remaining rubber areas intensively tapped during the war years received a much needed relief by a less intensive method of tapping.

Your directors recommend the appropriation to general reserve of £5,000 and the writing off of £3,000 from expenditure under the capital compensation scheme. When subjected to tax at the standard rate, the proposed gross dividend of 6½ per cent. closely approximates the average net distribution over the 6 years to 1944 after adjustment of Dominion income tax relief. A dividend of 6½ per cent. on the nominal capital represents only 4.2 per cent. on the true capital employed.

Up to the end of July in the current season there have been harvested 1,559,112 lb. of tea and 623,221 lb. of rubber which compare respectively with 1,606,301 lb. of tea and 652,560 lb. of rubber for the corresponding period of 1947.

The report was adopted.

METAL TRADERS LIMITED

DIVIDEND MAINTAINED

The twenty-eighth ordinary general meeting of Metal Traders, Limited, will be held at the registered offices of the company, 7, Gracechurch Street, London, E.C., on the 26th instant.

The following is the statement by the chairman, Mr Frank L. Baer, circulated with the report and accounts:

Our accounts are presented in the form required under the provisions of the new Companies Act which has recently come into force, and comparative figures for the preceding year are shown in the balance-sheet of Metal Traders, Limited.

It is a great satisfaction to your board that the results for the year under review have allowed us to recommend the same dividend as for 1946-47. In this connection, although the dividend is 250 per cent. on the issued capital, taking into account the reserves and carry-forward, the dividend is in fact less than 20 per cent.

Metal Traders Inc. — The directors of Metal Traders Inc. decided to capitalise their surplus assets by issuing one share for each existing share, with the result that we — Metal Traders, Limited—now hold 10,000 shares of 50 dollars each. No addition has been made in our balance-sheet in respect of this issue of shares, the investment continuing to be carried at cost. Such cost figure is very substantially less than the directors' valuation of the shares at the present time.

Our New York friends continue to do a profitable business in many parts of the world, some portion of which in the past was taken care of from here, and in consequence such profits now accrue to New York instead of London.

L.P.C. Lead Pigments and Chemicals, Limited.—As foreshadowed a year ago, the issued capital has been increased. The company continues to trade with excellent results.

Brookside Metal Company, Limited.—There is no change in the capital structure of this company, whose activities in the scrap metal business fit into and, indeed, complement our trade in virgin metals.

The Metal Exchange remains closed. There is nothing which I can usefully add to the announcements which have appeared in the press from time to time regarding the negotiations with the Government.

Mr. Walter O. Stern, who has been an active member of the management for over 20 years, has been elected to a seat on the board. A resolution will be submitted at the forthcoming general meeting to confirm this appointment.

Statistical Summary

GOVERNMENT RETURNS

For the 9 days ended October 9, 1948, total ordinary *revenue* was £64,898,000, against ordinary expenditure of £75,163,000 and issues to sinking funds £441,000. Thus, *including* sinking fund allocations of £8,670,000 the surplus accrued since April 1st is £242,310,988 against £206,612,548 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948–49	Receipts into the Exchequer (£ thousand) April 1 to Oct. 11, 1947	April 1 to Oct. 9, 1948	11 Days ended Oct. 11, 1947	9 Days ended Oct. 9, 1948
ORDINARY REVENUE					
Income Tax	1309150	396,347	412,822	20,214	10,390
Sur-tax	90,000	19,755	25,700	900	800
Estate, etc., Duties	160,000	88,579	93,150	5,150	3,900
Stamps	55,000	25,830	29,363	1,500	1,200
Profits Tax	250,000	18,570	73,681	1,200	6,500
E.P.T.		127,598	59,950	13,700	2,250
Other Inland Rev.	1,000	115	105	5	5
Special Contributn.	50,000	...	15,750	...	1,250
Total Inland Rev.	1915150	686,794	710,521	42,669	26,695
Customs	820,600	411,244	428,698	22,648	21,401
Excise	726,550	293,300	374,300	7,200	6,300
Total Customs & Excise	1547150	704,544	802,998	29,848	27,701
Motor Duties	50,000	11,109	9,968	766	514
Surplus War Stores	102,000	105,112	68,329	1,715	3,917
Surplus Receipts from Trading	57,000	30,175	826	175	...
P.O. (Net Receipts)	...	...	...	...	...
Wireless Licences	11,000	3,970	4,175	...	...
Crown Lands	1,000	450	400	...	...
Receipts from Sundry Loans	14,000	16,705	9,090	56	...
Miscell. Receipts	68,000	169,852	85,040	5,898	6,070
Total Ord. Rev.	3765300	1728711	1691313	81,127	64,898
SELF-BALANCING					
Post Office	150,200	71,780	75,460	3,900	2,100
Income Tax on E.P.T. Refunds	16,000	12,817	4,000	622	160
Total	3931500	1813308	1770803	85,649	67,158

Expenditure	Estimate, 1948–49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Oct. 11, 1947	April 1 to Oct. 9, 1948	11 Days ended Oct. 11, 1947	9 Days ended Oct. 9, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	280,644	267,587	25,708	25,422
Payments to N. Ireland	26,000	11,373	11,992	764	938
Other Cons. Fund Services	8,000	3,476	3,502	2	2
Total	534,000	295,494	280,081	26,474	26,363
Supply Services	2442678	1218054	1157282	59,000	48,800
Total Ord. Expd.	2976657	1513548	1440362	85,474	75,163
Sinking Funds	...	...	8,670	...	441
SELF-BALANCING					
Post Office	150,200	71,780	75,460	3,900	2,100
Income Tax on E.P.T. Refunds	16,000	12,817	4,000	622	160
Total	3142857	1598145	1528492	89,996	77,863

After decreasing Exchequer balances by £316,055 to £2,815,486, the other operations for the 9 days decreased the gross National Debt by £23,542,802 to £25,688 million.

NET RECEIPTS (£ thousand)

Coal Industry Nationalisation Act, 1946, sec. 28(2)	3,866
Under Article 4(6) of the Economic Co-operation Agreement (Cmd. 7469)	50,100
	53,966

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Acts, 1946 and 1948	425
E.P.T. Refunds	197
Tithe Act, 1936, sec. 26(1)	1,255
Overseas Trade Guarantees Act, 1939, sec. 4(1)	10
Housing (Scotland) Act, 1944, sec. 4(2) & Housing (Financial Provisions) (Scotland) Act, 1946, sec. 13(2)	345
Local Authorities Loans Act, 1945, sec. 3(1)	14,100
Overseas Resources Development Act, 1948, sec. 17(1) Colonial Development	50
War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947, Post-war Credits	652
	20,034

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
2½% Def. Bonds	426	Treasury Bills	1,624
Tax Reserve Certs.	3,374	Nat. Savings Certs.	2,500
Ways & Means Advances	26,200	3% Def. Bonds	*1,341
Treasury deposits	2,500	Other Debt:—	
		Internal	50,575
		External	2
	32,500		56,042

* Including £238,464 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Oct. 11	2210·0	2571 7	343·2	20·3	1253·5	6398·6
1948						
June 19	2210·0	2635·1	274·0	11·3	1443·5	6573·8
,, 30		4817·3	270·5	...	1468·0	6555·7
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
,, 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
,, 24	2210·0	2632·8	291·6	13·3	1429·5	6580·1
,, 31	2210·0	2629·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2593·5	270·5	...	1429·5	6508·5
,, 14	2210·0	2355·6	287·0	...	1429·5	6282·0
,, 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
,, 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2382·0	294·2	2·0	1455·5	6351·8
,, 11	2210·0	2378·7	297·0	2·0	1460·5	6348·2
,, 18	2210·0	2382·9	300·2	18·8	1460·5	6389·4
,, 30		4637·3	256·5	...	1449·5	6343·3
Oct. 9	2220·0	2415·3	274·7	8·0	1452·0	6370·0

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Oct. 10	180·0	291·3	180·0	10 1·36	47
1948					
July 9	170·0	276·5	170·0	10 1·48	48
,, 16	170·0	279·7	170·0	10 1·55	48
,, 23	170·0	294·3	170·0	10 1·31	43
,, 30	170·0	291·8	170·0	10 1·34	42
Aug. 6	170·0	288·1	170·0	10 1·50	44
,, 13	170·0	269·1	170·0	10 1·91	53
,, 20	170·0	272·7	170·0	10 1·87	52
,, 27	170·0	268·1	170·0	10 1·05	53
Sept. 3	170·0	295·8	170·0	10 2·43	41
,, 10	170·0	284·6	170·0	10 2·84	48
,, 17	170·0	263·8	170·0	10 3·31	56
,, 24	170·0	272·5	170·0	10 3·14	52
Oct. 1	180·0	277·5	180·0	10 1·72	54
,, 8	190·0	269·2	190·0	10 1·00	62

On October 8th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 62 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Application for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £180 million (maximum) of Treasury Bills are being offered for October 15th. For the week ended October 16th the Banks will be asked for Treasury deposits to the amount of £90 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended Oct. 4, 1947	Week Ended Oct. 2, 1948	Totals Apr. 1 to Oct. 2, 1948
Savings Certificates:—			
Receipts	2,750	800	58,300
Repayments	3,400	1,800	66,000
Net Savings	*Dr 650*	*Dr1,000*	*Dr 7,700*
Defence Bonds:—			
Receipts	*640*	*495*	*20,455*
Repayments	970	590	23,291
Net Savings	*Dr 330*	*Dr 95*	*Dr 2,836*
P.O. and Trustee Savings Banks:—			
Receipts	12,699	10,938	315,513
Repayments	9,267	10,694	320,656
Net Savings	3,432	244	*Dr 5,143*
Total Net Savings	2,452	*Dr 451*	*Dr15,719*
Interest on certificates repaid	612	324	11,726
Interest accrued on savings remaining invested	2,285	2,320	60,839

BANK OF ENGLAND RETURNS

OCTOBER 13, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1236,053,422	Other Govt. Securities	1288,169,046
In Banking Department	64,194,411	Other Secs.	807,069
		Coin (other than gold)	8,785
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	325,528,941
Rest	* 3,179,118	Other Secs.:—	49,015,871
Public Deps.:—	25,218,760	*Discounts and Advances*	*26,367,920*
*Public Accts.**	*18,896,598*	*Securities*	*22,619,915*
H.M. Treas. Special Acct.	*6,322,162*		
		Notes	64,194,411
Other Deps.:—	398,014,081	Coin	2,225,736
Bankers	*363,090,823*		
Other Accts.	*34,923,258*		
	440,964,959		440,964,959

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

COMPARATIVE ANALYSIS

(£ million)

	1947	1948		
	Oct. 15	Sept. 30	Oct. 7	Oct. 14
Issue Dept.:—				
Notes in circulation	1368·6	1236·4	1237·9	1236·1
Notes in banking department	81·6	63·9	62·4	64·2
Government debt and securities*	1449·3	1299·2	1299·2	1299·2
Other securities	0·7	0·7	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept. :—				
Deposits:—				
Public Accounts	11·4	22·3	13·4	18·9
Treasury Special Account	...	53·6	4·3	6·3
Bankers	295·8	300·0	297·0	303·1
Others	94·6	93·3	96·0	94·9
Total	401·8	469·2	410·7	423·2
Securities:—				
Government	310·6	361·8	315·9	325·5
Discounts, etc.	5·8	25·0	27·1	26·4
Other	19·4	35·4	21·2	22·6
Total	335·8	422·2	364·2	374·5
Banking dept. res.	83·7	65·4	64·2	66·4
	%	%	%	%
"Proportion"	20·8	13·9	15·6	15·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

1927=100	Oct. 7, 1947	Sept. 21, 1948	Oct. 5, 1948
Cereals	111·8	122·0	122·2
Other foods	138·7	138·8	138·8
Textiles	145·1	181·1	177·1
Minerals	232·9	252·7	264·0
Miscellaneous	151·7	155·7	154·9
	149·9	163·4	163·9
1913–100	*206·3*	*224·8*	*225·5*

GOLD AND SILVER

The Bank of England's *Official* buying price for gold remained at 172s. 3d. per fine ounce throughout the week Spot cash prices were as *follows*:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Oct. 7	47	77½	179 0	115 8
,, 8	47	77½	178 8	115 0
,, 9	Markets	Closed	178 4	115 0
,, 11	47	77½	178 6	115 4
,, 12	47	Closed	175 12	114 12
,, 13	47	77½	174 12	115 0

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October 23, 1948 — One Shilling

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The Enemy Within

IT is no mere coincidence that agreement over the first positive steps in European co-operation should have been reached in Paris last week-end at the very moment when the French coal industry had been brought to a standstill. The two events mark the clash of opposing aims—the one a constructive attempt on the part of the western European countries to seek their economic recovery through mutual effort and the assistance of the United States; the other a destructive campaign to cripple one of the weakest members of the group, to demonstrate the failure of Marshall Aid as a recipe for European recovery, and to dishearten and entice waverers into the Russian orbit. The fact is that Marshall aid is working; but equally it is a fact that the Cominform, which was recreated by the Soviet Union to fight the whole concept of western recovery with American assistance, is now fighting with the gloves off.

At the moment, the warfare is open only in France. But it is being pursued clandestinely and undeclared in other countries too. The jargon and dreary clichés of the Cominform newspaper should not be dismissed as ideological clap-trap. They are evidence in themselves, that the single-minded aim of Communism is to sap resistance, to weaken the forces of democracy as that word is understood in the west, to bore from within in every field of human activity. The Cominform makes no bones about these aims. Indeed, the results of Communist infiltration are plain enough to see, not only in France, but also in this country. The recent boast of the Cominform newspaper that "in a majority of the capitalist countries the Communist parties play a decisive role in the trade unions which number millions of members" is, for all its exaggeration, too near the truth to be comfortable. It is palpably true of the present predicament of France.

The question of Communist influence and leadership in the British trade union movement has now become an issue of first-class importance. What has happened in France could happen here, if Communist influence was sufficiently strong. There are signs that the fight for power has now been joined. Ten days ago, Mr Arthur Horner, who is secretary of the National Union of Mineworkers and is a Communist, told the meeting of the *Confédération Générale du Travail* in Paris that just as Russia had aided the British miners in their strike in 1921—to the extent, he claimed, of £1,000,000—so the British miners would support the French miners in their strike. This wholly unauthorised offer of support in a Communist-organised strike, designed to frustrate the part which France might play in European recovery, drew an immediate denunciation from Mr Will Lawther, the president of the NUM. Mr Lawther is, in Mr Horner's words, "a great proletarian who has been led astray"—*anglice*, he is not a Communist. So the National Union of Mineworkers has a president who is a supporter of European co-operation under the Marshall programme, a Communist secretary who has described the European Recovery Programme as "the American pattern for the reconstruction of Europe at the expense of the working class," and two Communist leaders in the important Scottish and South Wales areas. In all, there are four known Communists on the executive committee of the

NUM. Their presence has for some time past been an embarrassment, involving decision by majority vote ; at the moment, when crucial discussions are going on with the Coal Board and the Minister of Fuel and Power to inject a new sense of discipline and urgency into coal production, their policy could easily become one of positive hindrance.

But coal is by no means the only industry of vital importance in which Communist influence is significant. On the small national executive of the Amalgamated Engineering Union, there are two members out of seven who are Communists ; but the main influence in this union is exerted by the national organisers, of whom three out of four are Communists. The president and secretary of the Electrical Trades Union are both Communists, and both elected this year. In some unions, on the other hand, a few Communist candidates have failed to secure election to the executive committees in the past twelve months. Obviously, there is no question of Communist domination even in those unions where Communist influence is strongest among the higher officials. In that sense, the British trade union movement has succeeded in avoiding the Communist dictation which is at present holding the French industrial economy to ransom.

Yet Communist influence, though short of control, is certainly strong enough in these key unions to pursue guerilla warfare. So far, it has pursued a discreet line. It has stopped well short of direct action, even where, as in the recent awards for higher engineering and shipbuilding wages, conditions seemed fertile for some effective trouble-making. But that can be credited to nothing more than tactical expediency. The economic state of Britain is very different from that of France, and the authority of the Trades Union Congress is, on the whole, supported by the broad mass of the eight million members of its affiliated unions. It is presumably on the calculation that the time was not yet ripe that Mr Horner had not declared in this country what he was moved to say in Paris ten days ago.

Now that open controversy has broken out between Mr Horner and Mr Lawther, the decisive trial of strength in the unions can hardly be delayed much longer. It is useful to try to define a little further the extent of the field over which the battle will have to be fought. The Iron and Steel Trades Confederation is anti-Communist, though the Amalgamated Union of Foundry Workers (whose secretary is now in Budapest, with officials from two other unions, attending the meeting of the Hungarian trades unions) is more sympathetic to the Communist viewpoint. Nor is the influence of Communist ways of thought unduly strong in the counsels of the National Union of Railwaymen—though traces of it can certainly be found. The Transport and General Workers Union has eight Communists on an executive of 38, compared with 9 out of 34 seats a year ago. Except in the docks, the stewards and organisers of the union, however, seem to be less affected by Communist influence than those of some other unions, like engineering. In building, the president of the union is a Communist, and there are Communist members on its regional councils. In the textile, footwear, pottery and hosiery unions, Communist influence is negligible, but it has grown in the distributive trades and in clothing, and in the professional and non-manual organisations, the effect of Communist influence is out of all proportion to their size.

What effective measures can be taken to end the equivocal position of Communist union officials ? The TUC has always disclaimed any right to intervene in the domestic affairs and government of its affiliated unions. It is a Congress, not an executive federation. It has rested on the assumption that the democratic system of trade union government was proof against the emergence of forces inimical to the aims and aspirations of organised labour. Unfortunately, this bulwark of strength—as it should be—has been neglected by the indifference and gullibility of large numbers of trade union members. The Communist forces have been more energetic, better organised, and uninhibited by scruple. They have used their small but active minorities to gain possession of large areas of the heritage of trades unionism in this country.

Thus, the doctrine of non-intervention on which the TUC has hitherto been disposed to rely is now becoming out of date. It has to find some means to the effect that Communist influence or control may exploit the power of the unions in ways which are inimical to the broad interests of their members, which are opposed to the policy of a Labour Government which the TUC, to its credit, has been ready to adopt, and which are designed to further the spread of Communist disruption in the west in the interest of Russian policy. Its present difficulties are not to be underestimated, for the risks to the trade union movement—to say nothing of the risks to the further progress of economic recovery in Britain—are great. But now is the time for the TUC to find its voice. It must point out the dangers which trade union members are running by failing to vote for officials of their true choice. It must get rid of the idea that Communist influence in the unions is an old problem which will somehow solve itself. Today, it is a new and urgent problem. With the spectacle of France, prostrate and enfeebled, before them, the truly democratic forces in British trades unionism have a horrible example of what could happen here, unless they bestir themselves to fight for their rights.

India—A New Great Power

DISCREETLY, and with circumspection, some of the Dominion Prime Ministers approached last weekend the problem of defining afresh the constitutional relations which hold old and new members of the Commonwealth together. With Mr Nehru away in Paris, they explored the issues raised by Eire without losing sight for a moment of the fact that they might arise, too, with India. Chequers was the appropriate place for such delicate probing, but it must be expected that the operation will soon pass to the Cabinet Room in Downing Street and from there to Parliaments. Until more is known of the Indian attitude it would be premature to discuss its pros and cons ; but there is one thing which should be clearly understood now, before public debate begins. It is that India is now a Great Power in Asia ; that if it stays in the Commonwealth, there will be an unprecedented partnership between the leader of western Europe and the possible leader of Asia ; that the power to be exercised by each will be deeply affected by the nature of the tie between them and between India and Pakistan. That Britain and India have vital interests in common is clear ; what is less obvious to many is the ability of India, whether as a Dominion or as a state outside the Commonwealth, to advance and defend those interests.

In the last four years two great events have occurred which have abruptly and radically transformed the prewar balance of forces in Asia. The first was the utter defeat of Japan and its disappearance as a Great Power; the second was the departure of the British Raj from India after a war which had apparently left its control intact. Almost equally important was an event which was hopefully expected, but failed to occur: the emergence of a strong and united China as the main factor of peace and stability in the Far East—a possibility which was recognised in advance by the inclusion of China as one of the five permanent members of the Security Council of Uno. Today, with Japan prostrate and China torn with devastating

civil war, the Far East is a zone of weakness and instability, and the intervention of the United States can only to a limited degree compensate for the lack of self-relying strength or order in either country.

The collapse of Japan has been in a certain sense a defeat for Asia, since a Far Eastern Great Power has been eliminated without being replaced by another, and the whole region has become exposed to the rivalries of external forces. The transfer of power in the Indian sub-continent, on the other hand, has been a signal success for Asia, since two Asiatic nations have replaced European rule over a vast area, without dissolution or breakdown of the apparatus of government which they have taken over.

*

It is not easy in this country to make the mental readjustment required to think of India as an independent power playing a leading role in world affairs. The extent of Indian industrialisation during the last twenty years, the numbers of Indians acquainted in some degree with modern technology, and the fund of financial, administrative and organising ability in India, are also still inadequately recognised. The British built in India more solidly than they knew, and the teacher's proudest hour should always be when his pupil is able to do without him. Whatever India has learnt from Britain has been so well learnt that it has been able to emerge as a modern state, with an administration and an economic structure unrivalled among eastern countries.

The former Indian Empire has been reconstituted as two states, one with a population of well over 300 millions and the other much smaller, but nevertheless about as populous as the United Kingdom. The disparity in population between the two units is accentuated by the contrast of industrial potentials, for India is heir to all the principal industrial areas developed before partition. By the tests of man-power and industrial capacity, therefore, India is in a different category of strength from Pakistan, and even by itself can qualify for the rank of a Great Power. On the other hand, Pakistan is better off than India as regards food supplies and is also better furnished with exportable surpluses for the world market. Further, Pakistan holds the north-western mountain keys to the Indo-Gangetic plain, and is thus responsible for the defence of India as well as of the most vulnerable land frontier of the sub-continent. It follows from these facts that India and Pakistan are interdependent to a high degree both economically and strategically, and that India's status as a Great Power must vary according to the state of its relations with Pakistan. The two nations in close co-operation can be extremely strong ; but as long as relations between India and Pakistan are those of hostility and suspicion, India will be vulnerable to all kinds of untoward events.

Theoretically, perhaps, India might achieve a re-unification of the sub-continent by military conquest or coercion of Pakistan. In fact, whatever the economic and strategic gains, India would pay too high a price in political weakness by the forcible incorporation of so large a reluctant minority—as it would have done also if there had been no partition. Apart from outright conquest, the only way for India to achieve a working equivalent of the former Indian unity is by a good understanding with Pakistan, which means in the first place a reasonable settlement of the Kashmir dispute. There can be no amity between Karachi and Delhi as long as the deadlock in Kashmir remains unresolved. Whatever the past merits of the quarrel, India can now afford to be generous ; it has so clearly demonstrated its military efficiency in the campaign against Hyderabad that it has no need to keep up the fight in Kashmir merely for the sake of military prestige. If a settlement were once reached there no territorial issue between India and Pakistan would remain and the way would be open for real co-operation. If India and Pakistan can work together, they can not only assure peace to the whole vast area formerly ruled by Asoka, by Akbar and by the British Viceroys ; they will also exert a powerful influence for stability both in the Middle East on the one hand and in South-East Asia on the other. Their joint interests are bound to extend their horizons both west and east of the Indian sub-continent. Not long ago there was hardly a politician in India who was actively concerned about the country's external interests; all attention was concentrated on domestic affairs and on the struggle for national independence ; foreign affairs remained under British direction up to the final transfer of power, and it was fashionable to regard the North-West Frontier almost as a British invention. Now that independence has been achieved, the new governments of India and Pakistan are quite well aware that they have to guide the destinies of their countries in a world of great strains and stresses which can affect the regions close beyond the Khyber or east of the Bay of Bengal. Nor are they unaware of their countries' dependence on supplies of food, oil and other essential commodities from nearby countries — an interest which must cause them to keep a very sharp eye on what happens in Burma, Indonesia or even Iran. Pakistan, as a Moslem state, has also a special interest in the fate of all Moslem countries, and therefore of the Middle East as a whole ; and India also has an interest in the independence of the states which can serve as buffers between India and the Soviet Union.

As a factor of resistance to, and "containment" of, Russian expansion India is of immense potential importance precisely because of its own inherent strength, as distinct from the aid which can be given to it from outside. Without the strength and cohesion of India, there would be a great danger of a Russian expansion all over Asia, because of the absence of any effective resistance by the Asiatic states themselves. The Russians have a large population of their own in Asia, strong military forces available on the spot, and their Communist fifth columns in each country; against such pressure in the largest of the continents neither Britain nor the United States can do much across intervening oceans, unless factors of real power are working for resistance within Asia itself. No expenditure of dollars, no military missions can build barriers out of states rotten with corruption, lacking the essentials of a modern economy or torn with internal faction. That lesson is being learnt in the Middle East. India, however, possesses not only great man-power and resources but also a relatively advanced administrative and economic apparatus, directed by men of notable ability and energy; it can stand on its own foundations in defence of its independence, capable of using effectively whatever assistance may be forthcoming from elsewhere.

*

It has now become customary to refer to the ideological and national conflict between the Soviet Union with its satellites and the nations of western Europe and North America as a struggle between east and west. The identification of Russia with the east gives rise to highly coloured passages of political rhetoric, as in the statement that the frontier of Asia is on the Elbe. The Asiatic element in the Russian population and culture has indeed always impressed west European observers. Yet, to the peoples of Asia, Tsarist Russia was simply one of the European powers expanding into Asia. To the traditionally minded Hindu, Moslem or Confucian, Tsarist Russia was one of the Christian nations with no part or lot in his own cultural heritage. On the other hand, to the young Asiatic eager to acquire western knowledge and ways of thought for modernising his country, Tsarist Russia was never the model ; for it was regarded as "backward" and it was from the most advanced western nations that the innovators desired to learn. Thus it

came about that the Russian language never spread in Asia beyond the limits of the Russian empire. French became the auxiliary language from the Mediterranean to Persia, while England became the principal medium of western cultural influence, not only in India, where Britain ruled, but also in China and Japan. Today, in spite of the attraction which Communism has for a section of the *intelligentsia*, the bulk of the educated classes throughout the zone of independent countries south of the Soviet Union—from Turkey to Japan—have closer cultural ties with the nations of North America or of Western Union than with Russia.

In so far as Soviet Russia has succeeded in gaining an ascendancy of influence in Asiatic countries, it has been by championship of nationalist movements against the sovereignty or privileges of western nations. But now, with independence gained, nationalism strives to preserve itself against new subjection from whatever quarter, and Communism must rely more and more on its social revolutionary appeal, on the weaknesses of the social and political structure in each country and on the direct support of Soviet power. In every case in which Communists have taken part in an "anti-imperialist" struggle a split between them and the bourgeois or democratic socialist elements has ensued on the attainment of the nationalist aim—though before that the Communist parties have often been able to build up a strong political position. It is an Asia of free, self-governing nations, not an Asia of colonies or semi-colonies of western Powers, which can be expected to resist the march of Soviet empire. In such a company India is the natural linchpin; with wise policy and in co-operation with Pakistan its size and solidity enable it to create an Asiatic balance of power. It is to these fundamental, but as yet barely perceived, political, economic and geographical facts that minds must be adjusted before the great constitutional debate of the Commonwealth is begun—not least in India itself.

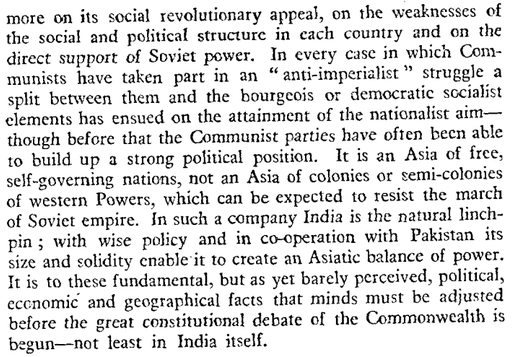
Air Lift to Berlin

THE air lift is like a knight's move in a game of chess; it enables the west to hold its position in Berlin by jumping over the opposing pieces which threaten it. So far it has achieved spectacular results, but five months of winter and bad weather lie ahead. If the air lift should fail, or if it should have to be substantially reduced, Mr Bevin, Mr Marshall and M. Schuman would find themselves where they were four months ago. They would have to face again the urgent dilemma either of having to use force to break the blockade, with the possibility of starting a war, or of having to withdraw from Berlin, with the certainty of encouraging fresh demands from Moscow. Moreover, there would then be no third choice.

The immediate question is, therefore: can the air lift be maintained? In particular, can it survive the fogs, frosts and blizzards of the next four or five months? The experts believe that it can. They base their belief first on the increasing efficiency of the air crews and flying control staffs—the average weight of loads carried is now roughly 4,300 tons per day; second, on the extensive use of radar and navigational aids, combined with the opening in December of a third airport at Tegel in the French sector; and third, on the flexibility of the organisation—what is lost due to bad weather on one day can be made good by increasing the scale of the operation on the following days. They point out, too, that the present scale of the air lift has enabled the Allied authorities in Berlin to build up substantial reserves which are there to be used if persistent bad weather should seriously interrupt the flow of supplies. From June 28th, when the air lift began, until the end of last week, British and American aircraft together had flown more than 300,000 tons of food, coal and other goods into Berlin.

The air lift has been and is a remarkable achievement—certainly the most remarkable of the western "cold war" effort. It was originally meant to do no more than supply the western garrisons in the city; almost immediately after it started, its scope was extended to include the German population as well. It was also originally meant to be no more than a short term measure; now it has been developed to cover plans for supplying the western sectors of the city for several months ahead. From concentrating at first solely on food, the air lift now includes coal, industrial equipment and consumer goods; whereas in the beginning it only catered for imports into Berlin, it now brings exports out of the city and has gone some way towards restoring the flow of trade. From makeshift beginnings, it has become the biggest air transport operation ever attempted.

The record of the air lift stands, in fact, as a monument to the Anglo-American genius for improvisation. When the British and American Governments first envisaged the supply of Berlin by air, they thought that it would last only a month at most. Even when that month had passed, it was still continued on a day-to-day basis. It was not until the Moscow talks failed at the end of August, two months after the air lift had begun, that long term plans were laid. In the early days, the officers who were organising the operation—then operation "Carter Paterson"—were given no figure of the daily tonnage required; they simply provided as much as the aircraft at their disposal could carry. Co-ordination between the Royal Air Force and the United States Air Force was loose and informal; civil aircraft—notably the "Flying Tanker" of



Flight Refuelling Limited—were hired on a weekly basis; air crews got little rest and less leave; and the flying control organisation creaked under the strain.

At first nearly every serviceable aircraft belonging to Transport Command of the RAF was sent to Germany; but experience soon showed that, taking into account the limitations imposed by the loading airport at Wunsdorf and the unloading facilities at Gatow, a smaller force more intensely operated would produce better results. As the operation got under way, the numbers of aircraft and of their return journeys per day were increased. The new runway at Gatow was completed, and additional airports were brought into use at the loading end. Skilled mechanics were sent over from the home commands, and the release of RAF tradesmen and aircrews was deferred.

It was obvious from the beginning that the limiting factor would be the number of aircraft which could land on the Berlin airfields. The Western Powers possess only three air corridors, each twenty miles wide, through the Russian zone. They run from Hamburg, Bückeburg and Frankfurt to the Berlin control area. To reduce congestion, aircraft are routed into Berlin by one corridor and out by another. The flying control organisation has also been simplified until it is now possible to accept one aircraft every three minutes at Gatow during daylight. At night the gap is necessarily larger and the theoretical maximum is 480 aircraft per day; the practical limit seems to be between 440-450 aircraft per day. Tempelhof airport in the American sector is being brought up to the same standard as Gatow, and when the new airport at Tegel in the French sector is ready, the practical limit in good weather will be more than 1,000 aircraft per day.

Since the number of aircraft which can be accepted in Berlin is limited, the weight which each aircraft can carry is of great importance. The York and the Skymaster carry nearly twice as much as the Dakota. From the point of view of capacity, therefore, four-engined Yorks, Skymasters and other big aircraft only should be used. But the Yorks were never designed for such short and frequent journeys and, as a result, the British have been obliged to retain the otherwise uneconomical Dakotas for the air lift. The Skymaster, however, is showing itself to be well up to the high standards required, and the Americans are steadily increasing the number available.

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The British share in the air lift has been out of proportion to both Britain's resources and its commitments abroad. Although now British aircraft are bearing less than a third of the burden of the air lift, in the beginning they took an equal share with the Americans. Even the present figure is misleading, as the proportion is calculated by weight of the cargoes carried rather than by volume. The Skymasters operating from the British zone carry coal, which is easily loaded and unloaded. The aircraft touch down, unload and take off again in a matter of thirty minutes. The British aircraft, the Yorks and Dakotas, carry bulky cargoes of miscellaneous items ranging from textiles to potato crisps, which are neither so heavy as coal nor as easy to stow and unload. The weight carried and the speed of the turn round of British aircraft are therefore both less than the American, though the effort is nearly the same.

Moreover, Britain's commitments abroad are greater than those of the United States. Transport Command of the RAF is responsible for keeping open the trunk routes to most of the eastern hemisphere. Their chief duty is to be ready to deal with emergency transport operations in an area of the world where emergencies like the frequent terrorist campaign in Malaya are all too frequent. The air lift to Berlin has meant that these commitments have had to be slightly reduced. In the present state of world affairs the reduction cannot be acceptable for long.

The situation is improving. The different proportions borne by the two countries have become less important than the total scale of the air lift. American aircraft are now using airfields and administrative facilities in the British Zone, taking advantage of both the shorter journey to Berlin and the better flying control organisation; an American officer has been put in charge of the whole operation with a British officer as his deputy and in charge of the air arrangements in the British Zone. Slowly and empirically, a better arrangement is being evolved—the Americans providing more men and aircraft, the British providing the majority organisation and facilities.

Much still remains to be done. The differences between the American and British style of doing things is the same as that with which British troops became distressingly familiar during the war. With men and money to spare, the Americans have been lavish. Each American aircraft is attended by three crews and 30 maintenance men. Each aircrew makes only a few consecutive return journeys and is then able to relax in the mess while its colleagues take over. The British are not so fortunate. They have, proportionately, only half the number of air crews per aircraft; their quarters are less luxurious; leave is less frequent. The inclusion of air crews from Australia, New Zealand and South Africa has done much to relieve the strain, but a greater reduction in the British effort with a corresponding increase in the American is necessary for the long term programme now in progress.

Civilian commentators have from time to time expressed doubts of the ability of the British and American air forces to continue operating in bad weather. So far these doubts have not been justified. On two days last week, for example, there was fairly thick fog over Berlin. The reduction in the air lift during those two days was even less than had been expected—the load carried amounted to approximately two-thirds of the normal. There have not so far been enough days of bad weather to come to any hard and fast conclusions, but the results on those days have fully borne out the experts' hopes that the effect of winter should not be very great.

The men and the machines working in the air lift bear a heavy responsibility. It is the confidence in their ability to continue operating under any conditions that is the mainstay of the West's refusal to negotiate with Moscow under duress. They have undoubtedly impressed the Russians and they may have made them think again before embarking on any more offensives against the West. But the air lift can never be more than a temporary substitute for a constructive policy. For, though it may be cheaper than war, it is too expensive to be continued indefinitely in peace.

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Self Help and Charity

LORD BEVERIDGE, originator of the most comprehensive social security scheme the world has yet seen, has written another report* designed to show that a scheme run by the state is not enough. There is not only scope for "voluntary action" in the social service state; there is an urgent need for it. Thus does Beveridge the Third meet the main criticism of Beveridge the First—that the "national minimum" would kill the spirit of voluntary service and voluntary effort which have given this country so much in the past.

The voluntary principle is indeed as peculiar a feature of life in Britain as are its political institutions. Nowhere has voluntary service so triumphantly blazed the path of social reform. Nowhere has co-operation between the state and voluntary services been so close—with the result that the state has often used a voluntary organisation to carry out an essential public need. All this has been said many times before. The feature of the new Beveridge Report is that it dissects the vast hotch-potch of voluntary effort, classifies it and shows what part each form can play in the social service state.

The term voluntary has itself changed its meaning over the years. Formerly a voluntary organisation was one in which the workers were unpaid. Today a voluntary organisation is something independent of public control, irrespective of whether its workers are paid or not. A voluntary hospital before July 5, 1948, was not less a voluntary hospital because its medical staff received salaries or sessional fees. Nor was it less a voluntary hospital because it put beds at the disposal of the local authority in return for payment. It was a voluntary hospital because it was not under public control. The essence of voluntary action is that "the agency undertaking it has a will and a life of its own."

Within this definition, Lord Beveridge shows that voluntary action may be inspired by two main motives—mutual aid and philanthropy. Mutual aid grows from the realisation that by pooling needs and undertaking to help others in misfortune one helps oneself. Philanthropy springs from social conscience. The most obvious examples of voluntary action inspired by mutual aid are the friendly societies (the friendly societies proper, not the industrial assurance companies which called themselves friendly societies after the national health insurance act of 1911) and the trade unions. Philanthropy has taken many forms and produced an extraordinary variety of institutions and organisations ranging from Dr Barnardo's Homes and the Boy Scouts to the British Drama League.

Social legislation since the war has encroached upon both fields of voluntary action. The national insurance scheme provides a basic minimum income in the event of sickness, accident, death and unemployment, and also for old age. The national health service has put an end to one of the biggest examples of voluntary action—the voluntary hospitals—and by providing a comprehensive service to treat all forms of sickness, disability and their after-effects seems to have made many forms of philanthropy unnecessary. The Children Act impinges on the work of the philanthropic organisations for homeless children. The National Assistance Act obliges the local authorities to enter a field which hitherto voluntary action has made peculiarly its own—the provision of homes and hostels for old people.

Yet Lord Beveridge is right to claim that the need for voluntary action still exists. The recommendation in his first report that the state should provide a uniform flat rate of benefit to subsistence level was intended to leave untouched "the freedom and the responsibility of the individual citizen in making supplementary provision for himself above that level." Although fears were expressed during the passage of the National Health Service Act about the future of the hospital contributory schemes, which were designed to provide the treatment now to be given free by the state, many of them still continue for new purposes. There may not be a need for mutual aid to the same degree that existed before July 5, 1948. If by national insurance an income sufficient for subsistence is forthcoming in sickness, unemployment and old age, it may no longer be necessary for people to make supplementary provision for themselves. But that many will want to do so cannot be denied.

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The need for philanthropy is well established. Lord Beveridge cites numerous cases where individuals have fallen through the uniform mesh in the net of the social services, most of them suffering from some physical handicap. Any service provided by the state tends to be stereotyped; it must be defined, to prevent its wrongful use, and it must be standardised, for convenience of administration. The best system cannot exactly meet individual needs. In fact, the very encroachments of the state in the field of social service have led to a new form of philanthropy—the citizens' advice bureaux, originally established on the outbreak of war, but still fulfilling a need today. The seventeen bureaux maintained in London deal with 8,500 inquiries a month. Many of them are concerned with a citizen's relations with his fellows—like marriage difficulties or getting rid of a difficult lodger—but a great many are concerned with his relations with authority, and the bureaux may have to take up his case with, for instance, the housing authorities or the pension authorities. The essential feature of the citizens' advice bureaux is that they are independent; if they were another department of the local authority or the central government, they could not fulfil the same need.

But if the need for voluntary action, inspired by both motives —mutual aid and philanthropy—can be taken for granted, what of the environment in which it has to work today? The state does indeed pay lip service to voluntary effort. Even such an advocate of state action as Mr Bevan has said that voluntary service is still wanted, not to compete with the national service, but to see "where the shoe pinches." He told the British Hospitals Contributory Schemes Association, early this month:

> We want the voluntary spirit to reach out to new fields and endeavours and to show the Governments of the future where they should also come and make available to everybody what your vision has sought out for the few.

Unfortunately the state's attitude to voluntary action is inclined to consist, as Lord Beveridge says, of warm words and cold comfort. There is no need to argue once again the rightness or wrongness of the decision to divorce the friendly societies from the administration of national insurance. Whether right or wrong—and Lord Beveridge, whose report has been written at the request of one of them, is convinced it was wrong—it was clearly a blow at the voluntary principle. The restrictions under which housing societies operate, and the provision in the Finance Act of 1946 restricting the benefit of charitable covenants to income tax alone, not surtax, are other examples of cold comfort.

But it is not positive action by the state which is likely to hurt voluntary effort so much as the general environment of the times. The redistribution of wealth necessary to provide Beveridge the First, and the full employment which was the object of Beveridge the Second, both press hardly on Beveridge the Third. The last few years have, it is true, seen the establishment of the biggest charitable trust this country has known —the Nuffield Foundation, whose third report was published last week. King Edward's Hospital Fund reported larger subscriptions and donations in 1946, after the decision to nationalise the voluntary hospitals was known, than in 1938. Fewer large gifts but many more smaller gifts may be the outlet of the charitable instinct in the future. Much more serious is the absence of leisure in the middle class from which sprang most of the philanthropists of the nineteenth century and whose members have been responsible for carrying on most of the philanthropic service of this century. The average housewife, declares Lord Beveridge, has more leisure today than her mother or grandmother. She has far fewer children—Elizabeth Fry, it may be pointed out, had eleven—and a better house. Indeed, he sees in the new leisure of the working class itself a new field for voluntary service. But most voluntary service has hitherto been done by part-time unpaid workers from the middle class, and where a voluntary organisation uses paid workers it has to compete with the state for their services. The possible lack of surplus incomes, coupled with the probable lack of surplus manpower, make it necessary for voluntary action to be directed economically and intelligently. The day of the eccentric charitable trust has gone; so has the day of the small local and individual charity. Money given for charitable purposes can more usefully be employed by the larger type of organisation. But there is a danger lest through over-centralisation voluntary action may become as bureaucratic as a state social service. The right compromise seems to be the central collection and disbursement of funds, with local agencies such as the Family Welfare Association, for family and individual case-work, to see that individual needs are not left neglected.

Voluntary action also runs the risk of becoming a vested interest in the need it sets out to fulfil. As Mr Bevan said, voluntary workers must always be prepared for the state to snaffle their own good work and make it universal. When that happens, they must be willing to step down and not fight to retain a voluntary organisation merely because it is voluntary and not because it is the sole means of meeting a proved need.

On the whole, however, the danger to the country is not that voluntary action is likely to be overdone as that it may not be able to flourish. Whether it does pioneering work in new fields or supplements state action in fields already won, it is as essential to the life of the country as it has ever been. But it can no longer rely on the philanthropic motive of the few to carry it along. It is the many who have benefited, at the expense of the few, by the redistribution of wealth. The obvious corollary to the social services provided by the state for the mass of the citizens today is that they should be willing to undertake some voluntary service, however small, in return—that they should learn to give as well as to receive.

* Voluntary Action. A report on methods of Social Advance. George Allen and Unwin. 16s.

NOTES OF THE WEEK

The Dominions Take the Initiative

The conference of Dominion Prime Ministers seems to have run away with its organisers. The stately progress of lectures by responsible Cabinet Ministers has been interrupted by the downright attempts of the Dominions to bring clarity and purpose into the vague groping towards a fresh view of Commonwealth affairs. Every day brings fresh news of the Prime Ministers' determination to "cut the cackle" and get down to business.

After their cautious and somewhat pessimistic statements before the conference began, the British Government should feel gratified that their initiative in bringing the Prime Ministers together is producing such fruitful results, but there are signs that they are beginning to wonder what the Dominions will do next. Committees have been set up to examine economic co-operation, defence and methods of Commonwealth consultation. A private group consisting of Canada, Australia, New Zealand and Britain is concerning itself with the constitutional problems raised by Eire, and which may be raised by other Dominions. Other committees have looked into the status of High Commissioners, the conduct of foreign affairs and the relations between the Dominions and the colonies. If only half of what has been suggested is put into practice, the Commonwealth will have advanced further in the past two weeks than it has in the past twenty years.

From Britain's point of view the progress may not be all pure advantage. The suggestion that some sort of permanent economic secretariat should be set up to plan the development of the Commonwealth—or of least a large part of it—as a whole and with powers to allocate raw materials and capital equipment, necessarily implies considerable modification of Britain's own plans. The tables are being neatly turned. Though the suggestion has not yet been accepted, and will in any case have to be modified to enable Britain to play its promised part in Europe, Britain may yet find itself struggling for some degree of independence from its filial Dominions.

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When the conference began, defence shared with economic co-operation first place in the agenda. The brief statement issued after their discussion on Wednesday did not reveal much, but it is known that the predominant idea of most of the Dominions was to set up regional defence organisations. Mr St Laurent of Canada, for example, has been "crusading" for an Atlantic Union; Australia, New Zealand and Britain have already created a joint defence committee for the Pacific; and it is to be hoped that something similar has now been planned for the Indian Ocean and south-east Asia. By implication, too, all the Dominions have accepted the European commitments which they may incur through Britain's membership of the Brussels Pact. Whether they themselves will actually seek to enter the Pact will depend on the concurrence of the various Dominion Parliaments, which may not readily agree unless their own security is guaranteed by a reciprocal agreement.

On all practical issues the conference has without doubt been a great success, but on questions of right and wrong political expediency seems to have kept the Prime Ministers dumb. Obviously it would have been difficult to bring up such issues as South Africa's treatment of the Indians and Bantu, or India's use of force against Hyderabad, or the colour bar in Australia. They were issues which would have divided the conference. Yet, if Communism is to be successfully routed, strict adherence of the Commonwealth to fundamental principles and traditions must not falter. So long as those principles can be flouted with impunity by any Dominion which cares to do so, the Commonwealth will lack the inward power to retain men's trust in its purpose.

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Eire and the Commonwealth

The absence of an Irish delegate to the Commonwealth conference has not prevented the question of Eire's position from being discussed. An informal meeting at Chequers last Sunday took place between Mr MacBride, Eire's Minister for External Affairs (who is the prime mover in Eire's decision to break the link with the Crown), Dr Evatt, and the Prime Ministers of Britain, New Zealand, and Canada. The three senior Dominions ostensibly participated because they have large Irish populations, but their presence was really due to the fact that they, as the core of the old Commonwealth, are most concerned with the question of the place of the Crown in the Commonwealth relationship. The purpose of the meeting was not to discuss the validity of Eire's decision to repeal the External Relations Act of 1936, which anyway reduced its connections with the Crown to a solemn farce, as its wartime neutrality made nonsense of its connection with the Commonwealth. It was an attempt to ensure that everyone concerned understood the changed situation which will face Eire as an independent and foreign country, and to assess what kind of precedent the first deliberate secession from the Commonwealth will create.

The first problem is that of citizenship. Britain has already explicity recognised Irish nationality by the British Nationality Act. But the other Commonwealth countries have not, and even in Britain there are a large number of Irish people who possess the status of British subjects. (Just how many there are is not known, since neither government has ever thought it necessary,

to collect the statistics.) Presumably, these people will have to decide in which country they intend to be alien. Moreover, there is a constant movement back and forth of Irish casual labourers who will be subject to the disabilities of aliens. There is, of course, nothing to prevent the full application of international law from being tempered by a Treaty, and it may indeed prove the forerunner of similar arrangements with western European countries when the arrangements of Western Union are more advanced.

The problem of Eire's economic relations is no less important, but it will not arise at once. Its commercial treaties with Britain are based on Imperial preference under the Ottawa agreement: Irish dairy produce, for instance, enters Britain duty free, while Danish produce does not, and the Irish farmer gets the best price of any of Britain's suppliers. Under the present system of bulk buying and subsidised food, this makes very little difference to the demand for Irish produce, but it will be very important once there is a move towards freer markets. Since Eire will no longer be entitled as of right to Imperial preference, Britain will be under strong pressure to refuse it, both from Denmark who could demand equal treatment, and from New Zealand who could claim a right to better treatment. Moreover, when the Charter of the International Trade Organisation comes into force in 1951, such an agreement with Ireland (and by the same token the preferential arrangements made with the other new foreign country, Burma) will rank as a discriminatory practice. If Britain were to maintain a preferential arrangement with Eire, it would have no case for resisting the conclusion of similar arrangements between, say, South American countries, which would be harmful to its own interests.

Such difficulties can, however, be overcome if both sides are determined to do so. What is much more important than Eire's legal position as an independent foreign country is the spirit in which it leaves the Commonwealth, and the spirit which it embraces common obligations with Britain and the other western European countries. Perhaps it will find it easier to abandon its parochial attitude towards the world as a member of a European community.

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The Fourth Parliament

On Tuesday next, the King will open Parliament with the full splendour of a state occasion. Whether the panoply of the Household Cavalry, the glitter of the Irish coach, and the playing-card splendour of Earl Marshal and Lord Great Chamberlain will be fitting to the occasion will depend entirely upon the quality of the announcements which His Majesty's Ministers have written into the speech from the Throne. This is the last full and fully effective session of the present Parliament, and it is the last chance for the Cabinet to prove that it contains not merely "good plain cooks," but statesmen.

The early part of the session—perhaps the whole of it—will be dominated by the Iron and Steel Bill, whose provisions will be public before the end of the debate on the Address and Reply. It will be highly contentious, and its provisions will need the most careful parliamentary scrutiny. The nationalised coal industry has nowhere near reached its final form of organisation after three years. To adopt such a happy-go-lucky approach towards the steel industry, with its much more delicate structure, might very easily wreck the whole of Sir Stafford Cripps's plan for recovery. If steel must be nationalised, the most open-minded and careful consideration must be given by Parliament to the means by which it is to be effected.

The Steel Bill will give the Government a chance to display qualities of intelligence and reason which have not been evident in previous discussions of nationalisation. The Opposition are mistaken if they think that the Labour movement will abandon this cherished project, but the Government will be equally mistaken if they delude themselves that with the nationalisation of iron and steel they have completed the task which the nation has set them. They have now to abandon the shelter of Socialist doctrine and move forward into the uncharted seas of national leadership.

There has lately been much talk of unity at home. If it is taken to mean a decision to avoid contentious subjects and to suppress genuine differences of opinion, it would be harmful to the political health of the nation, without greatly impressing either Britain's friends or its enemies. But at least it should mean a renewed determination on the part of the Government—and equally on the part of the Opposition—to set the interests of the nation above that of class and to cease filling the air with a mixture of pretentious clichés and cheap jibes.

Long Road For Liberals

Reduced to a handful in the House, buffeted at by-elections, weakened by desertions, the Liberal Party refuses to acknowledge defeat with an obstinacy which excites the admiration of its friends and the derision of its enemies. On the heels of Mr Frank Byers's appeal for a £100,000 fighting fund comes the new statement of party policy, *Programme for Britain* (which is summarised in the week's issue of *Records and Statistics*). Certain parts of this, particularly those dealing with peace and the social services, demonstrate the extent to which ideas first launched by Liberals have permeated the policy of both other parties. One idea—that for industrial "co-ownership"—frankly needs to be taken back and baked a little longer. The proposals to merge the Ministries of Food and Agriculture under one Minister of Cabinet rank, to make county agricultural committees elective by the county, set up new agricultural credit facilities, and institute a Land Court, compare favourably with the auction-room tactics of Labour and Conservatives in this field; the reform of estate duties to encourage the spread of property is in line with the best economic opinion, as is the proposal to put teeth in the campaign against monopoly and restriction and restore competitive private enterprise in road haulage.

But satisfactory and refreshing as it is to see an opposition party thus descending from the general to the particular, *Programme for Britain* is less valuable for its individual proposals than for the spirit which it embodies. Alone among the parties, the Liberals place first among the aims of state action the freedom and opportunity of the individual. "Set the People Free" is an attractive slogan, but all the antecedents of Toryism show that its proper translation is "A Free Hand for Big Business." The Labour substitution of one set of vested interests for another, while less pernicious in that the vested interests concerned form a larger minority, has for its background a monolithic collectivism even less compatible with individuality. Both are parties of authority, hierarchy, and corporativism; the biggest difference between them is only the difference in the beneficiaries of privilege. Both distrust enterprise and mobility, and both cherish a static conception of society. Therefore the traditional view of Liberalism as a centre position between left and right, or as a state of tepidity between hot and cold, is completely inappropriate to the present day. To use a simile no doubt grossly unjust to both the larger parties health is not a middle position between measles and cholera.

The middle-party attitude has been very nearly fatal to organised Liberalism, and there is little time left to alter it and to build up what is virtually a new party. There is no force-of-habit Liberal vote to carry the Liberal remnant through another General Election; there is little old-guard opinion to be stirred by the evocation of past glories. If Liberalism cannot, between now and 1950, make a sufficient impact to ensure a fresh start, the party is almost certainly doomed; and many who have never thought of themselves as Liberal with a capital L will surely regret its disappearance. Though influence may come, in a more evenly balanced House, long before power, the road from Westminster to Downing Street will be for the Liberal Party a long and difficult one.

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Strikes in France

M. Benoit Frachon, one of the Communist leaders of the present French strikes, sounded quite confident when he spoke recently of "proletarian blood flowing." So it is probable that there will be a last flare-up of violent clashes between strikers and the police or troops, before lack of funds and the firmness of the Government bring the men back to the pits in decisive numbers. By spreading disorder and anxiety the Communists appear to be deliberately inciting a weary population to put General de Gaulle into power—a tactic which experienced observers in France have long expected them to follow. The results hoped for are, of course, civil war—or something very close to it—estrangement between France and its neighbours, and the interruption for months—maybe years—of the nation's economic and political recovery.

It has been said often enough that the strikers have burning and justifiable grievances about the cost of living; but it takes more than this to make men destroy their places of work and sources of livelihood. That is what has been happening in mines where pickets have made safety measures impossible and caused the breakdown of gas and electricity supplies. What the miners refused to do against the Germans they are prepared to do against their own Government. For such behaviour there can be no one simple explanation. There are complex and confused motives behind the strikes, and it is in such confusion that a determined

and organised minority can lead crowds in a direction which is not plain to them.

In more than one sense the Gaullists and the Communists are now allied against the "Third Force" Government, though each party would deny the suggestion. Whatever M. Queuille and M. Moch do, one of the two extreme parties benefits. If force is not used against sabotage and anarchy the Gaullists feel their biceps and say what they would do; if force is used, the non-Communists see the right to strike being suppressed by authority and draw closer to the Communists. Moreover, the situation varies from district to district, and it is known that as many as 30 per cent of the miners abstained from voting in the referendum through which the Communists tried to get the decision to strike confirmed.

The other unions have so far lent only ragged support; but if the miners return to work, it is likely that the dockers will come out, and after them other trades. M. Frachon must keep tension high and production dislocated if the orders of the late Mr Zhdanov are to be carried out. One feature of the situation which must perplex the extremists is the loyalty and reliability of the police and other security forces. The lesson of Prague has been learnt by M. Moch; it is the economic lesson that has yet to be learnt by the people and their Ministers.

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Mr Marshall in Greece

It may be hoped that Mr Marshall will have gained from his brief visit to Greece a better understanding of that bewildering country. The army's success at Mount Grammos has not ended the guerrilla war. Economic confusion continues, with little prospect of improvement as long as resources have to be devoted to combating the rebels. Political leadership is still conspicuously lacking but a practical alternative is not easy to find, nor is the moment very suitable for change, even through elections. Everything depends on the suppression of the rebellion, and this seems impossible as long as the small though efficient Greek army has not only to fight the bands of Markos but to hold a mountainous frontier 600 miles long against infiltration from neighbours.

There is one feature of the Greek question to which Mr Marshall might profitably give his attention—the position of Albania. This small country has no friendly neighbour. It has recently quarrelled bitterly with Jugoslavia. The division between the tribal north and settled south has always been a source of weakness to a country whose material resources are few and whose population does not much exceed one million. The loyalty of either region to the Communist regime of Enver Hodja is doubtful. Yet this small state does not fear to flout international authority by supplying the rebels of Markos or to refuse redress for the sinking of British destroyers. So far Hodja has got away with it and treats as weakness the caution of the western pluto-democracies.

Can the western Powers in fact find no way of dealing with this impudent braggart? The evidence against him collected for Uno is decisive enough to justify action. And if Hodja chooses to continue provocation, he might be reminded that the coastal plain from Durazzo to Valona is very open to the sea.

The "liquidation" of the Albanian nuisance depends of course on the attitude of Jugoslavia. Tito still simultaneously insults the West and offers to trade with it; he helps Markos, yet is on the worst of terms with all his eastern neighbours and is denounced daily by Moscow's Holy Office. If Greece's frontiers with Jugoslavia and Albania could be neutralised or sealed, the rebels could be crushed, resources could be diverted to civil expenditure and the economic and political recovery for which the Greek people passionately longs, could at last begin. Here is a task for American and British diplomacy, the success of which would not only strengthen European security but save Congress many million dollars.

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Is it Safe to be British?

Another direction in which British policy might show more vigour and speed of action is in the protection of British subjects abroad. In Jerusalem, Mr Sylvester is condemned to seven years' imprisonment by a district court of Israel on evidence and in circumstances which are an embarrassment to moderate Jews. Mr Evans is condemned by the Communist Government of Rumania to three years' imprisonment on a charge of fraudulent administration of money of the Steaua Romana Oil Company, which has been subjected to legislation and regulations of a frankly discriminating kind. Now this week an official of the British Information Office in Prague is arrested—with a Czech employee—in his own reading room, flung head-first into a car by Czech policemen, detained for nearly two hours and then returned without adequate apology from Dr Clementis, the Foreign Minister. Nothing has been heard either of any compensation for the British subjects who were tried with Mr Sylvester and acquitted for lack of evidence, or of British action to take the case before the Security Council.

Such cases could in normal times be treated as exceptional lapses from the normal behaviour of foreign governments towards British subjects, to be corrected by traditional diplomatic methods. Now times are not normal, and there is clear reason to believe that these cases of victimisation are regarded by the officials responsible as part of the cold war. That being so, the British Government should be prepared in each case to retaliate as soon as it is clear that redress is not being made with adequate speed and courtesy. To be effective, retaliation need not be made in kind: to ensure that the case of Mr Wallis and his assistant is speedily cleared up, the best reprisal is not necessarily to suspend the activities of the Czech press attaché in London, superfluous though some of them may be. More effective would be measures taken in the economic field, where British power to hurt is not negligible.

Action in the economic sphere would prove, what is sometimes doubted in eastern Europe, that British exports to a country are not considered by His Majesty's Government more important than the safety and dignity of His Majesty's subjects. Unless the Foreign Office is allowed occasionally to show its teeth in these cases of manhandling, they will become more and more frequent. British subjects abroad are entitled to take literally the words of the Secretary of State which are printed inside the cover of their passports:

> Request and require in the name of His Majesty all those whom it may concern to allow the bearer to pass freely without let or hindrance and to afford him or her every assistance and protection of which he or she may stand in need.

* * *

Palestine in Paris

Playing for time in diplomacy has become an occupational disease in Uno. The Arab delegations in Paris have caught it—with quaint results. In the Assembly they want to delay discussion of the Bernadotte plan; in the Security Council they argue for stern enforcement of a prolonged truce. Superficially, their attitude may look logical, but a moment's analysis of the facts available reveals it to be inconsequent in the extreme.

The Arabs' vote to postpone the Assembly discussion—which they gave and, with Latin-American suport, carried in the teeth of vehement advice from all their friends, including Britain—seems to have been based on two emotions. One was a simple head-in-sand distaste for facing a debate in which they will have to acknowledge what they have never yet had the courage to admit to their home publics—the existence of an established Israel. The second is a belief that time is on their side and that, once the American elections are over and Israel's friend, Mr Truman, is out of the way, something will turn up. Their attitude would make sense only if they held military advantages. They force questioners to the conclusion that they hope these may yet materialise.

In the Security Council, by contrast, they admit by implication that they have militarily no hope of gain. Their representatives—Syria and Egypt—are pressing hard for rigid maintenance of the truce. Here, again, their attitude would be logical only if there were the power, either in the Arab ranks or in those of the United Nations Observer Corps, to freeze the current military position; but this does not exist. On every count it is obvious that the Arab leaders would be well advised to swallow the medicine of a quick international settlement before Israel is offered, or snatches, any more chances of presenting them with *faits accomplis*.

If proof of this judgment is wanted, it is to be had in the last ten days' events in the Negeb. On or about October 15th a Jewish convoy, passing down a road in the Falujja area, twenty miles north of Gaza (which the United Nations had proposed as a truce supply route to outlying Jewish settlements, but which has, in fact, been exposed to fire from Egyptian guns), was attacked and forced to withdraw. The Israeli forces seized upon this piece of imprudence in order greatly to better their military position. They relieved their settlements, widened their corridor and, as a result, have now reduced the Egyptians to the pass which, pre-

viously, they themselves faced—that of maintaining tenuous communication with isolated outposts. The Israeli forces are even said to be investing Gaza. In the Security Council, Dr Ralph Bunche, the acting mediator, is suffering all the drawbacks of lack of resolute support. He has asked for and obtained a new order to cease fire, coupled with a request for withdrawal to the positions held before these incidents occurred—but who expects Israel to abandon such useful advantages?

Two parties are therefore being courted. One is the Arabs, to whom it should now be plain that to play for time is to court fresh setbacks. The other is the United Nations. In the Negeb—as everywhere else where their verdict is challenged—they must either use force or confess to impotence; or else mouth commands which, because there is no one to execute them, make their Organisation look worse than undignified.

* * *

Lawyers and Libel

The Lord Chancellor's Committee on the law of defamation appointed in March, 1939, has finally issued its report. Dissatisfaction with the law of defamation as it exists at present can be grouped under three heads. In the first place the law does not extend to protect defamation of the dead, nor what is called "group defamation," that is, statements defamatory of a class or section of the community but which do not name any one individual; nor does it protect invasion of privacy, which is a subject akin to libel by analogy only. Defamation remains a personal matter. In the second place, the law of defamation is in other ways too wide, in the sense that it permits a man to claim damages for defamation when there was in fact no intention to defame him as an individual. Finally, the legal rules and conventions that have grown up around the Court proceedings themselves are too rigid and arbitrary and both may cause injustice to the individual and increase the cost of the proceedings.

On the first point, the report does not advocate any extension of the law. It considers that an action for defamation should remain an action available only to an individual who claims that he has been wronged and that it should not be available to protect the reputation either of the dead or of members of a particular class of society. Again, on the complexity of the actual proceedings themselves, the report suggests a series of useful but minor alterations in the law which they think will patch up the more serious difficulties without changing the legal structure. It is over their recommendations in respect of the second group of complaints that most disagreement will arise, for it is in this group that most alleged libels in print fall.

Publishers and writers consider the law of defamation too wide because it disregards the intention of the writer. The test it applies to any set of words is "do the words used defame the plaintiff in the eyes of any reader?" not, "What did the writer intend the words to do and mean?". If two men of the same name live in the same place and one commits bigamy, any publication in a national paper of a report of the conviction for bigamy may at once bring a successful claim for libel from the one who did not—a result which, in the words of the report, "offends one's sense of justice." But it does not seek to alter this basic rule, but it does propose some measure of protection to the publisher of an unintentional libel by making it possible for him to publish an apology and correction and to rely upon that as a defence to any claim for damages. Even this protection is qualified by a suggested provision that, if the claimant can show that there was any want of care in connection with the original publication, he can still recover damages.

The principal complaint about the present law is that it permits the bringing of claims for libel which are little better than blackmail. Provided a claimant has even a shadow of a case, it is often cheaper for a newspaper to pay him £500 than it is for it to defend the action and to pay its own costs if successful. The proposal that a plaintiff would have to prove want of care in such cases would not, indeed, make them impossible, but it would certainly make them far more difficult to bring and easier to defend. Negligence invites appropriate penalties, but there still remains some force in the contention of Mr Christian, the dissenting member of the committee, when he says "I am not satisfied we have done everything possible to render them [actions for defamation] less tempting to initiate and costly to resist."

* * *

Mr Morrison's Heart and Head

"The Consumer in Relation to Non-Competitive Industry" sounds more like the title of an article in the *Economic Journal* than of a speech by the Lord President of the Council. Mr Herbert Morrison, addressing the British Institute of Management last week, explicitly renounced the use of economic analysis—and then demonstrated how the absence of a consistent structure of thought can beguile even a sensible speaker into absurdity. He had some good points to make about the limits of competition, and also about the greater, rather than lesser, safeguards for the consumer gained by the transfer of an already monopolised service from private to public control. But his account of the consumer's powers of self-defence was calculated to make a field-day for Professor Jewkes. "Under the competitive system," he said, "the threat of withdrawal of custom can be a spur to efficiency. The corresponding safeguard in the case of socialised industries should be their sensitiveness to public complaint." What a parallel! The "threat of withdrawal," if it ever becomes more than a threat, is something objective, to be studied on sales charts; a quantitative measure of comparative efficiency in meeting public demands. "Public complaint" may result in someone's head being undeservedly offered up on a charger, or in the acceptance of quite unjustified public losses; or, if the executive concerned are adept stonewallers, in nothing at all. It cannot possibly provide a quantitative measure and guide to action.

Similarly, the clash of interest between consumers and workers in the "public sector" evaporated consolingly into such generalisations as that "relatively low" wages should become "higher and fairer," subject to the workers' obligation not to demand "unreasonably" higher wages or shorter hours; and that "much" of the benefit of technical advance should go to the consumer. "Low" relatively to what? "Fairer" by what criterion? What is "unreasonable"? How much is "much"? The fact is that monopoly—necessarily more watertight when statutory—knocks the props from under the price system and breaks the link, provided by competition, between the importance of a service, whether direct or indirect, and the magnitude of its reward. The only check available remains the consumers' power to "withdraw his custom" in favour of some not too remote substitute—a power exercised every time he elects to travel by coach rather than by rail or to carry his own goods under a C licence. The supine ineffectiveness of consumers' councils merely reflects his impotence when no possible substitute exists.

Mr Morrison's heart is in the right place. He does hold that nationalised services are made for the public, not (as some of his colleagues apparently hold) that the public is so much sausage meat to be fed through the nationalised services. But he is altogether too casual about the grave, if not insoluble, problems of price policy in the public sector of the economy.

* * *

Red, White and Black

The control of the black market in petrol as announced on Tuesday has been extremely successful. Mr Gaitskell and the Vick Committee are to be congratulated on a skilful operation which has proved much more effective than was originally hoped. The only cause for complaint up to now has been the inequitable treatment given to supplementary allowance holders who have had their basic ration deducted from their allowances and who might, as things have turned out, have been treated more generously. But even this point of irritation has been partially soothed by Mr Gaitskell's frank admission that his Ministry's estimates were overcautious and much farther from the mark than those of the motoring organisations, and by his promise that the deductions of the standard ration will be tapered off gradually till next May so that thereafter the possessor of a supplementary allowance will have the full basic allowance as well.

The original estimates allowed for a saving of 100,000 tons of petrol a year as the result of the introduction of the red petrol scheme plus a saving of 20,000 tons as the result of cuts in supplementary allowances. This was to be redistributed in the form of the basic ration. In the event it has been found that savings have been running at the rate of 380,000 tons a year instead of the budgeted 120,000 tons, with the result that after providing for the basic ration the Ministry are about 250,000 tons up in their estimates of net saving.

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This handsome balance would have permitted an immediate levelling of supplementary and non-supplementary rations, but for the demands of the Berlin airlift, the increased requirements of the Services and the need to build up stocks. The savings so far made have already contributed 100,000 tons for these purposes and will continue to be drawn upon during the winter. In the face of these additional demands it is a matter for much satisfaction that one of the minor pleasures of life can be maintained and even improved without a further drain on dollars and in spite of additional demands. A victory is twice itself when the achiever brings home full numbers.

* * *

Korea—Rehearsal for Germany?

The moves which Moscow is now making to gain a position of moral advantage in the diplomatic struggle over Korea are of interest, not only in relation to Korea itself—which is by no means unimportant in current affairs—but also as a dress rehearsal for tactics which might be adopted in Germany.

The Russians have announced their intention to withdraw their troops from Korea by the end of the year, challenging the United States to do the same; Tass has now stated that the Russian withdrawal has actually begun. The United States has declared that a contingent of American troops will remain in Korea to protect the Seoul Government, no longer as an occupation army, but by invitation of the recognised sovereign authority of independent Korea. Whatever the legal form of the arrangement, however, the retention of American troops after the withdrawal of the Russians will obviously give Moscow a considerable propaganda advantage. It will be used to demonstrate that the North Korean regime, being based on popular support, needs no foreign protection, whereas President Syngman Rhee's Government can only survive if propped up with American bayonets. What qualifies this Russian case is the fact that Russia started to build up a Communist-controlled Korean army in North Korea long before the Americans took any steps to organise a similar force in their zone. The Korean Communists have thus still a long lead in the organisation of armed force, which they would certainly use if there were only Koreans and not American troops to be dealt with.

That Russian military withdrawal does not mean any great change in the relations previously existing between the Russian military authorities and the Korean Communist administration is indicated by the fact that Terenti Shtikov, who was army commander in North Korea, has been appointed Soviet Ambassador to the "Korean People's Democratic Republic." The other states of the Russian *bloc* are also entering into diplomatic relations with the North Korean Government. Thus, when the Korean question is again discussed by Uno, several members of Uno will have given diplomatic recognition to a government which claims the right to represent Korea in opposition to the claims of the authority elected under supervision of Uno commissioners. Uno can hardly have any dealings with the North Korean Government without repudiating its own decision on Korea, which was designed to ensure free elections. As the Russians refused to allow the Uno commission to enter their zone, and as no parties outside the Communist-controlled *bloc* are tolerated there, no free elections could be held except in the American zone. It is hard to see how this situation can be altered, but it should be closely studied in London and Washington for the guidance it can give to possible developments in Germany. An offer of unilateral withdrawal by the Russians from a zone closely tied to the Soviet economy, dominated by a German Communist militia, and organised to lead a nationalist appeal to the Germans of the west is a possibility that cannot be ruled out.

* * *

Count Sforza Looks Westwards

While premature attention has been focused on Spain by the itinerant strategists, the Italian outlook on international affairs has been changing. This shift of opinion looks like bringing Italy nearer the western point of view. Rome, in fact, has been weighing again the question of joining the Brussels Pact. The new phase began with a memorandum which Count Sforza, the Italian Foreign Minister, sent to the French on August 24th. The subject of the memorandum was the projected French-Italian Customs Union, for which the necessary legislation is now being drafted in each of the two countries. Count Sforza, however, took the opportunity to add that a union like the Organisation for European Economic Co-operation, of which Italy is of course a member, did not exclude any of its members joining "a union like that of Brussels, to which, indeed, it is to be hoped that other countries may adhere."

The next step was Count Sforza's review of Italian foreign relations in the Chamber of Deputies on September 28th. He criticised the Soviet Union, and said that the economic link of the French-Italian Customs Union was only one aspect of the closer relations desired with France. These remarks have brought the whole subject of Western Union back into conversations heard alike in the parliamentary corridors of Montecitorio and the cafés round the Galleria del Corso. Inside the Government there is a good deal of opposition to Count Sforza's move away from neutrality in the cold war. It comes both from the constitutional or right-wing Socialists, under the leadership of Signor Saragat, and from Catholic Action, whose paper *Quotidiano* shows great concern about military commitments.

Count Sforza, nevertheless, has plenty of support. He returned to his point, that Italian neutrality in a third world war would be impossible, with another speech in the Chamber on October 13th. Further observations in this connection have been heard from high Italian diplomatic personalities in Paris. Referring to the Italian colonial question, it is being said that "it would be better if the Great Powers could defer deliberation for another year. That would give time for developments in both Italian and British public opinion. A British gesture on the African colonies could still catch Italian opinion in time to forestall the process of Italy relapsing into the position of an American satellite, which would rob the West of a creative Italian contribution to continental structure and security."

The Italians rejected the idea of joining the Brussels Pact in the months immediately after it was signed, unless their Peace Treaty could be altered to allow them a larger army, fortification on the Jugoslav frontier and a return of their colonies. They are still naturally anxious to achieve any or all of these objects, but it looks as if they are coming round to the view that they must make a move soon. Anything which the British or Americans could do to help them make up their minds would be well worth doing.

* * *

Voice from Barbados

"We do *not* look upon the British Government as a ruthless exploiter. We do *not* regard the ties that link us with the British Crown as an intolerable yoke." In such unequivocal phrases did Mr Grantley Adams of Barbados, an alternate member of Britain's delegation to the General Assembly, defend the British Colonial Empire before the Trusteeship Committee of the United Nations last week. He is well qualified to speak, as representative in the Barbados House of Assembly since 1934, and Leader of the House since 1946. Mr Adams is also a member of the Barbados Executive Committee, which is the principal instrument of government in the colony, and President of the Barbados Progressive League, which is the largest political party in the colony. His experience is not confined to the public affairs of his own colony, nor even to those of the West Indies as a whole; he has an encyclopædic knowledge of the whole colonial empire.

Mr Adams's unsolicited testimonial brought a welcome element of novelty into what would otherwise have been only a dreary repetition of the debates in Geneva last September, when a special Uno committee met to discuss the information on "economic, social and educational conditions" collected from non-self-governing territories in accordance with Article 73 of the Charter. When the same subject came up for discussion in Paris before the Trusteeship Committee of the Assembly, the Russians repeated the performance they had put on in Geneva, and combined attacks on the colonial Powers with a display of much solicitude for the peoples whom they "exploited." The Soviet delegate recommended that Uno observers be sent annually to all non-self-governing territories to survey the situation and, presumably, to provide the information on political and constitutional matters which the wicked colonial Powers refused to provide of their own free will.

Mr Adams did not assert that the British Colonial Empire is perfect, but he repeated forcefully the arguments which his British colleagues had set forth in Geneva—that the British Government could not allow the interference of any third party while it was working out the constitutional and political progress of the colonial peoples; that the colonial peoples themselves did not want "to have too many cooks spoil the broth"; and that the fullest information on these subjects was always placed in Uno libraries. He went further, and without any beating about the bush, exposed

the Soviet attacks on the colonial Powers for the cynical political manœuvres that they undoubtedly are:

> Frankly, Mr Chairman, the impression that some of the speeches made here have made upon me is not one of solicitude for the peoples of the non-self-governing territories, but simply one of desire to attack administering Powers at all costs.

It is too much to hope that Mr Adams will impress the Russians and their satellites, but his words will perhaps have impressed the colonial peoples for whom he spoke, and help to prevent them from being misled by propaganda, to which Communists can give a very plausible twist. If this happens then some good will have come after all out of the misuse to which the Russians have subjected the Trusteeship Council ever since they joined it.

* * *

Pensioners of Two Wars

The first report of the Ministry of Pensions since the war provides the factual background against which the treatment of the war disabled will be discussed in the coming session of Parliament. An all-party motion has been tabled calling for a Select Committee to consider war pensions and allowances. Those supporting it compare the level of war pensions with the level of wages and salaries, and the substance of their case for an increase is that whereas wages have doubled, pensions have gone up only from 40s. a week (for one hundred per cent disability) to 45s. a week in the thirty years since the end of the first world war.

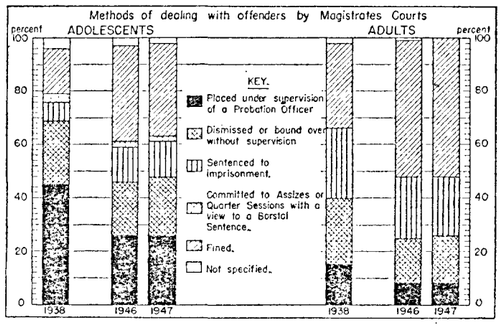
But, as the Ministry of Pensions report makes clear, the position of the war pensioner today is far better than it was in 1919 or 1939. The 40s. fixed in 1919 should be considered against the cost-of-living index at that time, which was 215. In 1946, when the amount was raised to 45s., the cost-of-living index was 203. Further, the rise in the basic pension is only a small part of the more generous treatment of war pensioners. Pensions themselves are granted more freely; allowances are paid for wives and children even if these family responsibilities are assumed many years after the disablement was incurred; there are unemployability supplements and constant attendance allowances for the severely disabled, and special hardship allowances for those who, owing to their disability, have to accept less well-paid jobs. But the best comment on the position of the war pensioner today is the fact that up to March 31, 1948, only 11,594 awards of the unemployability supplement had been granted, of which 9,057 were the pensioners of the 1914 war. The overwhelming majority of the 756,864 disabled of the two wars (including civilians) are in full-time employment, and in these cases the pension and family allowances are a tax-free addition to wages.

There may be a case for arguing that war pensioners have been left behind in the scramble for larger shares of the national cake, and it may well be true that there are instances of individual hardship which are hidden by the official statistics of pensioners in employment. The case for a Select Committee, which would go beyond the official story, is well founded. But it is surely better to give an extra 10s. a week to a war pensioner who is unemployable, or in real hardship, than 5s. a week all round. The best thing the state can do for its disabled is to create the economic conditions which allow them to be employed rather than to add a few shillings to their basic rate of pension.

* * *

Abundant Crime

Mr Ede's speech at the reopening of the police staff college last week coincided with the annual publication of the criminal statistics for England and Wales.* Their coincidence could not be neater, for the statistics reveal only too clearly how inadequate heavier sentences are for the prevention of crime. The courts are using fines and imprisonment more and more as deterrents, and relying much less than before the war on the more constructive work of the probation officer. This policy is obviously ineffective so long as sixty per cent of all crimes are not cleared up by the police: it is because "liberty plucks justice by the nose" that potential malefactors continue to think their crimes a good risk. Only a much greater fear of detection will reduce the business of the criminal stock exchange. It is for this reason that steps to increase the strength and efficiency of the police are much more likely to reduce the number of lawbreakers than heavy sentences on the minority who are caught. The reopening of the staff college is therefore welcome if it will lead to an increase in the number of successful detections per police officer, the criminal version of higher p.m.h. It is to be feared, however, that only a major increase in the police forces will make a radical difference.



The diagram above illustrates the change in the type of punishment over the past nine years. The figures refer only to cases brought before the magistrates' courts and cover the 69,000 cases tried in 1938 and the 98,000 cases tried in 1947. The higher courts—Assize, Central Criminal and Quarter Sessions—dealt with 9,000 and 18,000 cases respectively in these two years. In both the same tendency is discernible, though it is much stronger in the magistrates' courts: in 1938 45 per cent of adolescents and 15 per cent of adults were placed under the supervision of a probation officer. By 1947 the percentage had fallen to 26 per cent and 8 per cent respectively, while fines and sentences of imprisonment had increased. Unfortunately the greater severity of the Courts in their efforts not to make a scarecrow of the law is likely to have an opposite effect and to increase the number of hardened criminals.

* * *

Rates or Rents?

A practical illustration of the dilemma facing local authorities in meeting the present heavy cost of house-building was given at the meeting of the London County Council on Tuesday. The combined Exchequer subsidy and rate contribution on a number of building schemes in relation to costs and rents is shown in the accompanying table. The figures show the strong contrast in cost between schemes which have been built since 1945 but to prewar standards (because sites and foundations were ready in 1939, but were frozen during the war), and those built according to the more liberal modern standards of size, density and internal fittings.

Of the 2,162 flats involved all but 114 are of prewar type with certain improvements, while the 1,062 houses are up to the full Bevan standard. As far as the flats are concerned, every scheme of prewar type shows a net surplus when the annual charges are set against the revenue from rent, subsidy and statutory rate contribution. One flat scheme built on postwar standards also showed a small surplus, but the second and larger scheme had a deficit. But the large housing scheme presents a much more serious picture, particularly as the whole estate is on one site and economies from the large-scale of operations might have been expected. After the revenue from rent, subsidy and rates is set against costs, there is an annual deficiency of £23 per house. What the LCC, in common with other authorities, has now to decide is whether this deficiency is to be met by higher rents, a larger contribution from rates, an appeal to the Exchequer, or a return to less generous living standards. It is an awkward problem.

LCC DWELLINGS ON WHICH RENT FIXED SINCE JANUARY, 1948.

	Deficiency on Each *Dwelling* Allowing for Rent	Combined Exchequer Subsidy and Statutory Rate Contribution on each Dwelling	Net Annual *Deficiency* per Dwelling	Net Annual Surplus per Dwelling
Flats:—				
Average based on 2,162 *flats including 89 on* which there was an annual deficit of £2 9s. 6d. per flat...	£ s. d. 42 15 3	£ s. d. 48 15 6	£ s. d. ...	£ s. d. 6 0 3
Houses:—				
1,062 houses on one site	45 1 0	22 0 0	23 1 0	...

* * *

Trade through the Iron Curtain

It is a curious feature of propaganda among fellow travellers that they regularly demand expansion of British trade with eastern Europe without looking to see if it is expanding already. The large recovery made since the end of the war is already bringing its value close to that of 1938. British trade with the nine eastern countries shown in the table below, as a percentage of total UK trade, rose in the first half of 1948 by 83.8 per cent over the total for 1946.

Expansion of UK trade with European countries, non-members of OEEC, 1946-1948.

(Overall trade figures in £ million.)

Country	1946	1947	First Half 1948	1938
USSR	16.12	21.89	14.73	51.87
Poland	11.48	11.56	8.83	17.01
Rumania	0.09	0.22	1.68	5.24
Hungary	0.31	4.15	3.72	3.11
Czechoslovakia	8.52	16.43	8.37	10.78
Jugoslavia	7.23	6.50	3.63	3.80
Albania	0.50	0.55	0.02	0.02
Bulgaria	negligible	0.14	0.18	0.85
Finland	22.48	39.55	20.18	25.12
Totals	66.73*	100.99†	61.34‡	117.80§

* 2.95 per cent of total volume UK external trade, 1946 (£2,266 million).
† 3.38 per cent of total volume UK external trade, 1947 (£2,984 million).
‡ 3.43 per cent of total volume UK external trade first half 1948 (£1,801 million).
§ 8.3 per cent of total volume of UK external trade, 1938 (£1,452 million).

Moreover, the gradual recovery of the eastern countries from the devastation of war—with much aid from the west—has enabled most of them to make a much better show of balancing their trade account with Britain during the first half of this year than during the two previous years. For example, whereas during the first half of 1947 the value of British imports from Czechoslovakia was £1,992,277, and the value of exports to Czechoslovakia was £5,979,039, during the first half of this year the corresponding figures were £4,306,632, and £4,068,720.

The Economic Commission for Europe in Geneva has been devoting much time and effort to developing intra-European trade to the benefit of countries on both sides of the iron curtain. At a recent meeting delegates from Russia, Byelo-Russia, and eight satellite countries sat down with delegates from eleven Marshall Plan countries and the United States to discuss the revival of east-west trade, and they decided to set up a permanent committee to study what can be done. Britain has already made a notable contribution to this revival, but it is often forgotten that its power to increase this contribution depends largely on whether the right goods are available for exchange. There is only a limited supply available of the British machinery and capital equipment which the east Europeans are most anxious to obtain; and, as Mr McNeil pointed out on Wednesday, it might well seem more profitable to send most of what there is to France, or the Dominions or East Africa, rather than to Poland and Jugoslavia.

It is also often forgotten that the eastern countries, although they could doubtless produce eventually large exportable surpluses of food and raw materials which Britain needs, there is no guarantee that they will in fact do so. As the report of the ECE committee on trade and industrial development points out, the reconstruction and development plans of the countries behind the iron curtain will have important implications for their foreign trade. Big changes in the relation between agricultural and industrial production are contemplated and it is time there was more information available about them.

One of the less satisfactory aspects of Mr Myrdal's direction of ECE is the way in which the east European governments are allowed to contribute incomplete and inadequate information to reports and studies undertaken. It is partly because of the latitude they get and the valuable information secured by Moscow from the western delegates that the Soviet satellite delegates behave at Geneva like reasonable beings.

* * *

Cards on the Table

The figure for the total present strength of the American Armed Forces given in the table on p. 610 of last week's issue should have been 1,531,880 and not 542,000.

Shorter Notes

A serious blow both to Norwegian recovery and to ERP was struck by Norwegian Communists at the end of September, from which the activities of their comrades in France and other countries south of Norway should not be allowed to divert attention. In defiance of their union and contrary to the general agreement to defer wage claims to more propitious times, shift workers in *Norsk Hydro*—Norway's largest industrial concern—forced a stoppage of work. The most important of the firm's products is nitrogenous fertilisers; over 400,000 tons were exported last year. The interrupted supply of fertilisers hits at Europe's food production—a vulnerable and vital sector of recovery plans. One may assume that this is one of the actions decided upon at the recent meeting of Scandinavian Communist leaders. Reports from Oslo indicate, however, that any successes here will be more than offset by a further hardening against the diminishing but more ruthless Norwegian Communist Party.

*

The British people stubbornly refuse to relinquish their habit of taking their holidays in July and August. Such is the message of a popular pamphlet put out by the British Holidays and Tourist Board who are fighting a dogged battle for staggered holidays. Although only 50 per cent of workers and their families left home in 1947, all holiday accommodation was full during the peak season. Fifty-one to fifty-two million people travelled in 1947 on the main lines in August, as against an average of 38 million for June and September; and the price of accommodation was 18 per cent lower in those two months. The popularity of the period around August Bank Holiday arose from the fact that prior to the general introduction of holidays with pay it profited the average worker to take his holiday in what was by statute a week of short earnings and the effect of holidays with pay has been merely to move the peak to the week before the holiday, thus giving a ten-days break.

*

A number of London restaurants may have to close over Christmas, because, caught between the upper and nether millstones of the 5s. meal limit and the necessity to pay treble wages for work on holidays, they cannot face the financial loss which they would be certain to incur. Trade Union demands run mad will produce a festive season as bleak as even Mr Scrooge could have wished.

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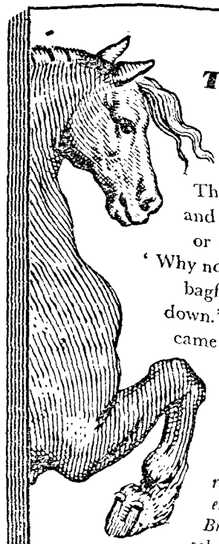
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The fable of the restive horse

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AIR FRANCE

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Letters to the Editor

What is the Commonwealth?

SIR,—The Commonwealth has, in the past, rested upon five unwritten rules: that a common outlook would always produce common action; that the main burden of policy would always be carried by Britain; that all the King's subjects would share a common citizenship; that both the unity of the Commonwealth as against the external world and the majesty of each individual Government in relation to its citizens could best be symbolised by the common devotion to the Crown; and that England would always provide a market for the food and raw materials of the rest of the Commonwealth in return for first share in supplying that part of their needs for manufactured goods which their own industries could not satisfy.

The last ten years have destroyed and seriously modified every-one of these assumptions. Eire's neutrality has shown that common views may not produce a common reaction; Dr Malan's election programme has given us a warning that even the basic views may not always be common. The dollar deficit and the aeroplane have made England incapable of carrying the main burden of defence and foreign policy any more; it has already been agreed that the basic Commonwealth citizenship will in future come second to separate local citizenships; even Imperial Preference has become less important, as a sign of the eagerness of Commonwealth countries to help each other, than bulk contracts on favourable terms, the release of sterling balances, or assistance in obtaining needed capital goods. Even the Crown never meant to, say, a French Canadian what it did to a New Zealander, and now Eire is proposing to abolish it even as an external symbol.

Insofar, therefore, as the Dominions in Asia wish to have separate citizenships, or to assert their right to neutrality, or to have Presidents instead of Governors-General, or to get bigger sterling releases rather than larger preferences, they are asking for nothing which is not an accepted part of the Commonwealth constitution as it stands today. The real bond holding the Commonwealth together is a set of common political conceptions, democracy and the rule of law, the realisation that ends do not justify means, the belief that the end of government is the greatest happiness of all, not the good of a class or the aggrandisement of a race; and these beliefs the Asian Dominions share. Nehru and Liaquat Ali Khan have lived them, Gandhi died for them.

I do, however, agree that in the difficult situation in which we all now find ourselves the present loose constitution of the Commonwealth does not make for the quick and effective action required.

I think the Asian Dominions would be perfectly prepared to consider a tightening-up, and there are many advantages in their doing so; India and Pakistan have the only really large reserves of good fighting men in the Commonwealth. But it must be quite clear that whatever rules are drawn up will apply to everybody equally, to S. Africa as to India, to ourselves as much as to Pakistan. If there is to be community of citizenship, South Africa will have to revise her Indian policy. If defence is to be shared, India will have to be encouraged to take the lead for the whole Commonwealth in the Indian Ocean, in just the same way as Australia does in the Pacific. Indians and Pakistanis in Malaya or East Africa will have to be treated in the same way as the British, not as if they were aliens like the Chinese or the Arabs. And if India and Pakistan and Ceylon are to fight for the Brussels Pact Powers, it must be clear that the Brussels Pact Powers will also fight for them. Admittedly, any Asian Dominion which stays in the Commonwealth must accept the obligations as well as the privileges of membership; but the rest of us must make quite sure that we welcome them as brothers, and not just as not very successful cousins.—Yours faithfully,

MAURICE ZINKIN

28 Ebbsfleet Road, Cricklewood, N.W.2

"A Railway Slump?"

SIR,—In a recent article, entitled "A Railway Slump" (September 11, 1948) you remarked upon the rapid increase in the number of vehicles operated on "C" licences during 1946-47 (page 427).

The figures which you quote are the grand totals of all vehicles specified on "C" licences. Included, therefore, are showmen's special vehicles; vehicles owned by local authorities; electrically propelled vehicles; steam-driven and gas-fuelled vehicles; light vehicles used by shopkeepers, delivery vans of all sorts, milk, bread and laundry roundsmen and the heavy vehicles used by builders' merchants, brewers' draymen, and the many other traders who carry large tonnages in their own immediate localities. We do not know how many vehicles are used in this way, but we can safely guess that the majority of all vehicles specified on "C" Licences are employed wholly on local hauls. All these should be removed before the figures are used to indicate a growth in private traders' operations over longer distances in competition with the railways and other public transport. Unfortunately, the statistics collected by the licensing authorities do not allow the necessary distinctions to be drawn.

The only other figures relevant are the numbers of vehicles on which motor tax is paid. Vehicles for this purpose are divided by unladen weight (in some ranges by quarter-ton intervals) from 12 cwt. to 8 tons and over. But no difference is made between vehicles specified on "A," "B" or "C" licences, and no precise information is, therefore, available even about the unladen weight of vehicles operated by "C" licensees. Needless to say the grand total of vehicles registered for motor tax does not agree with the grand total specified on "A," "B" and "C" licences. For one thing the figures are collected at different times of the year—for another the one includes Post Office vans while the other does not.

The truth is that nowhere are there any statistics from which we can estimate, even approximately, how many of the vehicles on "C" licences are used by traders to carry goods in competition with public transport. I myself doubt very much whether anybody (even in the Ministry of Transport) knows this quantity. Let us therefore first beg Ministers and officials to ascertain and publish a few simple facts showing the distribution of traffic between private and public carriers before reopening a question which, as you justly remark, "raises the most fundamental issues about the transport user's freedom of choice and the spur of competition to be applied to the gigantic road and rail transport system which will eventually be operated by the British Transport Commission."—Yours faithfully,

GILBERT WALKER

The University, Edgbaston, Birmingham, 15

From *The Economist* of 1848

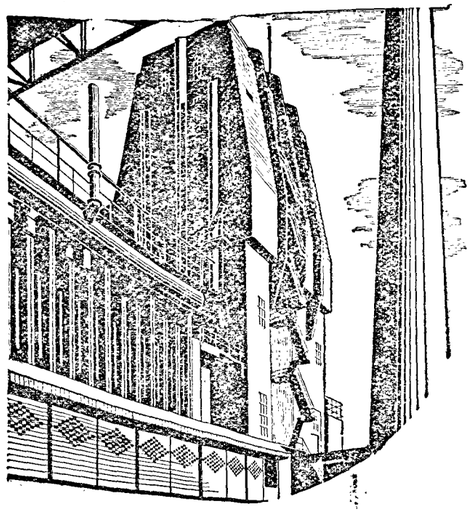
October 21, 1848

A Correspondent in the City concludes a letter to us—"How spiteful the *Times* is against the *Economist*! I hope you will give it them well." It is not worth our while. Our time and our space are too valuable. Any notice we might take of the "*thin-veiled jealousy*" which has been so long evinced towards us, and the pains we have taken to furnish early, correct, and important commercial information, in that quarter, would only give some little importance to attacks which are otherwise harmless, at least to us, whatever they may be to those who indulge in them. . . .

But there is one little point on which we will make a remark, and we will do so very good-naturedly. We are told that it has excited great merriment amongst some of the frequenters of 'Change to see the transparent effort which the *Times* has used to make "*A Merchant*" of Cornhill the medium of expressing its own grumblings. "*A Merchant*" of Cornhill is made, in a letter to the *Times*, to complain that, although he had sent every morning for several days, and several times on Friday, and again on Friday night, to the parliamentary publisher, he could not procure a copy of the Board of Trade Tables which appeared in the *Economist* on Saturday. Our correspondent says, "The *Times* has forgotten that Friday is a foreign post day, when merchants have something else to do than to send after parliamentary papers which they know will come to them in their own way the instant they are published. But," adds our correspondent, "three lines from the recently published very clever satire, entitled a 'Modern Visit from the Devil by one in Babylon,' and dated from Belgravia, explains the real truth":—

His "own correspondent," he said, with an air,
Wrote long letters dated from everywhere,
Though he never stirred out from a certain small square.

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The Unimportance of Franco

SIR,—It is difficult to find fault with any one sentence or paragraph in your article "The Unimportance of Franco." I feel nevertheless that its negative conclusions do not fully cover the needs of the moment. Spain cannot, without ultimate loss to ourselves, be left to vegetate until the defeat of Communism and economic recovery in the west cause Franco to disappear behind the receding coat-tails of his *raison d'être.*

We do not like Franco's autocracy and we do not like the methods by which he came to power: many Spaniards agree, but they know that at heart every Spaniard is an anarchist, and even liberal-minded Spaniards conclude that to live at peace Spain needs a strong government. They consequently prefer the autocracy of Franco, which they know and can cope with, to either of the two possible alternatives: the anarchy that would result from any attempt at parliamentary government or the Communism which could only come about after severe fighting.

If it be granted that this is a representative Spanish view, and I believe it is, it is logical that we should shape our policy accordingly, particularly after the unfortunate showing that we have made in collaborating (with the best intentions) with regimes many times crueller and more reactionary than Franco's. The present Government, as witness, for instance, the fact that the works of Garcia Lorca may now be published in Spain, is becoming progressively less rigid. In Spain one has none of that feeling of terror which was omnipresent in Germany before the war and is now present in eastern Europe. This tendency to liberalise will be encouraged if we begin to treat Spain a little less like a naughty child. The course we have hitherto adopted has notoriously succeeded in rallying the people behind Franco and in retarding that process at the same time.

It would clearly be dishonest and, for the reasons set out in your article, dangerous to perform a complete *volte face* and welcome Spain's present Government with open arms. But let us be a little realistic; let us admit that Spain *is* part of western Europe and that by shutting the door we are helping neither her nor ourselves. If, in an ill-conceived effort to salve our consciences for the shortcomings of 1935-1939, we continue our present policy which helps no one, we shall one day find that we have no friends left in Spain. We cannot at this stage open the door wide, but we can without losing face leave it ajar. The recent trade treaty alone is not enough: in modern prisons the prisoners still contribute to the economy by sewing mail bags; but in the hope that they will not always be old lags they are at the same time given a little psychological encouragement.—Yours faithfully,

M.F.

Push, Prod and Encourage

SIR,—I would beg to differ from certain conclusions of the article, "Push, Prod and Encourage," in your issue dated 9th October, 1948.

While granting that economic structures cannot be radically changed over-night, I can find no reason for believing either that the political problems of Western Union are any less intractable, or that "what has been done by the parties of the Brussels Pact represents sounder progress towards the ideal of Western Union than anything that can be expected on the economic plane at Paris."

First, the greatest achievement in setting up the Paris organisations has been the submerging of political differences by common economic necessity. It has been possible to draw into the economic structure of Western Union states like the Scandinavian countries and Switzerland, which give no sign of offering their political or military allegiance.

Secondly, a primarily political approach to the problem of Western Union would prejudice the first line of defence against Communist expansion westward, which is the economic rehabilitation of the recipients of Marshall Aid. Not only would such an approach frighten away the politically and military timid among the western Powers, but the measures of rearmament implied by the Brussels Treaty paradoxically would threaten, and in fact are threatening, the basis of economic defence which opposition to the Communist threat demands.

I would suggest that the attainment of the "practically good" can best be achieved by the measures of western economic integration, the need for which has so often been stressed in *The Economist.* The "theoretically perfect" lies rather in the political sphere.—Yours faithfully,

B. H. MARCUSON
Wadham College, Oxford

THE WORLD OVERSEAS

Rough Justice in Germany

(By a Correspondent)

THE increasingly acute differences of opinion between the Western Allies and Russia have given German affairs a particular twist, and have presented the problems of occupation in a new light. Denazification, more than any other of the major tasks of British policy, has been subject to this change of perspective, and the enormous difficulties of carrying out the original plan in its entirety have increased the tendency to make it the plaything of public opinion. Recent political developments in Western Germany have thrown into sharp relief some of the inconsistencies of the policy itself, and the attitude of both British and German public opinion towards it. Some of those who a year ago spoke loudest for the end of denazification now feel alarm at the possibility that German nationalism and disguised Nazism might return as factors in Western German politics. It is therefore not untimely to examine British denazification policy in its original form and intention, now obscured by later political influences.

Long before the end of the war SHAEF planned the first steps for the destruction of National Socialism and militarism in Germany. To eliminate the danger of German aggression in the future was considered as possibly the most important reason for the occupation of Germany. The original SHAEF policy of arrest, put into effect the day Allied troops crossed into Germany, was designed to eliminate all the potential leaders of armed resistance, as well as to seize all persons who might later be held responsible for atrocities and war crimes. A secondary, but in the long run no less important, consideration was the need to render impotent those politically dangerous adherents of the Nazi regime who, if left at large, might sabotage the effort to create a democratic administration in Germany.

The speed of the final German collapse, and the rounding-up of those capable of active military resistance, exceeded all expectations. This was due to the well-planned disposal of millions of Wehrmacht prisoners and to the rapid location and arrest of potential "Werewolves" by the intelligence staffs. Even if subversive resistance had been organised on the scale expected, the movement could thus never have had any chance of success.

Tangle of Nazi Administration

After elimination of the purely military danger, the political task of the occupation authorities was twofold. In the first place the existing tangle of Nazi administration had to be cut out and isolated in order to protect the new and extremely tender plant of its democratic successor. The construction of democracy in Germany had to be preceded by the destruction of National Socialism. It was further clearly stated at Potsdam that militarism represented as great a danger to democracy and the peace of Europe as the Nazi creed. However, while it was easy enough to indict both National Socialism and militarism at a conference table, it was far more difficult to translate this abstract indictment into positive action against individuals. The original SHAEF arrest policy was based on the categorisation by rank in the Nazi party and in its numerous affiliated organisations. This method, if by no means perfect, was the best available under the circumstances, and was successful in fulfilling the primary object of removing and neutralising the existing Nazi administrations.

The position of militarists was far more difficult. Was a soldier's rank to be the only criterion? If so, what was the difference between the German soldier and his opposite number in any other army? In order to avoid the possibility of condemning soldiers all over the world, it was necessary to crystallise a special definition for German militarism. While the Western Allies accepted the theory of an aggressive German nationalism as traditional in the officer corps, the Russians came to interpret the term in accordance with the Marxist definition of bourgeois imperialism as a development of capitalism generally. The Western definition thus confined militarism to the German officer class, without necessarily using rank as a yardstick. It must, however, be borne in mind that there was a great similarity of views between this military class and the influential body of nationalistic Junkers and industrialists, who, although classified separately as "Nazi industrialists" in the arrest category, were really far more akin to the militarists.

While the Nazis had to be found and arrested, the militarists were mostly already in Allied hands as prisoners of war. By the end of 1946 the numbers held in internment reached their peak of about 70,000 civilian internees in the British zone alone. The attempt to build a democratic local administration in their absence was, however, not proving a great success. This was partly due to the fact that the arrest of politically important Nazis had not been as thorough and successful as the original action aimed at militarily subversive elements.

Handing Over to Germans

The most important difficulty facing efforts to establish a new administration was the failure of local denazification. This process had been designed to eliminate the smaller Nazis from active participation in civil government. Although denazification was a quasi-legal process in form, it was only in very exceptional cases that definite facts, such as would have survived the tests of an English court of justice, were available. In the vast majority of cases the evidence consisted of the opinions as to character given by neighbours or friends of the accused, and the judgment had to be based on the personal opinion of the judges. It was no exception for former members of the SS to bring a previous superior as witness of good character in return for a similar service when the witness himself was being denazified elsewhere. Obviously the whole success of the procedure depended on the character of the judges. Professional judges were excluded automatically since they had of necessity all been members of the party. So selection was left to British officials, often unacquainted with conditions in Germany, and became a very haphazard affair. Sometimes the judges had only been denazified recently themselves.

It is thus surprising that the British, early in 1947, saw fit to hand over the responsibility for denazification entirely to the Germans, except insofar as British security was directly involved. In spite of the honest and successful work of many individual courts the German population soon lost all respect for denazification in the western zones. At the same time its shortcomings provided a magnificent instrument of propaganda for the Russians.

Until the judgment of the International Military Tribunal, all measures against individuals belonging to organisations indicted at Nuremburg had of necessity been merely tentative; while most of the potential criminals had been arrested, no measures for their disposal could be taken. This did not, of course, effect the trial of those responsible for individual acts against existing criminal law, such as murder, arson and theft. The Nuremburg judgment provided the necessary legislation to deal collectively with such organisations as the SS, the Gestapo and others. To carry out these decisions proved, however, very difficult. New German courts had to be established to try the members of the guilty organisations, a matter of great difficulty in view of the prevailing and acute shortage of suitable lawyers. Then it was found that many of the minor SS and Gestapo men, originally arrested as dangerous to British security, had been released and should thus have been re-arrested—by now an impossibility. It took almost a year in any case before the necessary machinery could be established to begin the trials. Even in July, 1948, there were still 6,000 of these cases on remand awaiting trial.

By this time the disposal of the internees in the camps had become urgent. Public opinion in England was shocked by the fact that a considerable number of civilians should be interned under British rule in Germany without trial and in direct con-

travention of the principle of *habeas corpus*. At the same time the policy of retrenchment in Germany made the feeding and guarding of a cumulative total of 74,000 internees, as well as a large number of prisoners of war, an increasingly difficult and expensive task. A release procedure was therefore worked out, which was to include high-ranking German officers and members of the General Staff Corps. As usual when a policy is hastily planned and executed in the face of the pressure of public opinion and financial necessity, speed replaced accuracy: the previous thorough method of examination prior to the release of an individual was replaced by a procedure whose main object was the release of as many internees as possible in the shortest time. The small trickle of compassionate releases before October, 1946, soon became a flood. The numbers in internment decreased from 55,000 in August, 1946, to 34,000 in January, 1947, and to about 15,000 in May, 1947.

Increased Rate of Release

The form chosen was a procedure similar to denazification. Responsibility for decisions was taken out of the hands of the trained intelligence staffs and given to untrained officials, of whom one on each board of three was required to have a legal background. None of these officials was necessarily acquainted with German affairs. As the judgment therefore depended almost entirely on the personal impression made by the internee on the board examining his case, the more skilful and clever (and therefore usually the more dangerous) the man, the more likely he was to obtain his release. This tendency particularly favoured the well educated and able officer of high rank at the expense of the indoctrinated minor Nazi incapable of disguising his views.

During the last twelve months political developments and public opinion have tended to increase the rate of release still further. Originally the release of important internees was coupled with the imposition of certain civil restrictions and police supervision. Gradually the boards tended not only to make very little use of their power to recommend further periods of internment, but also imposed fewer and fewer restrictions. At present the remaining number of internees is very small, 600 altogether in July, 1948, and confined to obviously unrepentent nazis and a very few high-ranking officers who fall directly under the group of independent army commanders and members of the High Command (OKW) specifically mentioned at Nuremburg for trial by Germans. It would therefore seem that even those few safeguards provided in the release procedure of October, 1946, have been dropped in favour of an outright policy of release.

In judging the internment and denazification policy of the last three years three questions must be answered. How correct were the premises on which the policy was based? If they were correct, how successfully would the policies adopted have dealt with the problem? Finally, how successfully has the policy been implemented in any case?

A Fifteen Year Problem

The original plan announced at Potsdam assumed that the solution of the whole problem would take ten to fifteen years at least. There is no obvious reason why the present political situation in Germany should in any way have altered the correctness of this assumption, even if it reduced the time available by over two-thirds for other reasons. Yet the changes that have been made in the original policy seem to assume that the German problem is now well on the way to solution, that a recurrence of German aggression in the future has become utterly impossible, and that the view of the situation taken at Potsdam was entirely erroneous. It was further taken for granted by those who made the first policy of arrest that the release of internees would not generally take place until a democratic administration had been firmly established and enjoyed the genuine support of the German people.

As far as the execution of the denazification policy itself is concerned (insofar as one can speak of one continuous policy after such radical changes) the treatment of a unique political question by legal means has tended to nullify the original political objects, though it may have dealt more fairly with individuals. Thus an individual who had been interned because, in the opinion of the occupying power, his outlook and activities might represent a danger to the most vital political objectives of the allies, was now offered a chance of release if he could prove by quasi-legalistic means that his actions on release would not represent a danger to whatever might be allied policy in the future. The recent statement by the British Military Governor regarding denazification that "rough justice had been done" shows that even the highest authorities in Germany have adopted this legalistic view of a policy purely political in origin.

Statistically denazification and decentralisation have no doubt been a success. Over 90 per cent of those interned have been released after some form of investigation into their cases, and an enormous number of minor Nazis have been dealt with by the German courts. The trials of members of organisations found collectively guilty at Nuremburg is proceeding apace. If denazification can really be reduced to a legal basis, rough justice may indeed have been done. On the other hand, whatever else might be said of the sometimes cynical methods of denazification by German anti-fascist "bloc" committees in the Russian zone, it has always remained a purely political affair without any legal superstructure, and, for a policy quite unrelated to an attempt to dispense individual justice, has been successful.

Ultimately the success or failure of the British effort will be shown in the future, when the political safety curtain of occupation is removed. Since the policy adopted cannot have eradicated the hard-core of political nationalism, of which National Socialism is after all only an expression, there may be some odd growths in the lush political vegetation growing up under the warmth of Anglo-American favour. It may even happen that the recent nationalistic movement fostered by the Russians in the East will join up with similar latent elements in the West, though the obvious economic discrepancy between Western and Eastern Germany stands in the way. It is significant that already today the two major political parties in the West have expressed alarm at signs of open reappearance of an aggressive political nationalism, the same parties who protested against the "human indignities" of denazification only 12 months ago. In this paradox between the method of denazification, and its original objects and desired results, lie the difficulties of the present and the dangers of the future.

Tempers Rising in Cyprus

[FROM A SPECIAL CORRESPONDENT]

Nicosia, October 17th

DURING the last few months the political situation in Cyprus has greatly deteriorated, both from the British standpoint and from that of all Cypriots who prefer a quiet life to a life of political hurly burly and physical insecurity. No major outbreak of violence has yet occurred, but the antagonism between left and right—already described in *The Economist*—has hardened into a social and economic boycott in most towns and villages. On the left the throwing of grenades and the preparation of dynamite has become much more frequent. Their missiles are destined for several targets: their political rivals, their employers, usually British or American, at the mines, and—the police believe—the American monitoring station now nearing completion on the island. In the din emanating both from the terrorist left and from the less violent but no less noisy right, the large middle group of moderate opinion feels less than ever inclined to shout for a hearing. It is a grave thought that the island's British administration contains at the top no person with sufficient presence, character or capacity for capturing public imagination to save a situation which, though deteriorating, is not desperate. What is needed is a governor who can ginger Whitehall, and through Whitehall, Athens into a joint statement on the dangers inherent in Russian policy in the Eastern Mediterranean.

For it is now obvious that the Cypriot left wing is simply carrying out orders that are but one facet of Moscow's anti-western activity in the area. Otherwise why plan to blow up the very installations that are bringing in much-needed dollars to right Cyprus's sorely unbalanced international trade position? The left, which controls a majority of the political groups that pass under the name of trade unions, has money enough to finance lengthy strikes. It is believed that some, at least, of this came in the form of smuggled gold sovereigns from a Red fountainhead located in Beirut.

12,000 Jewish Prisoners

Their importance as a potential source of trouble is enhanced by the presence in the island of a residue of the detention camps for Jewish immigrants, situated round Famagusta. The majority of the 12,000 immigrants still there are able-bodied men of military age.

Especially since the rejection of the Habeus Corpus action inspired by the Israeli Government, their mood is, possibly understandably, extremely ugly. Many have been in detention camps of

sorts since 1938 and now feel that they will never get out. It is at present inadvisable for visitors to enter the camps. The British Army guards supply their rations and some clothing—a winter issue is about to be made—and the American Joint Distribution Committee provide comforts most liberally But the troops who guard the double rows of high barbed-wire rarely go inside. For this reason, and because the internees resolutely refuse to be counted, the camp authorities are by no means certain of the actual numbers. It is believed that some of the more enterprising, or more valuable to the Jewish war effort, have escaped and have been taken to Palestine in small caiques or launches. Those who are left spend most of their time practising close-combat exercises and drilling. There is steadily accumulating evidence that if the bulk are not Communists, the camps are Communist-dominated. Contact with the island's leading Communists is believed to take place. In addition, the official Israeli radio station, *Kol Israel*—the Voice of Israel—has been hinting very strongly recently that their only hope of freedom is a mass break out from the camps.

There have been minor and least two major attempts to escape. Two separate tunnels, as good or even better than most constructed by British prisoners of war, have been discovered. One was 150 feet long and 15 feet deep; it had electric light to assist those working in it, which was operated from the cables feeding the searchlights which play along the barbed wire. The second, not quite so long, contained a telephone. Both tunnels were completed when, almost by chance, they were discovered. One, it is thought, had been used by a few of the ringleaders who had got out into the town to make arrangements with contacts there for a mass escape. The other had only just been finished and there were no signs that anyone had used it.

The Cyprus Police, a loyal and efficient force of about 1,000 men (it may shortly be increased) could not handle an escape of several hundreds or thousands of determined Jews; the Army could only do so by the use of all the force at its command. Such an eventuality would be deplorable, and British pressure for a quick Palestine decision in Paris is, naturally enough, in part actuated by self interest. Until His Majesty's Government can send these Jews on their way with a clear conviction that it has not infringed Count Bernadotte's truce terms, it must be a prey to grave anxiety lest they stage a rising that tempts the Cypriots left to rise with them.

Turkey's Silver Jubilee

[BY A CORRESPONDENT]

ON Friday next, October 29th, Turkey celebrates the twenty-fifth anniversary of the founding of its Republic. It deserves congratulations upon many counts—on twenty-five years of peace, of a rising national income, of major industrial development, of satisfactory struggle with illiteracy, of transition—at least in its cities—from a mediæval to a modern way of life. Few countries have so greatly changed, in so short a period, in such stable conditions. From its allies in the west it deserves a special greeting upon being the only dictatorship in Europe which has over several years sustained and practised the concept that it must get out of totalitarian ways if it is to become the sort of state that it wants to be.

Just how far this process has evolved is illustrated by this week's happenings over by-elections to fill thirteen vacant seats in Parliament. In Turkey by-elections are held *en bloc* about half way between general elections; the next general election is due in 1950. The 1946 general election was held on the basis of a new electoral law. This had become imperative on account of the birth—as it were by presidential permission—of an Opposition in the western sense of the word. The new law therefore substituted for the old electoral colleges, run by a single party, a system of committees to run direct first degree elections in all constituencies It is obvious that under such an arrangement, in a young country, an immense responsibility falls on those supervising the polls. Can a peasant who cannot read or write record a secret vote? The Government, taxed with this question, argued that it had done everything possible to enable him to do so; undoubtedly its explanations of the process were painstaking to a degree. The opposition answered that secrecy was not assured. "They tell us," said its leader, speaking in Istanbul at the end of last month "that a similar electoral law to ours is in force in England. But it must be remembered that in Britain it is not the law, but political morale, which predominates, and that nobody would ever dream of forging elections."

In a word, the Democratic Party, echoed by the smaller Nationalist opposition party, charges the Government with falsifying the last general election, and demands changes in the electoral law that will give it safeguards for the future.

Fair Methods at the Polls

Before holding the by-elections, the Government attempted to meet this demand. It passed a new bill, and consulted the Democrats over its drafting. But the new text does not satisfy these last. It does not meet all their requirements. They remain incensed, and have, together with the Nationalists, boycotted the by-elections. They have been supported in this course by all but one of the independent newspapers of importance. The new Bill makes an attempt to adjust a situation in which the polls were supervised by privileged persons, civil servants and local government officials who are, and will for some time to come be, the Government—Republican People's Party nominees. It strengthens the hand of the electoral committees who supervise secrecy at the polls, and it renders falsifiers liable to prosecution and severe penalties; but it does not concede to the Democratic party its two principal demands. Of these the first is that the magistrature shall be represented on the supervisory body. The Government replies that, under the constitution, magistrates may not meddle in politics. The Democrats retort, pertinently enough, that they are not being asked to meddle, but simply to see that all is fair. Their second demand is that the election committees shall be "mixed"—that it shall include opposition nominees.

Since only he Government party voted in the by-elections, the results are not a complete guide to the state of public feeling. But the small percentages that went to the polls—first reports record a poll of only 10 per cent in Ankara and Instanbul, though in rural districts it was heavier, amounting to between 20 and 40 per cent—suggest that, as is only human, there is widespread reaction against a party that has held power for so long. It is strong in the towns, and seems to be undisturbed by this year's split and purge in the Democratic party ranks. Broadly speaking, it represents the reaction of big business to rigidity of government control; a point to watch, therefore, over the next years is how far the Government attempts to cede points in order to meet this criticism. One of the Democrats' chief weaknesses is that they have in their upper ranks no economists of the calibre of the men serving the Republican People's Party. Like their counterpart the British Opposition, they lack and badly need a Cripps.

New Patriarch in Constantinople

The Œcumenical Patriarch, Maximos V, who has for long been ailing in mind and anxious to resign, has at last given up his office. If, as is expected, a majority of the Turkish bishops who elect his successor vote for Athinagoras, Archbishop of America, several important consequences will ensue.

For the first time for five centuries there will be a Patriarch of Constantinople popular with both Greeks and Turks (Athinagoras was born a Turkish subject in Ottoman days, but subsequently became Bishop of Corfu, and a Greek subject, before becoming an American citizen; his candidature is greatly favoured by the present Greek Government). Secondly, an extremely competent man will succeed to the office; Athinagoras has during his time in America put some order into the once chaotic state of Orthodox Church affairs there. Lastly, the directives now being issued by Moscow radio for use in his election can be confidently predicted. They are that Russia, containing the biggest Orthodox Church community in the world, deserves to be the seat of the Church's primary patriarchate; that a patriarchate which demands the election of a Turkish citizen is subject to Turkish pressure, and that this particular Patriarch is resuming his Turkish nationality simply in order to serve as the "tool of American capitalists."

These arguments may sound well to Russians. To others, they ignore the facts, first, that the Orthodox Primary is based not on numbers but on theological precedent; and, secondly, that the Turkish Government has scrupulously observed its rule not to meddle in Orthodox Church affairs provided that the Patriarch is a Turkish citizen and does not dabble in politics.

AMERICAN SURVEY

Next Year's Aid for Europe

(From Our US Editorial Staff)

SENATOR VANDENBERG'S warning that the programme of the Economic Co-operation Administration will be very carefully examined when Congress returns to Washington was issued just as the agency completed its first six months of operation. Congressional concern will, of course, be focused on western Europe, and on its progress towards a unified recovery. But the ECA headquarters in Washington bears the responsibility for accepting the programme drawn up at Paris as a satisfactory first step toward carrying out the ends which Congress had in view when it passed the Foreign Assistance Act. It also has had to work out the procedures necessary to make the Act effective. So Congress will want to inspect what has been happening in ECA at Washington as well as in Europe.

On April 6, 1948, Mr Hoffman started with an Act of Congress (unaccompanied by appropriations), some empty space in a new office building, and a small group of people from other agencies who had worked on the committees which laid the groundwork for ECA. His immediate needs were funds and a competent staff. The assembly of the team posed the question of how well it would be possible to staff a government agency in a period of full employment in peacetime. The question has been answered satisfactorily. By no means all of the top appointments were accepted by the first men to whom they were offered, but the quality of the men who did accept Mr Hoffman's invitation to work for longer hours, and for less money, is impressive. The distaste of Congress for the State Department suggested it would be unwise to depend too much upon that source. The men most clearly available were a group from the Department of Commerce—Mr Harriman, Mr Foster, Mr Bissell, and others. The Administrator had two other resources to fall back on. He could play on the nostalgia of some of the business men who had worked in Washington during the war, and his Committee on Economic Development had given a number of executives experience in semi-public service in the years since 1940. No one could complain that these men were impractical idealists who, in the famous phrase, had never had to meet a payroll. It is doubtless an ironic accident of history that ECA's budget director, like the Congressman who attempted to slash ECA's appropriation last June, is also a Mr Taber from New York.

The bipartisan character of the two top Washington appointments, those of Mr Hoffman, a Republican congenial to Mr Vandenberg, and Mr Howard Bruce, a Democrat favoured by the White House, makes it highly unlikely that, if there is a change in government in January, the staff of ECA will undergo many serious changes. In 1933 the incoming Democrats lost no time in providing transportation home for Mr Hoover's Commercial Attachés. In 1949 there may be some exceptions, but by and large the staff of ECA is expected to survive a Dewey landslide.

There are two public boards attached to ECA which help to make it representative of the nation, rather than of one party or any one set of interests. One is an advisory group representing agriculture, labour, management, and the professions. Its function is to interpret aid to Europe to the various pressure groups, and act as a buffer between them and ECA. Another advisory committee, on fiscal and monetary problems, is also representative of a wide cross-section of opinion.

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Authorisations to buy, rather than the actual procurement of supplies, are the chief business of ECA, because Congress put great emphasis on the use of private trade channels for purchasing. The range of considerations to be taken into account has been of the broadest. Problems have been presented both by commodities in short supply like steel, and by those of which there is a surplus, like tobacco. So far, the ECA has kept in reserve the right it possesses to appeal to the Secretary of State to rule that the export of a given commodity promotes the security of the United States. Trade attitudes and pressures have varied directly with supplies. Warnings against depriving Americans of essentials have been varied by thinly veiled invitations to ECA to carry out a dumping programme.

Opinions vary about how soon real shortages may develop, and in what commodities they will appear. An investigating committee of the House has just reported that 10 to 12 per cent of all US sheet and strip steel production in the last nine months has been sold at grey market prices. The present voluntary allocations programme, which sets aside steel for urgent needs, is due to expire in February unless Congress extends it. Rearmament, insofar as it takes the form of aircraft production, will chiefly affect the light metals, but increasing shortages are foreseen within six months in a wide range of industrial materials. It should be noted, too, that actual deliveries under ECA authorisations, especially of industrial items, are still far smaller than the sums committed; the reduction of supplies in the American market owing to purchases financed by ECA will, therefore, be much sharper in the latter months of its first year than it has been to date.

By contrast, some industries have reached the stage where their salesmen are looking for orders, and many agricultural commodities are now returning to a state of surplus, with the government committed to support their prices. A Republican Administration whose pre-election promises included a balanced budget might be strongly tempted to make ECA's appropriation do double duty.

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ECA is clearly determined to account, with unprecedented thoroughness, for every penny it spends. In its accounts, no "miscellaneous" categories are to be permitted, lest Congress suspect that something unsavoury is being hidden. It will be interesting to see whether one decision on the technique of accounting, achieved with great difficulty by the Harriman Committee, and eventually approved by Congress, comes back to haunt the request for the second year's appropriation. This was the decision to fix the ratio of loans to grants on the basis of a country's ability to pay, and for ECA thereafter, to assign monthly expenditures to the country's account in accordance with that ratio. This is based on a belief that in a balance of payments operation there is no difference between a loan dollar and a grant dollar.

Such a procedure, clear as is may be to the financial community, may be less so to Congressmen who were insistent on the segregation of $1 billion for loans and transfer guarantees to American businesses making investments in the participating countries. (Business investment has been very slow; a few inquiries, mostly relating to the United Kingdom, have been received, but only one proposal is at all near consummation. The recent loan commitments of ECA indicate it does not count on needing anything approaching the $300 million authorised for transfer guarantees, and financial opinion in New York minimizes their importance to the prospective investor). The traditional concept that a loan must be for a specific purpose dies hard in Congress. Congressmen, and others, may find it difficult to understand that when ECA finances British imports of food, it releases for the construction of capital goods in Britain labour and materials which would otherwise have to go into exports, and that Britain's productvity may be increased as much in this way as by direct investment of American loans in British factories or mines.

A misunderstanding on this point could become serious in connection with one of the several lines of attack on ECA's appropriation for next year. These can already be foreseen. Actually, ECA will have to appeal to Congress twice, once for funds to carry it from the end of its first year of operation in April to the end of the American fiscal year in June, and again for its next annual appropriation. One complaint will come from those who perennially try to substitute the perfect for the good, and demand federation now with an insistence chiefly indicative of their ignorance of Europe's past. Another will be the neo-isolationist line that the United States should keep its economic resources at home, that a military union is the one that is readily feasible, and that military lend-lease is the most effective way of aiding Europe. But perhaps the most dangerous resistance will come from those who have reached, more or less reluctantly, the view that ECA is turning into another Unrra. They will argue that the participating countries have been interested solely in grants, and took loans only when forced to do so. They will insist that the terms for loans have been watered down until the word is a misnomer, that few long-term projects have been undertaken, and, most important, that there is no sign of those joint projects representing the first steps toward the unification of the markets and resources of Western Europe.

These impressions will make Mr Hoffman's task more difficult when he appears before Congress to justify further appropriations. It has been pointed out that the stress put by Mr Dewey during his campaign on the importance of ECA will make it impossible for him if he is elected, to avoid supporting Mr Hoffman's requests. But the fact remains that ECA was expected to be concerned with western Europe as an emerging entity, not with an assortment of separate participating states. A President seeking Congressional support will be in a much stronger position if he can point to some concrete evidence that a start toward unification has been made.

It is quite true that the country-by-country studies to be presented next year by ECA will contain impressive indications of recovery up to and beyond prewar levels, even though they may not entirely justify the optimism expressed by Mr Hoffman on his return from Europe. But before the war, these countries had resources beyond their borders which are no longer available. It will be very hard to convince Congress that there is any alternative—except resignation to a declining standard of living and power—to a bold move to include the territories and resources of Europe within a single economic area.

American Notes

Ten Days to Go

With only ten days left before the election, the exchanges between the two parties are growing more heated and more extravagant. In a campaign in which foreign policy floats precariously above the battle, the dispute has now turned to the question of who first proposed this exercise in self-denial. Mr Dewey's claim to the lion's share of the credit both for initiating a bipartisan approach to foreign affairs and for transforming ERP into something more than "just a handout" has brought a sharp rejoinder from Mr Cordell Hull who, up to now, has taken no part in the campaign from the hospital bed in Maryland where he has spent the last two years.

His reminder that neither party—and certainly not the Republicans—can stake out an exclusive claim to the bi-partisan concept of foreign policy is made more to keep the record straight than for its effect on the election results. The *New York Times*, on the basis of reports from correspondents in the doubtful States, estimates that Mr Dewey is certain of victory in 27 States with 333 electoral votes (266 are needed to win). Mr Truman is given only nine States, with 82 electoral votes. These are chiefly Southern and Border States, where the Dixiecrat infection has been resisted: Arizona, Arkansas, Georgia, Kentucky, Missouri, North Carolina, Oklahoma, plus Nevada, and Rhode Island. Governor Thurmond, though his States' Rights party is on the ballot in 11 Southern States as well as two others, is expected to carry only four. Mr Wallace, however great the popular vote he rolls up, is given no chance to carry a single State. Of the eight States still considered doubtful, three, West Virginia, Texas and Tennessee, with 43 electoral votes, are leaning toward Mr Truman, and three others, Maryland, Montana, and New Mexico, toward Mr. Dewey. The long lead Mr Dewey is expected to enjoy in the Electoral College does not mean that the popular vote may not be fairly close. Dr Gallup believes it may follow the pattern of 1944 and 1940 rather than that of the landslides of 1932 and 1936.

In the races for the House, the Democrats are thought likely to pick up from 11 to 20 seats, with the Republicans winning in four other close races. The net again, however, would still leave the Democrats far from achieving the increase of 31 seats necessary to give them a majority in the House. The belief is also gaining ground that the Republicans, thanks to Mr Dewey, will be able to hold the Senate, though his last-minute decision to make another crusade through the doubtful States in support of candidates who, in the main, are likely to oppose his policies, suggests that it is still a close thing.

Should there be a tie in the Senate, the Republicans would continue to control its organisation and its committees; but Mr Warren, as Vice President, would have to stand ready to cast deciding votes, and might not have time for the new executive duties being planned for him. A Democratic victory, among other results, would deprive Mr Vandenberg of his valued chairmanship of the Senate Foreign Relations Committee and make him more open to offers of a Cabinet post.

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Mr Dewey's Pledges

In one respect there is a striking similarity between the campaigns of 1940 and 1948. In both, the chief issues the United States was about to be forced to decide have lain, like icebergs, mainly below the surface. Mr Winthrop Aldrich alone (who, it is thought, may be the next Secretary of the Treasury) has openly advocated the granting of military lend lease to Europe, and the related question of the size of the military budget is still undecided. Mr Truman's ceiling of $15 billion for defence (which includes $600 million for stockpiling) has now been challenged by the military, who declare that if it is enforced, they will not be able to meet the target of a 70-group air force by 1952, expand the Services as planned, or proceed with their schemes for increased production of weapons. It is hoped that once the election has verified Mr Dewey's claims to the Presidency he and his advisors may be brought into consultation with the Administration on foreign and related domestic issues. In 1932 Mr Roosevelt declined an offer to share Mr Hoover's responsibilities during the prolonged vacuum between his defeat and Mr Roosevelt's inauguration. Today, the interval is much shorter; the need for a firm policy is quite as great; and no gulf like that between Mr Hoover and Mr Roosevelt separates the leaders of the two parties.

In his campaign Mr Dewey has been promising "All this and a balanced budget, too"—all this including more strength for defence, a Department of Social Progress to co-ordinate federal welfare work, the extension of social security, continued support of farm prices and broadened services to agriculture, more housing, the expansion of government-owned power plants, and continued aid to Europe.

However generalised, this is a programme with a New Deal flavour which many of the Republicans in Congress—and particularly in the House—will find difficult to swallow, particularly if it not only rules out further tax reduction, but leads to tax increases or deficit financing. It is a sign of the care with which Mr Dewey is mapping out not only his campaign, but his Administration, to avoid major pitfalls, that he has taken time out to visit Mr Halleck, a disappointed candidate for the Vice-

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Presidency and Republican leader of the House. Mr Halleck's views on both domestic and international issues have run strongly counter to those Mr Dewey has been expounding. With the help of other stand-pat Republicans like Mr Martin, Mr Taber and Mr Knutson, he could, unless propitiated, delay and cripple Mr Dewey's programme.

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New Line in Houses

Boards are beginning to remain up for an appreciable time outside empty houses, which are also being advertised again in the newspapers. The number of houses started each month is declining and only about 900,000 are expected to be built next year, compared with an estimated 950,000 this year. The housing boom is drawing to a close, but the housing market is far from saturated. The boards and the advertisements refer only to a special class of house, houses for sale at a price of $13,000 or more. America still needs over 1,000,000 new houses a year for the next ten years, but they must be houses to let at reasonable rents, or to sell at under $10,000. The housing legislation passed at the special session of Congress did something to encourage the construction of dwelling units for letting, with what success cannot yet be judged. The problem of selling prices, which have doubled in the last ten years, has been made acute by recent increases in the cost of labour and materials, but high costs plagued the housing industry long before the present inflation.

One answer has been found by the Southern Research Institute, which has designed a four-room concrete bungalow, no more unsightly than the wooden shacks it replaces, which the owner can build himself for $550, with $350 more for plumbing. At the other end of the scale are the prefabricators, who had visions of applying industrial mass production methods to the product that the masses need most. Their visions have turned out to be realisable only at a prohibitive cost, because of the hard facts that defeat more conventional house builders—local building codes, restrictive labour practices, lack of capital—and of some that are peculiar to themselves—shortages of material that interrupt production and the high cost of transporting finished houses from factory to site.

There is, however, an intermediate answer that has been found by a number of builders, of whom the most publicised is Mr William Levitt, of Long Island. He is building houses at a rate of 450 a week for rent, almost unheard of in America today, at $65 a month, or for sale at $7,990 (not long ago it was $6,990). Only veterans can have these houses, since only veterans can obtain the government guarantees on which, combined with ordinary Federal Housing Administration insurance, Mr Levitt depends for the financing of his operations. This means of obtaining the capital needed for large-scale building will not be available for ever, but even though this particular answer to the problem of cheap houses has only a limited usefulness, some at least of its lessons have a wider application.

Mr Levitt avoids many of the troubles of the prefabricators by introducing production line techniques on the site instead of in the factory. His houses, four rooms and an attic, side by side in gently curving rows, are fundamentally identical, although the pitch of the roof and the finish of the walls may vary. This similarity enables him to buy his materials in bulk, made to his specifications, from suppliers who usually work only for him and are often owned by him. Foundations are prepared before the frosts and he plans his schedules so that neither men nor machines are ever idle. His workmen specialise in particular jobs, such as fixing shingles, installing bathtubs, many of which require little skill. But Mr Levitt pays high wages in order to avoid labour troubles and to remain independent of the trade unions.

All this means that a Levitt house is as good, or better, value than any in America today. The cost price even includes those essentials of the American way of life, modern heating, electric refrigerators, Venetian blinds (bought by the freight car load), which the iconoclasts are suggesting might be foregone in the interests of building a house which the homeless can afford. Some at least of the 6,000 families living in Levittown, where every house is built by Mr Levitt on plots 60 by 100 feet landscaped by Mr Levitt, on concrete streets named Crabtree Lane or Honeysuckle Road, with a swimming pool and a church to every thousand homes, must feel that the advertisers' dreams which filled the magazines a few years ago were not as misleading as they have often meanwhile seemed to be.

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The Future in Coal

In 1940 one of Mr Willkie's liabilities was the vicious attack of Mr John L. Lewis on President Roosevelt and his endorsement of the Republican candidate. The miners were not deterred from supporting Mr Roosevelt, and other voters were alienated. This year Mr Lewis attacked Mr Truman with equal vitriol at the convention of the United Mine Workers in Cincinnati, as "a man totally unfitted for the position. His principles are elastic and he is careless with the truth." But Mr Dewey, who is probably as well pleased, received no direct endorsement; he was even rebuked for his support of the Taft-Hartley Act.

Mr Lewis appeared before the convention not only sanctified by his struggles against the Taft-Hartley Act, glorying in his wounds and boasting of his enemies, but triumphantly able to report the beginning of pension payments to retired and disabled miners. His position in the union has never seemed more impregnable; any sign of opposition was immediately overruled. The miners' gratitude took the form of raising Mr Lewis's salary to $50,000 a year from $35,000 (making him the highest paid union leader in the world), designating Mr. Lewis's birthday, February 12th, as a miners' holiday (it is observed by non-miners as Lincoln's birthday), and, in anticipation of further legal disputes with the Government, raising the monthly dues from $2 to $4, of which half will go into the international's treasury. The union, despite the heavy fines incurred, still has over $13 million in the bank; this new recognition of the increased dollar value of membership will raise its annual income by nearly $12 million.

But the convention also reflected awareness of a threat even more dangerous than the use of the injunction. For the first time since the United States entered the war, supply is catching up with demand in coal. The chief factor is the fall in exports; at about 25 million net tons in 1948, they will be only just half over those of 1947. Many mines are curtailing output. In the South the "snowbirds"—the makeshift workings brought to precarious life by high demand and high prices—are melting. Coal supplies now stand at a four year peak of over 64 million tons. Production is slightly down from that of last year, but is still above that of 1946 and 1947 and much greater than it was before the war.

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Mr Lewis served notice that if the days of anarchic competition, overproduction and wage cuts which characterised coal before the war returned, the mine-workers would stabilise the industry by a share the work campaign. "If there is only three days' work a week, for this industry, we will have three days' work for everyone. If we are going to starve, we starve together." Such a move would be based on the "able and willing to work" clause in the miners' contract. In the anthracite districts of eastern Pennsylvania, a stabilisation plan operated by the union, the owners and the State, decrees how many days' work a week there exists, on the basis of demand. In soft coal there has been no such stabilisation plan since the Guffey Act, passed with the active support of the UMW, was declared unconstitutional ten years ago.

An attempt to share the work will probably be made before the situation becomes desperate. The coal contract expires on June 30, 1949. The aims of next year's negotiations were left to the discretion of Mr Lewis, but they are likely to include a 7-hour day and 35-hour week (which the miners had before the war) with no reduction in take-home pay, now averaging about $70 for a 40-hour week. (In 1919, when Mr Lewis became president of the union, it was $30 a week.) The union believes a 35-hour week sufficient to produce all the coal that can be sold.

The coal operators, meeting in New York, insist that the demand for high-grade, well-sorted coal is still more than they can meet. But they are energetically seeking to broaden that market, by research into push-button boilers, petroleum synthesis from coal, and coal-fired gas turbine locomotives. The larger firms are also seeking vigorously to lower costs by installing new machinery while profits are good and the machinery is available. The purchase of Polish coal with ECA funds, not unexpectedly, was condemned and the industry is apparently hopeful that the need, in the name of security, of conserving oil reserves will lead to a revival of the importance of coal as America's chief source of fuel.

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The Giannini Empire

The charge of "credit monopoly" brought against the Transamerica Corporation of San Francisco by the Federal Reserve Board is one more sign that the west has come of age. It is not many years since the "money power" was synonymous with Wall Street, and all the threads of the money trust seemed to lead to an eastern spider. Transamerica is the gigantic holding company of Mr A. P. Giannini, the founder of the Bank of America; it holds, beside a 20 per cent interest in this, the largest bank in the world, controlling interests in banks in Nevada and Oregon, life insurance interests and other credit enterprises, as well as having a finger in real estate, fishing and many manufacturing undertakings.

A two-year investigation lies behind the present hearings, held under a never before used authority of the FRB, which empowers it to enforce the anti-trust laws as they affect banks and bank holding companies. It is believed that the FRB was compelled to act as its own policeman because Mr Clark, the Attorney-General, doubted whether there was sufficient evidence to justify the intervention of the Department of Justice. Rumour also suggests that it was Mr Marriner Eccles's energy in forwarding this investigation and in supporting Senator Tobey's Bill to limit the expansion of bank holding companies which was responsible for his replacement as chairman of the FRB by Mr McCabe. This is only the latest of a long series of Mr Giannini's brushes with authority: with the banking supervisors in California, the Securities Exchange Commission, former Secretaries of the Treasury and eastern financial interests.

If the FRB (which in these hearings acts as prosecutor, judge and jury) finds the charges substantiated, Transamerica may be required to sell all its interests save those in the Bank of America. With its resources of $5 billion, its 516 branches in California and six other western States and its 4,000,000 customers, this in itself is an empire any Cæsar might envy. Since 1904 the Bank of America (originally the Bank of Italy) has made steady, if spectacular, progress toward that bigness which Californians like to think is typical of their state. Every opportunity beckoned. Not only did California permit the combination of commercial with savings deposits, which is one of the Bank of America's most useful assets, but it is one of the few states which permit state-wide branch-banking. Most states either prohibit it absolutely or limit it to a single community. But California was also expanding much faster than the rest of the country. During the bank's 50 years of existence the population of California has multiplied fivefold; from being the twenty-first state in population, it has leaped to third place. Moreover, the war subjected California to a forcing process which compressed the industrial growth of a lifetime into a few years.

But the Bank of America is three times the size of its nearest competitor in California; a favourable environment is only part of the story. Its management has always made a speciality of serving small customers, either with deposit facilities or loans. And it has been quick to take advantage of the investment opportunities offered by instalment and consumer loans, including the home mortgages guaranteed by the government.

* * *

Rail Rates and Wages

The recurrent pattern of railroad wage and rate advances is causing some concern to industry. It is true, of course, that the spectacular rise in operating costs justifies the contention of the managements that relief must be afforded if a basic industry is to keep its head above water. But at times like the present, a fresh upward move in transport costs tends to have an explosive effect throughout industry precisely because the impact is felt most severely by steel and other metals, and by the bulk durable goods where there is still evidence of considerable pressure against present price levels.

Wage costs account for more than one-half of gross operating revenues, and there is no reason to believe that the railroads can secure stability at present levels. The industry greatly strengthened its competitive position against road and water transport during the war years, when freight rates were virtually held to pre-war levels. Since that time, however, rates have risen by about 45 per cent on 1939, and while the financial position of most companies is now immeasurably stronger, there is very little margin against increasing costs. In 1947, the main line systems altogether retained only $500 million from operating revenues of $8.7 billion. This year, the net income level will be not more than $650 million, although gross receipts may be as much as $1 billion higher than in 1947. Moreover, this improvement will be due to the rate relief afforded. Business activity has held at peak levels, but the volume of goods traffic in 1948 has been lower than in the previous year, a clear indication that traffic is being lost to competitive services.

Fresh wage awards have been granted to some railroad workers from mid-October at an estimated cost of about $60 million yearly. This concession, however, covered only a very small proportion of claims from all grades of workers. If awards are made to all workers on the same basis, the annual cost would be as much as $400 million. But the other unions concerned are demanding far more radical changes in hours and working conditions, and the total advance in costs could then be as high as $1.5 billion, a result which would put many companies on the road to eventual bankruptcy.

To meet the first wage claim, the railroad managements asked for a further rate increase of eight per cent early this month. To meet other claims, the Interstate Commerce Commission is now asked to sanction a rate advance of 13 per cent which would bring the general level of rates to more than 60 per cent above prewar. Some further relief seems certain. But the industry is unlikely to do more than to hold its present precarious margin over operating costs, and its position during a time of rapidly contracting business activity would then be decidedly unhealthy.

* * *

Taft and the ITU

The long-drawn-out battle of the printers against the anti-closed shop provisions of the Taft-Hartley Act reached a new, but not decisive, stage when Judge Swygert last week in Indianapolis found the international union and four of its officers guilty of contempt for persisting in seeking closed shop conditions despite an injunction issued by the court against such practices. Some time ago the printers reached a settlement in New York and other cities which included "competency tests" for non-union printers applying for jobs, but in Chicago an ITU local is still being sustained in its ten-month-old strike against five newspapers. Senator Taft, one of the fathers of the Act, in a meeting with some of the counsel for the NLRB, expressed dissatisfaction with the desultory fashion in which it was being enforced in the ITU case. Not long after, Mr Denham, national counsel to the NLRB, asked the court to forbid the international to continue to pay strike benefits to the Chicago local, prohibit the ITU from encouraging strikes in violation of the injunction, outlaw contracts which discriminated against non-union printers, and those which gave union foremen the right to hire and fire.

The court's order upheld Mr Denham on points three and four, but failed to include the other two prohibitions. The union is now celebrating a limited victory, and considers that Mr Denham and Senator Taft have been defeated in what it charges was an attempt to break the Chicago strike. No penalty, aside from costs of the action, was imposed upon the union, and its officers were given five days to submit a statement showing that they were complying with the ruling. In effect this seems to mean time to put its Chicago house in order and remove from the contract sought any suggestion of discrimination against non-union printers.

The decision of the court is only temporary. A stay has been granted, and the entire case has yet to be reviewed by the National Labour Relations Board, whose ruling will replace that of the court.

Shorter Notes

A year ago it would have seemed impossible that the government information services, then the target of the bitterest criticism in Congress, could ever become too popular. The view then was that private industry could do the whole job better; and the government very nearly had to abandon its information activities. Today, despite the pitfalls and strains offered by an election year, the information service, and in particular the short-wave "Voice of America," are accepted by most Americans as a matter of course. Indeed, Mr George Allen, who heads the information service, complained recently that the tendency is for the pendulum to swing too far the other way, and that public opinion is willing to leave to the government a larger share of the task of interpreting America to the world than he considers desirable.

*

The negotiations between Mr Petrillo, of the American Federation of Musicians, and the gramophone record companies, which it was hoped would end the ten-month-old ban on the making of recordings, have failed, for the time being. Mr Petrillo reopened discussions with a proposal for making the union's welfare fund conform to the Taft-Hartley Act by appointing a neutral trustee. No reasons were stated for the failure to come to an agreement, but it is believed that Mr Petrillo's terms were too high, and that they included a demand for royalties on records issued from master recordings during the ban, and on recordings made by foreign musicians.

*

In order to allow further examination of technical problems the Federal Communications Commission has suspended action on the authorisation of new television stations. Three hundred applications which are pending will therefore be delayed for possibly six months. Any changes will be designed to give the public better service according to Mr Wayne Coy, chairman of the Commission. Thirty-seven television stations which are now in operation and eighty-six which are in the process of construction are not affected by the FCC decision.



A Georgian Crisis

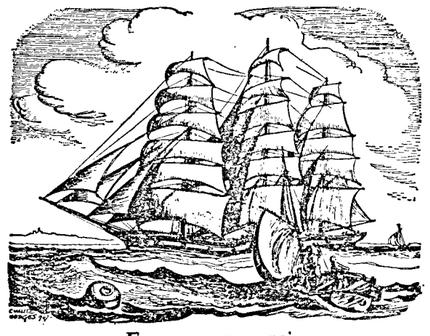
In the unsettled period of the Seventeen Forties, James Martin showed his faith in Britain's future by acquiring the freehold not only of the premises bearing the sign of the Grasshopper in Lombard Street, hitherto rented since Tudor times, but also of the adjoining property of The Three Crossed Daggers. This was in 1741, when the Young Pretender's invasion was so soon to follow. The old private bank was absorbed in 1918 by the Bank of Liverpool, whose title was changed to Martins Bank Ltd. ten years later.

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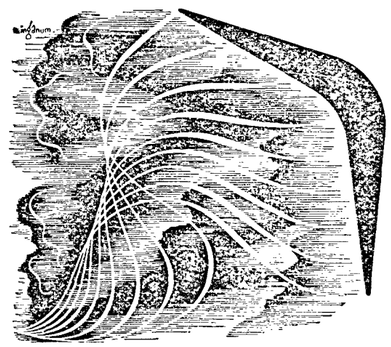
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REMEMBER GENEROUSLY SAT · NOV 6TH

EXPORT BOOMERANG ?

Yes, exports destined for Australia and New Zealand can 'boomerang' if their price or quality is unsuited to the market. For although these Dominions are still eager for British goods and services, their buyers are becoming increasingly selective.
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THE BUSINESS WORLD

The Sliding Franc

LAST Monday the exchange value of the French franc underwent a process euphemistically described in the official announcement as a "realignment." For the time being this description can perhaps be justified. There has as yet been no new devaluation of the French franc against the dollar and gold. The effective commercial rate with the dollar, so far as French exports are concerned, is this week precisely what it was last week. There has, however, been an effective devaluation of the franc against currencies other than the three which have been quoted in the recognised free market—the American dollar, the escudo and the Swiss franc. That devaluation marks the disappearance, so far as concerns transactions of the same broad categories, of the differential exchange rates which previously obtained in France. Henceforth the effective rates for all currencies for all commercial transactions (as distinct from financial transactions and tourism) will be related on a uniform principle to the official parities as notified to the International Monetary Fund—in a word, the disorderly cross rates which have existed for the past nine months will be ended. The commercial rate for the dollar will be the basic standard rate on which the other rates will be calculated.

The new exchange arrangements therefore represent a fundamental and welcome departure from the system introduced last January. All that remains of the devaluation at that time is the official rate of 214 francs to the dollar. This will serve as one of the two factors in the calculation of the effective commercial dollar rate, and will be used for no other purpose. The other factor in the calculation is the rate of the dollar on the tolerated free market during the seven Bourse sessions preceding the two last working days of every month. The commercial rate for the dollar for the ensuing month will be the mean of these two rates, official and free.

In the few days before the new arrangements were introduced, the dollar rate in the free market was 313 francs. On the basis of this figure and of the official rate of 214 francs the mean commercial rate for the dollar has thus been fixed at 264 francs for the remainder of this month. The rates for sterling and other currencies have been fixed by applying to this basic dollar rate the official cross parities. In the case of sterling, for example, the effective commercial rate has been obtained by multiplying 264 by 4.03 and the rate was fixed at 1,062 francs to the £. Since last Monday the French franc has been quoted in London at 1,061-3. The only occasions on which the commercial rates will be altered in the course of the month will occur when the free dollar rate moves by 5 per cent or more as compared with the average of the previous month. In that event the commercial rate for the dollar and all other currencies will be immediately recalculated on the basis of the then current free dollar rate and the old official parity of 214 francs.

The implications of these new arrangements are obviously of great importance. Most important, all pretence of a fixed parity has now been abandoned. The old official parity is still used as a calculating factor but its significance as a parity—that is, an effective rate at which business is done—has disappeared altogether, and with its disappearance has gone the discipline which a fixed external parity is always bound to exercise against any policy calculated to endanger that parity. Such discipline may not have been particularly in evidence in France lately, but the removal of the last vestige of it is bound to make for even greater fluidity in the franc exchange system than has obtained in the past. The franc is now on a sliding standard.

The determining factor in the commercial rate of the currency will be the tolerated free rate for dollars. This is the rate at which American tourists will still be able to sell their dollars in exchange for francs. It is also the rate at which certain financial transactions, including capital movements from the United States to France, will be concluded. Since the devaluation of last January it has also been the rate at which French exporters to the United States and the two other hard currency countries, Portugal and Switzerland, have been able to sell one half of the proceeds of their exports, the other half having to be sold to the Bank of France at the official rate of 214 francs. Thus, for these exporters, the new arrangements involve no effective devaluation of the franc, since the new mean commercial rate will be the same as the average rate obtained under the former system. The free rate has been closely controlled ever since it came into being last January. It was then the declared intention of the French authorities to allow the hard currencies quoted in the free market to be bought to pay for certain inessential imports to France. It is clear, however, that, for good and obvious reasons, the necessary licences for such imports have not been granted, and the only effective buyer of dollars, escudos and Swiss francs in the free market has been the French Government. The tolerated free rate of the dollar, which started life at about 304 francs last January, was held fairly steady at about this level until it was allowed to rise to 313 francs in the few days preceding the "realignment" of the exchange system.

The outcome of this transition of the French exchange regime to a completely floating system will depend on the behaviour of the free rate, which in future will have a significance far greater than it has commanded in the past. Whatever control may be imposed upon it, this free rate will tend to reflect the true value of the franc and if, as seems all too likely, the purchasing power of that currency continues to decline, the free market in due course will reflect that depreciation. If it can be assumed that the free market rate reflects the true economic parity of the currency, it follows that the commercial rate for the dollar and all other currencies will continue to overvalue the franc to an appreciable extent. That degree of overvaluation, moreover, will increase with any further depreciation of the franc, since one of the two elements in the calculation of commercial rates will be the anachronistic and wholly artificial fixed official rate of 214 francs to the dollar. The bigger the margin between that rate and the more realistic free rate, the greater will be the overvaluation represented by the commercial rate, which will be an average of the two.

The new exchange arrangements therefore fail to remove one of the main handicaps under which the French balance of payments has recently been suffering, namely the overvaluation of the franc in France's external commercial transactions. The position of other currencies, such as sterling, which have hitherto been quoted only at the official rates, will indeed be eased. But that advantage will soon be exhausted if costs and prices continue to rise in France—some important increases have been announced in the past few days—and if the gap between the old official rate and the free market rate widens.

The new system, in effect, represents the worst of both worlds. It creates a sliding standard which will offer no encouragement to stern monetary policy in the defence of a fixed parity and at the same time it condemns France to a permanent overvaluation of the franc in the exchange market.

The French authorities deserve, none the less, commendation for their decision to remove the objectionable multiple exchange practices that had developed since the beginning of this year. The disorderly cross rates have disappeared, and in future all commercial rates quoted for the franc in Paris will be related to one another at the official parity notified to and sanctioned by the International Monetary Fund. Before reassurance on this point is complete, however, it may be well to await further evidence of the strict limitation of the tolerated free market in dollars, escudos and Swiss francs to the operations for which it is intended. If the depreciation of the franc continues and if, therefore, the margin between the commercial rate and the free rate widens, increasing temptation will be put on French traders to divert commercial exchange transactions to the free market by giving them the appearance of financial operations. French ingenuity in these matters being what it is, and the technical competence of the French exchange control also being what it is, it would be wise to allow a fair margin for the growth of such transgressions.

No effective answer to these problems can, however, be found on the purely technical plane. So long as the French franc is under suspicion, particularly by the nationals of France itself, no exchange system and no exchange control will be proof against evasion and abuse. The new exchange arrangements probably make the best of a bad job. They remove the most objectionable feature of the earlier system, and for that reason they are welcome to Britain, which was one of the main victims of the now defunct system of differential exchange rates. At the same time they provide an elasticity which might make it possible to establish fixed and truly economic parities if domestic conditions in France improved so far as to make the calculation of such parities possible.

It can only be hoped that this degree of elasticity will not be allowed to weaken the heroic efforts that will be needed by any French administration which seeks to restore some semblance of order in its finances and confidence in its currency.

European Recovery—IV

The Changing Trade in Coal

THE crude necessity of supplying Europe with coal, which for a time overrode all other necessities save that of food, has for the moment been largely met. This, however, is only the first stage in increasing Europe's coal supplies, for if the design of European recovery works as it should, the needs of industry for coal will greatly expand. The next stage is to supply coal efficiently, from the most convenient places, clean, in the right qualities, at reasonable prices: and to secure these supplies for the future. When these questions are considered, it becomes apparent how rough and provisional were the coal plans compiled in the Paris meetings last year. When they can be answered, the future outlines of European trade in coal — outlines to which the individual countries, Britain among them, will require to adjust their particular plans—will begin to emerge. Up to now it has been apparent merely that the customary outlines have been distorted. The "restoration of the prewar pattern of the European coal trade," envisaged in the Paris report, continues to be doubtful.

At the time of the first Paris meetings, the pattern of European trade in coal was most distorted, and European dependence on American coal was at its greatest. Britain and the Ruhr, the natural suppliers of western Europe, had not succeeded since the war in resuming their normal role; the United States, which took their place for the moment, supplied 5.9 million tons of coal to Europe in 1945, more than 17 million tons in 1946, and more than 16½ million tons in the first six months of 1947. Early in 1947 British exports stopped altogether, and Britain, too, began to take coal from the United States as one of the measures to insure against a recurrence of the winter crisis. In the summer of 1947, coal exports from the United States to Europe reached a level of 3½ million tons a month. It was clear enough that any attempt to make Europe solvent would have to begin with food and coal. "Current availabilities have never caught up with consumption requirements," wrote the Paris report, with an odd mixture of emotion and official restraint. "It is quite impossible by statistical means alone to convey the full import of such reduced availabilities in terms of human hardship."

The necessity was, and is, bigger than the mere necessity of catching up with arrears. European recovery required also a vast general expansion of industrial activity which a mining industry restored only to its 1938 level would be insufficient to support. The Paris meetings formalised and collected the various national industrial plans. Thus they demonstrated that coal mining in western Europe, which between 1929 and 1938 had tended to decline, would need to expand again to well beyond its 1938 proportions if industrial demand was not to run further ahead of coal supplies. The countries participating in ERP (including western Germany) used some 471 million tons of coal and lignite in 1947; in 1938 they had used 552.2 million. Their net requirements for 1951 were estimated at 609 million tons—a figure that appeared at the same time possibly too low, in that it seemed doubtful whether it would support the full productive effort which was proposed in industry at large, and too high in that the prospects of producing and paying for such quantities of coal seemed slender. The following table gives a simplified outline of the first Paris plan:

Coal and Lignite.

Requirements of the OEEC Countries (including W. Germany).

	1948	1949	1950	1951
Requirements (including exports and bunkers)	535	562	594	620
Production	477	512	552	583
Import Requirement	58	50	42	37
Estimated imports from Poland	16	24	27	30
Estimated imports from other sources	1	1	1	1
Estimated import requirement from US	41	25	14	6

These estimates may have appeared realistic at the time they were made: the United States exported as much as 37 million tons of coal to Europe in 1947, and the rate of export rose to about 40 million tons a year in the last months of the year. But they do not appear realistic today. The western European countries have faced the necessity of getting through the year on less coal than they wanted: the Paris report to ECA on the first year's programme, issued this week, puts the revised requirement for 1948-49 at 30 million tons less than was estimated last year. And this will still permit "a considerable increase in industrial activity." The western countries are already taking much less coal from the United States: purchases of US coal

have been limited, after all, to 15.1 million tons in 1948-49. It appears, therefore, that reliance on American coal will come to an end sooner than was expected.

This implies that restrictions on coal consumption will continue in most of the member countries, and in some countries will be fairly severe. It also implies that the effort of Poland to establish itself as a principal supplier of the western European countries will be successful. Poland, at the end of the war, held not only her own former coal-mining districts but also the Silesian mines which had been German—an area with an annual production before the war of about 70 million tons. The mines themselves had survived the war in better shape than the mines of the Ruhr and of western Europe. But their operation was disorganised by movement of population, and their access to western European markets was impeded by appalling transport difficulties. The Poles have made swift revival of coal output the basis of their own three-year industrial plan, and the expansion of their coal exports the basis of their foreign trade in the next few years. So far as output is concerned, they have done well; their target of 67 million tons for 1948 will probably be reached and possibly exceeded, and there seems no reason to doubt that the present Polish coalfields will next year comfortably exceed their prewar output. The Polish production target for 1949 is 75 million tons, and the target for 1950 is 80 million tons: Polish representatives at Geneva have spoken of an ultimate target of 90 million tons, which implies that the Poles are also planning long-term development and the sinking of new mines. They have lately been exporting a third of their output or more. In June of this year they exported 2,500,000 and in July 2,700,000 tons.

Agreements with the Soviet Union place the Poles under an obligation to export large quantities to Russia and the Soviet Zone of Germany. Thus in 1947, while they supplied 7,843,000 tons of coal to the OEEC countries, they exported 9,131,000 tons to Russia and to the Soviet Zone of Germany. Their desire to export to the West is not in doubt. But it is clearly difficult for them to resist Soviet requirements, and the case for supplying eastern Germany from the Silesian coalfield, its customary supplier, is in any case strong. To some extent the success of Poland in exporting Silesian coal to the West may be taken as a measure of the stagnation of the former German markets for Silesian coal. The OEEC report on the first annual programme expects imports from Poland in 1948-49 on a scale 70 per cent higher than in 1947.

Most of the Polish coal exported, however, is steam coal; Polish supplies cannot, therefore, meet the particularly urgent need among the OEEC countries for coking and gas coals. For this—as indeed for the restoration of the European coal economy in general—the revival of the Ruhr is indispensable. The Paris meetings last year recognised this fact: indeed, one of their most solid results was that coke supply has during the past year been treated as a separate and urgent problem, and the arrangements made have achieved a good deal of success. The OEEC programme now estimates that 43 million tons of metallurgical coke will be available for 1948-49. This is an increase of 32 per cent over last year. Some of this is a book-keeping improvement; it does not mean that 32 per cent more metallurgical coke will be made, since the measures agreed by the Coke Working Party at Geneva have involved not only increased production of coking coal and the working of some formerly unused German coke-ovens, but also some diversion of metallurgical coke from domestic uses. Steelmakers have also been induced to use small coke which they would in the past have turned down. But all these measures help to relieve the coke shortage.

For this improvement the revival in the Ruhr is largely responsible. In 1947 the German Bizone had a surplus of coking capacity of 9,000,000 tons. Bizonal coal policy proceeded to concentrate more on coking coal, and between July, 1947, and July, 1948, bizonal output of hard coke was increased by nearly 500,000 tons a month. The results of the effort are seen in the Geneva allocations of German coal and coke for the fourth quarter of 1948:—

German Coal and Coke Export Allocations.

(Coal Committee, Economic Commission for Europe)

	mn tons	mn tons
Metallurgical and foundry coke	1.700	
Coking fines	0.875	
All metallurgical fuels	—	2.575
Other coal		0.925
Total allocations (fourth quarter, 1948)		3.500

These figures exclude most of the Saar coal output, which (under the three-Power agreement on the Saar) is increasingly being withdrawn from the German allocation. So far as the exports from the Ruhr are concerned, 2,500,000 out of 3,500,000 tons are now of metallurgical qualities. A year ago, for the fourth quarter of 1947, the Coal Committee at Geneva had to allocate 2,890,000 tons of German coal and coke and of this quantity only 1,650,000 tons were metallurgical fuels.

There are other indications that the Ruhr, which at one time seemed likely to be the most intransigent element in the European recovery plans, is at last beginning to revive on an important scale. The swift recovery of Ruhr steel production was mentioned in an article in this series on October 9th. Hard coal production had already, before the inception of the European recovery programme, enjoyed sustained attention from the Anglo-American authorities, and a swift and spectacular increase in Ruhr coal production was therefore hardly to be expected. But the target of 86 million tons set for 1948 was still 15 million tons higher than the 1947 production, and required a serious effort. During the winter and spring the bizonal Coal Control continued to offer food parcels, cigarettes and consumer points, but the effects on production, though not negligible, proved to be temporary.

Since the reform of the German currency in June, different methods have been pursued, and the results are beginning to look impressive. Special incentives have already been for the most part removed, and a recent announcement made it clear that they were to end altogether by the end of the year. Future Anglo-American policy will be to rely on the purchasing power of the new money as an incentive to effort. The change presents difficulties. Payments in kind have the effect of sheltering the worker from price changes in inflationary times. Deprived suddenly of this shelter, the German miners (like the majority of people in western Germany) have been expressing strong discontent with the rising prices. Any prediction of the trend of Ruhr coal production must, therefore, carry the reservation that if prices get out of hand the trend can be upset (as it has been in France by labour troubles).

But it is clear that for the moment the new currency, combined with the greatly improved food situation in western Germany, is an effective spur to effort; daily production has climbed steadily through the autumn, and has shown itself immune from the sharp fluctuations of the early months of the year. The daily average for the first two weeks of October was 296,600 tons, and by the middle of the month daily production was over 300,000 tons. An output of 7,600 tons a month for the last three months of 1948 is necessary to reach the target of 83 million tons. This seems likely to be reached and possibly exceeded; a steady daily rate of 315,000 tons does not seem out of the question by the end of the year. There are signs also that the Germans, who have resented the compulsory coal exports carried out since the war, are beginning to realise the value of exports to their eventual trading position.

In coal, as in steel, it may thus prove that the part to be played by western Germany in European recovery was at first underestimated. Germany is also important as a supplier of mining machinery; the Belgian, Dutch, Saar and Polish mines, containing largely German equipment, are in

urgent need of German replacements. Negotiations this summer have made it clear that the part to be played in existing coalfields by American mining equipment is more limited than was at first thought, and it seems likely that, as industrial recovery proceeds in western Germany, bigger exports of German equipment may replace some of the expected American supplies.

INDICES OF PROGRESS IN HARD COAL PRODUCTION
(Weekly Average, 1937=100)

	U.K.	Germany (British Zone)	France	Belgium	Netherlands
Vol. of production	91	65	106	92	77
Numbers employed	95	95	139	119	129
Output per man-shift (underground)	97	64	79	77	65
Output per man-shift (overall)	95	61	74	77	75

Indices are for June, 1948. Source: *Economic Commission for Europe.*

To raise coal production in Europe is taking, it is evident, prolonged and painful efforts. But the efforts are being made, and they are succeeding, if not uniformly, then at least well enough to put the buyer of coal in a more favourable position than he has enjoyed since before the war. Already it is possible, if one source fails, to replace it with another. International allocation has become a more complex matter than it was; coal is allocated not merely in bulk, but in special qualities for specific uses. Expenditurue on coal has to be weighed, almost as in normal times, against other possible expenditures, and already it is not uncommon for the Coal Committee to concern itself with the re-allocation of coal which has been allocated once but not taken up.

So far as the British economy is concerned, this position suggests a reassessment of the attitude towards international trade in coal which has grown up, through force of shortages, since the war. The first point which presents itself is that export trade in coal no longer means the shipment of redundant quantities, unpredictable in volume and haphazard in quality. If foreign buyers cannot get—and be sure of getting—the coal they want from Britain, it is hardly now out of the question for them to seek it elsewhere; certainly it will not be out of the question for long.

From this point of view the British failure to export coal since the war, and the present failure of the British mines to keep fully abreast of the production targets, hold serious lessons. Before the war the intra-European trade in coal was substantially divided between Britain and Germany. The British export target for this year was, at best, the bare minimum necessary to keep open the possibility of recovering the British position in the next few years. This commitment will (it is to be assumed) be met for this year, but because of the deficiency of total production from the British mines, it will be met to the extent of perhaps 2,000,000 tons, or perhaps 3,000,000, from stocks. But next year's commitment is substantially greater (to the OEEC countries it is 14 million instead of 6,000,000 metric tons). To discharge this will take a substantial increase of British production. To discharge it satisfactorily will take a more than proportionate increase; for, with the return of competitive conditions to the coal trade, it becomes not merely desirable, but essential, to see that the coal supplied to foreign buyers is clean and of the desired quality.

This can be secured by raising production to the point at which selective selling becomes possible. It can, alternatively, be secured by planning for quality: by paying more attention to cleaning, grading, handling, and the concentration of productive effort on the better qualities of coal. The second of these two policies seems, on a first examination, the better suited to the needs of the future; for it appears doubtful whether a mass market, free from competition, will return.

Business Notes

Chancellor on Disinflation—

Many people lately have been making divergent guesses of the extent to which pressures unforeseen or underestimated last April are threatening the Budget surplus which formed the basis of the Chancellor's disinflationary programme. Some commentators, after totting up the extra burden of cost of living subsidies, the presumed cost of rearmament, of deferred releases from the Services and the Berlin air lift—not to mention the uncovenanted expenses of the Health Service and the rising cost of capital construction schemes—had concluded that most of the expected surplus had already been prospectively absorbed. Sir Stafford Cripps's assurances at the Bankers' Dinner at the Mansion House on Tuesday have therefore come as a surprise. He affirmed that "the main structure of the Budget is unaffected."

> Revenue is holding up well, even though it may be "once for all," and there is no reason to suppose that the Budget forecast will not be realised. On the expenditure side—so far as any present decisions go—something extra will be required for Defence Services, and there will be some increase on the Civil side, especially in food subsidies . . .
>
> But the combined effect of these and one or two other possible increases should not make any very important changes in the total surplus, though there may well be some reduction. The main structure of the Budget is unaffected. I cannot, of course, forecast what might happen if we were driven by international developments to take further special action as regards our own defence or that of western Europe.

If that statement should be taken at face value—and, certainly, the rest of the speech showed a characteristically careful objectivity—it must mean that this year's additional bill for Defence is likely to be a good deal smaller than has been generally supposed, for it will be noted that the Chancellor has not counted upon any actual gain in revenue, while it is known that the charge for cost of living subsidies alone is now running at an annual rate of £70 million beyond the year's estimate.

Although in this and certain other matters the Chancellor spoke in reassuring tones, he is far from being content with the achievements of the past twelve months. After touching briefly upon the sluggishness of the redeployment of labour—perhaps a shade too briefly, for he did not mention the closely related problem of the flattening out of the production curve—he emphasised that the most difficult part of the task of restoring equilibrium still lies ahead. He frankly acknowledged that "we shall have our job cut out" even to maintain the present volume of exports—let alone raise it to the target level for 1949. Hence the crucial importance of keeping down costs by buttressing the Budget surplus with a larger volume of genuine voluntary savings, which are needed also both to release resources for export effort and to provide for the increased industrial investment necessary to promote productivity and competitive efficiency.

* * *

—And Lord Catto on "Excessive" Investment

On this last point, Lord Catto's speech at the same function came as close to challenging the policy of the Government as any Bank Governor—even one who has announced his retirement—is ever likely to do in public. But his implied criticism of the investment programme—which the Chancellor now puts at £2,000 million a year—ran on unfamiliar lines. Most people have been concerned at the insufficiency of private industrial re-equipment and maintenance, and have deplored the way in which this has been constricted by Government determination to maintain a very large housing programme. The Governor did not make this point, and in the context of his other criticisms its omission almost suggests that he does not sympathise with it. His main concern is that the capital programmes are running at a rate in excess of available resources, and that this will "seriously upset" the disinflation policy and cause costs to rise further.

As a general proposition, this may be true; and there is no doubt, too, that specific projects within the programme (quite apart from the scale of housing) are either uneconomic or too ambitious in the straitened circumstances of the moment. Lord Catto remarked that some of them—both Governmental and private—are costing two and even three times the original estimates, and

he questions whether such development will be fully competitive in any period of setback. A careful review of the whole programme with the object of weeding out such schemes—unfortunately, Lord Catto gave no hint of their character—is overdue. But it would be a great mistake to regard such a process as a means of reducing the total investment outlay: its primary purpose should be to make room for projects of greater economic merit. In a period in which Britain is still sustained by disinvestment abroad at the rate of between £250 and £300 million a year, it would surely be sheer defeatism to cut the projected total of domestic investment merely on the ground that it is difficult to persuade the hard-pressed British people to carry the burden. Perhaps Lord Catto did not mean to suggest this; yet that seems to be the implication of his remark that individuals cannot be expected both to save and to pay taxation at its present level.

Apart from this, what seems to be troubling the Governor most is the impact of capital outlays upon the banking situation. The steep rise in bank advances which so pleased the banks in the early postwar phase has been regarded rather differently since disinflationary influences began to disclose some of the weak spots; and the recent slackening of the rise in advances owes something to this change of attitude. Everyone will agree with Lord Catto that bank advances are not a desirable form of finance for capital projects for indefinite periods or for carrying stocks which become excessive. But in present conditions the authorities would certainly be mistaken if they drew from that axiom the conclusion that total investment outlays are necessarily excessive or specific projects uneconomic, merely because they involve a large and sustained expansion of bank advances. The decisive considerations are the economic merits of the individual projects which make up the total programme, and the capacity of the country to provide the real resources which the programme requires. The consequential method of finance should not, and must not, rank as a governing consideration. This does not mean, of course, that the financial precepts are of no account. On the contrary, anything that can be done to promote the classical techniques of financing—such as the repeal of the obstructive and foolish bonus issues tax—should, as Lord Catto argued, be undertaken at the earliest possible moment.

* * *

European Payments Scheme

The report of the Council of OEEC on the first annual programme gives a brief description of the principles to be followed in the intra-European payments scheme which came into force on October 1st. The report states that it was necessary to raise new financial resources to enable debtor countries among the European participants in ERP to settle with their creditors without recourse to gold or dollars. After complicated negotiations, the member countries were successful in drawing up a payments scheme, the main principle of which is that net creditor countries should receive dollar aid in the form of grants equivalent to their estimated surplus in Europe on condition that they contribute in their national currencies an amount covering that surplus from the funds set aside as a counterpart to their dollar aid.

The scheme, which is to be under the general supervision of OEEC, arranges for financial settlements by a system of compensation to be administered by the Bank for International Settlements. The compensation will be carried out in two stages. First, the agent will ascertain the monthly deficits between each pair of member countries; these deficits will then be reduced by the use of resources already available to the debtor countries in the currency of their creditors. Debts owing to Britain, for example, will be paid out of sterling balances of the debtors if such balances exist. The agent will then carry out to the maximum extent an all-round writing down of balances, both debit and credit. He will then be in a position to ascertain what "drawing rights," available under the payments scheme, are needed to cover any deficits which remain, and he will give instructions for the necessary funds to be provided.

In cases where the full amount of available drawing rights has not been used, the agent may be authorised to use a drawing right granted to one country to meet a deficit which that country has with a third country, but provided only that the latter is itself a debtor to the country which has granted the drawing rights. Translated into specific terms this would mean that the British contribution to France could be used by France to pay for goods imported from Belgium only if Belgium were a debtor of Britain If the compensation and transfers of drawing rights conform to these conditions they are classed as "first category compensations" and may be carried out by the agent automatically and without reference to the countries concerned. The second stage will consist of a compensation involving an increase in one country's balances held by a third country. These will be known as "second category compensations" and will require the prior consent of the countries concerned so as to enable them, if they wish, to avoid compensations which would involve setlements in gold.

The scheme therefore provides for the multilateral use of currencies so far as present circumstances permit. All the member countries have recognised the need to work by stages towards the free convertibility of currencies, and the agreement is the first step in that direction. The payments scheme also recognises the desirability of consolidating existing debts between the participants. Where substantial debts exist, their intrusion into the clearing scheme would cause serious jamming from the start. The member countries are therefore asked to examine what possibility of consolidation or funding exists, and how far the new payments scheme can be launched with the tables cleared.

* * *

Trade Rules for Europe

The principles of commercial policy to which the participants in the intra-European payments scheme have bound themselves have wisely been left in the most general of terms. The preamble to the statement of principles stresses the desirability of making the fullest and wisest possible use of the new resources which will be available under the payments scheme, and adds that "the development of trade should be along lines which will facilitate orderly progress towards multilateral trading." The need, therefore, is for a rationalisation as well as an increase in the flow of intra-European trade. For purposes of this statement of principles the participating countries are divided into three groups; the net creditors, the net debtors and the intermediate countries. The broad objective of the trade rules is to remedy excessive disequilibrium in the balances of payments arising from trade among the participating countries. The precepts laid down in the statement may be summarised as follows:

(1) All participants should maintain normal exports necessary to the recovery of the other participants and, in particular, each should do its best to increase exports which will enable

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the other countries to obtain in Europe goods otherwise only obtainable for dollars.

(2) Net debtor and intermediate countries should do their best to increase their current exports to the net creditor countries in order to reduce disequilibrium as much and as quickly as possible. (There is an escape clause in this to protect the priorities accorded by debtor and intermediate countries to exports to countries with which they have special relations, including those between a metropolitan country and its associated territories.)

(3) Net creditor and intermediate countries should buy additional goods and services as freely as is reasonably practicable from the net debtor countries. This is clearly intended to encourage creditors to import inessentials from debtors in order to reduce existing disequilibrium.

(4) The same injunction as in (3) is laid upon net creditor countries in their purchases from intermediate countries.

(5) Net creditor countries will facilitate the use of the new resources under the payments scheme to finance the exports of goods essential for recovery. Although this clause does not say so in so many words, it is evidently intended as a warning to net creditor countries to desist from the practice of "tied sales" under which exports of inessentials are made a condition of the sale of essential goods. This clause is also watered down by a reservation which states that "it is not intended that the application of these principles should jeopardise vital economic interests in any participating country," though no attempt is made to define what these "vital economic interests" are.

(6) Net debtor countries should exercise in their external expenditure the maximum economy compatible with their economic recovery.

The Council of OEEC has invited the participating countries to examine whether their commercial policies are in accordance with these general recommendations and has also invited each country to call the attention of OEEC to instances in which those recommendations are not being followed by others. Full details of both the Payments Scheme and the Trade Rules are included in this week's issue of the *Records and Statistics* Supplement.

* * *

£100 Million for Electricity

The new Electricity issue, the lists for which opened and closed on Thursday, proved to be much larger than any of the City estimates had envisaged. The amount involved was £100 million, but, although the gilt-edged market had begun to look rather vulnerable in recent weeks, and had in fact lost ground over the first week of the present account, the impact effects were quite small. For this result the authorities deserve most of the credit, for the operation was certainly skilfully devised and timed. The offer took the form of 3 per cent British Electricity Guaranteed Stock, 1974/77, at a price of 99½—the guarantee, of course, being that of the British Government. As a full trustee security, the stock on these terms fitted fairly neatly into the yield structure for the major gilt-edged securities, although by comparison with certain stocks, it looked definitely cheap. Significantly, the disparity with the existing 3 per cent BEA Stock, 1968/73, was particularly marked, for the net price of that stock on the eve of the announcement was 101⅜—a difference of nearly 1½ points by comparison with the new stock, although its maximum life is only four years longer. Among direct Government obligations, the nearest comparable securities are the 3 per cent Savings Bonds 1965/75, and 3 per cent Transport Stock, 1978/88. The former, with its two years shorter maximum life than the new stock, offered, on the eve of the announcement, a final redemption yield of £2 18s. 7d. per cent, compared with £3 0s. 6d. on the new stock; on the Transport Stock, with its eleven years longer life, the yield was £3 0s. 10d. In short, in offering the stock at half a point below par, the authorities evidently made a small concession to the size of the issue—and, in this context, it is significant that the operation was not underwritten. At least as significant, however, as this slight shading of the issue price was the decision to spread the payment instalments over a period of five months, so that the loan will not be fully paid until mid-March; the first interest payment, due on that date, will accordingly be 12s. 6d. (less tax) per cent.

The first effect, on the morrow of the announcement, was a general marking-down of gilt-edged prices. But these were mainly precautionary moves; by the close of business the net effect, on the gilt-edged market considered as a whole, was small. On the day, the largest movement was a fall of ⅛ in 3 per cent Savings Bonds, 1965/75; the existing 3 per cent Electricity Stock lost only ¼, Transport Stock fell by ⅜, while the irredeemable were unchanged. The firm appearance of the market on Thursday, while the lists were open, perhaps suggests that the effect of the new loan has probably been discounted by these losses.

* * *

The Coal Committee and Absentees

Coal output showed a further small improvement last week; at 3,981,000 the output of deep-mined coal was 51,000 tons higher than in the previous week. But Lord Hyndley's recent appeal was for a weekly output of 4,336,000 tons; it still seems likely that the mines will miss the year's target by about 3,000,000 tons. There can be no lightning course of action by which the joint committee of the Coal Board and the National Union of Mineworkers could remedy this deficiency; its decisions will therefore be scrutinised to see what hopes of an effective, if slower, remedy they contain. All that is publicly known up to the moment is that the committee has been meeting daily and has been going through its agenda in a workmanlike manner. The agenda contains some difficult points of detail. The committee has been trying to work out measures against persistent absenteeism, and the kind of measure under consideration is the proposed joint attendance committee to watch absenteeism at each pit. Offenders who carry absenteeism beyond tolerable limits should (it is suggested) be liable after a first warning to fines, down-grading, suspension from work or, in extreme cases, dismissal.

The scale of penalties is a relative simple matter; much more difficult is to decide who shall apply it. Shall it be the committees, or shall the mine managers be endowed with an authority which has become unfamiliar in their hands? The trade union side is understood to favour putting the responsibility on the manager. This, if it became effective, might be the beginning of a new trend. The mine manager's authority has been steadily reduced over a period of years—not only under nationalisation, but also in the wartime labour shortage which preceded it. There might be advantages in restoring it. These matters are, however, still at the least effective stage of any measures designed to promote changes in the coalfields—at the stage of discussion in London. Any recommendations which the committee makes will require to be considered by the executive of the NUM, and possibly by a special delegate conference, before they can be made effective in the coalfields; and, as past experience has shown, not even the approval of a special delegate conference can be guaranteed to bridge the gap between the leadership and the pits.

* * *

The Organisation of the Coal Board

The National Coal Board has announced its intention of making public some (at least) of the report of the Burrows Committee. But this comes after evident hesitation, and it is perhaps still necessary to insist that the publication should be full enough to throw the light that is needed, and early enough to be useful. There has already been an unreasonable delay, which arose (no doubt) from a misunderstanding of the question whether the inquiries of the Burrows Committee are a public or a private matter.

Clearly an authority such as the Coal Board has to be permitted on occasion to examine its own organisation without the full light of publicity. But two considerations have to be remembered. The Burrows Committee was set up last May, at the time of Sir Charles Reid's resignation, less through a private flash of inspiration in the Coal Board itself than as an answer to a serious and rising volume of public criticism and disquiet. That the criticism has lately been less vocal indicates no more than a suspension of judgment; it does not mean that the disquiet has died away. Once public concern has been aroused over the efficiency of the National Coal Board, the matter is a public one which cannot be dealt with quietly. But it is a public matter also for another reason: the Coal Board is important not only in itself, but also as an experiment in which methods of public control of a major industry are being tried out. The progress of the experiment has lessons for other industries, too. If these lessons are to be learnt in time to avoid more mistakes of the same kind, with more waste of time and effort, it will be necessary for not only the conclusions of the Burrows Committee, but also a large part of the evidence on which its conclusions are based, to be publicly known.

* * *

Shell Expansion in the New World

The huge dollar loan raised by the New Jersey subsidiary of the Royal Dutch-Shell group, Shell Caribbean Petroleum Company, is designed to finance an expansion of the group's

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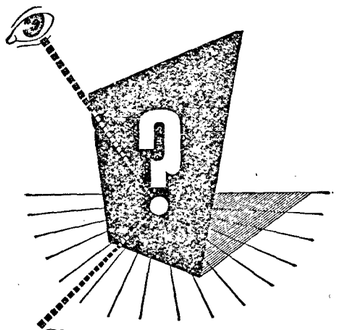
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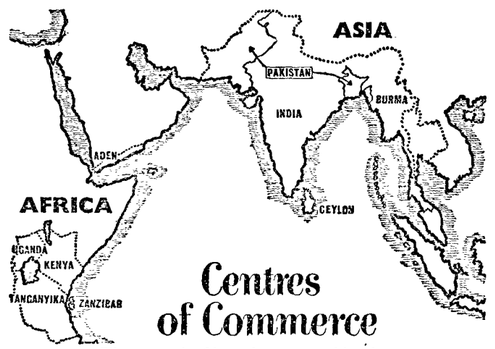
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activities in the western hemisphere comparable to its expansion programmes in Europe and the Middle East. Mr George Legh-Jones, in announcing the loan this week, gave some indications of the projects for which it would be used. These include the exploration and development of new fields in Venezuela, and the building of new refinery capacity there. Mr Legh-Jones also mentioned Colombia and Ecuador, Alberta and New Brunswick. Refineries in Colombia and Alberta appear to be possibilities, though the main Shell discoveries in Alberta so far have been in natural gas; gas lines were among the capital projects mentioned. It was already known that the Shell Caribbean Company was pursuing an active development policy in Latin America and Canada, and the desire of the group to play its full part in expanding the oil supplies to the United States from the American continent needs no explanation. Clearly a dollar loan raised in New York, and to be spent largely on American equipment, will be used to supply the dollar markets. Thus the enlarged activities of Shell Caribbean will not directly contribute to European oil supplies, but they will figure in the world-wide equations which it is the business of the big international oil companies to solve: if American markets are more adequately supplied from American sources, then European markets can be better supplied from Middle East sources.

The amount of the loan is $250 million; it is the largest single operation in oil finance put through on the New York market. It takes the form of an issue of 4 per cent bonds which are being taken up at par by a group of US and Canadian insurance companies. The bonds are repayable in 20 years, but redemption is to begin in six years at the rate of $10 million a year; this will leave $100 million to be paidoff at the end of the term. The assets of the Shell Caribbean Petroleum Company alone are between $700 and $800 million, and the group appears confident that the expansion now proposed will increase its earning power rapidly—by more than the amount needed to repay the loan within the term fixed. In former days an operation of this kind would have been financed from London; this is no longer possible, but it is still encouraging that it can be done at all on this scale, on reasonable terms, and without any surrender of equity. As the group has pointed out, the operation falls within the general intention of the article in the European Co-operation agreement which recommended:

> measures to locate, identify and put into appropriate use in furtherance of the joint programme for European recovery, assets, and earnings therefrom, which belong to nationals of the United Kingdom and which are situated within the United States of America.

In the complicated negotiations which have been necessary to bring about the loan, ECA itself has not been engaged. But the British, Netherlands, and US Governments have been consulted and have each given their approval.

* * *

Check to the Export Drive?

The value of exports in September totalled £131 million—or barely £500,000 more than the low level of August. Yet Mr Harold Wilson described these latest figures as "a remarkable achievement in the face of great shortages of materials and the growing and ominous development of a buyers' market." In August, exports showed a much less marked decline from the peak figures of July than in the corresponding month a year earlier. But as there was no marked recovery in September (unlike last year), the 10 per cent fall in exports, due mainly to the holiday period, was proportionately the same as in 1947. Calculated on a daily basis—September had 26 working days—exports last month were smaller than in August. The rate of exports in terms of value has fallen below that of last May. The volume of exports for September has also declined; it is provisionally estimated at 132 per cent of the 1938 level against 133 per cent in August and 140 per cent in July.

BRITISH EXPORTS

(calculated on the basis of 26 working days a month)

	£mn		£mn		£mn
January ...	115	April ...	126½	July ...	140
February	122½	May ...	135	August ...	135½
March ...	126	June ...	139½	September	131

Exports of coal increased slightly during the month, and overseas shipments of all the main industrial items, except textiles and vehicles, were also larger, in terms of value, compared with August. Machinery exports regained their leading place, and showed the largest increase (£1,400,000) owing to continued expansion in the export of agricultural tractors. The fall in textile exports was modest, but the export of vehicles fell by £4,000,000; the sharp fall in the export of locomotives outweighed the increase in motor vehicles and motor-cycles.

September's figures are still influenced by the incidence of summer holidays, and it would be easy to exaggerate the significance of the month's decline. But the levelling off in industrial production, which has been in evidence since the end of 1947, is sufficiently serious to raise questions about the future course of the export drive. If output does not expand, an increasing volume of exports can be achieved only at the expense of the home market. It is surely not the "ominous development of a buyers' market" which is slowing down industrial output. And it can hardly be the "great shortage of materials," for world supplies and British stocks of primary raw materials have expanded during the past year.

Admittedly, imports during September, at £169 million, were nearly £4,500,000 less than in August, and were the lowest since last February. But the main decline was in food, drink and tobacco, which dropped by nearly £5,000,000. Imports of raw materials were £2,000,000 smaller owing to lower imports of non-ferrous ores and oilseeds. Imports of manufactured goods, however, increased by almost £2,500,000, and half of this increase was due to a further large import of grey unbleached piece-goods from Japan for finishing in this country and subsequent re-export.

* * *

Rhodesia's Gold Subsidy

The question of Rhodesia's gold subsidy duly made its appearance on the agenda of the recent International Monetary Fund meeting. As had been clear all along, the method chosen by the Government of Southern Rhodesia to subsidise its domestic gold production by paying a higher price than the official parity was directly contrary to the IMF agreement. This had to be recognised by the United Kingdom representatives. As a result of discussions between the International Monetary Fund and the British and Southern Rhodesian Governments, agreement has now been reached for a modification of the manner in which the gold subsidy is to be granted. The Southern Rhodesian Government has undertaken to modify the legislation to conform with the Fund's principles, and the outline of the new proposals, which will replace the present offending law, will be discussed with officials of the IMF. It is probable that the way out of the difficulty will be found on the lines already traced by Canada's precedent in 1947. In that case a flat subsidy included in the price paid for all gold produced was replaced by a differential subsidy based on costs of production and designed specially to encourage the operations of marginal producers. This alternative method of subsidising has every advantage over the first, including the great virtue that it does not offend the IMF theology on this point.

* * *

An ECA Investment Guarantee

The first guarantee by ECA of a dollar investment in Europe was announced this week; it applies to the formation in the United Kingdom of a new company, Cabot Carbon Company, Limited, in which the Boston firm of Godfery L. Cabot, an old-established manufacturer and exporter of carbon black, will hold a half-interest A plant is to be built on the Mersey under the supervision of the Boston firm, and will supply to the British market types of carbon black which have previously been imported from the United States. Its capacity will be between 8,000 and 10,000 tons a year; it will therefore replace between 20 and 25 per cent of the carbon black at present imported. The American investment will not exceed $850,000.

Little has been made known of the detailed proposals which are being considered for ECA investment guarantees. A spokesman of ECA in Washington said recently that about six proposals were being considered for investment in Britain, and some 20 or 30 for the rest of Europe. The largest is undoubtedly the proposed refinery of the Anglo-American Oil Company at Fawley, which was discussed in a note last week, and the future of which is still uncertain.

One of the difficulties of ECA in considering whether to give a guarantee must be to decide whether an investment would, or would not, have been likely to go forward without the guarantee; the intention of the Foreign Assistance Act is clearly that investments should be supported only when they would not take place without ECA support. One undertaking to manufacture carbon black in the United Kingdom was formed in July. This undertaking (Philblack, Ltd., first announced as Palatine Development Company) will manufacture at Avonmouth, and will use another American process. It was found possible then to lease the furnace black process of Phillips Petroleum Company and to arrange for the necessary American technical co-operation without any dollar participation in the investment itself; the capital is being raised in this country. Yet a third carbon black project, which was to work in co-operation with a third US firm (Columbia Carbon), has also been mentioned; room could probably be found for a third plant without saturating the market, but it is possible that the sponsors may be doubtful of this.

* * *

Merchant Shipbuilding Returns

The returns issued by Lloyd's Register of Shipping for the quarter ending September 30th show that the total of merchant shipping under construction in the world has risen to 4,203,873 tons gross, compared with 4,021,889 tons gross at the end of June. Work in hand in Great Britain and Northern Ireland, however, has decreased by 34,704 tons since June (from 2,243,703 tons to 2,208,999 tons), although the present total is 106,734 tons more than a year ago. The rise in the tonnage under construction abroad can be attributed almost entirely to the renewal of activity in United States shipyards, where a new tanker programme has begun. There are now 17 tankers, totalling 270,940 tons gross, under construction in America, compared with only eight, of 114,940 tons, at the end of June. The tonnage of tankers building in Great Britain has risen from 579,205 tons to 610,275 tons in the same period. Tonnage of all types building in France has risen from 331,216 tons to 399,612 tons, in Sweden from 241,980 tons to 263,625 tons, and in Denmark from 118,711 tons to 136,496 tons; but most other shipbuilding countries show slight declines. Argentina appears for the first time, with a small vessel of 130 tons gross.

The drop in the total of work in hand in Great Britain is only slight, but it is welcome if it indicates a reversal of the recent tendency for arrears of work to mount up through delays both on the stocks and in fitting out. The tonnage of ships completed, launched and begun, however, shows a decrease on last quarter's figures at every stage. Tonnage completed was 271,620 tons (274,323), bringing the total for the first nine months of 1948 to 779,582 tons gross. Ships launched during the third quarter totalled 271,679 tons, compared with 301,730 tons in the second and 181,168 tons in the first quarter. Work was begun on 238,206 tons, compared with 375,000 and 213,451 tons respectively. There is also a slight decline in the proportion of ships for foreign account under construction in Great Britain, but the present figure of 31.5 per cent (695,550 tons gross) is still a good one. An exceptional batch of export deliveries raised the August export figures to more than double the normal monthly average. It is recorded that 64 per cent of the ships under construction in the world, and 43 per cent of those building overseas, are being built under the inspection of Lloyd's Register surveyors; the provision of this service is an invisible export which deserves notice.

* * *

Colliery Shares Valuation

It is now considered improbable that the work of the Central Valuation Board in allocating the global sum of £164,600,000 among the valuation districts under the Coal Nationalisation Act, 1945, will be completed before next February. After that will follow the even more protracted work of the District Valuation Boards of fixing the amount to be paid to each company. According to responsible estimates, this process may take two or three years more. Hence the valuation of colliery shares, or the colliery element in shares of companies which do not intend to liquidate, is likely to provide scope for debate and statistical exercise for some time ahead. The formula adopted by different statisticians for assessing the break-up value of colliery shares has not varied greatly.

COLLIERY COMPANIES

Company	Estimates of Break-up Values		Middle Market Prices			Remarks
	Estimate (a) Oct., 1945	Estimate (a) Sept., 1948	Price, Oct. 1945	Price, Oct. 1947	Price, Oct. 20, 1948	
Bearpark Coal & Coke £1 Ord.	36/3	33/9	16/6	17/3	24/-	Small life. Low output per man-shift.
Bolsover £1 Ord.....	47/6	56/9	49/4½	73/6	81/3	...
Butterly Co. £1 Ord..	31/-	44/6+	34/9	45/3	49/6	Large non-colliery interests.
Doncaster Amal. £1 Ord.	20/9	20/2	15/6	19/6	26/3	House property.
Hilton Main £1 Ord..	33/7	35/-	26/6	50/-	54/4½	Brick works.
Sheepbridge £1 Ord..	46/1½	51/6+	43/6	48/-	70/4½xd.	Large engineering interests.
Staveley Coal & Iron £1 Ord.	49/6	50/6+	50/-	69/6	93/1½	Large chemical and other non-colliery interests.
Yorkshire Amal. 4s. Defd. Ord.....	2/9	3/-	2/-	3/4½	4/-	...

(a) These estimates were made by two different brokers.

Most calculations follow the method adopted by a firm of brokers three years ago that the basis of the computation, even for any particular company, must be a compensation figure representing some ten years' purchase of the standard profits of the companies of each valuation district. A recent broker's estimate, which has provoked some interest, has arrived at 10.46 years' purchase as a basis after weighting average profit per ton in each district by an efficiency factor for the district. This confronts

BANKING

From time to time the RECORDS AND STATISTICS supplement to THE ECONOMIST contains special surveys on various aspects of economic affairs. In next week's issue there will appear the

Banking Supplement

which will contain articles on British and American banking and the world dollar problem. The series of statistical tables covering home, Commonwealth, and foreign banking, which have appeared for many years in banking surveys in THE ECONOMIST, will be found in the supplement.

RECORDS AND STATISTICS is available on postal subscription only. The subscription rates are £2 10s. a year for RECORDS AND STATISTICS alone or £5 together with THE ECONOMIST.

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the shareholder with the difficulty of taking a flat rate of estimated profit per ton for all the companies in any one district when the individual mines themselves may vary greatly in age and efficiency.

The authors of the latest estimate pose this problem but do not provide the answer to it. In addition, in assessing break-up values they say quite frankly that they have made no allowance for compensation outside the global award for ancillary assets and stocks of stores unspecified in balance sheets. Yet this item, which they consider might provide an additional sum equal to 25 per cent of the global award (many put the figure much higher) may be of overriding importance in some particular cases. Finally, in arriving at figures for the net liquid assets of particular companies, which must of course be added to the compensation sums to get an estimate of break-up values, they admit the impossibility of distinguishing provisions in some balance sheets which may become free in the event of liquidation. To that extent net liquid assets will be understated.

Altogether, these latest calculations in themselves appear to provide inconclusive evidence that colliery shares are overvalued at current market prices. Their conclusions may well be true none the less, for the rise in the prices of colliery shares over the past three years has been considerable, as can be seen from the accompanying table. In fact, in many cases it has overtaken earlier and not widely divergent computations of break-up values. It is also of no small importance for colliery shareholders that "interim income" ceases at the end of this year.

* * *

Rail Wages Again

Three groups of railway workers received replies to their wage claims this week—London Transport employees, the National Union of Railwaymen proper and its hotel and catering section. Although no statement has yet been issued, it is generally believed that the claims have been rejected outright. The union will thus have to decide at its executive meeting on Monday whether to submit to the rejection, submit the claim to the industry's arbitration machinery, or invite the Minister of Labour to institute a separate inquiry. The remaining possible course—to threaten a stoppage—seems improbable, although there will be strong pressure for direct action from some parts of the NUR. It is generally expected that the claim will be submitted to arbitration.

While there is a case for levelling up the wages of lower-paid railway workers and ironing out some of the existing anomalies in the wages structure, it would be impossible to justify the entire claim on its merits. Railway workers were recently granted an all-round increase of 7s. 6d. (they look upon their present claim of a 12s. 6d. increase as the balance of their original demand for £1 a week more), and the cost-of-living argument, on which their claim was mainly based, applies equally to any other section of the working population. It is true that a public Board should provide decent wages and conditions for its staff, but, as Mr Morrison pointed out in his speech to the British Institute of Management last weekend, there is equally a duty on the workers in a nationalised industry not to exploit their position or take any action which would force prices up. The present claim could be met only by raising fares and charges once more.

* * *

The World's Wheat

Revised figures for this year's Northern Hemisphere wheat harvest show that output is even larger than the preliminary forecasts suggested. According to Broomhall's *Corn Trade News*, the total crop should reach 3,854 million bushels compared with 3,303 million bushels in 1947 and 3,536 million bushels before the war. This is a significant expansion and, without taking into account the harvests in the Southern Hemisphere, it implies that output of wheat per head of population is almost restored to its prewar level. European production in 1948 has made a remarkable recovery from last year's small crop, though it is still 14 per cent below the 1935-39 average. The main deficiencies have occurred in Italy, Hungary, Rumania and Bulgaria. The wheat crop in India and Pakistan is also nearly back to prewar proportions, while output in Canada is 25 per cent heavier and in the United States 70 per cent heavier than in 1935-39. Estimates are not yet available for the Australian and Argentine crops, but

(*Continued on page 686*)

NORTHERN HEMISPHERE WHEAT CROP
(Excluding Russia and China—in million bushels)

	1935-39 Average	1947 Final	1948 Revised
Europe :—			
France	289	117	276
Germany	178	120	176
Italy	279	169	221
Rumania	141	44	80
Spain	115	110	112
United Kingdom	62	63	84
Others	559	291	441
Total	1,623	914	1,390
North America :—			
Canada	312	341	391
U.S.A.	759	1,365	1,284
Mexico	12	16	16
Total	1,083	1,722	1,691
Other World	830	667	773
TOTAL WORLD	3,536	3,303	3,854

Source: *George Broomhall's Corn Trade News.*

SECURITY PRICES AND YIELDS

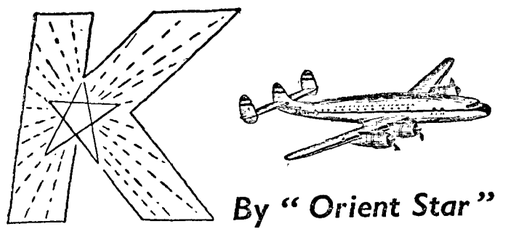
A fuller list containing 370 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: United Steel Companies; British Celanese; Electric and Musical Industries, John I. Thornycroft.

Prices, Year 1948 Jan. 1 to Oct. 20 High	Prices, Year 1948 Jan. 1 to Oct. 20 Low	Name of Security	Price, Oct. 13, 1948	Price, Oct. 20, 1948	Net Yield, Oct. 20, 1948 (n)	Gross Yield, Oct. 20, 1948
		British Funds			£ s. d.	£ s. d.
101⅜	100⅝	War Bonds 2½% August 1, 1949-51	101	100⅝	...	1 5 7d
101¼	100⅛	Exchequer Bonds 1½% Feb. 15, 1950	100⅜	100⅛	0 5 6	1 3 4
102⅛	100⅛	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 6 6	1 10 0d
103	100	War Bonds 2½% March 1, 1952-54	102⅞	102⅞	0 14 0	1 17 2d
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	104⅜	104⅛	1 0 5	2 14 5
102⅛	99⅛	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	0 19 4	2 2 3d
103⅛	100⅛	Funding 2½% June 15, 1952-57	103⅛	103⅛	1 3 2	2 8 8d
105⅜	100⅛	National Def. 3% July 15, 1954-58	105⅛	104⅞	1 3 4	2 10 6d
105⅛	101⅛	War Loan 3% Oct. 15, 1955-59	104⅞	104⅞	1 4 1	2 10 5d
103⅞	100	Savings Bonds 3% Aug. 15, 1955-65	103⅜	103	1 9 4	2 16 4d
101⅛	96⅜	Funding 2½% April 15, 1956-61	101⅜xd	101⅛	1 5 5	2 7 8d
103⅜	98⅛	Funding 3% April 15, 1959-69	103⅛	102⅞	1 9 9	2 16 4d
114⅜	110⅛	Funding 4% May 1, 1960-90	113⅛	113xd	1 0 0	2 13 5d
102⅞	97⅛	Savings Bonds 3% Sept. 1, 1960-70	102⅛	102⅛	1 10 10	2 17 9d
97⅛	92⅜	Savings Bonds 2½% May 1, 1964-67	97⅛	97⅛xd	1 11 2	2 14 0d
115⅜	112⅛	Victory Bonds 4% Sept. 1, 1920-76	115⅛	114⅛	1 3 9	2 16 9*
102⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	102⅛	101⅛	1 12 1	2 19 2d
112	107⅛	Consols 4% (after Feb. 1, 1957)	110⅛	110	1 0 0	2 15 2d
106⅜	102⅛	Conversion 3½% (after Apr. 1, 1961)	106⅛	105⅞	1 8 11	2 19 8d
83⅜	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	78⅛	78⅛	1 15 1	3 3 10d
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	96	95	1 14 5	3 2 7d
100⅜	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	100⅛	99⅛	1 13 6	3 0 9d
83⅛	74⅛	Consols 2½%	79⅛	78⅜	1 15 0	3 3 8
102⅛	96	British Electricity 3% Gtd. 1968-73	102	101	1 12 1	2 19 1d
100⅞	93⅞	British Transport 3% Gtd. 1978-88	100⅛	99⅛	1 13 7	3 1 2d
102⅛	95⅜	British Transport 3% Gtd. 1968-73	101⅛	100⅛	1 12 2	2 19 2d

Prices, Year 1948 Jan. 1 to Oct. 20 High	Prices, Year 1948 Jan. 1 to Oct. 20 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Oct. 13, 1948	Price, Oct. 20, 1948	Yield, Oct. 20, 1948
		%		%	**Other Securities**			£ s. d.
105	101⅛	(d)		(d)	Australia 3½% 1965-69	104⅛	104⅛	2 19 0s
95	90	(d)		(d)	Birmingham 2½% 1965-71	93⅛	93⅛	2 19 4t
8⅛	5⅞	50	c	50	c Anglo-American Corp. 10s.	6⅞	6⅛	3 15 6
10⅛	7⅛	5	a	25	b Anglo-Iranian Oil £1	8⅜	8⅛	3 11 9
76/6	62/4	15	c	15	c Assoc. Port. Cem. Ord. Stk. £1	72/6	74/-	4 1 1
38/6	29/6	40	c	40	c Austin Motor 'A' Ord. Stk. 5s.	35/-	35/-	5 14 3
84/-	72/9	7	b	7	a Barclays Bank Ord. 'D' £1	77/-	78/6	3 11 4
10⅜	8⅛	†20	b	†5	a Bass Ratcliff Ord. £1	8⅛	8⅛	2 16 8†
105/-	85/-	12	b	8	a British Oxygen Ord. £1	97/6	99/7½	4 0 5
40/7½	36/-	2½	a	5	b Courtaulds Ord. £1	39/3	39/9	3 15 6
32/6	25/1	20	a	1⅛	b Distillers Co. Ord. 4s.	27/3	27/7½	3 19 7
34/10½	27/9	8	c	8	c Dorman Long Ord. £1	32/9	34/3	4 13 5
19/9	68/-	15	c	15	c Dunlop Rubber Ord. £1	74/-	74/6	4 0 6
53/-	43/7	1	b	3	a Imp. Chem. Ind. Ord. Stk. £1	47/-	46/9	4 5 7
6⅞	4⅞	19⅛	b	13⅛	a Imperial Tobacco £1	5⅛	5⅛	6 7 3
48/9	40/3	10	c	10	c Lancs. Cotton Ord. Stk. £1	43/-	43/-	4 13 0
56/6	43/9	10	c	10	c Lever & Unilever Ord. £1	50/-	50/-	4 0 0
61/3	47/6	12½	c	10	c London Brick Ord. Stk. £1	50/7½	53/1½	3 15 3
66/1½	47/-	25	c	31½	m P'chin J'son Ord. Stk. 10s.	52/6	54/9	4 11 3
35⅜	30½	†74¼	c	†77½	c Prudential 'A' £1	33	33	2 6 8†
59/3	49/9	12½	c	12½	c Stewarts & Lloyds Def. £1	57/-	58/9	4 5 1
85/7½	71/6½	12½	a	15	b "Shell" Transpt. Ord. Stk. £1	75/-	76/3	1 19 3†
7⅞	5⅛	12½	b	12½	a Tube Invst. Ord. Stk. £1	6⅛	6⅛	3 16 6
90/3	72/6	11½	b	3½	a Turner & Newall Ord. Stk. £1	76/6	77/6	3 17 5
93/3	76/-	55	b	15	a Woolworth (F. W.) Ord. 5s.	80/3	81/6	4 5 11

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 't'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. • Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly (e) To earliest redemption date. (t) To latest redemption date. (m) 15 months. Yield Basis 25%. † Free of tax.



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(Incorporated in the Union of South Africa.)

Extracted from the Annual Report for the Year ended 30th June, 1948.

CAPITAL, £1,247,602 IN £1 SHARES, ALL ISSUED, FULLY PAID.

DIRECTORATE.

W. M. FRAMES (Chairman). P. H. ANDERSON. W. M. BARCLAY. MAJOR C. S. GOLDMAN. P. S. HAMMOND. G. V. R. RICHDALE.

Tonnage Milled, 2,229,000.

		Per ton milled.
Total Working Revenue	£2,665,552	£1 6 10
Total Working Expenditure	2,723,569	1 4 5
Working Profit	£272,283	£0 2 5
Total Profit for the year		£276,797
Balance unappropriated at 30th June, 1947		416,787
Transfer from Shareholders' Contingency Reserve		11,000
Amount previously appropriated for Capital Expenditure, now reverted		15,102
		£720,589
This amount has been dealt with as follows:—		
Silicosis Act, 1946—Provision for outstanding Liabilities and Provision in respect of additional outstanding Liabilities	£22,667	
Taxation	2,833	
Forfeited Dividends Account	11,904	37,734
		£682,852
Dividends declared during the year: No. 76 of 10 per cent. and No. 77 of 10 per cent.		249,520
Leaving a balance unappropriated of		£433,332

The available ore reserve was re-estimated as at 30th June, 1948, as follows:—

	Tons	Value, dwt.	Width, inches.
Main Reef	586,000	4.8	57.4
Main Reef Leader	1,181,000	4.5	53.0
South Reef	665,000	3.9	45.0
Bird Reef	1,257,000	2.8	61.1
Kimberley Reef	115,000	3.0	64.4
Total	4,799,000	3.7	55.2

There are in addition 1,225,000 tons of payable ore valued at 4.1 dwt. per ton contained in shaft and safety pillars not at present available for stoping. Compared with the previous year the available reserve decreased by 175,000 tons, the estimated stoping width being 0.6 inch less and the value unaltered. Operations were adversely affected by a continued shortage of European and native labour.

The full Report and Accounts (with Plans of Workings) may be obtained from the London Secretaries, A.MOIR & CO., No 4, Leiden Wall Buildings, London, E.C.2.

BRITISH CELANESE LIMITED

The Report and Accounts for the year ended 3rd July, 1948, contain the Directors' recommendation for the payment on 17th February, 1949, of the following dividends to Stockholders registered as at the close of business on 5th January, 1949.

A Participation dividend of 1.3875% actual, less tax, on 7½% Participating Second Cumulative Preference Stock in respect of the year ended 30th April, 1948, and

A dividend of 8% actual, less tax, on Ordinary Stock in respect of the year ended 3rd July, 1948.

The following Account is extracted from the Report of the Directors and audited Accounts for the year ended 3rd July, 1948, which will be posted to Stockholders on or about 2nd November, 1948. The figures for the previous year have been adjusted to enable proper comparison to be made. Expenditure on Research and Advertising for the year has been written off in arriving at the Balance of Trading Account.

PROFIT AND LOSS ACCOUNT for the Year ended 3rd July, 1948.

1947			£	£	£
£	£				
	2,785,726	Balance of Trading Account, including Dividends receivable from Subsidiary Companies and Transfer Fees received and after charging provisions amounting to £237,588 other than those deducted below			3,579,480
		Add: Dividends (gross) from—			
1,100		Trade Investments	2,050		
15,784		Associated Companies	24,104		
16,884				26,154	
14,155		Interest on Tax Reserve Certificates which have been tendered against tax liabilities		14,414	
61		Bank Interest		19,183	
	31,100				59,751
	2,816,826				3,639,231
		Deduct: Emoluments of Directors—			
		As Directors:			
18,209		In accordance with Article 75 of the Articles of Association, as voluntarily restricted	£19,500		
		Otherwise:			
57,775		In respect of services in executive capacities	£59,127		
393		Contributions paid under pension scheme	15,672		
			74,799		
76,377				94,299	
164,395		Research and Advertising Expenditure, 1944-46, balance written off		470,000	
450,000		Depreciation		166,063	
50,000		War Damage Contributions and Premiums, balance written off		—	
19,709		Air Raid Precautions Expenditure, 1939-46, balance written off		1,934	
—		Expenses of Issue of 7% Cumulative First Preference Shares, balance written off		—	
	760,391				732,356
1,807		Provision for Premium on Redemption of 4% First Mortgage Debenture Stock		1,842	
		Interest (gross)—			
100,621		On 4% First Mortgage Debenture Stock	£99,826		
11,434		On 4½% Second Mortgage Debenture Stock	—		
26,011		On 3½% Second Mortgage Debenture Stock 1951/89	35,478		
6,523		On Mortgage on Hanover Square Property	5,702		
144,559				141,006	142,848
	146,395				
	906,787				875,204
	1,910,039	Net Profit for the Year before Taxation			2,764,027
		Deduct: Taxation thereon—			
		Excess Profits Tax	—		
		Profits Tax	469,376		
		United Kingdom Income Tax...	1,124,122		
				1,593,498	
		Amount set aside towards Reserve for Taxation Equalisation (including initial allowances)		160,000	
	1,362,917				1,753,498
	547,122				1,010,529
	14,829	*Add:* Provisions made in previous years no longer required			15,258
	561,951	Net Profit for the year after taxation			1,025,787
503,347		Balance brought forward at 28th June, 1947		521,499	
—		*Deduct:* Additional provision for Taxation in respect of previous periods		42,247	
	503,347				479,252
	1,065,298				1,505,039
		Deduct: Dividends (*less* Income Tax) paid on £2,500,000 7% Cumulative First Preference Stock in respect of the year ended 30th April, 1948			
96,250				96,250	
		Dividends (*less* Income Tax) paid on £1,000,000 7% Cumulative First Preference Stock in respect of the nine months ended 30th April, 1948			
—				28,875	
42,755		Interest (*less* Income Tax) paid on 5% Funding Certificates during the year		41,174	
		Fixed Dividends (*less* Income Tax) paid on £4,250,000 7½% Participating Second Cumulative Preference			
175,312		Stock in respect of the year ended 30th April, 1948		175,312	
49,750		Amount to be applied in the purchase or redemption of Funding Certificates		126,237	
		Dividends Recommended—			
		Participation Dividend (*less* Income Tax) on £4,250,000 7½% Participating Second Cumulative			
32,433		Preference Stock in respect of the year ended 30th April, 1948		32,433	
		Dividend (*less* Income Tax) on £2,211,333/10s. Ordinary Stock in respect of the year ended 3rd July,			
97,299		1948		97,299	
	493,799				597,530
	571,499				907,459
		Deduct: Transfer to:			
—		Plant Replacement and Special Obsolescence Reserve		200,000	
50,000		General Reserve		150,000	
	50,000				350,000
	£521,499	Balance carried forward at 3rd July, 1948			£557,459

LONDON, W.1. 15*th October*, 1948.

COMPANY MEETINGS

UNITED DAIRIES, LIMITED

CONTINUED CONTROL OF MILK SUPPLIES

WIDESPREAD AND VARIED ACTIVITIES

MR LEONARD MAGGS' STATEMENT

The thirty-third ordinary general meeting of United Dairies, Limited, was held, on the 15th instant, at the Connaught Rooms, Great Queen Street, London, W.C., Mr Leonard Maggs (chairman and manager director) presiding.

The secretary (Mr Allan Mair, CA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated on September 22, 1948, with the report and accounts for the nine months ended March 31, 1948, and was taken as read:—

I feel it will be in the interests of the many members who are unable to attend the annual general meeting on October 15th, if I circulate my remarks with the directors' report and accounts.

The accounts do not call for much comment, as the synchronisation of the closing dates of the accounts of the parent company and the subsidiary companies has made it possible to produce consolidated accounts for the whole group.

PROVISION FOR TAXATION

As the parent company's accounts now close in the fiscal year 1947-48, the future taxation provision has only to cover the estimated 1948-49 income tax liability, whereas if the accounts had been made up to June 30th, provision would also have been made for the 1949-50 liability.

Against this, however, the group is liable to additional taxation because of the change of the accounting year, although to a considerably lesser extent than if such change had been made in either of the last two years. Provision has been made for this liability in the accounts under review, but the Inland Revenue authorities have wide powers for dealing with assessments on a change of accounting years, and it is hoped they will agree to exercise these powers in favour of the company. Additionally, it has been necessary to provide the retrospective increase in profits tax for the year to June 30, 1947, announced after the accounts of the company for that year had been closed.

The net result of these factors is to release tax provisions amounting to £29,400 as shown in the group profit and loss account.

Deferred Repairs: Although, during the period covered by the accounts, there has been some expenditure on repairs which were scheduled as "deferred," there has undoubtedly been further deterioration in the assets on account of its not having been possible to carry out all the repairs needed. The amount expended during the year on repairs scheduled as "deferred" has been charged against profits, and the provision for deferred repairs left at the same figure as last year, namely £791,130.

DISPOSAL OF GROSS REVENUE

The following statement shows how every pound sterling received by the group in respect to sales of milk, milk products and other products was absorbed. Comparative figures for the previous year are also shown.

	1948 s. d.	1947 s. d.
Cost of milk, goods for resale, and raw materials for production of other goods	14 7½	14 7½
Salaries and wages	2 7½	2 5¼
Other expenses, including containers, depreciation, rents, repairs, etc.	1 10½	1 9½
Taxation, national and local	0 6½	0 7¾
Paid as dividends	0 2	0 2½
Retained in business for development ...	0 2½	0 3¼
	20 0	20 0

The foregoing summary covers all the widespread and varied activities of the group. The result of the milk side of the business, including subsidiary activities such as goods purchased for resale by shops, and (in Scotland) the bakeries, was not so satisfactory, the net retainable profit earned in relation to turnover available for dividends and development being just over 1 per cent.

GOVERNMENT CONTROL

Control by the Ministry of Food of milk distribution and milk product manufacture continues substantially on the same lines as I reported to you fully in my remarks on previous years' accounts.

Margins on Milk: Since I reported to you on the last occasion, there has been no increase in the margins allowed to the trade to cover processing, wastage, provision of bottles and bottling, delivery, collection and cleansing of empty bottles, booking up and giving of credit; we still have to carry out these services in London for about 1½d. per pint bottle. That there have been further increases in costs is unquestionable, and the Ministry of Food is being pressed by the industry to revise margins to cover these increased costs, over which the trade has no control.

Milk supplies: There has certainly been an improvement in milk production throughout the country, production in May this year having been an all-time record. If adequate supplies of feeding stuffs could be made available, milk production would increase substantially—possibly to the extent of doing away with the necessity for restricting supplies of milk to consumers.

REPORT ON MILK DISTRIBUTION

I reported to you on the last occasion that the Minister of Food had appointed a committee to examine and report to him on matters relative to the distribution of liquid milk, this report has now been published.

The main recommendation follows that of the Lucas Committee, appointed to examine the Agricultural Marketing Acts, and recommends the establishment of a commission. This Commission is apparently to take over part of the functions of the Milk Marketing Boards, the Ministry of Food, and the industry. It now having been decided that the Ministry of Food is to continue in existence, I cannot see any need whatsoever for the setting up of another bureaucratic body, at a direct cost to either the producer or the consumer, or at an indirect cost to the whole country through taxation

It is recommended by the committee that in addition to being regulatory this commission should actually trade, and thus enter into competition with the concerns it would control, which seems fundamentally wrong, and against recognised principles of fair play.

DOMINION INTERESTS

We are in the process of forming a company in Australia, to take over the business of Messrs J. E. Handbury and Sons, Pty., Limited, who have four factories in the State of Victoria, at present manufacturing chiefly butter from cream separated on the farms, with a little cheese, and a merchanting and export business. It is our intention to equip these factories to take in whole milk instead of home-separated cream, and to manufacture milk powder and (ultimately) possibly condensed milk, in addition to butter and cheese.

I am glad to say that the Handbury family are taking a financial interest in this new company, and a share in the management, which should be a great asset, as the family is well-known in the dairy trade in Australia, and held in very high esteem.

Our New Zealand company, Dairy Products, Limited, whose original factory for the production of sugar of milk from whey is at Edendale, in South Island, has just started to operate a new factory, at Kapuni, in North Island.

I hope our new venture in Australia and our increased investment in New Zealand will add to the earning capacity of our company, and also make valuable contributions to the economy of Australia and New Zealand.

TRIBUTE TO MESSRS B. DAVIES AND F. E. STILL

It is with much regret that I have to report the retirement from the board of Mr Ben Davies and Mr F. E. Still.

The name of Ben Davies has, for very many years, been a household word in dairy circles, not only in this country but in the United States of America and on the continent of Europe. He started work in his father's business at a very early age, and it was in this business that he commenced pasteurising and bottling milk in London. I believe I am correct in saying that this was the first successful venture of its kind in this country. Following the incorporation of the retail businesses into United Dairies' group in 1917, Mr Davies undertook the responsibility of operating the processing depots until the time of his retirement from active management in 1941. The expansion in the output of these depots and the many changes in technique were in considerable measure due to his efforts. In addition to this work, he has been director of laboratories and chairman of our research advisory council. This body has been most valuable in advising those responsible for operation of the correct technical approach to the many problems that surround them.

Mr Frank Still began work at Croydon in the business belonging to his father. At the time of the incorporation of the retail dairy businesses he became managing director of Welford Surrey Dairies and a member of the retail directorate. When further reorganisation of the retail businesses took place, Mr Still accepted the very responsible position of director in charge of provisions and central stores. He has vast experience in the purchase and supply of retail provisions and was mainly responsible for the consolidation at the Central Stores, Western Avenue, of the intricate distributive system of goods to all shops and depots in the London area.

The unfailing devotion to their work of both these gentlemen will always remain a source of inspiration to those who follow them, and I am happy to say they have both signified their willingness, although not on

the Board, to give the company at all times the benefit of their great experience.

DIRECTORATE AND STAFF

The recommendation of the election to the board of Mr. A. Bracher, of Wilts United Dairies, Limited, Mr. D. A. R. Knight, of United Dairies (London), Limited, and Mr K. W. Pocock, of the Edinburgh and Dumfriesshire Dairy Company, Limited, continues our policy of calling to the board from time to time those who have rendered the company valuable service and proved their ability. I am confident that their election to the board will add considerably to our strength.

I should like to express appreciation of the work of the officials and staff of the company. The harmonious and efficient working of the many sections of our organisation is largely due to their efforts and their helpful attitude.

The report and accounts were unanimously adopted and a final dividend on the ordinary stock at the rate of 10 per cent actual, less tax, making 15 per cent for the period, was approved.

The retiring directors, Mr William A. Blake, Mr Leslie L. Ferris, Mr Clifford C. F. Smith and Mr J. Gordon Stokes, were re-elected; Mr A. Bracher, Mr D. A. R. Knight and Mr K. W. Pocock were appointed directors; and the auditors, Messrs Peat Marwick Mitchell and Company, were reappointed.

A resolution was also passed amending the articles of association.

The proceedings terminated with a vote of thanks to the chairman, directors and staff.

RANSOME AND MARLES BEARING COMPANY, LIMITED

RECORD TURNOVER

The thirty-second annual general meeting of Ransome and Marles Bearing Company, Limited, was held, on the 14th instant, at Newark, Notts.

Mr F. W. Baker (the chairman) in the course of his speech said: I have pleasure in submitting for your approval the balance sheet as at June 30, 1948, together with the profit and loss account for the year to that date, and the directors' report. Our turnover for the year to June 30, 1948, created a new record both in value and in volume of production, and we anticipate a further increase in the current year, as new plant and premises come into production. The installation of new plant at the main factory, and the consequent shop reorganisation has continued steadily, and the Grantham factory, which was allocated to us by the Board of Trade on a rental basis earlier in the year, has almost reached the production stage. The Bunny factory has played an important part in achieving this year's record output and has proved a very successful acquisition.

At Newark itself the labour position continues to be a limiting factor, but if the housing position improves more rapidly in the future than it has done up to the present it is possible that additional labour may become available. If not, we now have room for expansion both at Bunny and Grantham, so that our future growth will not be restricted.

RE-EQUIPMENT AND EXPANSION

The year's record output is largely due to the programme of re-equipment and expansion on which we embarked at the conclusion of hostilities in 1945. Since then we have expended no less than £521,365 on buildings and plant, while the amount of stocks and book debts to carry the increased turnover has risen by £360,000 in the same period. To have financed this without a new issue or even short term borrowing is due entirely to the accumulated profits of years which have been consistently ploughed back into the business. It is a very clear demonstration of the fact that the majority of industrial expansion comes from profitable trading. Our research department has been considerably expanded and housed in new premises, leased from the Ministry of Supply two years ago, as in the opinion of the board this must continue to take a leading place in our development.

In the last 10 years we have provided wages and salaries to the extent of over £11,000,000. Out of every pound of sales in 1948, 8s. went in wages and salaries, and in material supplies and services, which are largely made up of wages to other industries, another 8s. The wages, salaries, holiday pay, pensions, etc., in 1948 were £802,000 greater than in 1939, while the net dividend distributed to stockholders, after deduction of tax, is £5,250 less.

UNABATED DEMAND

The demand for our products continues to tax our capacity to the utmost, and there is every indication that we will readily dispose of our expanding output. A very large proportion of our output has been exported in finished products such as motor vehicles, machine tools, and other equipment, so we have played an important part in the export drive, and will continue to do so, but we are hopeful that extended capacity will enable us to devote a larger proportion of our output to direct exports.

In this age of mechanisation, ball and roller bearings have an assured place and we have every confidence in the future demand and our ability to maintain our position in the industry.

The report was adopted.

(*Continued from page 682*)

even if these crops are together some 15 per cent below the 1947-48 figures, world wheat output would still be at least 5 per cent above the prewar level.

This season, America expects to ship at least 450 million bushels and Canada 240 million bushels, of which 140 million bushels will come to the United Kingdom under the wheat agreement. In 1947-48 United States exports amounted to 480 million bushels and Canadian to 200 million bushels. ECA funds will at any rate enable western European countries to import sizeable quantities this year. But when Marshall aid finishes, will the viability of western Europe be assured, given the present geographical distribution of world wheat production? Or will the United States cease to be a major wheat exporter?

The wheat market is also dependent on both the maize and the rice crops. This year, the American maize harvest is of record size, totalling over 3,500 million bushels, of which probably well over 300 million bushels will be available for export. World production is likely to be at least 15 per cent above the 1935-39 average, which totalled 4,740 million bushels. Maize exports are also expected to be available in quantity from eastern Europe and the Soviet Union. It is clear that Europe will have little need to approach Argentina this year for coarse grains, although large stocks still exist in that country.

The prospects of the Burma rice crop are still good, but the political unrest in that country is likely to restrict exports severely. In this case wheat from the Western Hemisphere will no doubt be shipped to Asia to prevent famine. World grain supplies are sufficiently plentiful to cover these additional requirements. The most serious problem which is likely to arise, however, is congestion in the North American ports, where port handling facilities will be hard pressed to cope with the large quantities involved.

Shorter Notes

Owing to a typographical error, last week's article on Inflation in India stated that the sterling rupee ratio had remained undisturbed at 1s. 4d. since before the war. The figure should, of course, have been 1s. 6d., which has been the rupee parity for more than 20 years.

Largely because of the ending of the school year, there were increases both in the total working population and in the numbers engaged in civil employment in August. The employment exchanges placed 380,000 workers in jobs—the highest number since the Control of Engagement Order came into force last October. But the undermanned industries, for which manpower targets were set in the *Economic Survey*, still show disappointing results. Employment in agriculture increased by 3,000, leaving another 24,000 to be recruited by the end of the year; textiles, which gained 4,000 workers, have as many as 81,000 to get to reach their target; the labour force in the mines actually declined, making the target of 750,000 set for 1948 even more remote than the output target of 200 million tons. At the same time the number employed in the distributive trades, which the Government hoped to reduce, rose by 21,000. These figures make it perfectly clear that the redistribution of manpower which is a declared object of the Government's labour policy is simply not happening.

*

In consideration for participating rights in mining companies that might be formed to mine the area, New Pioneer Central Rand Gold Mines, through its subsidiary, Strathmore Development, has acquired from Middle Witwatersrand (Western Areas) and associates all prospecting rights owned by them over certain farms adjacent to the southern boundary of the New Pioneer property, Stilfontein 39. Middle Witwatersrand is also to sell to New Pioneer vendor and subscription rights to the portion of Hartebeestfontein 41 held under prospecting and option contract by Union Corporation.

*

The participation of United Kingdom steel interests, which include Thomas Firth and John Brown, in the development of the new iron and steel works of the Government of Southern Rhodesia is considered likely to result from discussions at present being held with the Southern Rhodesian authorities. The present plant at Queque originally cost £2,000,000 to erect, and plans are under consideration to quadruple its present capacity of 17,500 tons.

Statistical Summary

GOVERNMENT RETURNS

For the week ended October 16, 1948, total ordinary revenue was £45,969,000, against ordinary expenditure of £57,185,000 and issues to sinking funds £361,000. Thus, including sinking fund allocations of £9,031,000, the surplus accrued since April 1st is £230,733,681 against £186,936,495 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand): April 1 to Oct. 18, 1947	April 1 to Oct. 16, 1948	Week ended Oct. 18, 1947	Week ended Oct. 16, 1948
ORDINARY REVENUE					
Income Tax	1309150	406,653	421,750	10,300	8,937
Surtax	90,000	20,105	20,755	550	650
Estate, etc., Duties	55,000	27,030	30,263	1,200	1,000
Stamps		19,170	79,481	600	5,800
Profits Tax	250,000	142,248	61,350	4,650	1,400
E.P.T.					
Other Inland Rev.	1,900	115	105	...	...
Special Contributn.	50,000	...	16,600	...	850
Total Inland Rev.	1915150	706,390	732,558	19,596	22,037
Customs	820,000	429,995	443,974	18,751	15,276
Excise	726,550	300,000	381,400	6,700	7,100
Total Customs & Excise	1547150	729,995	825,374	25,451	22,376
Motor Duties	50,000	11,269	10,246	160	278
Surplus War Stores	102,000	106,396	68,329	1,283	...
Surplus Receipts from Trading	57,000	30,175	820	...	...
P.O. (Net Receipts)	...	...	...	...	...
Wireless Licences	11,000	5,970	4,175	...	...
Crown Lands	1,000	450	400	...	...
Receipts from Sundry Loans	14,000	16,705	9,142	...	52
Miscell. Receipts	68,000	172,461	86,266	2,160	1,226
Total Ord. Rev.	3765300	1777811	1737312	49,100	[illegible]
SELF-BALANCING					
Post Office	150,200	73,980	77,910	2,200	2,450
Income Tax on E.P.T. Refunds	16,000	13,195	4,173	378	173
Total	3931500	1864986	1819395	51,678	48,592

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand): April 1 to Oct. 18, 1947	April 1 to Oct. 16, 1948	Week ended Oct. 18, 1947	Week ended Oct. 16, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	295,813	282,377	15,169	14,790
Payments to N. Ireland	26,000	11,381	11,992	8	...
Other Cons. Fund Services	8,000	2,476	3,746	...	245
Total	534,000	310,671	298,116	15,177	15,035
Supply Services	2442679	1271154	1199432	53,100	42,150
Total Ord. Expdt.	2976657	1581825	1497547	68,277	57,185
Sinking Funds	...	...	9,031	...	361
SELF-BALANCING					
Post Office	150,200	73,980	77,910	2,200	2,450
Income Tax on E.P.T. Refunds	16,000	13,195	4,173	378	173
Total	3142857	1669000	1588662	70,855	60,170

After increasing Exchequer balances by £315,916 to £3,231,427, the other operations for the week increased the gross National Debt by £24,068,073 to £25,712 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	12
Cotton (Centralised Buying) Act, 1947, sec. 21(3)	4,000
Under Article 4(6) of the Economic Co-operation Agreement (Cmd. 7469)	1,625
	5,637

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Acts, 1946 and 1948	425
E.P.T. Refunds	211
Overseas Trade Guarantees Act, 1939, sec. 4(1)	25
Housing (Temporary Accommodation) Act, 1944, sec. 8(1)	1,000
Local Authorities Loans Act, 1945, sec. 3(1)	4,000
New Towns Act, 1946, sec. 12(3)	15
Cotton (Centralised Buying) Act, 1947, sec. 21(1)	9,000
Overseas Resources Development Act, 1948, sec. 17(1): Colonial Development	200
War Damage: War Damage Commission	2,000
Finance Acts, 1946 and 1947, Post-war Credits	336
	17,812

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	51,422	Nat. Savings Certs.	350
2½% Def. Bonds	401	3% Def. Bonds	*600
Other Debt:—		3% Ter. Annuities	1,692
Internal	1,921	Tax Reserve Certs.	584
Ways & Means Advances	325	Other Debt:—	
		External	218
		Treasury deposits	26,500
	54,072		30,004

* Including £198,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of Eng. Dept.	Treasury Deposits by Banks	Total Floating Debt
1947						
Oct. 18	2230·0	2584·7	362·8	2·0	1253·0	6432·5
1948						
June 30		4817·3	270·5	...	1468·0	6555·7
July 10	2210·0	2625·5	282·3	...	1429·5	6547·1
" 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
" 24	2210·0	2632·8	294·6	13·5	1429·5	6580·1
" 31	2210·0	2620·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2593·5	270·5	...	1429·5	6503·5
" 14	2210·0	2355·6	287·0	...	1429·5	6282·0
" 21	2210·0	2398·0	289·1	6·8	1441·0	6335·9
" 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
" 11	2210·0	2378·4	297·0	2·0	1460·5	6348·2
" 18	2210·0	2399·7	300·5	18·8	1460·5	6389·4
" 30	4637·3		256·5	...	1449·5	6343·5
Oct. 9	2220·0	2415·3	271·7	8·0	1452·0	6370·0
" 13	2240·0	2446·7	277·5	5·5	1425·5	6395·3

TREASURY BILLS

(£ million)

Date of Allotment	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Oct. 17	170·0	268·9	170·0	10 1·87	51
1948					
July 16	170·0	279·7	170·0	10 1·55	48
" 23	170·0	291·3	170·0	10 1·31	43
" 30	170·0	291·8	170·0	10 1·31	42
Aug. 6	170·0	288·1	170·0	10 1·50	44
" 13	170·0	269·1	170·0	10 1·91	53
" 20	170·0	272·7	170·0	10 1·87	52
" 27	170·0	268·1	170·0	10 3·05	53
Sept. 3	170·0	295·8	170·0	10 2·43	41
" 10	170·0	284·6	170·0	10 2·84	48
" 17	170·0	263·8	170·0	10 3·31	56
" 24	170·0	273·5	170·0	10 3·14	52
Oct. 1	180·0	277·5	180·0	10 1·72	54
" 8	190·0	269·2	190·0	10 1·90	62
" 15	180·0	269·4	180·0	10 2·09	59

On October 15th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 59 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Application for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for October 22nd. For the week ended October 22nd the Banks will be asked for Treasury deposits to the amount of £50 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended: Oct. 11, 1947	Week Ended: Oct. 9, 1948	Totals Apr. 1 to Oct. 9 1948
Savings Certificates:—			
Receipts	3,000	1,900	60,200
Repayments	2,350	3,400	69,400
Net Savings	650	*Dr1,500*	*Dr9,200*
Defence Bonds:—			
Receipts	865	655	21,110
Repayments	866	1,236	24,527
Net Savings	*Dr 1*	*Dr 581*	*Dr3,417*
P.O. and Trustee Savings Banks:—			
Receipts	12,475	11,122	329,635
Repayments	8,775	10,305	331,001
Net Savings	3,700	3,817	*Dr1,366*
Total Net Savings	4,349	1,736	*Dr13,982*
Interest on certificates repaid	423	612	12,398
Interest accrued on savings remaining invested	2,275	2,315	63,154

BANK OF ENGLAND RETURNS

OCTOBER 20, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1231,613,257	Other Govt. Securities	1288,121,895
In Banking Department	68,634,576	Other Secs.	852,453
		Coin (other than gold)	10,552
		Amt. of Ltd. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	322,143,941
Rest	3,194,135	Other Secs.	48,688,821
Public Deps.:—	28,759,934	*Discounts and*	
*Public Accts.**	*15,853,276*	*Advances*	*27,322,669*
H.M. Treas. Special Acct.	*12,906,658*	*Securities*	*23,360,152.*
Other Deps.:—	395,422,981	Notes	68,634,576
Bankers	*301,492,904*	Coin	2,462,712
Other Accts.	*93,930,077*		
	441,930,050		441,930,050

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

COMPARATIVE ANALYSIS

(£ million)

	1947	1948		
	Oct. 22	Oct. 7	Oct. 14	Oct. 21
Issue Dept.:—				
Notes in circulation	1362·5	1237·9	1236·1	1231·6
Notes in banking department	87·7	62·4	64·2	68·6
Government debt and securities*	1449·4	1299·2	1299·2	1299·1
Other securities	0·6	0·8	0·8	0·9
Gold	0·2	0·2	0·2	0·2
Value at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	9·4	13·4	18·9	15·9
Treasury Special Account	...	4·3	6·3	12·9
Bankers	297·1	297·0	303·1	301·5
Others	95·5	96·0	94·9	93·9
Total	402·0	410·7	423·2	424·2
Securities:—				
Government	304·2	315·9	325·5	322·1
Discounts, etc.	6·3	27·1	26·4	25·3
Other	19·5	21·2	22·6	23·4
Total	330·0	364·2	374·5	370·8
Banking dept. res.	89·7	64·2	66·4	71·1
"	"	"	"	"
"Proportion"	22·3	15·6	15·6	16·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

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1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Oct. 14	47	77¼	175 2	114 12
" 15	47	77¼	175 2	115 0
" 16	Markets	Closed	174 14	115 0
" 18	47	77¼	174 10	115 9
" 19	47	77¼	175 6	114 12
" 20	47	77¼	175 10	114 12



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Parliament and People

AMID ceremonial splendour, Parliament has embarked upon its fifth session. If the resumption of prewar ritual and magnificence came as a welcome reminder of the deep roots and continuing strength of Parliamentary institutions, the prosaic words of the King's Speech were no less a reminder of the problems which a disordered world thrusts upon them. Distrust and dissension among the nations is impeding recovery; the peace is threatened by Russian policy in Berlin; the problem of the balance of payments remains unsolved; the shadows of possible war demand the urgent overhaul and expansion of the armed forces and provision for civil defence. Here are questions difficult and pressing enough to tax all the resource of Ministers—questions on which the nation, as distinct from party supporters, will infallibly judge them when the election comes. Whatever else happens during this long fifth session of the present Parliament, these major issues will be the very stuff of politics, and they will demand the wisest counsels of both sides of the House.

But if they were to be given the prominence that they deserve, the Government would have been wise to offer some relaxation in the pace and pressure of legislation. It has not done so. The Parliament Bill is to pass through its final routine stages—a lever to prise open the door through which the Steel Bill can pass into law by 1950. The Steel Bill itself is to bring under public ownership—or rather to enable an Iron and Steel Corporation to acquire the securities of—certain companies extensively engaged in the production of iron ore, or of pig iron or steel, or "in the shaping of steel by a rolling process." Of this measure, more will be known by the time this issue of *The Economist* is in the hands of readers. Two general observations can nevertheless be made about it in advance. The first is that no respectable arguments have, so far, been put forward for this measure at this time. The Prime Minister contented himself on Tuesday with saying that the production of iron and steel in the right quantities and qualities is basic to the planning of the economy of this country. But even if that argument were acceptable, it would justify the nationalising of several other industries only somewhat less important than steel. If the needs of planners were all that were at stake, they could be secured—as they have been secured during the past three years—by measures stopping well short of state ownership.

The second point is that steel is pre-eminently an issue about which the nationalisers, in Mr Morrison's phrase, have to prove their case. It will not be enough for them to do so in terms of the prewar shortcomings of the industry, or in terms of the alleged advantage of a public monopoly instead of a private monopoly. They will have to prove, if they can, that nationalisation will produce an industry better organised and technically superior to that which is now emerging from the supervised efforts of the steel industry itself. To say that this basic issue is non proven would be far too charitable. There is an overwhelming presumption that, in the period during which "planning" has critical relevance—the next four years, when Britain may hope still to receive American aid—state ownership of steel can at best make no material

difference, and at worst will do serious damage to recovery.

These are preliminary judgments, which await the evidence of the Bill itself. That Bill will be the main plank of the Government's legislative programme, and it will honour its last election commitment. But the energies of Ministers, their advisers, and their supporters are also to be sustained to deal with a large programme of worthy but unexciting legislation. Measures are promised for national parks, for access to the countryside, and for the preservation of wild life. Magistrates' Courts are to be reorganised, and legal aid made more readily available for persons of modest means. Jurors are to be paid; there will be legislation on coastal erosion and the safety of life at sea. The patent law is to be revised; provision is to be made for the better training of nurses; safer milk, producers' marketing boards and the development of the white fish industry are to be considered. Scotland is to have better water supplies and an amended criminal law on the English pattern. The powers of local authorities over new housing and the improvement of existing dwellings are to be extended. As if this were not enough, the King's Speech promises that other measures will be laid before Parliament if time permits. Given the partial restoration of private members' time—for which ten Fridays are to be set aside after Christmas—and the normal proceedings on Supply and the Budget, it is obvious that Parliament is in for a very busy time indeed.

There is, indeed, more than an air of unreality about the programme. The Parliament Bill is a device to ensure that the Government has its way over steel. The Steel Bill is a political commitment, not an act of constructive economic policy. The rest of the programme is well-intentioned, and unobjectionable in principle. But while this spate of Bills is passing through the Parliamentary mill, major forces will be shaping themselves in the country and in the world. Crucial decisions about the defence of western Europe have to be taken. The melancholy choice has to be made between rearmament and further recovery—for the fact that Ministers have been able to assert that the measures so far taken will impose no significant strain on the British economy is a reflection of their strictly limited extent, not of the capacity of British industry to add an impressive armament programme to its present urgent commitments. The delicate omission from the King's Speech of any reference to the extension of military service is in itself a symptom of half-heartedness in the matter of defence.

*

Yet the responsibilities of foreign policy and defence will call for qualities of wisdom and courage in no way superior to those which will be needed to meet the nation's economic problems. Failure in economic policy would invite failure in everything else. The general phrases of the King's Speech give only the broadest indication of the Government's plans and hopes. "Ministers will continue to devote themselves to the problem of the balance of payments . . . We shall hope to progress further towards paying our way abroad and restoring the prosperity of our country and the world . . . By increasing the individual contribution of skill and labour, we must build up our production still further." The compulsions are recognised, but as the new session proceeds, they will assume increasing urgency. For it is the unfortunate fact that production in Britain seems no longer to be increasing. The evidence assembled in the British economic plan for 1948-49, lately presented to the Organisation for European Economic Co-operation, shows that the Government does not expect any material increase in the output of manufacturing industry as a whole—its estimate ranges from an actual fall of 1 per cent to an increase of 4 per cent compared with the second quarter of this year. The same lack of dynamism is evident in the forecast of exports for 1949; here the figures are presented in a needlessly confusing form, but their story is inescapable—the period of rapid expansion of exports is coming to an end. A later article surveys these forecasts in greater detail. All that need be said here is that 1949 may be a year of high achievement but not high enough to promise that Britain will be able to earn its present standard of living, unaided, by 1952.

It has become something of a habit for Ministers to make more than the best of Britain's economic achievements during the past twelve months. Corrective measures have been applied to the yawning gap in dollar payments, but it will require a miraculous transformation in the terms of trade to close it by 1952. And merely to close it rests on two assumptions—the first intolerable, and the second far from certain. The first is that the volume of imports to this country, to support an increased population under conditions of full employment, shall be restricted to 75 per cent of the volume of imports in 1938, itself not a very impressive prewar year. The second is that the volume of British exports can be permanently kept as high as 160 per cent of the 1938 volume, irrespective of changes in the volume and character of world trade. In contrast to the recent optimism of Ministers, the plans which they are unfolding for 1949 suggest a much greater caution. Indeed, they are, in their broad implications, pessimistic.

This fatalism about exports is partly justified by changing demand in the world market. But it rests too on the assumption that manpower is at full stretch, that no more labour can be attracted to the export industries, and that no greater effort by management and men is possible. In the common trade union view, increased output can only be obtained from investment in new machinery, not from applying greater effort and improved organisation to the machinery which already exists. The point is rejected in the King's Speech itself. But the Government has the obvious duty of strengthening "the individual contribution of skill and labour" by the highest wisdom and courage in its economic and financial policy. It will not find this duty easy in a pre-election year. It would be doubly fatal if differences of opinion between the Government and the Opposition about economic policy at home were to degenerate into a vulgar race for vote-catching.

In no aspect of economic policy is wisdom more needed than in the programme of capital investment on which the Government has embarked. Last week's White Paper emphasised the long period which has still to elapse before many of the major schemes of industrial reconstruction begin to bear fruit. To the voices which have criticised the size of these commitments has lately been added that of the Governor of the Bank of England himself. But objection to the capital investment programme cannot possibly lie against its absolute size. Britain is setting aside no more of its current income (together with the assistance which it is getting from other countries) than is essential for its industrial survival. There may be ground for criticism of the choice and timing of some of the projects. Their planning in detail may leave much to be desired—it is, for example, richly ironical that electrical generating plant will soon be ready and will have to be put in store because the power houses will take two more years to build. The proportion of effort and materials devoted to housing and other social investment is, given the country's present resources and future prospects, unduly high. Economic policy must learn that Britain's economic resources leave no room for any choice of capital schemes based on notions of absolute necessity.

The special need of the new session, therefore, will be the exercise of political honesty, avoiding on the one hand any despairing idea that the British people are incapable of further effort if they are properly led, and seeking by every means to complete the process of economic recovery and independence which has already covered promising ground. The Government will have everything to gain by pursuing the truth and by inculcating a new *élan* in the nation's economic life. It will lose everything if it conceals the nation's real economic task behind a curtain of political expediency.

After the Commonwealth Conference

THERE used to be a witticism, current among the diplomatic staffs of the Commonwealth countries, that the most abiding result of a Commonwealth conference is a group photograph in the garden of Downing Street. There were many reasons for thinking that the meeting which has just ended would be a polite "interchange of views" avoiding all the thorny and difficult subjects, and leaving the vital and controversial questions to be settled unilaterally among the countries concerned. But, in fact, that has not happened. There has been a genuine effort to discover not only how much unanimity exists between the nine countries of the Commonwealth but how far their differences in policy are of importance, and what hope there is of settling the private quarrels that exist between some of the participating countries.

The work of the conference can be divided between matters of policy, which for the most part were discussed in full session, and the more delicate constitutional matters which were dealt with informally. The communique which was issued at the end of the discussions dealt only with the former. It is of a very general nature, but it is more than a statement of the "highest common platitude." It endorses the British Government's policy in regard to both the Brussels Treaty and the forecast of its commitments to the Organisation for European Economic Co-operation. These were regarded by the conference as inescapable commitments which the United Kingdom has rightly undertaken, and which, although they might conflict with the short-run interests of the Commonwealth countries, were in the long run essential and desirable. This is a tribute both to the spirit of the conference and to the clarity with which Mr Bevin and Sir Stafford Cripps outlined the United Kingdom's position.

The communiqué establishes the positive aspect of the resistance to Communism and, pedestrian though its wording may be, it is the first Commonwealth document ever to set its ideals so high: "The representatives of Commonwealth Governments affirmed their purpose to build up the economic strength of their countries and to take all appropriate measures to deter and resist aggression. At the same time they will do their utmost to encourage an increased production of wealth so as to achieve higher standards of living, especially for the peoples of the less developed countries of the world, as a constructive contribution to the preservation of world peace." If these words genuinely mean an active policy, they represent a considerable advance over the particularist sentiment of previous conferences.

The Prime Ministers also decided to recommend to their governments measures for improving Commonwealth consultation on foreign affairs, economic affairs, and defence. Exactly what form this will take will not be known until the proposals have been discussed in the nine Cabinets concerned. Some clue, however, is given by the reference to the value of consultation on the Ministerial level. While it is impossible to envisage permanent joint organisations involving the consultation of Ministers, it is to be hoped that it does mean more frequent meetings of Ministers in capitals other than London. This applies especially to the United Kingdom Secretary of State for Commonwealth Relations, who is only too often loaded with a number of irrelevant tasks which the other members of the Cabinet are not disposed to handle. If he does his job as it ought to be done, he will be the busiest, not the freest, member of the Cabinet.

The present consultative machinery of the Commonwealth dates from a more leisurely and more isolated age, and it is well that the conference has decided to overhaul it. On questions of defence and foreign policy the Canberra Conference on the Japanese Peace Treaty offers a useful precedent. On economic policy the wording of the communique suggests the creation, not of combined boards on the wartime pattern, but of a central clearing house for economic information. The new countries of the Commonwealth, in particular Pakistan, showed as great a desire for the proper function of the machinery of co-operation and consultation as the old, and at times a desire to bind the conference to more integrated arrangements than the latter felt desirable for themselves. The only country which seemed unwilling to subscribe to the general principle of co-operation and consultation was South Africa. Its commitment extends to the fight against Communism but beyond that its delegate, in a public speech in London, described his brief as being "conditioned by South Africa's interests and by a strict observance of the principle of 'South Africa First.'"

*

The constitutional questions were much more ticklish. By implication, the decision to drop the word "British" as a description of the Commonwealth has obviously been accepted, although it was never formally discussed by the conference. It is right that it should be dropped, for the Commonwealth no longer contains more than one-sixth of British stock, whatever may be its historical origin. Equally, the word "Dominion" has disappeared from official statements, although its going leaves a void in the vocabulary which is but clumsily filled by the words "Commonwealth country."

The most significant event of the conference, was the willingness of the Prime Minister of India, Pandit Nehru, to take a full and constructive part in the conference. It was known that Pakistan and Ceylon were anxious to take part but it was not known beforehand how far Mr Nehru was prepared to enter into frank discussions with the other Prime Ministers.



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If he had come as a man paying a farewell visit to an association of which his country was only a reluctant and formal member, the talks would have taken a very different turn. As it turned out, he was prepared not only to participate wholeheartedly—if with a certain quiet scepticism about the future—in the plenary sessions, but to take the lead in private discussions on the future of India's relationship with the Commonwealth.

It would be idle to pretend that India's future relationship with the Commonwealth can be settled by personal cordiality. A formula must be found which will satisfy Britain and the countries of the original Commonwealth—that is to say, one which does not disturb the position of the Crown as the connecting link. At the same time, it must take account of India's declared intention (declared perhaps in haste, but not easily revocable), expressed in a resolution—drafted by Mr Nehru himself—to be an "independent Sovereign Republic." The principle of double citizenship can be accepted under the British Nationality Act passed earlier in the year, but there is no such easy disposition of the question of the Crown. To the nations of the old Commonwealth the Crown, representing the common traditions of parliamentary government and the rule of law, is not a symbol which they will willingly relinquish.

However, given the present cordiality of relations between India and the Commonwealth, a compromise can probably be found and upheld. It would be as well, if Mr Nehru can separate the question of Commonwealth relations from the other agenda of the Indian Constituent Assembly, for the matter to be held in abeyance for a few months until various alternatives have been thoroughly thought out and tested, not only upon Indian public opinion, but upon those of the other Commonwealth countries. But the decision turns upon political and not legal questions. If India is convinced that its lonely position as the only great Asiatic power, and its long connection with British methods of administration and jurisprudence, give it a permanent community of interest with the Commonwealth, a legal formula will be found, however unfamiliar it may be.

The situation differs from that of Ireland after 1921, with which it is so often compared. Ireland retained its connection with the United Kingdom under duress, and has been steadily attenuating it ever since. In Ireland there was a deep-rooted desire for a republic as such and the Irish—or at least their political rulers—have shown a willingness to pay a heavy price to get rid of the symbols of association. But India—where, in any case, republicanism draws its strength from an intellectual movement and is contradicted by popular tradition—may be prepared to negotiate a compromise from a recognition of mutual interest and a willingness to subscribe to the principles which, though often unexpressed and often ill-expressed, underlie the Commonwealth association. If this is so, then a formula can surely be found that will avoid the two opposing dangers—the one of so loosening the tie of association that it ceases to have any meaning at all, the other of so formalising it that it chafes.

There is, however, one question which bedevils the relationship of Pakistan and India to each other and to the Commonwealth—the dispute in Kashmir. A resort to open warfare would make a mockery of combined defence schemes or of economic co-operation in that region of the Commonwealth. The private talks held between Mr Attlee, Mr Nehru and Mr Liaquat Ali in London on Kashmir do not seem to have achieved much. But if the statesmanship which all three displayed in the plenary sessions could be devoted to ending the dispute, whether by agreement to a solution or agreement to abide by arbitration, it would be not only a personal triumph, but a practical exposition of the vitality of the Commonwealth.

Previous conferences of Commonwealth Prime Ministers have formulated and recognised changes that had been gradually occurring. The 1948 conference may by the spirit in which it was conducted have effected radical changes itself. The possibility that the Commonwealth might include three Asiatic nations only became apparent eighteen months ago. It is now certain that two, and it is possible that all three of them, intend to remain within it. It is too early to assess the immense changes that will flow from this decision. The new members will demand a greater degree of precision and probably of effective co-operation in their relations with—if not the whole Commonwealth—at least with Great Britain. The nations of the old Commonwealth were nascent communities anxious to assert their sovereignty against the United Kingdom. The new countries are drawn from ancient civilisations to whom the practical advantages of an international community may seem more important than Simon-pure sovereignty. One thing, however, is certain. The new Commonwealth will be based not on a common race or tradition, but on a community of ideas.

Work to the Workers?

THERE are two ways of judging the Government's policy on the distribution of industry. The first is to measure its success in preventing the recurrence of widespread unemployment in what used to be called, with reason, the distressed areas. The second, and much wider, question is concerned with the real economic cost of the policy—whether it diverts resources into the development areas which could be better employed elsewhere, or prevents the movement of labour from these areas to other districts which are desperately short of men. The first aspect of the problem can be called the social aspect—though its economic consequences are important. The second raises the purely economic issue whether the forced revival of areas which have lost part or whole of their economic *raison d'être* may not in the end prove more costly than the development of regions which have positive economic attractions.

Last week's White Paper* reviewing the first three years under the Distribution of Industry Act was encouraging about the first issue, and silent about the second. It starts from the premise, which underlay the Act and has inspired every phase of the Government's policy for industrial location, that the development areas enjoy an inevitable and natural entitlement to new industrial projects. "The Government," claims the White Paper, "has not given preference to the development areas to the neglect of all other parts of the country." But by building licensing and the exercise of planning consent under the Town and Country Planning Act of last year, the Government has complete power of veto over any industrialist who may wish to set up a factory outside the development areas, and with few exceptions it has been exercised.

The present economic state of these areas is utterly different from what it was in 1932. In the four main areas at that time (South Wales, Scotland, the North East Coast and West Cumberland) there were 830,000 unemployed, or nearly 40 per cent of the insured population. Five years later, the figures had been reduced to 410,000 and 18 per cent respectively, partly owing to measures taken under the Special Areas Act but largely owing to economic recovery and rearmament. By June last, total unemployment in the development areas (the old areas with their boundaries redrawn, together with South Lancashire and Wrexham) was only 101,900—4 per cent of the insured population—and a quarter of a million more men and women were at work in them than in 1939.

This transformation is, of course, due in large part to increased activity in the mines, shipyards and general engineering plants in the whole country, and not by any means solely to special measures in the development areas themselves. A further distinction has to be drawn between the new industrial establishments which are being erected by private industry in the development areas and those which are being provided directly by the Government. The former include, among others, the enormous new factory of British Nylon Spinners at Pontypool, the new chemical works of ICI at Wilton and the extensions at Billingham, and Patons and Baldwins' new wool textile mill at Darlington. Whether all these projects would have been sited in the development areas, in the absence of Government sanction, may be doubtful, though several of them would probably have gone there in pursuit of labour or suitable sites, particularly on the North East coast.

According to the White Paper, employment has been found for 104,500 workpeople, either in Government factories adapted for peace-time production, in other existing premises, or in new factories financed by the Government or by private industry. But of this total, less than one-third has found employment in new factories—there are 443 of them, and they still have less than half their intended labour force. Another 740 factories are planned, and 530 of them are under construction. In full production, they are expected to absorb another 185,000 workpeople. Well over half the employment to be provided will be in Government financed factories, which have already cost £25 million, and will ultimately cost £38 million. But this figure does not cover the full cost, nor is it quite certain to what portion of the new schemes it relates. Loans to companies (nearly £1,000,000 has been advanced), clearing of derelict sites, improvements in water, sewerage and gas supplies (costing about £9 million) and the special provision of houses for key workers are among the extras which have to be taken into account. All told, a commitment of the order of £50 million has been undertaken, from public funds.

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Measured by the numbers so far placed in employment, the experiment in directing new industries to the development areas has been very costly. The argument that the areas were ready for the reception of new industries, if only they could be persuaded to go there, proves to have been exaggerated, for new basic services and housing are having to be provided at the expense of other areas where conceivably they might be better employed. Nor does the Government's statement address itself seriously to the question of what kind of industrial employment should be provided in the development areas. It takes its text from prewar days, when the areas were depressed because the demand for capital goods was deficient. There is even a slight note of regret in the statement that "although the dependence of the development areas upon capital goods industries has diminished, the percentage of the insured population yet engaged in them exceeds that for the country generally." Consolation follows a few lines later: "The whole industrial pattern of the areas has become more varied and less vulnerable to depression than it was during interwar times." And what is the result, in this present period of unsatisfied demand for capital goods?

> Some of the new consumption goods industries have, in fact experienced troubles because in recent months, the demand for their products having fallen below the level of supply, they have had no recourse but to discharge part of their labour force. It must be recognised that the creation of a sufficiently diversified economic structure is bound to be a slow process.

It is hardly surprising, therefore, that the reviews of progress in the individual areas should be hedged around with provisos—"provided no general economic depression intervenes . . . so long as a high and stable level of employment is maintained in the country as a whole . . . provided the general level of purchasing power is maintained. . . ." But if there is one thing which can be said with fair certainty of the economic prospect over the next five or ten years, it is surely that the demand for capital goods and coal is likely to be better sustained than the demand for some of the consumers' goods which are the typical products of the smaller factories in the development areas. These industries largely employ female labour, and therefore do little to alleviate the unemployment among unskilled men and exminers of whom there are still a number in Wales and Scotland. Lipsticks, fancy goods and electrical appliances are all desirable, without doubt, but not if the labour, materials and capital resources devoted to them could be better used for new industrial development of a more fundamental character. Perhaps the first idea which will have to be unlearned in the Government's policy for the development areas is the notion that "light" industries escape from depression virtually unscathed, whereas "heavy" industries oscillate violently from boom to slump. The danger, now that light industries have been established, is that no effort will be spared to keep them at full employment, even when the demand for their products changes. As contributors to the saving of imports or the expansion of exports, their value is much lower than that of the distrusted heavy industries.

The White Paper does not pursue such discussions. It is content to explain why West Cumberland and the North East Coast should still be retained as development areas, though unemployment only amounts to 3 per cent in each of them. It argues the case for adding Merseyside, with 25,000 unemployed (5½ per cent of the working population) to the list. It stretches the problem of the Scottish Highlands where depopulation rather than acute unemployment is the main cause of concern, and where it finds that development area powers should be used to create "a focal centre of industrial development for the Highlands" bordering on the Cromarty and Beauly Firths in which hydro-electric power will soon be available. Political pressure has been pointing the way to both these new additions for months past. That, perhaps, exposes one of the chief weaknesses of the policy; it is governed not by any explicit principles about the distribution of industry, but largely by the demands of representatives of the development areas, in Parliament and elsewhere.

It is time, indeed, for a careful review of policy on the development areas. Like so much that the Government does in the economic field that policy is based on the assumptions that the conditions of pre-war slump will recur; that labour in the areas is largely immobile; and that the "social investment" which already exists in the development areas justifies the placing of new industries there, often far from their markets. It presupposes, moreover, that despite the promise of full employment the development areas will always have more men than jobs, and consequently that jobs must be taken to them or created for them. Yet full employment, if it is not to have damaging consequences of rigidity and waste, also implies high mobility of labour between jobs and between districts. Development area policy runs counter to this aim. The reserves of labour in the areas are not being encouraged to move into essential industries elsewhere. To that extent, exports are being lost. But to bolster up employment in the development areas, the whole location of industrial investment is being distorted in their favour, irrespective of comparative economic advantages in these and other areas, and without giving adequate consideration to the end-products of many of the factories which have been laid down. To that extent, the best return is not being obtained from the resources—already low enough—which are being devoted to new capital investment in the country as a whole. Britain's present predicament is that there are too many jobs and too few men—too few in essential employment in the capital goods and export trades, and too many in consumption trades and services. Development area policy is not easing this predicament; on the contrary, it is adding to it.

* Distribution of Industry. Cmd. 7540.

force of Germans under Field-Marshal Paulus, General von Seydlitz or any other national leader. One may assume, therefore, that the militia that is now being formed is riddled with Russians of the armed MVD—the Soviet equivalent of the *Waffen SS*.

It is this aspect of the new force, and the probable use to which it will be put, that makes it a menace, as well as yet another breach of Potsdam. True, it will first be used for the purpose of guarding the frontier between eastern and western Germany, as the Russians are extremely anxious to stop the flight of men and machinery from their zone. But Dr Fischer has also declared that the force will be needed to maintain "peace and order" if the Soviet Army withdraws "from a part of the country"; he has hinted, too, at civil war in the west. The rising in South Korea organised last week to coincide with the withdrawal of the Russian regular army from the north, suggests what Dr Fischer has in mind. If the Russians leave their zone, their interests there and in western Germany will be well looked after by a strongly organised and deeply entrenched Communist party, confident that the future will offer opportunities to cause doubt and trouble beyond the Elbe

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Parliament Begins

Although the Iron and Steel Bill was formally presented to the House of Commons on Wednesday, the fact that its full terms were not to be published until Friday (after *The Economist* had gone to press) gave a certain unreality to the first three days of parliamentary debate. Political feeling has hardly begun to develop since most of the attention of the House has been given to the issues where such feeling is hard to arouse—to the formal opening of the debate on the Address, and to foreign affairs. The Prime Minister's request for a Tribunal of Enquiry to investigate the alleged malpractices in the Board of Trade drew a dignified display of unanimity from the rest of the House, and an honourable damper on wagging tongues from Mr Churchill.

Many of the Bills outlined in the King's Speech are administrative measures into which neither side will be able to breathe much political fire (although it is possible that the decision to permit the introduction of Private Members' Bills may strike some sparks). The debates on iron and steel will therefore be all the more heated, for they will represent one of the last Parliamentary chances for a comprehensive statement of the economic and political faiths of the two major parties. But so far it has been possible for speakers only to spar around the subject. The Liberal party has refused to come down on either side, although Mr Clement Davies stated that the onus of proof that nationalisation was necessary rested with Mr Morrison. It will be an unusual feat of leadership if the Liberal party can be persuaded to speak and vote with one voice on this question.

The difficulties which what might be called the liberal wing of the Labour party will have with its conscience was represented in its extreme form by the decision of Mr Ivor Thomas to cross the floor from the Labour to the Independent benches. Mr Thomas is a representative of a considerable number of men of intellectual liberal leanings who joined the Labour party in the 1930s as the only party which could oppose Brummagem Toryism, and who find themselves unhappy in a Socialist party which has lost its spiritual *raison d'être* and its intellectual drive while being dedicated to an equally Brummagem material policy. But the ties of party, once assumed, are hard to break, and it is unlikely that there are many other members who are prepared to revolt on the issue of the nationalisation of steel.

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The TUC Takes the Gloves Off

Any fears that the TUC General Council would be unduly inhibited from taking a strong line on the Communist issue, because of its habitual reluctance to interfere in the affairs of individual unions, have been dispelled by the statement which has now been issued to all affiliated unions. This is by far the most direct and bitter pronouncement that has ever come from Transport House. Trade Union executives are urged to "counteract every manifestation of Communist influence" and to take "energetic steps to stop these evil machinations which threaten the economic recovery of the country." Much of what the Council says is already familiar. It refers to the Communists' "servile obedience to the Cominform" in the "interests of a foreign power," to their sabotage of the European Recovery Programme and, what is most important in this country, the campaign to magnify industrial grievances for political purposes. But the vehemence of the statement, which was followed by the censuring of Mr Horner's support of the French pit strike by the National Union of Mineworkers is of great significance.

It remains to be seen what practical effect the statement will have on the individual unions and upon their ordinary membership. In most cases elections of union officials are not due till next year, so there is no immediate prospect of unseating the Communists in key positions, but a great deal can be done at a lower level if the non-Communists turn up at branch meetings or take action on the lines of the Manchester electrical shop stewards against Communist influence in the workshops.

The General Council has itself set the pace by its decision to call on the World Federation of Trade Unions to suspend its functions, and to withdraw if the Federation refuses to agree. It is not exactly clear what is involved in "suspension," nor how it will work, and since in any case the WFTU is unlikely to put itself voluntarily into cold storage, this in fact means British withdrawal. Ever since Mr Deakin declared at Margate that it was impossible to co-operate with the Russians in the WFTU, it has been increasingly obvious that it was only a matter of weeks, or at the most months, before the final break came. The American Congress of Industrial Organisations is bound to follow the British lead. Few tears will be shed at the passing of this body, which was nobly conceived as a great manifestation of international working class solidarity, but which has never grown up, and which has eventually deteriorated into one more forum for the quarrel between east and west.

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Communist Failure in Malaya

Although it may be some months yet before the small terrorist force in Malaya is completely destroyed, it now seems certain that the Communist campaign has failed. Mr Malcolm MacDonald, the Commissioner-General for South-East Asia, pointed out in London on Tuesday that the intention had been to disrupt the production of tin and rubber, thereby embarrassing Britain's economic recovery—and incidentally Russian purchases of those strategic materials. The success of the troops and security forces has stopped the Communists from achieving that objective, and production of tin and rubber is now higher than at any time since the war.

This is welcome news. When the terrorist campaign began five months ago, there was a real danger that it would engulf the whole peninsula; the Government was slow to measure and grapple with the emergency, and many believed that the appeal to Malay nationalism, coupled with the fear of the Chinese Communist bands, would lead to a widespread rising against the British. That the danger is past is due partly to the display of strength which the Government eventually made, partly to its social and administrative reforms and their effect on the Malays, and partly to the fact that by far the greater proportion of the terrorists—and their victims—were themselves aliens in the country. Mr MacDonald announced that, since the beginning of June, out of 223 civilians who had been murdered, 17 were Europeans, 25 were Malays, 169 were Chinese, and the remaining 12 were a mixture of Indians, Javanese and primitive natives. Moreover, out of the 430 terrorists who had been killed or captured during the same period, 407 were Chinese, 15 were Malays, two were Indians and one was Siamese. Much of the credit for repelling the Communists is also due to the Malay trade union leaders, who staunchly maintained their independence and vigorously resisted Communist attempts at infiltration.

The Government must not now rest on its laurels. The organisers of the conspiracy in China and elsewhere may try again; there is also the possibility of trouble from Communists in Southern Siam. The squatters have to be dealt with and the network of police posts and intelligence needs improvement. Moreover, the Malays, who have shown themselves able and effective allies, will expect to see hastened forward many reforms which are still little more than paper plans.

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Next Questions for OEEC

Now that the western governments have signed and delivered to ECA their agreed programme for the first year of the recovery programme, they are hard at work on the even more formidable task of preparing the four-year master plan requested by Mr Hoffman last summer. What the Americans expect to see is a consolidated plan for the 19 countries showing how, by 1952, each member intends to pay its way within a viable

western Europe. November 1st was the date set for delivering the finished product, but December 1st would seem to be a more realistic dead line.

Some of the individual programmes have not yet reached OEEC headquarters, and the bulk of them were submitted only last week. Even among those which have been received the contents are often less than adequate. Those countries which have not entirely succumbed to the attractions of planning hesitate to commit themselves to detailed quantitative achievements in a remote future. In other cases, although the planners have shown more assurance, there is some doubt about the skill and integrity of their statistical technique. A tendency also exists for some countries to ignore the obligation to provide with their plans a reliable and wholehearted guarantee of thorough-going financial and currency reform. Since the total plan can be no better than its composite parts, a greater effort will be required from many of the individual governments before the work of co-ordination can begin.

Once that process has started the ERP countries, taken as an organic unit, must find answers to these baffling questions. Is it advisable to base plans on a substantial degree of East-West trade? Is it possible to reconstruct stable and profitable markets in Asia, Africa and Latin America? Above all, how can the western European demand for dollars be brought eventually into line with a supply of them determined by the ordinary processes of international trade?

To some extent all these problems can be approached with no more equipment than a slide rule and a few sheets of paper; but realistic co-ordination would be impossible without added light on two topics. First, how far is the United States prepared to go in planning and making known its own import policy over the next four years? And, secondly, how far and how hard does Mr Hoffman wish to drive the countries of western Europe towards establishing a system of controls, regulations and sanctions, necessitated by the four-year plan?

* * *

Authority Wins in France

The drift back to work has begun among the French miners and has coincided, as expected, with a flare-up of shooting and violence which has challenged the Government to assert its authority with swift and powerful military operations. Their object was not only to save pits from permanent damage by neglect of safety precautions, but also to allow miners in groups and individuals to assert their right to return to work against the intimidation of pickets. The political purpose is as important as the economic, and if the Government can cling firmly to it they may find that the crisis in the mines has strengthened rather than weakened their position.

Although damage in the mines "liberated" by troops is not as great as was expected, especially in the crucial areas of the north, the French economy has suffered and will continue to suffer severely from a month's dislocation of its basic industry. Twenty-four days of strikes have cost the nation 3,000,000 tons of coal; and it will take some weeks to restore full production in the pits from which two-thirds of France's coal is mined. And even when there has been some return to normal in this industry, the chances are that similar troubles, inspired by the same motives, will arise in other industries. The Communists in the CGT are playing a desperate game, and they dare not run the risk of repeating the failure of last November.

Two good things have come out of the strike. First, public opinion has been shocked by the violence and cynicism of CGT policy and has begun to rally behind the Government and against the extremists of Left and Right. Secondly, the Government has now felt itself strong enough to threaten, through M. Mitterand speaking on behalf of the Cabinet, that negotiations on workers' grievances will be re-opened, "notably with trade union organisations that have displayed, in this period of crisis, a republican and patriotic attitude." With some 1,500,000 workers in the non-Communist *Force Ouvrière* and another 800,000 in the Christian Workers' Federation, the CGT may find some falling away from its own membership of 2,500,000. More and more Frenchmen realise that it is their security and prosperity which is being attacked through the strikes, and that their genuine wage grievances cannot be solved unless France gets back to work.

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Better Magistrates

The King's Speech promised legislation to amend the law relating to justices of the peace, which presumably will embody the recommendations of the majority report of the Royal Commission under Lord du Parcq. This will preserve, at least for some years, the system of unpaid and lay justices, appointed by the Lord Chancellor with the help of local advisory committees.

But the magistrates have taken heed of the criticisms of lay justice over the past years. It is realised, even among some of its most ardent champions, that it cannot be preserved unless magistrates have a better knowledge of their jobs than most of them possess at present. Hence the familiar recommendation of training—a recommendation, incidentally, which is rapidly becoming identified with attempts at enabling old bottles to receive new wine. This need for training was one of the themes of Lord Templewood's address last week to the Magistrates' Association. But the best way to improve the magistrates' benches is not to compel or to persuade them to undergo a course of training. It is rather to choose the right people to fill them and then to see that they can be kept continuously informed on matters relating to their work. Indeed, if the right person is chosen—a person with an alert unbiased mind, with insight and sympathy—he will make it his business to keep himself informed. The real question is whether such people can be found to fill the benches unless they can do so as full-time paid members of a magisterial profession.

Until Lord Merthyr's prophecy, in his minority report of the Royal Commission, comes true, and lay justices gradually disappear, the best thing that magistrates can do to fit themselves for their task is, not to undergo a formal course of training which will rapidly become out of date, but to keep abreast of modern knowledge on the causes and prevention of crime and on the treatment of offenders. They will not always be able to act on that knowledge. But it should persuade them of the virtues of an open and informed mind.

* * *

Mr Tomlinson Fails to Explain

It is embarrassing for a Minister to find his decisions strongly criticised by unofficial opinion after the whole matter is supposed to have been thrashed out and settled once for all; but such is the fate of the Minister of Education *in re* his decision to fix the minimum age for the new General Certificate of Education at sixteen. A fortnight ago Oxford University came into the open with its objections to this decision. Last week Cambridge University expressed its anxieties, and is even considering the development of its own entrance examination on a much larger scale. One of the main causes of the storm that seems to be blowing up is the manner in which the decision was reached. No one really knows the grounds on which the Minister made up his mind, and, in the absence of an argued case, currency is given to every story of political pressure.

After the publication of the Secondary Schools Examination Council's report in September, 1947, an extraordinary silence settled over the subject for nearly seven months. During this time there were busy negotiations between the schools, the universities and the Ministry, and strong objections were made to the examination proposals. These were, however, confidential, and when the Minister finally announced his decision in April, 1948, no reference was made to the objections, and no proper attempt was made to explain how the scheme would work or why the reasonable fears of a number of educational authorities had been brushed aside.

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The confusion on the subject is considerable. On the one hand there are those, Oxford University included, who consider that the minimum age limit, by deferring the time when sixth form specialisation can begin, will penalise the bright child in favour of the average child, will lower standards, and will reduce the intellectual quality of entrants to the Universities. On the other hand, the regulations governing the new examination permit a pupil to obtain a general certificate of education in no more than one subject, and this absence of a minimum range of subjects has caused others to fear yet earlier and narrower specialisation by the less responsible types of schoolmaster. Both fears are justifiable. There is also an almost silent centre party which believes that it is possible to maintain standards while reducing early specialisation within the framework of the new scheme. This controversy will never be straightened out until the Minister gives a full and frank review of the possibilities and his own reasons for his decision. If quality can be maintained and ability encouraged with an examination at sixteen (and later at seventeen), then it is up to the Minister to say how.

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Royal Designers

The Royal Designers for Industry are almost more regal than industrial in their current exhibition, *Design at Work*, and the inquiring industrialist may well be confused by the bizarre assembly of objects so elaborately presented in Burlington House. The exhibits are sadly few in number and this paucity has been eked out by current conventions in exhibition display which are almost more literary than graphic. Bold assertions assail the eye, "London Transport design is impersonal and English, following no conscious style" declaims one notice, a statement which is plainly nonsensical and does disservice to many notable architectural and engineering achievements carried out under the personal direction of the late Frank Pick. The English tradition in design was never more personal and conscious than during the eighteenth century and never better.

The exhibition includes gold cigarette cases, Nonesuch books, a sword of honour, a model of a King's yacht, hand-tooled bindings, a Prime Warden's badge and other objects for rarefied markets. Britain has always excelled in the skill and craftsmanship inseparable from the design of such things, although it is worth noting that in earlier times the craftsman was frequently also the designer and now the craftsman in metal must seemingly receive instructions from a designer. Britain's primary need in industrial design today is an immense number of prototypes for well-designed, mass-market products: it is in this division of design that we so lamentably lag behind Swiss and Scandinavian technicians. There is little evidence in the *Design at Work* Exhibition that the Royal Designers are dealing with these major problems. An exception to this general criticism is the section which documents the development of "Utility" furniture. This display could profitably have been larger, for here is certainly one of the most invigorating stories of co-operation between bureaucracy and industry, between Civil Servant, manufacturer and designer.

The membership of the Faculty of Royal Designers in Industry is limited to forty. Of those forty less than half are now actively concerned with the contemporary problems of industrial design. If the Faculty is to mean anything at all it must recognise that Penguins are more typical examples of industrial design than Nonesuch volumes, and that more toothbrushes are bought each day than silver niello toilet brush sets.

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Lost Face in Nanking

It is now reported that the Chinese Government is preparing to evacuate the forces which are still holding on to Mukden and other places in Southern Manchuria. These reports follow the partial success of Communist operations against the Government's coastal corridor beyond the Great Wall. If the remaining Government strongholds in Manchuria were to be entirely given up, the Communists would be left in possession of the whole communications system of the territory from the Amur to Dairen, and would be free to proceed to the systematic political and economic organisation of a new "Manchukuo."

The Chinese Government, on the other hand, could theoretically re-group and concentrate its forces in North China to deal with the Communist armies there, though this advantage would be largely cancelled if the Manchurian Communists followed up in force to help their North China comrades. It is on the issue of the struggle in North China that the outcome of the civil war will really depend. The natural geographical separateness of Manchuria, its prolonged detachment from China under Japanese rule, and the key positions there so generously ceded to Russia by President Roosevelt and Mr Churchill at Yalta seem to have marked out Manchuria as untenable for a Chinese central government under present conditions. Yet its very distinctness would render possible a secession without mortal damage to China as a state, whereas there is no natural frontier between Peiping and the Yangtse, and full Communist control of North China would break China into two halves with no definite line of division.

In Nanking there are signs that the reverses in the field are beginning to have political effects. A certain Lu Fo, in a speech in the Legislative Yuan, has boldly declared that President Chiang Kai-shek is too tired to carry on, and should be given a year's holiday abroad. Another deputy has attacked the Soong and Kung families, pointing out that, whatever happens to China, their great wealth in gold and American dollars will enable them to live in comfort elsewhere. In spite of the Information Minister's appeal to the Associated Press not to report these speeches, they have found their way into American newspapers, and will doubtless have their effect in Washington.

The more progressive non-Communist political groups in China are now apparently convinced that no headway can be made against the Communists without a thorough house-cleaning in Nanking, which should not stop at the President himself. An article from our Special Correspondent in China, printed on page 705 shows how the present clique domination is ruining Nanking's own cause; General Fu Tso-yi, described as the ablest of the Government's commanders, is kept short of arms, presumably because of jealousy in the capital. After the American Presidential Election it may be that Washington, in providing aid to China, will begin to take a stronger line about the efforts of Nanking ruling circles to bring about their own defeat.

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Bargaining over Beef

The agreement under which Britain gets meat and other food from Argentina expires in December. But the Argentines seem in no hurry to renew it. Señor Miranda, head of the National Economic Council, has several times postponed his visit to England. Now there is talk of Dr Bramuglia, the Foreign Minister, coming from the Uno meeting in Paris to conduct trade talks in London or even of a British mission to Buenos Aires.

These delays are understandable on other grounds than those of health and personal ambition. Britain's bargaining position has improved somewhat since the incontinent sale of the Argentine Railways. Argentina's position has deteriorated. Stocks of grain, unsold because too highly priced, are rotting in store. And the new harvest will increase pressure on inadequate storage space. Meanwhile, the country's balance of payments becomes more and more adverse in spite of increased restrictions.

In these circumstances the statement of the Argentine Ambassador in Washington last week that Argentina was ready to offer its products for sale at American prices provided it got in payment the goods it needed, also at American prices, "or the dollars to buy them," is particularly interesting. There is some evidence that the Argentines intended to demand part payment for meat exports to Britain in dollars or convertible sterling. This was never feasible so long as Argentine prices remained so much higher than American: Britain would have been debarred by the terms of the ERP agreement from using dollars in this way. Conversely, as soon as Argentina's prices become more reasonable, there will be no objection in principle to those offshore purchases of Argentine products for which its leaders are so avid, payment being in dollars or dollar goods such as capital equipment. Any such transactions would have to be normal sales quite free of conditional purchases of grain or linseed oil.

If Argentina remains obdurate, the problem for Britain will be to pay for imports from Argentina with British goods after the railway money is exhausted next March. Imports and exports would have to balance. Britain buys from Argentina at present at an annual rate of about £100 million and sells at a rate of only £40 million or so. There is little chance of balanced trade unless Argentina relaxes import restrictions on inessential British goods and also reduces its export prices. For reasons noted above, its grain prices are likely to fall. Pressure could be put on meat prices by a flat refusal to buy: this tactic was applied with less justification to Denmark; Señor Miranda has threatened that the

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exportable surplus will be eaten rather than sold at too low a price. But more probably stocks would accumulate until, after three months or so, no more cold storage space was available. One may reasonably expect that meat would then be offered at a lower price. The British meat ration would meanwhile be cut by up to one-third, which would admittedly be imposing a considerable sacrifice on the British consumer. But would not this sacrifice be accepted by the public if it made our foreign suppliers more reasonable in future negotiations?

* * *

Hungary and Czechoslovakia

The official reconciliation between Czechoslovakia and Hungary is, even by the standards of east European "popular democracy," a remarkable piece of demagogic dishonesty.

For three years after the war, there was deadlock between these two governments. The Hungarians unwillingly accepted the loss of the territory recovered, by Hitler's favour, from Czechoslovakia in 1938, but asked that the Hungarians living in that territory should enjoy full rights of Czechoslovak citizenship. The Czechoslovak government demanded an exchange of population between the two countries and evaded the question of what was to be done with those Hungarians who would still remain in Czechoslovakia after the exchange was completed. On the Czechoslovak side, it was the Slovak rather than the Czech politicians who were intransigent, and among the Slovak political parties the most chauvinistic were the Communists—especially Mr Clementis, then Assistant Minister, and now Minister, of Foreign Affairs, and Mr Husak, Chairman of the Slovak "Board of Trustees" or regional government. Both these gentlemen wildly exaggerated the number of Slovaks in Hungary and wildly underestimated the number of Hungarians in Slovakia. Their purpose was to create a plausible excuse for the simple expulsion of Czechoslovakia's Hungarian minority. In April, 1947, Husak declared to a British correspondent that there were 400,000 Slovaks in Hungary. No Slovak right wing politician would have dared to talk such nonsense.

Now, however, the Communist governments of the two countries are about to form a beautiful friendship. The Hungarians of Slovakia have long ago been robbed of most of their earthly possessions, and whether they now enjoy in Czechoslovakia or in Hungary the perfect freedoms of Soviet Eastern Europe is of little importance to them. Of even less importance to either government is the welfare of either minority. But it is important that public opinion in the west should understand the utter lack of principle shown by the Communists: first they inflame chauvinism to a temperature seldom reached even under Fascist regimes; then they suddenly announce that complete agreement exists, and that only reactionaries like Cardinal Mindszenty or Mr Ripka are for disruptive nationalism.

A good example of the contrary tactic, now being used elsewhere in eastern Europe by Communists in a different set of circumstances, is the revival of Communist-sponsored chauvinism in Bulgaria, directed against Jugoslavia and its policy in Macedonia. It will be remembered that, until Tito became an indurate Trotskist deviationist, it was considered by Bulgarian Communists a bourgeois chauvinist crime to suggest that Macedonians were not completely happy within the Jugoslav People's Republic.

* * *

New Fashion for the Czech Press

Nothing could be more logical and more tidy than the way in which the Communists of Czechoslovakia now propose to run the nation's newspapers. They will be written by experts, directed and inspired by the party, licensed by the state and presumably—although this is not made clear—financed by the sections of the community for whom they are written. The recipe is likely to produce dull proselytising sheets, uniform in outlook and impeccable in taste—in fact good in every respect save that they will not be free newspapers.

At the annual congress of Czech and Slovak journalists in Prague last weekend Mr Kopecki, the Minister of Information, forecast this drastic reorganisation. Two things without which a healthy and independent press cannot survive are to disappear: advertising—already under government control—is banned in daily newspapers and will be confined to a special advertising journal; and competition is to be abolished by making each newspaper specialise in the interests of one group. In future, farmers, lawyers and soldiers will be expected to buy and read only the special publication devoted to their interests. The Nazis attempted something similar twelve years ago.

Mr Kopecki told journalists that from now on they must think first of educating their readers, paying special attention to the class struggle. Criticism would remain "essential," but it must not "confuse" the readers. The universities and his own Ministry would be reorganised so as to maintain a flow of experts and expertise into the profession. Mr Kopecki is obviously drawing on his experience in Moscow between 1938 and 1945, during part of which he was in charge of the "screening" of the foreign press.

Mr Kopecki's job has been made easier by the reforms introduced into the press after the liberation—reforms which, be it remembered, have been seriously recommended by London journalists to the attention of the Royal Commission on the Press. Instead of being owned by individuals, Czech newspapers were in the hands of political parties, trade unions, co-operative societies and cultural organisations. Ownership was licensed by the state, and it was said in defence of the system—particularly by the Left—that this method of ownership would provide more honest and impartial fare than could any privately owned newspaper. Those who said at the time that this was the first step towards uniformity and state interference were laughed at. It is now their turn to laugh last and longest, and to seek old-fashioned journalism in the pages of the underground press.

* * *

The Hangman in Germany

On the motion for the adjournment on Tuesday night, the Under-Secretary of State for War gave a most unconvincing and untenable answer to criticisms of the detention of the German generals, and the decision to send them at long last to trial. The treatment of these four men—three since the death of von Brauchitsch—as members of both sides of the House made clear, offends the public conscience. But that is not the whole story.

Week by week, for eleven weeks, ten German war criminals will be hanged in Landsberg prison, chiefly for crimes against Allied soldiers and airmen. On Monday, a former captain in the S.S. was sentenced to be hanged at Hamburg for ordering the execution of 90 British prisoners of war. Is there to be no end? That all these men have been sentenced for horrible and revolting crimes goes without saying; but, as the extract from *The Economist* of 1848 reminds us this week—and if it was true a hundred years ago it ought to be truer still today—the penal code is no longer founded on the instinctive desire for vengeance. It is founded on reason and the desire to promote the welfare of society.

It may have been arguable that, as soon as the war ended, both the instinctive desire for vengeance could be satisfied and the welfare of German society promoted by the swift execution of alleged war criminals, which would have impressed upon the German people how horrible the crimes were. Now, with every month that passes, memories of the atrocities fade, and the Germans become impressed more by the brutality of the punishment than by the brutality of the crimes. The more this happens the less justifiable on grounds of expediency, and the more revolting in principle, becomes the series of mass hangings. It is no answer to say that there is no alternative punishment, and that the criminals cannot be let loose in German society—there is always imprisonment.

Before they allow the hangings to continue, year in, year out, the Allied governments should ask themselves exactly what purpose they are meant to achieve and whether, in practice, they do not do far more harm than good. In the present circumstances of western Germany the policy of hanging makes even less sense than the policy of denazification described on p. 665 of last week's issue.

* * *

Too Many Mimis

The British Actors' Equity Association can hardly feel happy about the protests, passed last week at a meeting called by its operatic members, against the "infiltration" of foreign prima donnas into British opera companies. (One contemplates, with an awe mingled with longing, the imagined vision of some bygone Mimis engaged in this act of infiltration.) There is, of course, nothing new in the trade union objection to interlopers, or the nationalistic objection to foreigners—particularly to foreigners of superior natural gifts or training. But it is more than usually

out of place, even on the narrowest economic reckoning, in this particular context. Opera is still, in this country, what Dr Summerskill would call an acquired taste. There is as yet—with all due respect to a number of valiant and promising efforts—no continuing body of British operatic talent, and although British singers of the highest quality do exist, they are thin on the ground. If British opera is to thrive, to attract a public to form a taste, to form part of a national way of life as it has done elsewhere—and only so can it provide a nursery for rising British talents—it must be able to draw on the greater experience and more developed ability available where the tradition is well established. It is far more to the interest of aspiring British singers, not to mention those less aspiring who could hardly hope for prima donna status, that opera should thus become a national institution, than that a few more among them, sheltered from foreign competition, should play Carmen or Madame Butterfly to half-empty houses.

If there still survives any snobbish preference for foreign names, irrespective of the talents of those bearing them, or if the training of promising British singers is shortsightedly neglected in favour of celebrity-hunting, the indignant members of Actors' Equity have a case. But it is a case for choosing singers on their merits, regardless of nationality; a case for positive action, for better training and teaching, not a case for the merely negative expedient of exclusion. To hedge, as did the Chairman of the meeting, by conceding that "great foreign artists will always be welcome," while demanding safeguards against "foreign artists imported to displace British artists capable of doing the job," is to attach quite inappropriate meanings to "greatness" and "capability." There are, of course, any number of British sopranos "capable" of singing Mimi—or Isolde, or the Queen of the Night—after a fashion; but the public is equally capable of staying away from their performances, and going to the cinema to see Mr Edward G. Robinson or Mlle. Michèle Morgan.

* * *

Not So Plain Words

The matter of the Memorandum to the OEEC is dealt with elsewhere in this issue; but its manner really deserves separate notice. Has Sir Ernest Gowers written in vain? Every journalist knows how difficult it is to achieve clarity, variety, and some semblance of ordinary decent English when translating columns of figures and percentages into sentences and paragraphs. But need even the Treasury, its literary faculties numbed by this effort, produce such expressions as "the achievement of viability" or such sentences as "These specific projects" (i.e., groundnuts) "tend to attract more attention, but larger results are of course secured by the development of facilities already in existence"? (*Anglice*, or semi-*Anglice:* "These specific projects get more public notice, but bigger results will come from the development of those projects which already exist.") Probably it is too late to protest against the word "to programme"; one can stomach, though without relish, the notion of housing proceeding "at the same pace as that now ruling;" one can understand, but not admire, the phrase informing the reader that "it is normal for the incidence of Exchequer receipts to rise with the passage of the year." But the cumulative effect is depressing. Style is the man; even a style so

—seraphically free
From taint of personality

as that proper to the Civil Service.

No man, one can presume, naturally achieves characteristics such as this style implies; they are an occupational risk or disease of officialdom. The corresponding ailment in political life appears on the side of language, not as an anaemic and emasculated verbosity but as a tendency to use words with a Humpty Dumptyesque indifference to their accepted meanings. "Fascist beast" (for non-Communist) is only a rather extreme example of a collection of sounds, like the spitting of a tomcat, conveying little but the writer's disapproval. Nearer home, what further meaning should one attach to Mr Bevan's recent description of the steel-masters as "intellectually bankrupt"? Intellectual richness, one feels fairly sure, is not a quality to which they have ever laid claim. Of course a conscientious and felicitous handling of language may rank correspondingly low among Mr Bevan's priorities; but the cause of mutual understanding, which is, after all, of some importance both in administration and in politics, is only furthered when both administrators and politicians cease content to degrade it on the one hand into formulae and on the other into incantations.

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Books and Publications

The Third Way

"Civitas Humana." By Wilhelm Röpke. William Hodge and Company. 235 pages. 21s.

DR ROPKE has a considerable reputation on the Continent as the standard bearer of an uncompromisingly liberal economics. He has influenced Professor Hayek and coloured the whole work of the modern Austrian school. His *Gesellschaftskrisis der Gegenwart* had a world-wide circulation. In this country, however, he is little known outside specialist academic circles. "Civitas Humana" is intended to have a general appeal; it is written for the educated but non-specialist reader, and is an impassioned, closely argued and weighty plea for a reversal, before it is too late, of the process of centralisation, collectivisation, and proletarianisation; for the "third way" between anarchy and collectivist despotism. It is a great deal wider in scope than either Professor Hayek's "Road to Serfdom" or Professor Jewkes' "Ordeal by Planning," for it deals not only with the economic foundations of society, but with such politico-philosophical problems as legitimate authority, constitutional checks and balances, the relation between cultural community and nation state. As an economist, Dr Röpke is an extreme individualist without holding any brief whatever for the nineteenth century and its legacy. We have to beware the danger of "making the principle of the market economy responsible for things which are to be attributed to the whole historical combination." These things—proletarianisation, monopoly, widening inequality—are no part of the free enterprise system in itself. As for cycles and depressions, the severity, though not the existence, of these is equally due to other things than free enterprise as such. (The argument here is by reference; Dr Röpke has been immersed in trade cycle controversy for the last twenty years, and does not attempt to summarise his theses all over again.) Politically, he can best be described to the English public as a Distributist. Small industrial units, small peasant properties, small shops, small political groups are essential to a healthy society. Only thus can real, as against theoretical, civic power be democratically distributed. From the need to limit and curb the state spring his preference for the federal organisation, his emphasis on the rôle of the judiciary and on the liberty of the press, his plea for a wide distribution of property. (He does not quote J. A. Hobson's distinction between "property" and "improperty," but it fits his line of thought very well.) His book, in fact, is full of ideas, full of intelligence, full of humanity; almost any page will start a valuable train of thought, whether in agreement or disagreement.

It is the more a pity that the translation is simply unspeakable, or, more accurately, unreadable.

From Communism to Pacifism

"Gandhi and Stalin." Two Signs at the World's Crossroads. By Louis Fischer. Gollancz. 163 pages. 10s. 6d.

MR LOUIS FISCHER is one of the ever-growing band of those who, having started as Communists or enthusiastic admirers of the Soviet system, have seen it at work and have been disillusioned. The return-travellers from Communism have arrived at various destinations: Mr Fischer has moved towards pacifism. He has deep humanitarian sympathies and an ardent social idealism, with a horror of cruelty and compulsion which is today all the stronger because he so long kept it away from his consciousness in his Moscow days. He has now written a book of a highly rhetorical kind, in which he tries to communicate his new faith to a wide public. It is not a book of systematic analysis or rigorous argument, but it has great emotional force and achieves here and there some memorable phrases. Mr Fischer is convinced that "the crisis of our era is essentially moral."

What he finds most alarming in the contemporary world is "the readiness of so many persons to sacrifice liberty and morality in the hope of achieving security."

There are not many writers who can claim, as Mr Fischer does, to have sat through a six and a quarter hour interview with Stalin. The strongest impression he derives from his Russian experience is that of the overwhelming personal autocracy of Stalin, of the lack of initiative not inspired from "the centre." In Gandhi he found the type of authority depending entirely on personal influence without violence or compulsion. Gandhi, he writes, "was able to perfect the method of non-violent yet dynamic and direct action which fuses the impatience of revolutionists with the scruples of idealists." He remarks that Gandhi would "use government as little as possible"; his teaching was directed to an awakening of social conscience through a reformation of individuals. Mr Fischer, however, cannot follow Gandhi all the way; he points out that Gandhi never lived under a thoroughly totalitarian regime and did not realise how it can destroy all freedom of expression. Mr Fischer cannot quite bring himself to advocate that democracies cast away all their weapons, but he thinks that a Third World War would revive all that is worst in western nationalism, even if Communism were defeated, and he believes that a gospel of democracy, as Walt Whitman understood the term, can alone provide a real antidote to Moscow's creed. As he declares with disarming simplicity: "Everyone can behave better than he does."

Soviet Documents

"Calendar of Soviet Documents on Foreign Policy." Compiled by Jane Degras. Royal Institute of International Affairs 248 pages. 18s.

THE unforgivable neglect of Soviet material by British libraries, and of Soviet studies by British universities, has been the cause of a great deal of painful toil over the last few years. It is only now that the ordinary student of international relations is being enabled to refer to relevant Soviet documents. This calendar published by Chatham House will make a great deal of difference.

At last one can tell what documents there are, where they have been printed in Russian, and where (if at all) in translation. The student will derive still further benefit when the promised three volumes of selected documents in translation are made available. It is understood that the first of these, at least, is far advanced. The Calendar covers the years 1917-1941, and one must hope that a supplement bringing it nearer to the present time will be forthcoming. The editorial work on the present volume, both as regards selection and arrangement, has been done with great competence; but, since speeches and newspaper articles are regarded as documents, room should also have been found for all the resolutions of the Congresses of Soviets and of Party Congresses dealing with foreign policy. Some guidance on the material relating to the Communist International would also have been helpful and relevant. An index of the Soviet personages referred to, with some identifying matter, would have been welcome. Perhaps this gap can be filled in the volumes of translations.

Propaganda and Education

"I Want to Be Like Stalin." Gollancz. 144 pages. 7s. 6d.

IT is a pity that the publishers have, by the title and dust-cover of this book, striven to convey a false impression of it. One expects something sensational and terrifying. In fact, it is a sober translation by G. S. Counts and N. P. Lodge, of the Teachers' College, Columbia University, of parts of the official Russian text book on pedagogy by B. P. Yesipov and N. K. Goucharov, published in Russia in 1946. As such it is certainly interesting and disturbing and of wide general interest; it is not a shocker except to those who have not expected the Soviets' educational methods to be as thoroughgoing as their other methods of propaganda.

The most outstanding feature of this book for teachers is the strength and consistency of its purpose. By comparison, western educational authorities appear to dither pathetically in their search for objectives. The Russians go straight ahead to fit their children into the pattern of society which they are building: from the earliest stages they are to be made to feel part of the society in which they live, to serve their collective, to deify the state, to discipline themselves for work and for war. Although much of the instruction is over-simplified, it has the overwhelming advantage of being single-minded, and even by western standards much of it is unexceptionable, as far as it concerns conduct, and the virtues of courage, initiative, truthfulness or resolution. The fundamental deficiencies in this Russian doctrine are twofold. On the one hand, it is impossible to reconcile the rules for good conduct—honesty and truth—with the distortion of facts with which children are fed. On the other, the glorification of the state and of war for its defence twists the whole philosophy of education awry. The chapter on the development of patriotic sentiments (page 56) is the most alarming of the book; mathematics, geography and out-of-class-work are discussed with reference to their value for military studies; history is used to foster hatred and class enmity. After two generations of such mental food, the difficulties of reconciling east and west will be almost insuperable.

Documentary History Continued

"Documents on British Foreign Policy, 1919-1939." E. L. Woodward and Rohan Butler (Editors). Second Series. Vol. III., (1931-32). H.M.S.O. 617 pages. 21s.

THE latest volume in this Series of documents is devoted to the two subjects of Reparations and Disarmament. In the section on Reparations, full records of the plenary sessions and of other meetings which took place during the Lausanne Conference are preceded by chapters on the negotiations for the postponement of the Conference and on German internal affairs between February, 1932, and the opening of the Conference in June. The second section covers only the preliminaries of the Disarmament Conference—when the main topics were the appointment of a Chairman, the suggested postponement of the Conference and the development of the German claim to equality of status—and the period of the Conference up to the Resolution of July 23, 1932.

In this last chapter the documents recorded are not, of course, the proceedings of the Conference itself—they were published long ago by the authority of the League—but reports of separate meetings held between British and French and American representatives while the Conference was sitting. The chapter also includes telegrams, relevant to the Conference, to and from H.M. Ambassadors in Paris, Berlin and Rome and the British delegation in Geneva. These reports and telegrams are chiefly concerned with the clash between the German claim for equality

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and the French security thesis; and they add little, directly, to the information already available on this central issue. Other subjects discussed include supervision, budgetary limitation and the control of aviation.

The process, thus scarcely begun, of supplementing the proceedings of the *Disarmament* Conference with the Foreign Office telegrams and reports of meetings between delegations will be continued in subsequent volumes of the Second Series.

Shorter Notices

"Economics." By Frederick Benham. Pitman. 535 pages. 12s. 6d.

DR BENHAM'S *Economics*, the chief prop and stay of the first-year university student for the last decade, offers comparatively little *fresh matter* in this its fourth edition. The wartime addition on War Economics has been deleted and replaced by a characteristically sound and objective, though necessarily rather sketchy, survey of Postwar Problems. Dr Benham must have thought long about the pros and cons of reshaping his book so as to assimilate employment theory, monetary and interest theory, and the treatment of public finance, into a coherent whole in the Keynesian manner; he has decided against it. He has made, with considerable skill, those alterations which enable the student to assimilate the general theory when he meets it, but it seems a pity, in a book aiming at comprehensiveness, that he did not elect to take the plunge.

"Elements of Economics." By J. W. Roche. Macdonald. 138 pages. 4s.

Mr Roche's *Elements of Economics* is a handy little *primer*, laudably close to brass tacks, introducing the necessary minimum of technicalities with considerable pedagogic skill, and adorned with illustrations one or two of which are worth a chapter in themselves. The style is not calculated to win readers outside the schoolroom, and the plan is rather scrappy, but all the essentials are there, and if formal economics is to be regarded as a school subject at all—which many doubt—Mr Roche's book is certainly the right sort of tool for its teachers.

Letters to the Editor

United States Foreign Policy

SIR,—I think you owe it to your readers to point out that there are historical and fundamental differences between the two major American parties on questions of foreign policy, and that there are real dangers to the success of American foreign policy if the election results favour the Republican party.

Ever since it went down to defeat in 1920 under Woodrow Wilson's banner, the Democratic party has been the party of internationalism in the United States. The issue goes even further back, to the great tariff debates of the nineteenth century, when the Democratic party stood, as it still stands, for more abundant international commerce. As a result of these ancient struggles, the Democratic party is united on foreign policy as it is on nothing else.

It is not mere campaign invective to point out that the Republican party is a recent convert to the cause. Mr Dewey sought the Republican nomination in 1940 as an isolationist; in 1941 he condemned the Lend-Lease Act, and in 1944 his support of internationalism was not above suspicion as mere political lip-service. Senator Vandenberg had a consistent isolationist voting record in the Senate almost until the time President Roosevelt plucked him out to be a member of the United States delegation at San Francisco. If the conversion of these leaders of the internationalist wing of the Republican party is of such recent date, how much shallower must be the convictions of the other stalwarts who make up the present narrow majority in the party in favour of international co-operation?

Russophobia, helpful as it may be in getting isolationist votes for such measures as the Greek-Turkish aid bill and the ERP, is not a policy. In the immediate future the first danger point is in tariff policy.

The Republican party engaged in an *open revolt* against the Hull-Roosevelt tariff policy this spring—and was dissuaded from destroying the whole reciprocal trade principle only by the promise that the subject could be taken up *next year*. Whether Senator Vandenberg will then be able to defer the execution again is very doubtful. Whether Mr Dewey, assuming he is elected, will interpose his veto, in the first year of his Presidency, against one of the most cherished projects of his own party is even more doubtful.

The second danger point is in further appropriations for ERP. The Republican party is under inexorable pressure from the high income groups to reduce income taxes. This year the ERP and the Republican passion for tax-cutting collided dangerously. The new expense of ERP and the tax-cut appear to be the cause of the budgetary deficit which is now anticipated. Foreign spending is a much more vulnerable subject for economy than any of the domestic elements of the budget, where a cut may offend organised special interests. In the Senate, this year, Mr Taft's proposal to slice a third from the ERP authorisation split the Republican vote neatly down the middle.

Those are the immediate dangers. But if foreign policy begins to slip in these important quarters, the rout may be complete. Insufficient appropriations could mean the failure of ERP, and the failure of ERP could mean the collapse of the whole fabric.—Yours faithfully,

DAVID D. LLOYD

2501 Ridge Road Drive, Alexandria, Virginia

Agricultural Policy

SIR—All farmers do not enjoy the protected prices suggested in *your* article "Agricultural Policy." Anyone who paid Cox's Orange Pippin apples. Today, despite the fact that labour, spraying and everything else is vastly more expensive, the maximum retail price is 1s.

It is hardly an encouragement to grow *good* fruit because whereas before the war although good fruit realised a higher price than today's maximum, poor fruit was available cheaply. Today the tendency is for all grades to make the controlled maximum price which becomes in fact the minimum retail price.—Yours faithfully,

W. H. S. WILLIAMS

Little Whatmans, Biddenden, Kent

From *The Economist* of 1848

October 28, 1848.

. . . THE estimate of crimes made by the people at large—the instinctive estimate, we may call it, of conscience—differs from that of the statesman and philosopher. The public, revolted by an offence, would take vengeance on the offender without weighing the consequences. The philosopher and statesman, though they share the instinctive feelings of the multitude, have a further duty to perform. They examine the motives and the effects of actions, and they only sanction or ordain punishment from the conviction that it prevents crime and promotes the welfare of society. . . . Regardless of all considerations of this nature the public instinctively hate and detest certain actions, and jump to the practical conclusion, because they are offensive to their feelings, that they must be put down by rude but legalised violence. The latter was the origin of all penal laws, and as the view of the statesman and the philosopher comes to prevail in society . . . the original foundation of penal laws has been departed from, and the cruel punishments most recommended by the impulsive feelings of anger, hatred, and vengeance, have been given up . . .

Every observer and inquirer into this subject . . . is well aware that the system of statesmen has moved continuously in one direction. There has been a gradual and successive abatement and abolition of all the cruel punishments that were originally dictated by feeling or sentiment. . . . It would not be difficult, perhaps, to point out the ultimate end, at present little thought of, to which this gradual amelioration in penal jurisprudence must lead. It is sufficient to remind the reader that for a considerable period, and by a considerable party, the total abolition of capital punishments for all offences has been demanded. In connexion with this, the mercy shown to the Dublin rebels . . . must give an additional impulse to the progress already made and bring about, at no distant day, the total abolition of capital punishment. It implies, therefore, in the end, the extinction of the system of controlling and governing mankind by terror.

The Nursing Profession

SIR,—*I was very interested to read your comments, in* your issue of October 9th, on the effects of the new salaries for student *nurses on other ranks of the* profession. In Dr Cohen's Minority Report, the lack of a comprehensive understanding of the *profession* as a whole is apparent to those who have spent their *lives in it. It was, it* seems, the young student nurses who were *chiefly consulted about* the difficulties and strain of nursing, and one of the reasons given for the wastage of recruits was the *inhuman attitude of ward* sisters. Perhaps there are still left a few tyrannical women, but these are in a minority. Today discipline and hospital etiquette consist simply of good manners and a respect for the superior knowledge of others—nor should it be forgotten that that superior knowledge was gained in an era of far more rigid training than the present-day student nurse will ever experience.

Few people take into consideration the type of girl we are often asked to train: young girls, very young girls most of them, nearly all nice girls, but typical of the age—the type who will sit in an armchair and watch their mothers do the washing-up, who have no idea of discipline or manners, who have little initiative or self-reliance or unselfishness. We see them with little mental agility or conscientiousness or pride being coaxed by material reward into what should be the finest and most self-sacrificing profession in the world. The bait now is good money and emoluments, and little emphasis is laid on character and the expensive training they will receive. Only those who really love the work will want to continue with it, and even then their keenness will often be frustrated by the realisation that once trained they will be worse off.

Where, you rightly ask, is the incentive for trained nurses to stay in the profession? Higher pay will now surely come, but that is not the only reason for the lack of staff. If the student nurses have days off or are at classes, who does their work on top of her own? The ward sister. If the ward maid has a day off, who sweeps the floors? The ward sister. If the ward orderly is away, who cleans the sinks and tidies the cupboards? The ward sister. If the ward is very busy, who works solidly from 8 a.m. to 9 or 10 p.m. with no off-duty time? The ward sister. It is the sister, or the staff nurse in her absence, who holds complete responsibility; and it is to her that all blame is attached when anything goes wrong. How can you blame her if she does get irritable when she is thoroughly overworked and under great nervous strain for lack of proficient help?

By all means give the student nurses everything that can be given to them to make them happy. But remember, too, the staff nurses and the sisters; give to them the same and much, much more, so that the student nurses will desire promotion. Remember, too, the words of the song the old negro sang in the engine-room of a river steamer:

> Oh, you gotta get a glory
> In the work you do;
> A Hallelujah chorus
> In the heart of you.
>
> Paint or tell a story,
> Sing or shovel coal,
> But you gotta get a glory,
> Or the job lacks soul.

—Yours faithfully,

WARD SISTER

Uses of Manpower

SIR,—Mr Clews in his letter of October 16th makes some remarks about my suggestions on "Manpower" which I cannot let pass without a reply. Why should not civil servants go into industry and farming, from which many of them came out? I have myself taken one this year and he is now running a farm I own.

I have been in manufacturing for 26 years and now manage two factories employing 450 persons. My people are producing in many departments a higher output per head than before the war and it is slowly rising. In one factory last year we wanted extra output for export. I put the facts before my Works Council, they agreed we ought to work an extra four hours on Saturday mornings for a period. It was a voluntary effort and, apart from married women whose circumstances made it impossible, we had practically a 100 per cent attendance.

I believe that an appeal to the individual would be successful if he were really to understand the need and the danger of his present position.—Yours faithfully,

J. B. STEADMAN

Rutherglen, Stoke Bishop, Bristol

THE WORLD OVERSEAS

Impressions of China Today

(From Our Special Correspondent)

THE China situation must appear highly bewildering to the reader in England. But the truth is that if one spends six months wandering about China today, especially if one can get off the beaten tracks into the interior, one's dominant emotion at the end of it all is also bewilderment, and the less confident does one feel about making sweeping generalisations. Since, however, one has to generalise, the main conclusions reached by your correspondent were as follows: Firstly, the Communists are winning; secondly, whether manipulated by Moscow or not, they are playing the Russian game, and are solidly on the Russian side in the present world struggle for power; thirdly, there is still a surprising degree of wishful thinking, amongst foreigners in China as well as abroad, on the following questions: Are the Chinese Communists really Communists? Can you impose a Communist system on a people so intensely individualist as the Chinese? Will the Communists retain their present freedom from graft and dishonesty? Is there a split between the Manchurian and North China Communists? Is a compromise settlement possible? If the Communists come out on top, will it be possible for the foreign firms to do business with them?

China is a country in the grip of a civil war, but neither side makes it possible for a foreign correspondent to accompany troops in the field. It is almost impossible to see anything of the actual fighting unless one accidentally happens to be in a place when it is captured. One gets the impression that neither side is very strong, and that, although casualties are higher than in past Chinese civil wars, much of the fighting follows the traditional Chinese pattern of movement and manœuvre, with the losers, when they are cornered, preferring to surrender rather than fight it out. Very noticeable is the Maginot-mindedness of the Nationalists and all the zones threatened by the Communists are dotted with fortifications, nearly always built with conscripted peasant labour. Mukden has a pill-box at every street intersection; Taiyuanfu is surrounded by hundreds of three-storied concrete towers, like lighthouses. A foreign military observer described the Nationalists as being "defensive beyond belief." The only Nationalist field-commander with any real offensive spirit is General Fu Tso-yi, and the Communists keep him and his troops chasing up and down his long North China corridor from one end to the other. His troops, sturdy young Suiyuan peasant boys, personally devoted to their commander and proud of their nickname "Yellow River Bend Babies," are amongst the few Nationalist troops who will fight it out. But there are not enough of them and they do not have enough arms. When General Fu scraped some American dollars together recently and tried to buy some arms from abroad on his own, he was politely told by the various foreign governments he approached that they could only do business with and through the central government. Probably the next best troops on the Nationalist side north of the Yangtse are the Mohammedan Chinghai cavalry divisions in Shensi and Honan. They too are personally devoted to their commander, the brilliant and courageous 28-year old son of the Governor of

Chinghai, but a more powerful motivating force in their case is the pride of an aggressive minority with a long martial tradition behind it. As against these outstanding exceptions, one must set the picture to be seen any day on the docks at Shanghai, of ill-kempt, ill-armed, ill-trained, undisciplined, unwilling conscripts, whose families did not have enough money to purchase their exemption from military service, waiting to be shipped off to the war zones. The American Advisory Group, which is trying to reorganise the Chinese army along American lines, is essentially a long-term affair and is not making much difference to the present military situation. The new generation of young Chinese officers, mostly middle-school graduates, are usually smart in appearance but do not impress as being formidable fighting men.

When I arrived in China this summer, I was amazed that anything should continue to function, with a currency that changed its value from day to day, spiralling upwards at an ever-increasing rate. But it was odd how quickly one learned to deal in millions instead of ones and mastered the specialised mechanics of life in a country gripped by inflation. For the Chinese, who are naturally clever with figures and money matters, the mental adjustment has been a gradual one. The effects of the inflation were less severe because there were other currencies, more or less stable, in which all the more important business was transacted: American dollars in the Yangtse valley and the north, Hong Kong dollars in the south, and silver dollars throughout the northwest, not to mention gold, which has been pouring into the country, chiefly through Macao. Three dollars in a Peiping curio shop meant three American dollars, three dollars in Chinghai meant three silver dollars, "three hundred dollars" at a wayside stall in Nanking meant three hundred ten-thousands, or $CNC3,000,000. Well over half the Hong Kong note issue is circulating in south China.

The country-people have suffered less than the town-dwellers. Their attitude, in the remoter country districts, towards the civil war is well summed up in the old Chinese proverb—"In the right hand a sour pear, in the left hand a prickly pear." In Shanghai, despite the seeming chaos and deterioration, the masses of the people are actually better off than they were before the war and real wages have doubled. The civil war is causing a certain uprooting and movement of peoples, but it is not to be compared with what took place in India last summer. All the big cities in nationalist hands are crowded with refugees of the more prosperous landed and official classes, some, formerly very rich, now living in penury. Near famine conditions in Shensi have been causing many thousands of peasants to migrate northwards into Nationalist Suiyuan. Famine conditions in Mukden last May were sending refugees out in the other direction, into the Communist territories, looking for food.

Towards a Classless Society

Economic stringency is bringing about the same movement towards a classless society that it is in England. It costs the head of a government department in Nanking 30 per cent of his salary to keep a servant, compared with 4 per cent before the war. Nearly all property-owning Chinese in Nanking have let their houses to foreigners at American dollar rentals while they themselves live in the garage or the gateman's quarters. Economic stringency has also brought about the terrible increase in corruption which characterises present-day China. In the big cities there is little unofficial social intercourse between foreigners and Chinese because the Chinese cannot afford to entertain and do not like to accept hospitality they cannot return. Somehow life goes on. In the same way that a Chinese can sleep soundly ten yards away from a pneumatic drill with an arc light beating into his face, so the people carry on cheerfully and fatalistically under material conditions that would long ago have caused explosions in other countries.

The people who are suffering most and for whom one feels most sympathy are the teachers and the students. An assistant professor at a northern university, who was going to England under the auspices of the British Council, told me that he had had to spend $CNC10 million out of his salary for that month of $CNC21 million (about £4 4s.) on a pair of new, and not very good, brown leather shoes. The Dean of the Arts Faculty at this university had such a small house that when one of his children was home for the holidays he had to sleep on the floor. Another professor had only two small rooms for himself, wife and four children, which had to serve as bedroom, dining-room, kitchen and study. "It's not easy," he said, "to do any good intellectual work under these conditions." The medical officer of this university, unable to support his mother, pregnant wife and six already under-nourished children on the monthly equivalent of £3 10s., drowned himself in the lake. A subscription was opened for the family, to which some junior lecturers gave more than a month's salary. The only way in which teachers in China can meet with any capital expenditure is by selling personal possessions, and most have few personal possessions left.

Students Turn to Communism

Students at most of the universities live eight, ten or twelve to a room, sleeping in two-tiered bunks, with a crude table and a naked light to work by. Tea is too expensive, so they drink hot water. In the mess-hall, where they feed together twice a day, they will be lucky if they get meat more than once a fortnight or rice more than once a week. Most of the students today come from poor country families and practically all of them are maintained, in whole or in part, by the government. It is possible that in Communist territory teachers and students would cheerfully put up with these conditions for the sake of a cause. But in nationalist territory nowadays there is no idealism or enthusiasm to buoy them up, only an embittered frustration, which reminds one irresistibly of India and which makes it difficult to discuss political topics in a detached way. One cannot argue; one can only press buttons and listen.

Small wonder that these educated classes, possibly the most important single element in the country since amongst them are the leaders of tomorrow, are turning more and more towards Communism. Estimates by foreigners in educational circles in Peking, the main scholastic centre, of the number of Communist sympathisers amongst the students range from 50 to 90 per cent and include almost all the students who take any interest in politics. It was easy to get irritated with the students in Peking this summer, with their constant strikes, sometimes on very flimsy pretexts, and their demonstrations against American aid to Japan (really against American aid to China, but the authorities would not permit this). These young men, "rushing to meet their chains," will have little freedom to demonstrate under a Communist government. But it is important to understand the deep frustration that underlies such demonstrations.

Purge in Czechoslovakia

(FROM OUR PRAGUE CORRESPONDENT)

THE law for the better protection of the Republic has now come into operation. The Government will henceforward be able to redouble its efforts to get rid of the saboteurs, spies, calumniators and other enemies of the people whom Government spokesmen blame for slowing down the triumphant march of the country towards socialist prosperity. According to Dr Cepicka, the Minister of Justice, one of the chief obstacles in the path of socialist progress has been the 1923 law for the defence of the republic which, he said, protected only the capitalist system, and was aimed chiefly at keeping the workers in chains and facilitating the arrest of anyone who applauded the Soviet Union.

In spite of the law's shortcomings, however, not a day passed during many weeks preceding the enactment of the new law without the newspapers reporting sentences of imprisonment on literally dozens of persons of all classes, from ex-capitalists to active workers, for alleged espionage, sabotage and the publication and distribution of so-called "seditious" pamphlets. According to unofficial but entirely credible estimates, the total of arrests in the six weeks from the beginning of August to the middle of September was well over 18,000. The figure no doubt includes many persons taken into what may be termed preventive custody during the tense days after President Benes died, and before he was buried. Most of those who were arrested at this time were released a few days later without trial and allowed to go home; but even if these are excluded, the number of persons whose sentences have been published in the press since August runs into thousands. If all this could happen under the old law, it is scarcely surprising that non-Communists are seriously perturbed about what may happen to them under the new.

The purge of course is not confined simply to those who have received prison and compulsory labour sentences. It runs through every walk of life and does not by any means exclude the Communist Party itself. In the case of the latter, the process is known as "verification" which, in so far as the old members of the party are concerned, consists largely in calling upon them to confess their sins publicly and promise to be better boys and girls in future—morally as well as politically. One of the newspapers recently published an account of a "verification" meeting at Melnik, a small town 25 miles north of Prague, where the Lobkowic family used to have a castle and a famous vineyard. One member confessed that he had devoted too much of his time to his private affairs. Another finally admitted his family life was not at all what it should be and promised to make amends.

In fact, it all sounded remarkably like a revivalist meeting or a public confessional.

Those Communists who are found guilty of having really strayed from the true path are finding that the effects of "verification" are by no means restricted to confession and absolution. Expulsion from the party generally not only means loss of one's job but also acts as a bar to other employment in the state of life to which one's training has been directed. A good many of those involved are people who were forced into the party after the February revolution. Such people are now apt to be branded as "careerists," though often they had no option but to join. Verification in their case means that they are deprived of their party cards; what will happen to them nobody knows. It is difficult if not impossible for them to find another job in any state concern. In order to eat, some of them will doubtless drift to the land or be sent to the mines. As for the rest, no one knows. If they are lucky, they may win a prize in a state football pool. A Slovak woman the other day won Kcs. 2,500,000—£12,500. As there is a law against millionaires the maximum prize was thereupon reduced to Kcs. 300,000.

Of the hapless non-Communists who are being purged without receiving prison sentences, over 2,000 are Sokolists accused of abusing their position during the Sokol festival last summer to stage anti-Government demonstrations. While they have been driven out, the trade movement collectively and individually has been scooped in, and the Sokols can now be said to have been brought to heel; though doubtless they still contain many who will have to be "re-educated." Meanwhile the action committees are similarly busy "cleansing" the ranks of the trades and professions. A number of journalists, for example, have been expelled from their union—the last batch of 18 a week ago last Thursday. Students accused of anti-Communist activity in the past are being forbidden to continue their studies in the future. And so it goes on. In all cases, anyone so purged loses his or her job.

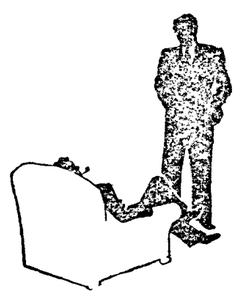
Victims from every Class

Those purged and those actually arrested come from every class and every walk of life including the new ruling class. For example, of a group of 16 men and women arrested in Moravia recently for "preparing and distributing illegal and seditious leaflets," one was a baker, another a butcher, a third a works foreman, a fourth a carpenter, a fifth an engineer, and most of the rest clerks. A group of eight charged with conspiring to steal arms from members of the police, and of setting fire to nationalised enterprises, consisted entirely of workers. An abbot and several monks have been sentenced for helping people to cross illegally into Austria. Soldiers, students and others have received long terms of imprisonment, and in one or two cases death sentences, on being found guilty of espionage on behalf of the American Counter Intelligence Corps. Two of the soldiers were non-commissioned officers and many of the rest, workmen and farmers.

In the circumstances it is a little difficult to know just what Mr Rudolf Slansky, Secretary-General of the Communist Party, meant when he said last month: "Ideologically and organisationally, we must prepare our party for a sharpening of the class struggle." The arrests and sentences make it quite clear that in Czechoslovakia there is no Mason-Dixon line or colour bar below which every class in the community is solidly red. It is of course possible that he was referring to the small shopkeeper class, which the Government regards as solidly anti-Communist. In a recent issue of the tailors' journal, a member of the tailors' action committee declared that shopkeepers had not been granted the extra rations given to other workers because of their anti-Communist attitude. He added that their anti-Communism was proved by the fact that they had one and all cleaned their windows—usually dirty—when President Benes died, and had filled them with obnoxious floral decorations. It is quite true that, during the period of official mourning, many shop windows displayed the red and white carnations which were the emblem of Dr Benes's former party, the National Socialists. If it was a crime for the shopkeepers to commemorate Benes in this way, why did the Government accord him a state funeral and walk behind wreaths many of which were of the same colours, and why were white and red flowers strewn on the ground for the hearse to drive over?

New Varieties of High Treason

Be that as it may, there is every prospect that Mr Slansky's proposition—if taken to mean that the Communists are in a class by themselves and that the non-Communists are all reactionaries—will be put into effect and that the new law for the Defence of the Republic will be one of the instruments. The law enumerates many new varieties of high treason and misdemeanour some of which—for example, the ban against "calumniating" members of the Government or foreign states in alliance with

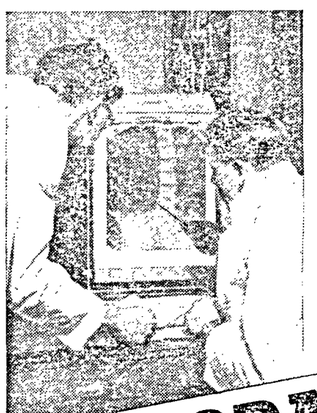


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Czechoslovakia—seem to be applicable to foreigners, like your correspondent, as well as to Czechs. As Great Britain is not one of Czechoslovakia's allies, it is still permissible for a Czech newspaper-man to say what he pleases about British politicians, as for example that Mr Lawther has "completely sold himself to American imperialism." But woe betide your correspondent if he were to suggest, even in a British newspaper, that Mr Zapotocky or any other prominent Czech trade unionist had sold himself to anybody.

Among the treasonable offences, espionage is described as "one of the worst"; like the crime of calumny, that applies to espionage against Czechoslovakia's allies as well as against itself. Such a provision would appear to have little meaning unless Czechoslovakia's allies have secrets inside Czechoslovakia's boundaries into which it is not desired that anyone should pry, and the precise implications of this part of the law must therefore be regarded as obscure. Sabotage is also treasonable, though the word does not appear to be defined in the law. Another crime is the spreading of rumours with the intention of causing panic. A further clause is aimed at priests who "misuse their priestly functions for political purposes." Just what will be regarded as misuse is a matter for conjecture. Last Sunday, a preacher declared that God's wrath would inevitably fall on the children of iniquity, and some members of the congregation were convinced he meant the present Government. If the Government itself takes the same view of such pronouncements, the lot of the vast majority of priests is likely to be an extremely unhappy one.

Priests are not the only unhappy people in Czechoslovakia today. Even the Government shows clearly by its actions, especially the multitude of arrests, that it is not feeling particularly happy itself. The workers, who are faced with an extension of hours of work and tighter control over their working lives, are becoming increasingly disillusioned; they are wondering what will happen at the end of the year when many of the rights and privileges of works committees are transferred to the manager—a change which, though highly desirable in the interests of efficiency, is a complete reversal of what the trade union movement has previously stood for. Finally, there are those who stand in constant apprehension lest they themselves or someone near and dear to them will be either purged or sent to gaol or both. In such circumstances it is little wonder that people are said to be still crossing the frontier to the tune of 20-25 every day, and that many of the country's best technicians and some members of the Communist Party are among them.

Benelux in the Last Stage

COMPLETE economic union by January 1, 1950, is envisaged by the Governments of Belgium, Holland and Luxemburg in a memorandum on the principles underlying their joint long-term economic programme which they recently submitted to the Secretary-General of the OEEC. This will be the final step in the process begun in 1944, when the three Governments signed a provisional customs convention, and continued on January 1st last, when a customs union actually came into effect.

The memorandum indicates that steps will be taken to overcome the obstacles which have, up to the present, stood in the way of economic union between the Netherlands and the already existing economic union of Belgium-Luxemburg. The chief of these is the difference between the Dutch economy, which since the liberation has been rigorously controlled, and the Belgian, which has been almost entirely free from controls. The Dutch, who at the Château d'Ardennes conference last June came a good way towards adapting their economic system to the Belgian, have now apparently come the whole way: they have agreed that the increased production essential to the recovery of the Benelux countries demands the removal as quickly as possible of all obstacles arising from postwar controls and regimentation. They agree that to re-establish an equilibrium between supply and demand will not only allow the gradual abolition of rationing, but will also allow price controls to be lifted from all but a few commodities. The disparity between Dutch prices, which have been forcibly kept down, and Belgian, which have been allowed to rise, has hitherto proved an important obstacle to economic union; the Dutch decision to lift most price controls together with the partial removal of subsidies already completed, should help to correct this disparity. At the same time the Belgians concede that, for the time being at any rate, it would be unwise to allow complete economic liberty. Consumption will have to be restricted to a certain extent and measures taken to guarantee a high level of employment.

Need for Trade with Germany

The primary aims of the Benelux countries' long-term programme is said to be the attainment of an equilibrium in their joint balance of payments, at the latest by 1952/3. This will in particular involve solving the problem of their dollar deficit; and maintaining the full employment which is considered necessary to achieve both economic and social stability. The chief factors retarding their economic recovery are the increase in population, especially in the Netherlands, the Indonesian war, and the almost complete elimination of Germany as a trading partner, as well as the loss of all the prewar income from German investments. During the years 1936-38 German exports to the Benelux countries represented an average of 18.1 per cent of their total imports, as compared with 2.8 per cent in 1947; while Benelux exports to Germany represented 14.5 per cent of their total exports, as compared with 2.8 per cent in 1947. The Benelux countries therefore believe that their economic recovery demands a solution of the German problem providing for removal of all trade barriers between themselves and Germany, the re-establishment of their former river transit traffic to and from Germany (which before the war yielded the Netherlands an annual income equal to $100 million and Belgium one of $40 million) and adequate safeguards for the German investments of Benelux citizens.

The three countries agree to co-ordinate their production and investment programmes, and to develop as much specialisation within each country as is compatible with the harmonious development of the internal economic structure of each. Both the Netherlands and Belgium-Luxemburg face serious difficulties in developing their export programmes. Those of Belgium arise from the shortage of Belgian francs and hard currencies among its customers; those of Holland from the fact that most of its traditional exports consist of luxury or semi-luxury goods which many countries cannot now afford to buy. It is hoped that Marshall aid, by raising the standard of living in Europe, will help to improve Benelux's export markets. But it is pointed out that this improvement can only be made if Belgium lowers its costs of production, and if Holland is willing to change to some extent the type of goods it produces; if the other OEEC countries give up their policy of import restrictions; and, above all, if a really efficient system of multilateral payments and exchanges is introduced.

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AMERICAN SURVEY

Election Caucus Race

(From Our US Editorial Staff)

ON June 24th the Republican Party nominated Mr Dewey as its Presidential candidate and on July 15th the Democrats chose Mr Truman. Since that time both candidates have made hundreds of speeches and declaimed hundreds of thousands of words. There is no indication that any of these words has had an electrifying effect on the American people or their opinions. Nothing that has happened has altered, while much that has happened has confirmed and heightened, the impression of the two men held by the country before the conventions. Mr Truman is still thought of as a thoroughly likable bungler, Mr Dewey as an efficient inhuman being. The President's appearances all over the country have deepened the popular liking for him; his political action during the same period has sharpened the apprehension over his ability. Mr Dewey's cautious avoidance of commitments has increased public respect for his political adroitness though raising some doubts about his exact position in the spectrum of his party's opinions.

There is a general agreement that each man has made one important blunder in this campaign. Mr Truman's was the decision to send the Chief Justice of the Supreme Court to Moscow. Mr Dewey's was his shout of "Lunatic"—the only spontaneous remark, it has been said, that he had made in months—when the driver of his train, having overrun the water-tower by a few feet, started to back slowly into the crowd at one of the whistle-stops. (The driver took the rebuke philosophically, saying that he thought just as much of Mr Dewey as he had before it, which wasn't a great deal.) It is typical of both men that the President's error was in the field of public policy and Mr Dewey's in that of public relations.

In every Presidential campaign something of the flavour of popular feeling for the candidates can be judged from the jokes made about them. Mr Dewey suffered four years ago from some unusually bitter ones. He has not been much more kindly treated this time. On the evening of his nomination Mr Norman Thomas, the Socialist candidate for President this year and every year since 1928, remarked that it all went to show that it was possible to influence people without making friends. *The New Yorker* a few days later reported its impression that "our Governor is exactly what the party wants, but not very much." The jokes at Mr Truman's expense have been kinder but no less devastating. "We looked at him," Mr Thomas said, "and we said to ourselves: It's right. Anybody *can* be President of the United States." And he warned an audience in Buffalo that "anyone who would follow Mr Truman's banner must be prepared, like Stephen Leacock's hero, to ride away rapidly in all directions." Mr Thomas, indeed, has been the success of the campaign, his speeches having become collector's items. He is no longer seriously concerned with his own fortunes after twenty years of defeat, but is providing a running commentary on his rivals which has delighted even such a severe critic as Mr H. L. Mencken. His political philosophy may not attract many votes but he is well able to express popular sentiment on the candidates of the major parties.

That neither of these candidates should have grown in stature over the hard months of electioneering is in itself something of a surprise. It had been assumed that the President would collapse under the burden of a losing battle while the Dewey machine would collect votes with a methodical and inexorable precision until November 2nd, by which date Mr Truman would look as bedraggled as Mr Landon did twelve years ago. Nothing of the sort has happened. Both Mr Truman's energy and his optimism seem inexhaustible. On his trips he has made back-platform speeches from five in the morning until after midnight without appearing tired or losing his good temper. Contrary to prediction he has drawn larger crowds than Mr Dewey, a phenomenon which has led to many arguments among the experts. The best explanation offered is that people, having come to the conclusion they will have to vote for Mr Dewey, prefer not to be reminded of the necessity for such a choice. They have no inhibitions about going to listen to a President for whom they have no longer any personal responsibility.

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Mr Dewey's strategy has, from the beginning, shown every evidence that he and his advisers still remember how Mr Roosevelt led him into a controversy, which was fatal to him, four years ago. A sigh of relief was reported from his train a week or two ago when it passed Oklahoma City, where the disaster happened last time, without incident. His trips this year have been described as pre-inauguration tours in which he can thank the electorate for their support, rather than attempt to gather votes, but his refusal to put his generalities into shape has occasioned some sharp criticism and even hints that, perhaps, once elected, he intends to forget the policies he has been advocating and settle down to the easier life of getting on with Congress. Such a theory is shown to be too pessimistic by Mr Warren Moscow, the *New York Times* reporter in Albany who wrote in his "Politics in the Empire State" of one of Mr Dewey's campaigns for the Governorship: "He made several speeches formally 'opening' his campaign and several more formally 'closing' it, with no campaign in between. He has since been accused of never deviating from that original policy." Yet, as Mr Norman Thomas pointed out "No Democratic Governor in any state can point to anything like the Fair Employment Practices law or the law against discrimination in education which Governor Dewey finally decided to put through his docile legislature" in New York after that campaign.

Such caution may have been unnecessary in New York State, in 1942, but there are good reasons for it at this time. The calculations on which the early predictions of an easy campaign and a triumphal procession to the White House over the corpse of the Democratic Party were based took no account of the Senate problem, or perhaps they assumed that all the doubtful Senators would be able to ride in on Mr Dewey's coat-tails. This idea has proved wrong. Strong personalities of the Roosevelt type can carry any number of nonentities into office with them. The failure of both Mr Truman and Mr Dewey to impress themselves as more than mediocrities has made the personality of the local candidate more important than it has been for a generation. And it is the personality of the local candidates which is bedevilling Mr Dewey.

There are probably eight Senate seats which the Republicans could lose. In Kentucky, where the Democrats are certain to

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get a majority in the Presidential race, the odds should be in favour of their electing a Senator also. In fact, Senator Cooper, a Republican, is not thought to be in danger because of his good record. But the other seven Republican candidates, some of them in normally Republican states, who are in trouble, are all isolationists in good standing. Senators Brooks (Illinois), Wilson (Iowa), Dworshak (Idaho), Revercomb (West Virginia) and Ball (Minnesota) were, for instance, among the seventeen who voted against the European Recovery Programme. Representative Ross Rizley (Oklahoma) was not in the Senate but he voted against it in the House. Of the seven only Senator Robertson (Wyoming) voted for it, but his affirmative vote was hardly consistent with his normal position on foreign policy. On many other subjects besides ERP these seven oppose the policies to which Mr Dewey is committed, while their Democratic opponents could be trusted to support them.

The predicament in which Mr Dewey finds himself is most marked in the case of Senator Revercomb, who was responsible for the Bill to admit displaced persons which discriminated against Jews and Catholics. Senator Revercomb stubbornly refused to accept alterations to the Bill suggested by the candidate after his nomination. Mr Dewey has pointedly refrained from going to West Virginia, since he knows that any gesture towards Mr Revercomb would endanger his position with the Jews and Catholics in New York State. He is not prepared to risk 47 electoral votes to save one Senator. But, in the case of the other six, where his own fortunes are not so directly involved, he has given token approval, by asking the voters for a Republican Senator, while avoiding any display of enthusiasm.

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Judging from these Senatorial races, the temper of the country seems to be running more strongly against the isolationists than in any previous election, and is giving the Republican high command some serious problems. If they lose control of the Senate it will be a proof that the electorate has taken the foreign policy portion of their platform seriously and relieved them of some members of their own party who disapproved it. Yet if they lose control they can do nothing to put through their domestic policy and may have difficulty in passing constructive legislation of any kind. Mr Dewey is left, therefore, with the unenviable task of trying to elect isolationist Senators, knowing that they will be the bitterest opponents of his programmes. It is enough to make anyone cautious.

Equally dangerous to his peace of mind when he gets to the White House will be his failure to ingratiate himself with the press, on whose good will a President must depend. It was remarked at Philadelphia that the enthusiasm of the Albany reporters who would be losing Mr Dewey was rather excessive. As the campaign has progressed the Washington correspondents have come to agree with them and the tone of despatches from the Dewey train has become increasingly acid. The reporters have hardly seen the candidate and have been treated with some brusqueness when they did. Finally, one of them wrote to the *Washington Post* to say that "one of the first unities to disappear should he be elected President is whatever unity he now possesses with the press" and forecast an "efficient national administration in which news is carefully channelled through proper canals, and heavy barriers placed between the reporter and even such high officials as Cabinet officers. It has already so happened in Albany—it can happen in Washington. . . . How long will it be before the press yells?" It will not be long. If Mr Dewey finds himself with a Senate controlled by the opposition on one side and a hostile press on the other he will have an unhappy four years.

American Notes

Campaign Cash

The costs of campaigning, of the special trains, the broadcasts ($17,000 for an evening half-hour on a single network), the fleets of cars, and mountains of literature, have gone up, like everything else; but fund-raisers are discovering, in what may prove the costliest campaign in history, that an assured result—victory in the case of the Republicans, and defeat in the case of the Democrats—is not calculated to loosen the purse-strings of the public. The Democrats, always the less affluent of the two parties, in addition suffer keenly this year from the defection in the South, the diversion of liberals in the North to Mr Wallace, and the alienation of Jewish supporters over the Palestine issue. Whatever economies can be effected through the fact that Mr Truman is President—in the cost of travel, for example—are sorely needed.

Reports from the national committees of both parties show that the Republicans have taken in just under $1.5 million and spent $1.7 million, and the Democrats have received $1.2 million in contributions and spent $1.5 million. But these figures are largely meaningless. With the real fight, this year, in the elections for the Senate and, to a lesser extent, for the House, the tendency is for local funds to be kept at home.

This tendency already existed as the direct result of the attempt to limit the amount of money which can be spent in an election. Under the Hatch Amendment to the Corrupt Practices Act of 1925, a campaign organisation operating in more than one state may not spend in any year more than $3,000,000—a restriction which, in the flush days of 1944, caused the Republican National Committee to refund $200,000 in order to remain within the law. Other groups, like the Dewey-Warren clubs, have therefore sprung up (each with its $3,000,000 ceiling), and more and more the getting and spending of campaign cash passes through local or state organisations which employ usefully sketchy accounting techniques. Estimates of the total amounts spent in the elections of 1940 and 1944 set the figure for the two parties in each year at over $20 million, and it may have been higher.

A Republican Congress is already showing a lively interest in alleged irregularities in the states; and it is hardly an accident that the Democratic candidates in two closely contested Senate races are accused of breaking the election law. An investigator for a Senate sub-committee accuses Mr Kerr, the favoured Democratic candidate in Oklahoma, of spending nearly $60,000 more than Oklahoma law allows in his primary election; and a House sub-committee is investigating charges that "scandalous mobilisation of employees on the Federal payroll" has supported Mr Anderson's campaign in New Mexico. Mr Lyndon Johnson, the winner (by 87 votes) of the Democratic primary for Senator from Texas, is also accused of election frauds. The Democrats, even if they win a majority in the Senate, may find the cup dashed from their lips, for an investigation into election offences would exclude the accused at the crucial moment while the organisation of the Senate was taking place, and a verdict of guilty might make new elections necessary.

* * *

Automobile or Armadillo?

If predictions in the trade prove accurate, most drivers of medium-priced automobiles will be obliged to paint, patch and encourage their old machine (the average age is about eight years) to keep going for at least another year. Steel shortages, strikes—both past and anticipated—and an estimated back log of seven million orders have persuaded the manufacturers that they can count on a sellers' market for one to three years more. The second-hand dealers are not so optimistic. Business in unused "used" cars has hitherto flourished, with post-war models selling at almost double their list price, but now buyers' resistance and newly restored credit regulations (which require a "down payment" of one-third of the price and reduce to 18 months the time allowed to complete the instalments) has brought about a big drop in second-hand car prices.

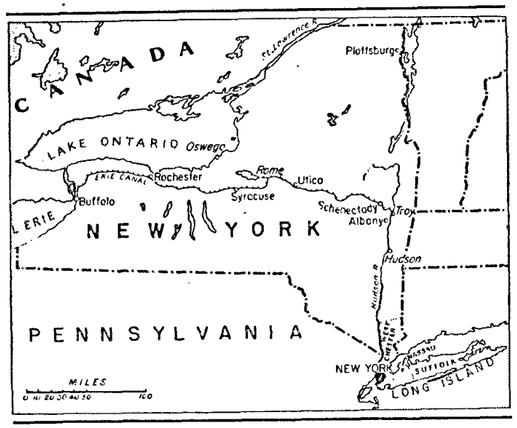
Since the war few radical engineering changes have been made. Alterations in the body and the addition of some new gadgets have been enough to satisfy the rapacious queue. Now, however, as in former prosperous autumns, the "big three" (General Motors, Ford and Chrysler), who produce about 80 per cent of all American cars, have announced changes in next year's models, and some lines are already in production. Precise details are kept secret while titillating rumours are allowed to circulate. The stream-lined look, which incorporates fenders and headlights in the body, will be retained in the new styles. This trend makes minor repairs expensive and as troublesome as doctoring an armadillo. The emphasis is on fuel economy and engine efficiency. General Motors will feature in one of their cars a modified version of the high-compression Kettering engine, though this is not expected to become generally popular until more high octane petrol is produced. Improvements in everything except price are hinted at by such intriguing words as "monobilt," "futuramic" or "dynaflow."

Highway life is still growing as more roads are constructed and modern shopping centres and "motels" are built far out in the country. Thus the automobile industry is assured of ample prosperity in normal times, but there are two groups of potential car-owners whose goodwill might be lost to the domestic companies. One is the city dweller and the other the two-car family, which is discovering that its next car—when it gets it—will cost about double its prewar price (the average is $2,000), and that maintenance, petrol and tyres are correspondingly more expensive. Moreover, the new car may barely fit the old garage, and its increased speed is unnecessary for ordinary driving. It is in this group that British and European cars have been finding eager customers. (Fifteen thousand English cars were sold in the United States during the last eight months, while in 1947 only a few hundred foreign cars were imported.) Local dealers deprecate their popularity by attributing it to the availability and the novelty of the imported makes. However, unless the big manufacturers bring out models that are better, cheaper to run and easier to park, and do so sooner than now seems likely, they may find many of their current orders cancelled and their product reaching the market the day after the fair.

* * *

Republican Revival in New York

The exchanges between Mr Dewey and Mr Truman on the subject of Palestine might suggest that New York State is still, politically, an uncertain quantity, and the Jewish vote in New York City capable of delivering it to the highest bidder. In fact, the present ascendancy of the Republicans in New York is confirmed by the registration figures for voters. The total is slightly down from 1944, in itself an omen favourable to the Republicans. In addition, registration is down sharply in the Democratic stronghold of New York City, and in the farming counties upstate and the counties of Nassau, Westchester and Suffolk, the dormitory suburbs to which families move from the city as they rise in the economic scale, and where the prevailing political



complexion is Republican. Thanks to Mr Wallace's intervention, Mr Dewey's aides are even talking about his carrying New York City, a feat brought off by no Republican since Mr Coolidge swept all five boroughs on a platform of prosperity—a slogan as unobjectionable as most of Mr Dewey's.

Registration this year in New York City totals 3.3 million voters, and in the State outside the city 3.7 million. But the state is not, as it might look, cleanly and almost evenly divided between New Yorkers and the rest, though the tug-of-war between the state capital and the metropolis sometimes gives that impression. There is, besides Albany (where the redoubtable Democratic machine of the O'Connells has defied Mr Dewey's onslaughts) a band of industrial cities along the Erie Canal and water-level route to Buffalo, which are closer in their politics to the big city than to the surrounding countryside. Utica, like Albany, is Democratic; Syracuse and Rochester usually vote Republican; Troy and Buffalo vary. But in a good Democratic year they follow New York, thus magnifying a Democratic sweep in a state whose control is a great and not always predictable prize.

Thus, although New York State supported Mr Harding, Mr Coolidge and Mr Hoover for the Presidency in the 'twenties, it maintained the Democratic and highly progressive administrations of Mr Al Smith and Mr Roosevelt in Albany. The 'thirties were years of all-round Democratic victory, with vote-getters like Mr Roosevelt on the Presidential ticket and Mr Lehman running for Governor. But from the depths of 1934, when the Republicans lost even control of the legislature in Albany, they have had a steady Republican revival. In 1938 the Republicans became technically the majority party, though this was an empty honour as long as the American Labour Party supported the Democrats. But though Mr Roosevelt carried New York in the Presidential elections of 1940 and 1944, growing Democratic weakness and his own strength brought Mr Dewey the Governorship in 1942 and 1946, and in the latter year the Republicans sent their first Senator to Washington since 1920. Next Tuesday the ascendancy should be complete.

* * *

The Role of the ALP

Even in New York City's Congressional races, the Republicans are expected to pick up seats, largely because the American Labour Party (the instrument, in New York, of the Wallace Progressive crusade) is drawing away votes from the Democrats. The ALP was formed in 1936 to mobilise behind Mr Roosevelt's banner new voters allied with labour; it has never had any importance in any state but New York. The Democrats have come, however, to regret bitterly having given encouragement to an organisation which it has proved impossible for them to control. (The only exception is in Albany, where O'Connell Democrats have infiltrated the ALP with a success the Communists might envy.) Superficially, the election results of 1938, 1940 and 1944 suggest that the Democrats could not have carried New York State without the assistance of the ALP. But it is also true that the ALP sucked away many voters who would otherwise have remained Democrats. In addition, as the Republican cry that the ALP was Communist-controlled came, in time, to be substantiated by the facts, the alliance became something of a liability, especially among Catholic voters.

The alliance of Tammany Catholics with the ALP became so embarrassing that Mr O'Dwyer, the Mayor of New York City, has taken drastic steps to break it off. Mr Marcantonio, one of the ALP's two Congressmen in Washington, is the chief target of this offensive. A favourite of Mr LaGuardia, he has built himself a strong personal machine with city patronage, his own colourful personality, and an attention to the under-privileged Puerto Ricans, negroes, and Italians in his large and varied constituency. The Communist party-line he follows in Washington is less important to these unfortunates than his battle against their landlords and his willingness to do personal favours. Mr O'Dwyer, by ousting a number of Mr Marcantonio's followers from the city pay-roll, has made a start at undermining this machine, but the failure of the Republicans and Democrats to agree on a joint candidate suggests he is likely to retain his hold on his district.

Mr Isacson, the Progressive-ALP candidate who shook Washington, as well as the Bronx, with his victory last spring on the Palestine issue, is, on the other hand, confronted by a candidate carrying the endorsement of the Republicans, the Democrats, and the Liberal Party (a conservative splinter of the ALP), and is not likely to repeat his feat. A great deal of ALP money and energy is supporting Mr Lee Pressman, (counsel to the Congress of Industrial Organisation until its anti-Communist drive started) against Mr Multer, a liberal Republican. And the strong ALP drive in normally Democratic Brooklyn may force a number of Democratic Congressmen to give way to Republicans.

* * *

Running for Governor

Next Tuesday's election results will presumably upset the tidy balance between Democrats and Republicans in the state capitals as, at present, each party has 24 Governors. Two states —Maine and Louisiana—have already chosen their Governors and a further 32 will elect theirs on the same day as the President is chosen. This usually confuses local with national issues and Governors are apt to be swept in or out of office on the Presidential tide. This year, however, the lustreless national campaign has resulted in more excitement in the state races.

In the four politically adult and contiguous states of Illinois, Ohio, Indiana and Michigan interesting and close contests are predicted. All these states at present have Republican Governors, but the Democrats claim they have a sound chance to win if only voters can be persuaded to "split" their ballots. In Illinois the Democrats are fortunate in having as their candidate Mr Adlai E. Stevenson who has a national record (he served in the Foreign

Service and also as a delegate to the first United Nations General Assembly). Mr Stevenson is fighting a resourceful battle against Governor Green who may lose after eight years of careless administration. In Ohio, a state with a reputation for good government, the battle is between Governor Thomas J. Herbert, an apparently colourless candidate with isolationist inclinations, and former Governor Frank J. Lausche, a man of integrity, energy and attractive personality. Ohio provides the voter with separate ballot sheets for the state offices which may help to prevent Governor Herbert from riding on Mr Dewey's coat-tails. In Indiana, an ex-Governor, Mr Henry F. Schricker, is opposing Mr Hobart Creighton; the former wears a snow white hat as a symbol of clean government. The Democrats admit that it will be hard to win in Michigan where Governor Sigler is fighting Mr G. Mennen Williams who, though lacking political experience, is an ex-serviceman and is supported by labour. Connecticut and Washington are also scenes of significant races which offer hope to Democrats in a year of bleak prospects. In Washington the Democratic governor, Mr Mon C. Wallgren, a friend of Mr Truman, is struggling to hold the office from Mr Arthur B. Langlie. The Governor is the more liberal on the "wet-dry" issue which exercises the state and he also has the approval of organised labour. It is expected that unless the Republicans' plurality in the Presidential election reaches landslide proportions he will win. In Connecticut, the acting Republican Lieutenant-Governor, Mr James C. Shannon, a Catholic, is being opposed by Mr Chester Bowles, the former head of the Office of Price Administration. Despite his national reputation, thousands of roadside billboards saying "Bowles kept prices down, he can get houses up" and his own active radio campaign, he is having a hard fight.

Although the average voter may not know the name of the Governor of the state next to his own, the Governors of the 48 states (when they have not been buffoons, party hacks, or demagogues like Mr Huey Long) have supplied the chief crop of Presidential timber. The job of governing a populous state is the closest replica of the Presidency, with the exception, admittedly a great one, of foreign affairs. It is in the states that ambitious aspirants demonstrate, not only their administrative ability, but their vote-getting talents and political acumen. Their records in these spheres are the great strengths of Mr Dewey and Mr Warren.

Shorter Notes

The chief function of the Progressive party in this year's elections has been underlined by a strange alliance between Mr Wallace and Governor Green of Illinois. The Progressives have been ruled off the state-wide ballot in Illinois, one of the three states in which their strength is concentrated, because they have been unable to satisfy the requirements of the state's election law. After fruitless appeals to Illinois courts, Mr Wallace's representatives appealed to the United States Supreme Court to invalidate the law as likely to disfranchise many citizens. In this plea they were supported by the Republican assistant attorney general of Illinois. The Supreme Court has refused to intervene in a case in which the Republican motive was so clearly a hope that Progressive candidates would draw votes away from Democrats like Mr Douglas and Mr Stevenson, who are trying to unseat the worst type of Republican in Senator "Curly" Brooks and Governor Green. Mr Wallace has now appealed to Governor Green to have the law repealed.

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Whisky seems to be the cause of rebellion from two quarters. On the one hand some domestic distillers claim that it is unfair that imported brands are not required to comply with the regulations imposed on American producers and they have urged the Alcoholic Tax Unit to insist on uniform labeling. It is said that the absence on the bottle of an exact description of the ingredients misleads the consumer who thinks that his whisky is as strong as it was before the war. On the other hand the Scottish distillers are aroused by the practice of a few American distillers who use the words "Scotch-type" on their labels. A large Scottish distiller has brought the matter before the Bureau of Internal Revenue and has asserted that only whisky actually made in Scotland should use the word "Scotch" on the bottle.

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In March the traditionally neglected American bridegroom is to have a magazine all his own. It is calculated that male trousseaux and other wedding expenditures represent retail business worth $1,500 million annually and therefore justify a special publication every six months. This will advise the groom on such matters as clothes, travel, presents or wine. Next year's June bridegrooms thus will have every assistance in facing their matrimonial life with poise.



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THE BUSINESS WORLD

Economic Plateau

AMONG the early fruits of the effort towards European co-operation within the ambit of ECA has been a new and bewildering output of statistics. One incidental result of this has been to introduce into the annual series of British economic programmes for calendar years a new intermediate and overlapping programme related to the period covered by the fiscal year of the United States. The first of these British programmes for ECA, relating to the twelve months to mid-1949, was published last week as a White Paper.* It deserves closer attention than the extent of the changes it portends in the shape of Britain's economy might seem to warrant. Indeed, its significance lies precisely in the smallness of these changes. The conclusion is irresistible that Britain's economy, after climbing well for three years, is emerging into a rather flat and arid region which, when crossed eventually, may lead to still higher ground but is all too likely to prove to be a plateau.

Without ERP assistance, as the White Paper gratefully acknowledges, even the present levels of activity could not be sustained. But there is a hint of complaint in the conclusion that the $1,263 million of aid "is no more than just enough" to support the programmes: "there is no margin even for improvements of consumption which are clearly needed . . . nor is there scope to accelerate the United Kingdom investment programme." Nor, if the figures are to be believed, is there scope for further expansion of exports. Although "it is hoped that a higher level will be achieved," the total export level for 1948-49 is put at 137 per cent of 1938 volume (a typographical error in the White Paper gives this as 1948). This expected volume compares with 109 per cent in 1947 and is a little above the index for last month; yet it is actually a point below the average for the third quarter of this year and only 3 per cent above that for the past nine months.

The explanation of this prospective stagnation must be sought, of course, primarily in the trend of production. Coal output is set at 218 million metric tons, which is 4 million metric tons above the target for the calendar year—but it has since been officially admitted that that now appears unattainable, for the rate so far is equivalent to only 210 million metric tons. More disconcerting, however, is the expected performance of industrial production, for the achievement here casts its shadow a long way ahead when the prospects for other programmes, notably exports, are being surveyed. Once the immediate dislocation from last year's fuel crisis had been overcome, industrial production expanded rapidly. The White Paper notes impressively that the official index of production for the second quarter of this year was some 15 per cent above that for the whole of 1947. But it omits to point out that it exceeded the final quarter of 1947 by less than 3 per cent. The best figure, reached last June, only just surpassed the intermediate peak touched as long ago as last November; and this summer's seasonal fall has been very steep. Unless the autumn expansion is abnormally large, the basic trend through this year will appear as no more than a continuance of the level attained by the autumn of 1947.

It is becoming apparent that the steady progress until the end of last year was primarily a reflection of the increasing industrial labour force as demobilisation proceeded; and that the strong expansion of exports until the holiday season this year was in turn mainly a reflection, after the natural time-lag, of the earlier growth in production. Given the virtual impossibility of curtailing much farther the volume of goods used at home, this year's mere maintenance of production—reflecting the approximate stabilisation of the labour force—sets narrow limits to the possibilities for exports in 1949. It would be unwise, perhaps, to project the argument much farther ahead, for only the most hardened cynic would reject out of hand the chances, on a somewhat longer view, of concentrating Britain's limited resources more effectively upon the most vital tasks. But although some latitude may be found in such ways, the broad limits to the volume of exports in 1949-50 will be set by the production which takes place in the next few months. And the official estimates promise no perceptible expansion.

The White Paper estimates the level of manufacturing production for the year 1948-49, at best, at less than 4 per cent above its level for the second quarter of this year, and at worst at a shade below that level. The official expectations for particular categories are shown below for those groups for which reasonably comparable figures (compiled by *The Economist,* and shown in the final column of the table) are available of the annual rates for the current calendar year to date.

In Millions of Metric Tons†

	Pre-war	1947*	1948-49	Current Annual Rate (1948 to date)
Coarse grains output	2·9	4·6	5·3	5·5
Meat and bacon output	1·5	0·9	1·0	0·8
Solid fuel output	254·0	223·0	244·0	239·0
Of which :—Coal	233·0	201·0	218·0	210·0
Electric power output	21·3	42·6	45·0	44·8
Crude steel output	11·4	12·7	15·0	14·9
Copper used	265·6	355·7	381·0	357·7
Wool used	190·0	191·0	223·0	228·0
Timber used	13·1	6·6	7·1	6·8

* 1947-48 for food products.

† Except for copper (thousands of metric tons) and electricity (billion kW.h.)

The implication of these forecasts is plain. If the trend of production in the early future must be accepted as a limiting factor upon exports in the somewhat longer run, the chances of a significant expansion of exports are slender.

Most people will find it hard to reconcile these figures with the export targets announced this week. By contrast with the rates that were being discussed last year, the target rates for next year look meagre enough; but they represent, in most instances, a large increase on present levels. At the time of the convertibility crisis of 1947, the target rate for total exports at end-1948 was fixed at 160 per cent of 1938 volume, but was later revised to 150 per cent. Now the target rate for end-1949 is fixed at no higher a level than midway between these figures. But, modest though the objective looks on this comparison, it appears far out of reach when tested by recent achievement and by the production forecasts.

Thanks to the high point reached during the pre-holiday rush in July, the provisional volume index for the third quarter of this year was the highest yet, at 138, and the average

* European Co-operation. Cmd. 7545.

for the nine months was 130; the provisional figure for September, however, was only 132. Yet Mr Wilson declared the year-end target rate of 150 to be within sight of achievement. In the light both of recent experience and of the forecasts for 1948-49, this is a rather surprising prediction. It is now clear that even if a volume index of 150 were to be shown in the last month of the year, this technical achievement of the objective would be of no significance—because it would be far removed from the expected trend. Moreover, Mr Wilson made the anomaly more pronounced by saying, in reply to a question, that he expected the monthly average for the calendar year 1949 to be 138. In other words, the discrepancy between the end-December target rate and the level of exports in the immediately preceding months is expected to be just as wide in 1949 as it seems likely to be this year.

It only needed Mr Wilson's further comment—emphasising the effects of the seasonal factor—to reduce the present practice in calculating export targets to its ultimate absurdity. This practice of treating the rate at a year-end point in time as the effective target for the whole year's export effort should be dropped. It should be replaced by a target expressed in terms of export volume for each target period as a whole—possibly supported by supplementary targets based on a progression of quarterly averages of the expected monthly rates. If this were done, it would be clear at once that the real target for 1949 is not 50 per cent or more above the prewar volume but rather less than 40 per cent; and it would be optimistic to put the last supplementary target—i.e., for the final quarter of the year—at much above that level.

In a number of particular groups the rates projected for end-1949 are below those originally set for the end of this year. The most notable of these projected declines are those for non-ferrous metals and manufactures; manufactured textiles other than cotton, wool, silk and rayon; apparel; footwear; leather and leather goods; and rubber manufactures. In each of these categories except non-ferrous metals, however, the new target rate is still much above the present rate of performance. Some of these reductions, Mr Wilson stated, mainly reflect the severe import restrictions which have been imposed abroad and the growing competition for overseas markets. But the programme also indicates a certain change in the Government's underlying policy towards exports. The new targets have been fixed after an "intensive examination" of the problem of exporting capital equipment or retaining it for the use of British industry in order to increase productivity. In certain instances it has been decided that the optimum result would be achieved by reserving more equipment for the home market.

In view of these diversions, it might, perhaps, have been expected that the prospective virtual stabilisation of the export volume would have been accompanied by some relaxations in the restrictions upon investment outlay at home. But the investment programme for the whole of 1949 is provisionally estimated at £2,000 million, which is certainly not above, and may even be below, its present annual rate. For the current year, the official estimate was originally £1,800 million, but many unofficial observers suggested from the outset that this was an insufficient allowance—not because of any hope that the Government would relent in its decision to curtail or defer some of the larger industrial schemes which are controllable, but simply because there is always a large range of miscellaneous work which is beyond the reach of official discipline. Sir Stafford's recent admission that total investment in the current year is likely to run at some £200 million above the original estimate does not, therefore, reflect any corresponding increase in the volume of essential capital outlay. On the contrary, it merely means that the original intention to curtail outlays, officially regarded as non-essential, has never been effective at the margin. The ECA White Paper, while emphasising the importance of the investment programme for Britain's future productivity, says plainly that there is no scope for increasing it. Nor, apparently, is there any intention to curtail the housing programme. This being so, the main industrial programmes for the year 1948-49 are inevitably merely a projection of the plans already known for the year 1948—£130 million for electricity, £40 million for steel, £25 million for coal, and the programme for oil-refinery construction, expansion of capacity in the chemical industries, and maintenance of inland transport.

*

The White Paper says plainly that "very little result will flow" from these developments in the year 1948-49. But it is blandly confident about the longer-term prospect—"1948-49 and 1949-50 are the years in which the foundations will be firmly laid for the sound and self-sustaining economy which will be attained by the end of the ERP period." Given the virtual stabilisation of the levels of production, investment and exports, it is hard to discern the source of such dogmatic assurance. The immediate prospect, and even that for the medium term, plainly offers little hope of any important advance. By what means, then, does the Government so confidently expect Britain to become self-supporting by 1952? Perhaps it hopes to find the key to the puzzle in that greater "viability" which has so suddenly and so unintelligibly become the ultimate objective of all the programmes and plans. But whether "viability" has any meaning or not in this context, the Government admits that the "four major lines" towards it are expansion of production and of exports, development overseas of primary products accessible to Britain, and stimulation of import-saving production. Quite apart from the fact that progress under the last heading, and perhaps under the third too, may raise the real cost of Britain's supplies, it is hard to feel that there will be much increase in "viability" in the early future. Is it really to be believed that the graphs of British production, investment and export volume, which will be almost horizontal during the next twelve months or so, will suddenly leap far upwards in the final phase of the ERP period? Will the present industrial investment plans, so constricted by the housing programme, really suffice to perform the miracle of increased productivity in two years time? Policy would be wiser if, instead of putting its faith in miracles, it considered a means of redoubling, and then doubling again, the rather meagre efforts which have so far been made to concentrate the resources available now upon vital objectives.

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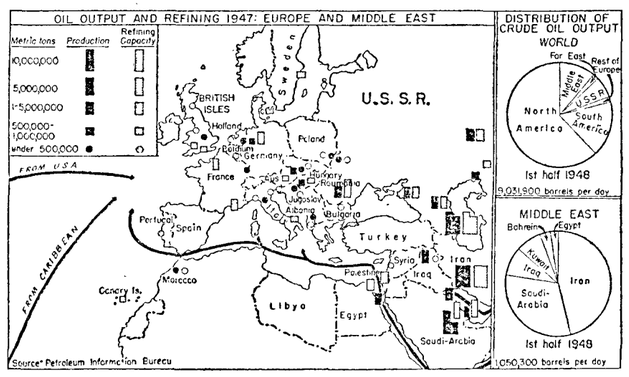
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European Recovery—V

Europe and the World's Oil

SINCE Europe cannot aspire to self-sufficiency in petroleum supplies the task of meeting the oil shortage raises different questions from those raised in planning for the other sources of energy. It demands outstanding flexibility, and action on a scale wider than the European; there can be no solution by local action or by restoring a status quo. The Paris plan of 1947 contained no suggestion of reducing petroleum imports or of eliminating the imports from the dollar area; to import oil, even American oil, it pointed out, was a less costly matter than importing American coal, and for this reason it supported the conversion of industrial plant to oil burning as "a not unimportant factor in assisting the general recovery of the European economy."



Petroleum, though it must come from outside Europe, was to play a bigger part than ever before in the European supply of energy, and was to make possible, in spite of the relative inelasticity of coal output, the great expansion of activity which the report envisaged over the whole field of industry and agriculture. The ratio between the sources of energy (coal, waterpower, and oil) was to swing further in favour of oil. In the United States, oil and natural gas have together already outstripped coal and have become the principal source of energy. In Europe between 1935 and 1938 they were estimated to supply 10 per cent of the total, and the Paris report at one point spoke of the share increasing by 1951 to 30 per cent—the equivalent of 300 million tons of coal. Obscure as the statistical basis for the estimate may be, the trend is real. At the same time its satisfaction has been, and is still, threatened by the interruption and distortion of trade through payments difficulties. For the moment the threat is held off largely by ECA supplies, which amounted to 68.5 million barrels (to the value of $245 million) between April and September, and which have the effect of financing the normal operations of the American companies trading in Europe. Mr Walter J. Levy, chief of the petroleum branch of ECA, claimed recently that but for ECA dollars "the flow of oil to Europe from world sources would have been completely disrupted."

Since these difficulties are not to be overcome by putting the clock back, they have to be overcome by European enterprise and investment, by developing foreign oilfields and organising their resources to supply Europe. For this the Middle East is the obvious field. This is not to say that the oil-bearing regions of the Middle East can be, or should be, harnessed to a European chariot. The development of the Middle Eastern oilfields is already a matter of world-wide concern, in which the Americans are playing an energetic part. And any attempt at a European plan must form part of the larger programme which is already in motion; it must take account of the immense changes in the world oil industry which are already becoming apparent.

These changes make it clear that the sources of European oil would still be shifting if there were no dollar shortage. Nothing has happened to shake the position of the United States as the leading oil producer of the world, but the fantastic growth of US consumption has made even US output insufficient for domestic needs. Already in the first seven months of 1948 net US imports were more than 100,000 barrels a day. The American oil companies are now developing foreign oilfields not only (as formerly) for the world trade, but also to supply their home markets. As a result the bulk of US oil exports to Europe has already dwindled away and ECA shipments are coming mainly from other sources developed by the American companies. Of the oil exports from the Caribbean, more are flowing to the United States than to Europe. With Latin American oil markets also taking more from the Caribbean, the European share, already attenuated, must continue to shrink. The only recourse is a rapid expansion of supplies from the Eastern Hemisphere, and it is in this belief that the American as well as the European companies have embarked since the war on great new projects in the Middle East, where the resources to be developed are proving even vaster than would have been estimated two or three years ago. Supplies of crude immediately available in the oilfields of Saudi Arabia, Iran, Kuwait and Iraq are far more than can be carried. To make full use of Iraq oil would require not merely the restoration to use of the pipeline to Haifa but the two new 16-inch pipelines and the 30-inch lines which are planned. To bring the crude output of the Arabian American oilfields to the Mediterranean, the Trans-Arabian Pipeline Company has started construction of a 32-inch line to take 500,000 barrels a day. This has lately been held up by the withholding of steel export licences in Washington. The Anglo-Iranian company has also been planning a line from the Persian Gulf to the Mediterranean, and there has been discussion of a third from Kuweit, to be a joint undertaking of the Shell

and Gulf groups. These three lines will each cost £50 million or more.

The oil is there if the effort can be put forth to get it, the resolution taken to hazard capital in a politically uncertain part of the world, and the decision made to devote to petroleum development resources of steel and engineering capacity for which there are many other demands. Calculation of the political risks is not easy, but it has been faced, and the oil companies have not been deterred from undertaking huge investments around the Persian Gulf. The rate of development is now limited by the difficulties of getting the great quantities of materials needed, and particularly of steel plates, pipe, forgings, pumps, and electric motors.

Success in the effort required of Europe in the oil world in the next five years will largely depend on the effort made to supply these things, and on the intelligence with which they are used. Planning needs to keep certain objectives in sight. These are to bring the oil to the refinery, turn it into the particular refined products which are wanted in the proportions in which they are wanted, and bring them to the consumer at the lowest possible cost. At the same time the opportunity should be taken to bring to the consumer the improvements in quality which are possible with modern refining technique. For economy and quality it is important to make the most intelligent use of the limited materials which are to hand.

These reasonably simple objectives are consistent with saving dollars. It is, however, possible that a programme which aimed purely at saving dollars might lose them from view, particularly if it is not an integrated programme but a loosely related series of national enterprises. Home refining, if carried to uneconomic lengths, might serve the dollar-saving purpose without serving any other. The four-year programme at present being completed in Paris may show how far this is likely to happen. The first Paris report showed that dollar expenditure was to be restricted by concentrating on the non-dollar sources for imports of refined petroleum and on dollar sources for imports of crude:

SOURCES OF PETROLEUM IMPORTS
(OEEC Countries and western Germany)

	Percentage from Dollar Sources		Percentage from Non-Dollar Sources	
	Crude	*Refined*	*Crude*	*Refined*
1938	47	42	53	58
1947	49	50	51	50
1951	55	33	45	67

These figures cannot, perhaps, be taken as more than the indication of a train of thought, for the report added: "No attempt has been made to relate these requirements to a possible world availability over the period." The train of thought is more precisely indicated by the following figures, also extracted from the first Paris report:

PROJECTED GROWTH OF HOME REFINING
(OEEC Countries and western Germany)

	Per cent. of Requirements		
	1938	1947	1951
Supplied from :—			
Indigenous oilfields	7	4	4
Refining of imported crude	33	24	41
Imports of finished products	60	72	55
	100	100	100

In home refining the United Kingdom has given a lead with a domestic programme which will add 16½ million tons or more a year to the annual throughput of British refineries. Several Continental countries had, however, embraced home refining as a policy before the war. French legislation led to the building of 15 refineries in France between 1931 and 1935. These were badly damaged during the war, but have since been largely restored to use. Further refinery expansion is an important feature of the Monnet Plan. But the French balance of payments will not even now permit of the full throughput of the French refineries being used, and a recent arrangement provides for the refining of crude on British account for export. It seems likely that France will be driven to rely on the services of her new refineries as an invisible export.

The Italian industry is likely to find itself in a similar situation. Italian requirements in petroleum this year are about 2,750,000 tons, and the Italian estimate for ERP purposes was a requirement of nearly 6,000,000 tons a year by 1952. Plans already published will raise the capacity of the Italian refineries to 5,250,000 tons. But additional projects lately put forward would add another 2,500,000 tons to Italian refining capacity; Italy, therefore, may also find itself in the export trade.

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The German industry, through its long concentration on synthetic production from coal, is a special case. Final political decisions have still to be taken on the future of the German synthetic plants. For the present, refinery capacity damaged by the war is being repaired. It is to be supplemented by the partial services of two former synthetic plants at Gelsenkirchen and Wesseling, and by these means the petroleum requirements of the western zones will be met by imported crude refined in Germany. In Holland the Shell refinery at Rotterdam is being enlarged, and Caltex are erecting (also at Rotterdam) a new refinery to have a capacity of 1,000,000 tons a year.

These, and a number of smaller projects in other countries, make up a formidable volume of refining capacity which was summarised last week by the petroleum chief of ECA. Mr Levy estimated the capacity of the European refineries at the end of 1947 as 19 million tons a year, the expected capacity next June as 25 million tons a year, and the total capacity "scheduled" to be in operation by the end of 1952 as 50 million tons a year.

The European effort as it is shaping at present may lead to a swifter growth in refining capacity than in the production and piping of crude oil. Proposals for new refineries continue to appear; in addition to those already summarised, there is a movement to establish a home refining industry in Belgium—on which Holland, as a partner in Benelux with two large refineries building, cannot be expected to look with great approval. Greece and Turkey have lately produced proposals for entering the refinery field. The same is happening in other parts of the world, and domestic refining is talked of in India and Brazil.

The tendency is natural enough, and up to a point necessary. It carries, however, certain possible disadvantages. A multiplication of small, dispersed plants designed to serve restricted markets must carry with it some waste of capacity. Steel which is desperately needed for pipelines and tankers may, therefore, go into unnecessary refining plant instead, and the scale of the total oil effort be restricted even more than it need be. The national domestic projects tend to be served first, while the overseas development waits.

Purely technical development would lead the industry in the opposite direction—towards large refineries varying in capacity between 1,000,000 and 5,000,000 tons a year, and producing higher quality products than those of today. Modern plants of this size can carry definite advantages; among the advantages is motor spirit of higher octane, which may reach the British market in a few years. They can vary the balance between the different fractions produced (aviation spirit, motor spirit, diesel oil, fuel oil) to meet, up to a point, the varying needs of the markets. Even beyond that point, since they serve large markets, they can hope to even out the variations among different consumer groups. The oil industry tends to think in larger terms—bigger pipelines, tankers of 28,000 and 30,000 tons, large and elaborate refineries. It cannot be fitted into a too strict national pattern without distortions for which only the user can pay.

Business Notes

Inconclusive Markets

After the recent rise—both in gilt-edged and in industrial equities—stock markets seem to have reached a rather inconclusive phase, and this week's movements have done little to determine the many debates about the immediate prospect. Early in the week, it is true, it seemed at first that the gains were becoming sufficiently consolidated to permit a further advance in the general level of industrials. On Monday the industrial share index of the *Financial Times* rose by 0.7 to 119.8—nearly 2¼ points better than at the end of the last account and 10 points above the low point touched last July. Accordingly, it began to excite the interest of the chartists but, unfortunately, the fact that some of these were getting their cheque-books ready evidently left the general body of investors quite unmoved. The Vyshinsky veto, the re-opening of Parliament, and nervy discussion about the then impending Steel Bill, all combined to restrain activity; the index has since relapsed virtually to the level at which it stood last week. Among the exceptions to this general trend has been the firmness of stores equities, oblivious of the sombre implications of the latest economic White Paper.

The gilt-edged pattern has been rather similar. The great event has, of course, been the opening of dealings in the new Electricity Stock, applications for amounts over £50,000 for which were scaled down by nearly one-quarter. The Loan's debut on Monday at an opening premium of ¼, with dealings at one time at 1 3/32, seemed to justify the theory that the necessary adjustment would be achieved by a rise in the new loan to the general level of the market instead of by a moderate easing all round. This question, however, is still in doubt. The initial repercussions, exerted in very active dealings, produced declines of about ¼ in the nearest comparable securities—in particular, in 3 per cent Savings Bonds, 1965/75 and in Transport Stock. Mr. Vyshinsky's latest gesture, however, served to inhibit the reflex action for which the more optimistic had hoped, so that on Tuesday and early on Wednesday prices declined further, to the accompaniment of some suggestions about bear selling. Most of these losses have since been regained, reducing the net changes on the week to scarcely more than ⅛. These inconclusive movements hold little assurance that the weight of money, which so impresses certain people in the market, can be counted upon to produce a resumption of the rather unaccountable upward movement which the Electricity issue has arrested.

* * *

ECA Loan Terms

The terms were announced this week of the first loan to be arranged between the British Government and the Export Import Bank of Washington, acting for the Administrator for Economic Co-operation. The amount of the loan is $310 million, which represents the agreed distribution of ECA aid to the United Kingdom between grants and loans in the proportion of 3:1. The quarterly allocations of aid to Britain already announced are as follows, showing the amounts attributable to grant and loan expenditure:

	In $ million		
	Grants	Loan	Total
April-June, 1948	300	100	400
July-Sept. „	250	85	335
Sept.-Dec. „	375	125	500
Total	925	310	1,235

No difficulty will be found in matching procurement authorisations for textile, mining and agricultural machinery and for such industrial materials as steel and oil, against the loan expenditure. But the demarcation between grants and loans cannot be logically explained in terms of the types of goods on which Marshall aid is being spent. Its explanation is to be found firstly in the quite arbitrary decision of Congress that 20 per cent of the sums allocated for ERP should be made available on loan terms and secondly by the subsequent decision of ECA that for aid to Britain, this proportion should be 25 per cent.

Interest on the loan will be at the rate of 2½ per cent. Interest payments are due to begin in 1952 and the principal is to be repaid in semi-annual instalments beginning in 1956 and ending in 1983. The agreement includes the loosest of waiver clauses:

If at any time or from time to time the parties hereto determine that it would be in their common interests because of adverse economic conditions or for any other reason to postpone any instalment of interest or principal or to alter any provisions of the promissory note relating to payment of interest or principal or to modify the promissory note in any other respect, they may by mutual agreement provide for any such postponement, or alteration or other modification.

The beguilingly precise mathematics of the 1945 agreement waiver clause have been carefully avoided on this occasion, and the new waiver, unlike that of 1945, applies to capital as well as to interest payments. The 2½ per cent rate of interest was virtually fixed by the fact that ECA is paying the US Treasury about the same for the monies it is raising in respect of the loan portion of the sums authorised by Congress for ERP expenditure. On all counts this is a reasonable agreement and the contrast between its terms and those of the 1945 agreement, particularly the absence of any "strings" in the latest agreement, is a significant reflection of the change that has occurred in the Washington atmosphere over the past three years.

* * *

The Motor Show

It is too early to say that the phase of postwar transition and improvisation has ended in the British motor industry: in too many ways, as the motor manufacturers themselves are among the first to complain, the conditions in which the industry operates are still artificial. But there has by now been time for some of their plans to take effect and for some of the difficult operations of retooling and works reorganisation to be completed. So the Motor Show which opened this week at Earls Court enables the public to see, for the first time since the war, a substantial number of new British models together. They are only the first stage of the effort to make up the lost ground of the past ten years: next year and the year after should make it possible to see more clearly the trends in such key matters as engine size and ratio, body design and finish, suspension, and production costs on which the industry's future may depend. The Motor Show is an interim report.

The new products of the motor industry are being well received, and their good reception is strengthened by the general feeling that the industry has responded well to the exacting demands placed upon it in the past year. To expand its export performance at the smart pace imposed by the Government (and with which the industry has successfully kept in step) was not easy in the face of the import restrictions which have become so common in the overseas markets. To redirect the export sales effort at the same time to dollar markets, where standards of price and performance are particularly keen, has been even harder. This has been achieved to the extent that in the first three-quarters of this year 9 per cent of British motor exports went to the United States (as against 2 per cent last year) and 5 per cent went to Canada (as compared with 3 per cent last year); and the Minister of Supply said in a speech to the Society of Motor Manufacturers and Traders this week that the proportion of the exports going to hard-currency markets had risen from 7.5 per cent in the first quarter of 1938 to 26.5 per cent in July. These proportions are clearly not enough, but the redirection of effort is still proceeding. Its further success in conditions of sharpening competition will require more, and still more, of the technical improvement and redesigning of which the present Motor Show presents the first stages. For the most difficult of manufacturing operations, particularly in an engineering industry, is to prepare a new range of products without slackening the immediate productive effort on the old range.

The new products, as they come forward, will be judged not by the praise they receive at home but by their sales success abroad. To be deprived of a large and critically-disposed home market at a formative stage can only add to the planning difficulties of the industry. A manufacturer who has to rely almost entirely on overseas markets for his sales reactions must lose valuable time, or must work to a certain extent in the dark. The industry is substantially performing the task imposed upon it of exporting 75 per cent of its products, and the remaining 25 per cent is taken up all too gratefully by a home market which is no longer in a position to be critical. It is not necessary to pretend that this is

a healthy position. Mr Strauss made it clear that it must continue "for some time," and that there was no more steel for motor cars at the moment.

* * *

Evasive Action in South Africa

South African economic policy is still twisting and turning in its effort to avoid facing the harsh glare of realities, the most withering beam of which comes from the persistent fall in the gold reserve. Until recently the Finance Minister's avenue of escape from that was blocked by the ratio of gold cover required by the Reserve Bank Act. The latest evasive action, therefore, was to amend the Act. The amendment took effect three weeks ago, and proves to be a little more ingenious—though not less ingenuous—than appeared when the proposals were discussed in these columns early last month. The minimum legal ratio of gold cover has been reduced to 25 per cent but, in addition, this ratio is no longer to be computed as a proportion of the Bank's liabilities to the public: for the purpose of calculating the ratio, the Bank is empowered to deduct from its liabilities "an amount equal to the book value in Union currency of its assets held outside the Union." Thus defined, the deduction obviously includes the foreign exchange holding, consisting almost wholly of sterling and equivalent to roughly one quarter of the liabilities. But it is believed to be deemed to include also the £80 million gold loan to Britain, equivalent to a further 40 per cent.

Strictly within the limits of technique, there is admittedly a certain logic about this novel power, whichever way it is construed. It can be argued that a large part of the increase in deposits in the Union is in effect the counterpart of the inflow of sterling capital, the possibility of withdrawal of which is "covered" by the Reserve Bank's sterling holdings or by its right to secure additional sterling by advance repayment of the loan. At all events, the first effect of the new provisions, which showed themselves in the Bank return made up to October 15th, has been to enable the Bank to announce an increase in its gold ratio from 31.6 to 41.1 per cent—in a week in which the gold holding dropped from £66.6 million to £64.0 million and the sterling holding from £51.4 million to £49.3 million. It is clear from these figures that only the actual sterling holding, and not the sterling loan, has been treated as a deduction.

For a little while longer, therefore, the Government is enabled to avert its gaze from the repellent sight. But these shifts and devices will not serve it for long. The continuous fall in monetary reserves, no matter how it is cloaked, is as real and ominous a danger signal for the Union as the run on sterling was for Britain last year. There are, indeed, some signs that the Government is beginning to realise this, as hopes of a dollar loan grow dim. This week's reports of impending restriction of luxury dollar imports looked circumstantial. The cutting out of a few frills, unaccompanied by any general pruning of the whole range of domestic outlay, would be an excessively timid measure. But it would be a useful start.

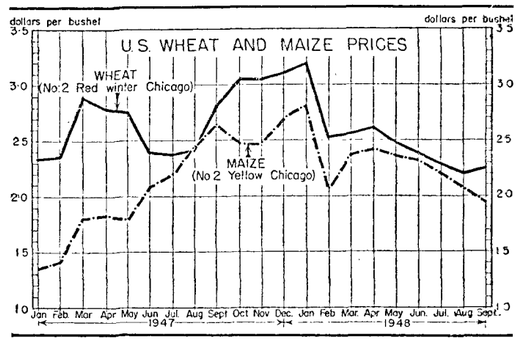
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Cheaper Grain

The excellent grain harvests throughout the Northern Hemisphere are bringing the American prices of wheat and maize down to the levels at which the American price support policy is effective. Indeed, maize futures are below support levels. But there is still no sign of a "break" in the market. The market has been orderly, and the fall in prices, if anything, less sharp than was generally expected—the rise in wheat during September was due primarily to a temporary shortage in available supplies. The general trend of wheat prices is still downward, and the price seems likely to settle between $2.00 and $2.25 a bushel. December wheat is $2.29⅞ a bushel and its support price $2.22. Maize is now $1.37⅝ a bushel for December delivery, while the support price is around $1.40. Large harvests are imposing a severe strain on the existing storage facilities. Unless grain is stored in suitable barns or warehouses, the Commodity Credit Corporation has no obligation to pay the support price to farmers. Hence there is a possibility that in certain areas, at any rate, the price of maize may fall below the support level.

It is now confidently estimated that between 300 and 500 million bushels of maize will be available for export from the United States alone. If such a quantity were to materialise, the Commodity Credit Corporation might declare maize a "surplus commodity," in which case supplies for the European Recovery Programme might be obtained at only half the support level of 70 cents a bushel, leaving the deficit to be met by CCC as an export subsidy. Thus American farmers would still receive their guaranteed minimum prices. The possibility of such a scheme is already influencing the policy of western European buyers. Most of their requirements will be met by North American supplies paid for in Marshall dollars, and the price at which these supplies could be bought under such an arrangement would be almost as low as its prewar level. The Economic Co-operation Administration in Washington will not sanction "off-shore" purchases from Argentina until the latter's prices are reduced to the American level. Given such a scheme, would Argentine maize have to be sold at 70 cents a bushel, or would the American level for this purpose be the support price?

Broadly similar considerations apply to Canadian wheat. So long as the British contract price (now at $2.00 a bushel) is not above the corresponding American price, ECA funds can be used for "off-shore" purchases from Canada. In fact, during the



first year, 1948-49, some $300 million has been allocated for the purchase of Canadian wheat. But if ECA dollars are to be used in payment for future supplies, then the British contract price for Canadian wheat must clearly be limited by the course of wheat prices and policy in the United States. From January, 1950, a new formula will be applied for determining American support prices, the effect of which will be to make grain prices relatively cheaper than they are now. The Canadian contract expires in July, 1950, but it seems highly probable that next season's price may have to take into consideration the new American support level, although it will be operative for only six months of the contract. In this case the Canadian price is likely to be fixed below $2.00 a bushel.

* * *

Back to Normal in Cotton?

The Raw Cotton Commission has taken yet another step towards reinstating the practice of "the good old days"—a step which has been acclaimed in Lancashire as being "in the right direction." From the beginning of November, the Commission will buy Brazilian cotton through shippers' agents in Liverpool and Manchester, and the same arrangements will apply to Peruvian cotton from the beginning of 1949. Hitherto the Commission bought these cottons through its own offices in the exporting countries. There has, of course, been much speculation whether the previous system proved to be unprofitable. During the war, at any rate, this method was successful in securing cotton supplies for Britain at reasonable prices. The reason for the change, however, is more likely to be an administrative one. Since its inception the Commission has been short of experienced men, and the present move may imply a concentration of talent at headquarters.

American and Indian cotton has for some time past been purchased by the Commission through shippers' agents. With the inclusion of Brazilian and Peruvian cotton, nearly two-thirds of the Commission's annual supplies will be bought by this method, leaving only 16 per cent bought in bulk, 2 per cent under long-term contract and about 15 per cent through its office in Alexandria. The question naturally arises whether the Alexandria office will be maintained for any length of time. The official announcement states that Egyptian cotton will continue to be purchased through the Commission's office "owing to unsettled conditions in the Middle East." Presumably there is little chance of more settled conditions in these parts in the immediate future.

From Lancashire's standpoint, the new buying arrangements are unlikely to yield any marked advantage. It is just possible that they may provide a greater variety of types of cotton for the spinners, but no significant fall in price can be expected. The change reveals rather a political retreat. The Raw Cotton Commission has undertaken to give spinners and weavers the best possible service. In carrying out this promise, it has not considered itself bound by political arguments put forward during the passage of the Bill through Parliament in favour of centralised purchase of cotton. The use of shippers' agents merely renounces another avowed advantage of bulk purchase.

* * *

Stabilised Prices for Oil?

At the beginning of October the Phillips Petroleum Company raised its price to Texas oil producers by 35 cents a barrel—a move which was followed by a few "independents," but resisted by the major oil companies. Last week, however, the Southern Minerals Corporation, which had followed the price increase, decided to return its price to the old level. This may be regarded as an omen that the recent increase cannot be maintained, although Phillips has reaffirmed its conviction that its policy is sound. If past experience is any guide, the fact that a month has passed without an all-round increase suggests that resistance may have been successful.

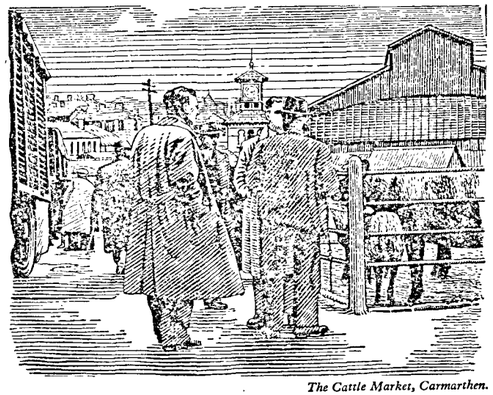
It is possible that the strength of feeling which this matter seems to have aroused is caused less by differences about an increase in prices than about the best time for making it. Given the vast capital expansion in the world oil industry, rising costs of materials and construction may eventually cause producers to seek higher prices to cover their investment costs. But a general increase in oil prices—although it may be inevitable later on—would at the moment cause political repercussions in the United States which the major American companies would prefer to avoid. So far as Europe is concerned, it would reduce the quantity of oil to be expected from ECA funds. There are signs that the sustained rise in commodity prices during the past year or more is losing impetus. Grain prices have been falling and cotton, wool and other agricultural raw materials are also lower. The stabilisation of oil prices might therefore be an important factor in the general stabilising of prices, particularly since world supplies of oil have recently shown some expansion. If the end of the rise in commodity prices is in fact in sight, the policy of stabilisation would certainly be justified. But if inflationary pressure should again force world prices upwards, then even the major oil companies would have to conform to the renewed rising trend.

"Orderly" Marketing for Tin

The Tin Study Group is holding its third meeting at The Hague this week. The most important item on the agenda is undoubtedly the report of the working party set up at the Washington meeting last April to consider the desirability of an international commodity scheme. It is well known that tin producers, fearing surplus production by 1950, are anxious that some form of regulation should come into force at an early date. They also want to abolish the international allocation of tin, on the grounds that under "free" market conditions the price of tin would be higher than it is now. These two proposals would, of course, have little chance of acceptance by the Study Group as a whole, since it includes both producer and consumer interests. Perhaps that is the reason for the persistent rumour that certain countries would like to see the Study Group wound up. If all rumours are to be believed, it would seem that the producers would like to institute a central selling agency which could bargain with countries indulging in bulk buying.

It is unwise to prejudge the issue, particularly as the proposals put before the Study Group have not yet been published. But it is clear that the problem of orderly marketing will have to be given serious consideration. Where the production of commodities cannot be regulated so as to conform to changes in demand, a case for a commodity scheme can be made out. But according to the principles of the International Trade Organisation, any scheme which is restrictive in character is not permitted. The Wheat Agreement guaranteed import and export quotas for the major wheat consuming and producing countries, but there was no control of output. Nor did the quotas cover total world supplies. Nevertheless, the main disadvantage of that scheme was that price stability was assured at too high a level to commend it to consumers for any period of time.

It is, indeed, difficult to achieve a satisfactory compromise between both producer and consumer interests on any commodity. In the case of tin, however, a further difficulty arises. There is still a relative world shortage of non-ferrous metals, so that consumers cannot readily substitute other metals for tin, should they consider its price too high. Moreover, in present circumstances, re-armament and stockpiling claims must be given weighty consideration. It is reported from The Hague that the American delegation will seek approval of its plans to expand tin production in Indonesia with the help of ECA funds to the Netherlands.



The Cattle Market, Carmarthen.

In spite of the modern trend towards centralisation and uniformity, many of us still believe that local traditions count for a great deal in the conduct of business. We like to deal with local men who understand local problems and conditions, rather than with some remote authority, however well-intentioned. It is the knowledge of this deep-seated preference for familiar things and people that underlies the development by Barclays Bank of their unique system of Local Head Offices, covering England and Wales. The Local Directors of these offices are well acquainted with the districts they serve; their experience is at the disposal of all customers of the Bank, whether their accounts are large or small.

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Under the Bilateral Agreement this would be regarded as the development of colonial resources for American strategic purposes. But how could such a development be integrated within a commodity scheme? Perhaps the Study Group will conclude after all that the time has not yet arrived to go much further with a commodity scheme for tin.

* * *

Lancashire Discusses Redeployment

In organising its conference on production, quality, and costs at Harrogate last weekend the Cotton Board set a good example to other industries and made some progress in reducing the gap between the men who evolve policy and the men who operate the mills. The discussions which took place were not free from acrimony or from the airing of old prejudices, but their general level gives greater hope than has previously appeared for a serious, concerted attempt to improve productivity in the cotton industry. Unreserved agreement on the methods of redeployment was perhaps too much to expect, but the area of common ground between the trade union representatives and the more enlightened employers was shown to be large; at times only the stop-watch—still the symbol, to many trade unions, of merciless exploitation—separated the two. It may not be beyond the resources of industrial consultants to measure work-loads without mechanical aid; in some Lancashire mills the feat has already been performed. Further meetings of interested people in the trade are to be held to find ways of speeding up the pace at which redeployment is adopted.

Figures given in the *Cotton Bulletin* show the pace in the spinning section to be accelerating already. Redeployment has been accepted as permissible by the trade unions in about half the cotton spinning districts, with about 14 million spindles. The firms which have already started work on schemes of redeployment own between them 10 millilon spindles, and firms which have shown an interest but "are not yet actively engaged" own another 1,250,000 spindles. These figures are supplied by the Federation of Master Cotton Spinners' Associations, and relate to its members. They need a good deal of qualification, for a number of big spinning firms have started redeployment in some of their plants but not in others. Redeployment schemes actually begun apply, therefore, to much less than 10 million spindles; and the remainder who have not yet begun include many firms owning single mills, who can only be converted one by one.

The President of the Board of Trade, when he addressed the conference, gave figures showing that in spite of its recruitment and production difficulties the industry was "within measurable distance of the end-year (export) target of £13 million a month." Improved yarn production had contributed to this result. In May and June, yarn production was 15 per cent greater than a year previously, though cotton cloth production had increased by only 10 per cent. The rate of export had risen much more quickly, but two devices by which this had been made possible rendered the picture less cheerful. The present exports (said Mr Wilson) included large re-exports of imported grey cloth finished in Britain. In the twelve months to June, 166 million square yards of grey cloth were imported, mainly for re-export.

He also made it unpleasantly clear that the supplies to the home market had been very greatly cut down to allow for export requirements to be met. The current figures of stocks in shops and warehouses do not tell the story; it appears, however, from the figures of deliveries of yarn against home and export allocations which Mr Wilson quoted:

YARN DELIVERIES (TONS)

	2nd quarter 1947	2nd quarter 1948	3rd quarter 1948
Home civilian allocation ...	28,000	22,000	19,000
Export allocation	17,400	36,000	37,000

Yarn deliveries for home civilian purposes in the last quarter, said Mr Wilson, were the lowest since 1945.

* * *

Anglo-Dutch Double Taxation Convention

The Double Taxation Convention between Great Britain and the Netherlands now awaits ratification by the two Governments. No time limit has been set to the duration of the agreement, but in 1952 one year's notice may be given by either side to terminate it. The provisions referring to income arising in Great Britain will be retrospective to April 6, 1948, for income tax and to April 6, 1947, for surtax. In respect of income originating in the Netherlands the provisions of the Convention will be retrospective to December 31, 1947. Apart from affording taxation relief on currently earned income the Convention ends the present anomalous position by which the estate of a deceased person is liable to taxation in both countries.

Under present Dutch taxation law a company is liable for two taxes. It has to pay 33⅓ per cent on its gross profits, and in addition a separate tax of 15 per cent on dividends distributed to shareholders. Dutch residents offset the tax on dividends against their earned income tax liability as individuals, but up to now British shareholders in Dutch companies such as Unilever NV and Royal Dutch have not enjoyed the same right. The 15 per cent Dutch tax has in effect been a special tax on non-resident shareholders. It is this tax and not the 33⅓ per cent company profits tax which is eliminated by the Double Taxation Convention. Articles VI and XV of the Convention make this point perfectly clear. The possibility of an offset by British shareholders of both Dutch company and dividend taxes against their taxation liability to the Inland Revenue has recently been actively canvassed in some quarters in London—taking the UK-Australian double taxation agreement as a precedent. The advance in Unilever NV ordinary shares from 51s. 6d. to 53s. 6d. over the past week appears to have been partly a reflection of such hopes.

* * *

New Capital for General Electric?

Company chairmen of late have devoted much of their remarks to shareholders to the fundamental principles of capital replacement. Sir Geoffrey Heyworth led the shareholders of Unilever over the full stretch of this chapter of basic economics some months ago. The same broad ground has been covered by Sir Harry Railing at the General Electric Company ten days ago, in words which deserve quotation:

> Whenever costs rise, either through rises in primary commodities or services or wage demands, and when they are not compensated by increased output per man-hour, the result can either be an increase in price or a reduction in profit, and therefore in the money that becomes available for plant replacement. . . . Any selling prices which do not take into consideration present replacement costs are fallacious. The same applies to all forecasts for future capital replacement. Companies who have not done their utmost in the past to depreciate on a more generous scale than that which is allowed by the Government for taxation . . . will find themselves in a difficult position.

The writing on the General Electric wall is not so obvious as it is for many of the smaller engineering companies which, despite inflation, have lately found trading difficult and in some cases unprofitable. Out of GEC's aggregate group profit—it amounted to £5,476,053 for the year ended March 31, 1948—depreciation of fixed assets and plant replacement reserve have absorbed £748,656; in addition, £858,050 was transferred to reserve against stock depreciation and some £2,372,558 was earmarked for taxation. These calls on the profits of the group were comfortably met last year. But the time may be approaching when even General Electric may find that rising costs, coupled with a sufficient slackening of demand to make any general rise in selling prices inexpedient, may affect the company's capacity to provide adequately for capital replacement and to bear a heavy burden of taxation at the same time.

The GEC accounts provide evidence of another familiar development in company finance. A balance of cash and near cash items of £1,996,466 at March 31, 1947, has given place during the following year to net bank indebtedness of nearly double that amount. In other words, about £6,000,000 has been absorbed in the business during the year. The group balance sheet figure for raw materials and for partly or wholly manufactured goods has risen from £11,939,030 to £20,210,005—for the familiar reasons: "increased turnover, the building up of stocks to pre-war levels, the higher ratio of capital goods in course of production and the rise in prices and consequent increased cost of replacement." Hence, apart from the finance required for capital projects—the group's outstanding capital commitments at March 31, 1948, amounted to £633,909—the need for additional permanent capital is growing more acute. The further warning by the chairman that "at some future date" General Electric may have to undertake a further permanent increase in capital is obviously justified by the latest figures.

* * *

Another Hitch with Jugoslavia

A fortnight ago hopes were running high that agreement would at last be reached with Jugoslavia after two years' negotiations. Another hitch, however, has occurred. The Jugoslav delegation was instructed to agree to a total compensation figure nearer the British demand of £7,000,000; previously, the Jugoslav offer had been only for £3,000,000. Thus the conclusion of both the financial and the trade agreement seemed imminent. But a postponement has occurred during the working out of the details of the compensation scheme. Jugoslavia's estrangement with the Soviet Union has obviously strengthened Britain's bargaining position. But Britain is in fact asking for no better treatment in this matter of compensation than Jugoslavia has already accorded to Sweden, Switzerland and Belgium.

The trade agreement which was originally intended to be for 5 years, is now to be only for twelve months. Britain is to get sawn timber, pitprops and sleepers, poultry, eggs, fresh and dried fruit and tobacco. The total value of trade is estimated at £15 million. The Jugoslavs will buy in return crude oil, raw wool, cotton yarn, motor tyres and machinery. As Jugoslavia's exports to Britain will be larger than its imports, the resultant sterling balance will presumably be available for the compensation payments. It is also reported from Belgrade that Britain is negotiating, quite separately from the trade agreement, to buy 200,000 tons of coarse grain. Last year, this item was included in the agenda of the trade negotiations, but then there was a world shortage of feed grains.

* * *

Anglo-Portuguese Trade Negotiations

The fruits of the trade negotiations between this country and Portugal in July and August are only now becoming known. The lifetime of the results of the negotiations is somewhat limited as the course of trade between the United Kingdom and the Portuguese monetary area in 1949 will need to be discussed in further talks at an early date.

The gist of Portugal's representations at the talks this summer was that Britain is importing essential food and raw materials but is not ready to take the less necessary commodities which Portugal is anxious to export, in particular fruit and wines. Some concessions appear to have been made to Portugal's point of view, though they were smaller than the Portuguese delegation had hoped for. In return for Britain's undertaking to increase its purchases of less essential goods, Portugal has itself agreed to lift restrictions on the imports of British manufactures of a less essential nature. Imports from Portugal include considerable quantities of cork, wolfram, pit props and timber and some tin. On the other hand, Portugal's imports include many essential items. Portugal has received from this country a number of ocean-going ships, the two biggest being of 12,500 tons; further ships of over 5,000 tons are soon to be completed, payment on account having already been received. Two important engineering contracts were recently signed, one with English Electric Company and Metropolitan-Vickers, and the other with Dorman Long, involving several million pounds. The Portuguese market for British motor cars has made headway at the expense of motor car imports from the United States.

Visible trade between this country and the Portuguese monetary area shows a large favourable surplus which has increased since 1938 out of proportion to the intervening rise in prices. But purchases from the Portuguese monetary area by the rest of the sterling area—in particular by South Africa from the Portuguese African possessions—have resulted in an unfavourable balance of payments—on visible and invisible account together, between the two monetary areas. As a consequence gold has had to be shipped to Portugal running into six figures to cover the deficit of the past two years.

ANGLO-PORTUGUESE TRADE

	1938	1946	1947	8 Months 1948
Imports from Portugal:—				
Metropolitan (*a*)	3,892,186	8,585,554	7,754,700	6,437,690
Colonial	159,648	193,287	369,544	1,007,845
Exports to Portugal:—				
Metropolitan (*a*)	3,222,559	10,408,567	11,520,953	15,325,920
Colonial	1,937,531	2,062,659	2,751,764	2,752,145
Re-exports to Portugal:—				
Both areas	315,063	205,831	369,768	84,921
Surplus on visible account..	1,423,319	3,998,216	6,518,241	10,717,451

(*a*) Including Madeira and Azores.

The implication of the gold shipments is not that Portugal has proved itself an unreasonable trader, or indeed an unwilling holder of sterling. Portugal holds £80 million of wartime sterling balances. Trade relations are still based on the financial agreement of 1946 in which each party agreed to hold up to £5,000,000 of the other's currency, beyond which any excess has to be met in gold. There is, however, an aspect of trade between the two countries on which the Portuguese authorities felt strongly at the talks this summer. The United Kingdom has bought some commodities in Portugal which, the Portuguese claim, it has resold against dollars. Diamonds, both industrial and gems, are the most important items. Portugal has recently imposed severe restrictions on its dollar imports—from these restrictions this country's exports to Portugal have indirectly benefited—and shows some concern because re-exports of Portuguese goods have enabled the sterling area to earn dollars which Portugal would like to earn itself. If this concern is justified, it may well be asked why Portugal is unable to export such articles directly against dollars.

* * *

Discount Company's Recovery

The accounts of Allen Harvey and Ross, Ltd., although it is one of the smaller discount houses, are of particular interest because they may now be regarded as opening the discount market year, which runs through accounting dates varying from end-September to end-April. Twelve months ago, moreover, Allen Harvey's early balance-sheet date proved rather embarrassing, for it almost coincided with the nadir of the gilt-edged slump which followed the collapse of Mr Dalton's campaign. For the year 1946-47 the company was obliged to provide a sum of £275,650 to write down the book value of its bond portfolio, a provision which more than absorbed the year's gross profit (including the amount brought in from contingencies fund). To meet the deficiency and to finance the dividend payments (the ordinary shares received 5 per cent), nearly £40,000 had to be drawn from reserves and carry-forward. During the past year, thanks to the absence of any further depreciation and to the good running profits which have been obtained on bonds, last year's inroad has been fully made good. The published net profit, after an undisclosed transfer to contingencies, is £74,682, in contrast with a net loss of £14,972. After paying 10 per cent on the ordinary shares, rather more than £41,000 is added to reserves and carry-forward.

This recovery, moreover, has been achieved without any net increase in the bond portfolio, and despite a significant shortening of its average life; all the securities now have a final redemption date of 1951 or earlier. The bill portfolio has expanded by nearly £4,000,000 to £31¼ million which, with the bonds, gives a total portfolio of rather more than £41 million; this contrasts with less than £23 million before the increase in capital in 1946. At its present level, the position seems to be sufficiently extended, especially if account is taken of the contingent liabilities on bills rediscounted. These have shown a large and welcome rise from £4,900,000 to £7,600,000, reflecting the recent heartening recovery of the traditional commercial functions of the discount market. Allen Harvey have evidently secured their full share of this business, for it is stated that the year's purchases of commercial bills have risen by 43 per cent.

* * *

Commercial Bill Rates Adjusted

The discount market decided this week to take up another notch in the leverage which it is exerting to widen the narrow margin of gross profit obtainable on commercial bills. Ever since the early days of cheap money the rate at which the discount market secures Treasury bills has been forced down to a level which leaves it only an exiguous gross margin over the cost of the short money by which its portfolio is financed. This depression of the Treasury bill rate inevitably carried with it the discount rate for fine commercial bills, and when the shortage of these became acute, the margin between the two bill rates almost disappeared. So, too, did the customary difference between the rates charged for commercial bills of short and long usances. Until early this year the discount rate for three months' bank bills was ⅜ per cent per annum, compared with the clearing banks' charge of ½ per cent for short loans secured by bills.

The discount houses had long complained at the inadequacy of this margin, but last January the increasing supplies of commercial paper gave them an opportunity to take concerted action to improve it slightly. Accordingly, the rate for two and three months' bank bills was raised to ⅝ per cent and that for four and six months' bills to ¾ per cent. It was generally understood at the time that the market hoped to carry the process further, but

this week's adjustment is more modest than some people had expected. It relates only to six months' bills, the rate for which is raised to ⅛ per cent, and thus duly recognises the greater risk which a longer usance involves. The change is therefore no more than a minor technical adjustment, and is not to be regarded as any sign of an impending stiffening of basic money rates.

* * *

Silent Discussion in the Coal World

The effort being made to organise the coal-mining industry for higher production is no doubt real, but it is unfortunate that so much of it is conducted in the dark. At the first press conference of the Anglo-American Council on Productivity on Monday (an occasion on which masterpieces of reticence were performed on a number of subjects) some of the more embarrassing questions were directed to getting an explanation of the omission of coal from the Council's agenda. The joint special committee of the Coal Board and the National Union of Mineworkers has completed its inquiries and reported to Mr Gaitskell, and on Thursday the mineworkers' representatives reported to their own union executive. The next step on the labour side will be a special delegate conference at which the attempt will be made to secure the co-operation of the districts and branches, particularly on the proposed disciplinary measures to reduce absenteeism.

Little that was original or surprising seems to have come before the committee from the mining areas, beyond a set of proposals from Durham which included the organisation of underground workers in "teams" under a "captain" whose concern would be to see that the rhythm of production was maintained. This is an interesting variant on the suggestion, often made but never acted upon, that the mining deputies who are now charged with responsibility for safety should be made responsible for production as well. Any measure designed to make more use of the deputies would have only doubtful prospects of success unless the deputy's status could at the same time be raised and his pay put on a new basis. In one way the Durham proposal seeks to achieve the object with less disturbance of the customary pay relationships; but unless the "captain" were given pay to match his responsibilities it would be doubtful how far he, too, would make any striking difference. The subject is one which would benefit from being discussed more publicly.

The organisation of the Coal Board itself is another part of the same subject, for it was over the Board's structural incapacity to put production first that the doubts largely arose which led to the Burrows Committee being set up. Lord Hyndley said at the weekend that the committee had "endorsed" the main structure by which the collieries were grouped into areas and the coalfields organised under divisional boards. But it appeared from Lord Hyndley's remarks that the committee had had a good deal more to say as well; some of its recommendations would be accepted, he said, others would be modified, and others "we may have good reasons for not accepting." He reiterated the intention of publishing the recommendations, and the action proposed by the Coal Board, "in due course." This does not seem to be good enough. There is no evident reason why publication should not be made fully and at once.

Shorter Notes

The decision of the Ministry of Labour's National Joint Advisory Council to recommend that the Control of Engagement Order should be kept on at least until the end of 1949 is sensible, in view of the slow progress so far made in reaching the manpower targets of the various undermanned industries. This Order has not worked miracles but the distribution of manpower might have been even more unsatisfactory without it. The Council has also agreed that it is necessary to defer the restoration of prewar trade practices, and at the same time has undertaken to review the whole question of restrictive practices and impediments to full production. Six months have elapsed since Mr Morrison told the House of Commons that both sides of industry would examine this problem. The delay, presumably due to the reluctance of any industry or trade union to admit that such practices exist, in itself almost falls within the category of an "impediment to production."

*

The National Union of Railwaymen is to hold a special delegate conference as soon as possible to consider the next steps in its wage negotiations. Nothing has yet been said officially, but it is generally believed that the three claims put forward on behalf of railwaymen, London Transport workers and hotel and catering staffs have all been rejected, although the Railway Executive is said to have agreed to some levelling up of the wages of the lowest paid sections. It is expected that the claims will be submitted to arbitration.

*

The Board of Trade has agreed to abandon the cost-plus method of controlling prices of utility clothing manufacture which was first introduced with the utility scheme eight years ago. On November 1st the cost-plus system will be replaced by price control on the basis of maximum prices. This decision will be widely welcomed. The old system proved a positive disincentive to the low-cost producer, since it gave him a lower profit margin than the dear producer, who could add the same percentage to a higher cost basis.

*

British firms which had, before the war, a controlling interest in companies operating in Japan will, under a recent ruling from General MacArthur's headquarters, be able to reassume full control of their Japanese subsidiaries.

SECURITY PRICES AND YIELDS

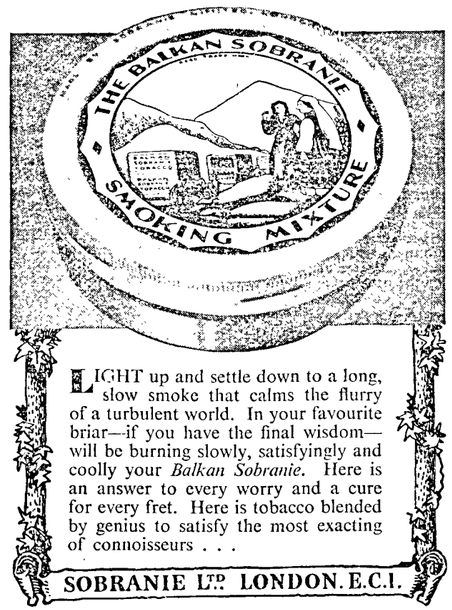
A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: United Steel Companies; Calico Printers' Association; N'Changa Consolidated Copper Mines; Horlicks.

Prices, Year 1948 Jan. 1 to Oct. 27 High	Prices, Year 1948 Jan. 1 to Oct. 27 Low	Name of Security	Price, Oct. 20, 1948	Price, Oct. 27, 1948	Net Yield, Oct. 27, 1948 (a)	Gross Yield, Oct. 27, 1948
		British Funds			£ s. d.	£ s. d.
101⅜	100⅞	War Bonds 2½% August 1, 1949-51	100⅜	100⅛	...	1 5 0*e*
101¼	100⅛	Exchequer Bonds 1¾% Feb. 15, 1950	100⅛	100⅛	...	1 5 0*e*
102⅛	100⅛	War Bonds 2½% March 1, 1951-53	100⅝	100⅝	0 5 1	1 3 2
103	100	War Bonds 2½% March 1, 1952-54	102⅛	102⅛	0 6 2	1 9 10*e*
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	102⅛	102⅛	0 13 8	1 17 0*e*
102⅜	99⅜	War Bonds 2½% Aug. 15, 1954-56	104⅛	103xd	1 2 7	2 12 10
103⅛	100⅛	Funding 2½% June 15, 1952-57	102⅛	102⅜	0 19 2	2 2 2*e*
105⅛	100⅛	National Def. 3% July 15, 1954-58	103⅛	103⅜	1 3 5	2 8 11*f*
105⅛	101⅛	War Loan 3% Oct. 15, 1955-59	104⅛	104⅛	1 3 5	2 10 7*f*
103⅝	100	Savings Bonds 3% Aug. 15, 1955-65	104⅛	104⅜	1 4 0	2 10 5*f*
101⅛	96⅛	Funding 2½% April 15, 1956-61	103	103⅛	1 9 1	2 16 0*f*
103⅜	98⅛	Funding 3% April 15, 1959-69	101⅜	101⅞	1 5 1	2 7 6*f*
114⅛	110¼	Funding 4% May 1, 1960-90	102⅛	102⅛	1 9 10	2 16 5*f*
102⅛	97⅛	Savings Bonds 3% Sept. 1, 1960-70	115xd	115⅛xd	0 19 8	2 13 2*e*
97⅜	92⅛	Savings Bonds 2½% May 1, 1964-67	102⅛	102⅛	1 10 10	2 17 10*f*
115⅛	112⅛	Victory Bonds 4% Sept. 1, 1920-76	97⅛xd	97⅛xd	1 11 1	2 14 0*f*
102⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	114⅜	115	1 3 8	2 16 10*e*
111	107⅛	Consols 4% (after Feb. 1, 1957)	101⅜	101⅛	1 12 3	2 19 3*f*
106⅜	102⅛	Conversion 3½% (after Apr. 1, 1961)	110	110⅛	0 19 7	2 14 10*f*
83⅞	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	105⅛	105⅜	1 9 3	3 0 1*f*
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	78⅛	78⅛	1 15 2	3 3 11*f*
100⅜	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	96	96	1 14 5	3 2 8*f*
83⅛	74⅛	Consols 2½%	99⅛	99⅛	1 13 4	3 0 6*f*
107⅛	96	Brit. Elec. 3% Gtd. April 1, 1968-73	78⅜	78⅛	1 15 0	3 3 9
99⅛	99⅛	Brit. Elec. 3% Gtd. Mar. 15, 1974-77	101	101⅛	1 12 0	2 19 0*f*
100⅛	93⅛	Brit. Trans. 3% Gtd. July 1, 1978-88	99⅛	99⅛	1 13 3	3 0 4*f*
102⅜	95⅜	Brit. Trans. 3% Gtd. April 1, 1968-73	99⅛	99⅛	1 13 7	3 1 2*f*
			100⅛	101⅛	1 12 0	2 19 0*f*

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (a) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield (g) Opening price. • Assumed average life 15 years 6 months.

Prices, Year 1948 Jan. 1 to Oct. 27 High	Prices, Year 1948 Jan. 1 to Oct. 27 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Oct. 20, 1948	Price, Oct. 27, 1948	Yield, Oct. 27, 1948
					Other Securities			£ s. d.
105	101¼	%	%		Australia 3½% 1965-69	104½	105	2 17 6*e*
95	90	(d)	(d)		Birmingham 2½% 1966-71	93½	94½	2 16 6*f*
8½	5½	(d)	(d)		Anglo-American Corp. 10s.	6⅜	6⅞	3 16 10
10⅜	7⅜	50	*c*	50	*c* Anglo-Iranian Ord. £1	8⅜	8⅜	3 10 9
25	5	*b*	5	*a*	Assoc. Electrical Ord. £1	75/-	75/-	4 0 0
87/6	69/-	10	*f*	5 *a*	Assoc. Port. Cem. Ord. Stk. £1	74/-	74/6	4 0 0
15	62/6	15	*c*	15 *c*	Austin Motor 'A' Ord. Stk. 5s.	35/-	35/-	5 14 3
38/6	29/6	40	*c*	40 *c*	Barclays Bank Ord. 'B' £1	78/6	79/-	3 10 11
84/-	72/9	7	*b*	7 *a*	Bass Ratcliff Ord. £1	8⅛	8⅜	2 16 2*f*
103	83	†20	*b*	15 *a*	British Oxygen Ord. £1	99/7½	99/7½	4 0 8
105/-	65/-	12	*b*	8 *a*	Courtaulds Ord. £1	39/9	40/3	3 14 6
46/7½	36/-	2½	*a*	5 *b*	Distillers Co. Ord. 4s.	27/7½	28/4½	3 17 6
32/6	25/1	20	*a*	7½ *b*	Dorman Long Ord. £1	34/3	33/7½	4 15 1
34/10½	27/9	8	*c*	8 *c*	Dunlop Rubber Ord. £1	74/6	74/3	4 0 9
79/9	68/-	15	*c*	15 *c*	Imp. Chem. Ind. Ord. Stk. £1	46/9	47/6	4 4 3
53/-	43/7	7	*b*	3 *a*	Imperial Tobacco £1	5⅞	5⅞	6 7 3
6⅞	4⅜	19½	*b*	13½ *a*	Lancs. Cotton Ord. Stk. £1	43/-	44/4½	4 10 3
48/9	40/3	10	*c*	10 *c*	Lever & Unilever Ord. £1	50/-	51/3	3 18 1
56/6	43/9	10	*c*	10 *c*	London Brick Ord. Stk. £1	53/1½	53/9	3 14 5
61/3	47/6	12½	*c*	10 *c*	P'chin Tyson Ord. Stk. 10s.	54/9	54/9	4 11 4
66/1½	47/-	25	*c*	31½ *m*	P. & O. Def. Stk. £1	55/-	55/-	5 6 8
63/4½	49/6	8	*b*	4 *a*	Prudential 'A' £1	33	33	2 6 8†
35⅜	30½	†14⅛	*c*	†17½ *c*	Stewarts & Lloyds Def. £1	58/9	59/-	4 4 9
59/9	49/9	12½	*c*	12½ *c*	'Shell' Transp. Ord. Stk. £1	76/3	76/3	1 19 3†
85/7½	71/6½	12½	*a*	15 *b*	Tube Invst. Ord. Stk. £1	6½	6⅞	3 17 6
7⅛	5⅛	12½	*b*	12½ *a*	Turner & Newall Ord. Stk. £1	77/6	77/6	3 17 5
90/9	72/6	11½	*b*	3½ *a*	Woolworth (F. W.) Ord. 5s.	81/6	82/-	4 5 5
93/3	76/-	55	*h*	15 *a*				

(a) Interim. (b) Final. (c) Whole year (d) Int. paid half-yearly (e) To earliest redemption date. (f) To latest redemption date (m) 15 months. Yield Basis 25%. † Free of tax.



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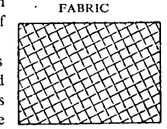
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ODEON THEATRES, LIMITED AND SUBSIDIARY COMPANIES

SATISFACTORY RESULTS IN A DIFFICULT YEAR

The eleventh annual general meeting of Odeon Theatres, Limited, was held on the 27th instant, in London, Mr. J. Arthur Rank (chairman of the company) presiding.

The following is an extract from his statement circulated with the report and accounts for the 52 weeks ended June 26, 1948:—

The results of Odeon Theatres, Limited, for the year are, I hope you will agree, satisfactory, in that the profit, subject to taxation, amounts to £1,194,232 as compared with £1,137,257 last year. The year has been a difficult trading period for this industry. I feel that the results achieved draw particular attention to the important part British films play in the successful operation of theatres in this country when they are played consistently and regularly.

The satisfactory results enable us to transfer to general reserve approximately the same amount as last year—that is £300,000—to increase our carry-forward by £17,868 and to pay the same dividend on our ordinary shares—that is 17½ per cent., free of tax.

The results of Gaumont-British Picture Corporation, Limited, cover a period of 15 months to June 26, 1948, and show some falling off in profits which has necessitated a reduction in the rate of the dividend from 12½ per cent. per annum to 7½ per cent. per annum. We did not consider it prudent to maintain our dividend at the expense of a transfer to general reserve in the sum of £174,437. I anticipate that the profits for the current year will show an improvement, particularly as your company's theatres are being operated now by Circuits Management Association, Limited.

British and Dominions Film Corporation, Limited, has had a most successful year; its studios have been kept fully occupied with the production of British films. We have still further improved the equipment and facilities for film production at Denham and Pinewood, and are satisfied that the film makers who use them now have facilities for the production of films which are comparable to those of any country in the world. The laboratories continue to work efficiently and steadily to expand their output.

Odeon Properties, Limited, and Odeon Associated Theatres, Limited, have had a successful year.

I and my colleagues have adopted a policy of consolidation. It is our intention to cut out all wasteful and unnecessary expenditure and to do all we can to simplify and strengthen the financial structure of the group. We do not intend to embark upon any new ventures, nor to increase our dividends beyond those paid in respect of the periods ending in 1947, but aim to place the maximum sums to reserve each year until we have materially improved our liquid position.

EXHIBITION RESULTS

The exhibition results of the Odeon Theatre Circuit are particularly gratifying and have undoubtedly been brought about by the full exploitation of British films. I am hopeful that under the management of Circuits Management Association, Limited, the results of both Odeon and Gaumont will show a substantial improvement during the current year. We are desirous of showing not only British films but the best of the American ones.

I have referred previously to the success of British films in this country, the average takings per week per theatre of British films on the Odeon Circuit being £587 as against all foreign films £566. These figures are encouraging and show that if British films are consistently and regularly shown, the public appreciate and enjoy them; the ultimate proof being their success at the box office. The theatre companies have been faced with heavy increases in expenditure during the year without any corresponding increase in income or any alleviation of the Entertainments Tax.

Our overseas theatres are continuing to make progress. In some territories there have been difficulties, but we are satisfied that the investments which we have made will be profitable and materially assist in the development of our organisation and, at the same time, ensure an ever-widening outlet for British films.

DISTRIBUTION AND PRODUCTION

Our domestic distribution company, General Film Distributors, Ltd., has made steady progress during the period, handling the films delivered by our British studios, by Ealing Studios and the American product of Universal and Eagle Lion Films Incorporated.

The company has been faced with some measure of criticism by independent exhibitors. I suggested to the General Council of the Cinematograph Exhibitors' Association that, to ensure that there is fair dealing on both sides, a tribunal be available to deal with a case where an exhibitor and General Film Distributors, Ltd., fail to agree. The Association have not yet decided whether they will accept this proposal. I hope they will, as it will do much to eliminate some of the problems of the industry. I am very hopeful that, during the coming year, the business of General Film Distributors, Ltd., will expand still further and that we shall improve our relationship with independent exhibitors.

BUILDING A WORLD ORGANISATION

The building up of a world distribution organisation is a slow and expensive business as, in its initial stages, substantial costs must be incurred for which there is not a corresponding revenue until a sufficient volume of films is in distribution. These costs have been allowed for in the consolidated accounts of General Cinema Finance Corporation, Ltd. Now that the initial expense has been incurred, I believe we can look forward to our overseas distribution companies operating successfully and profitably. We are incurring substantial sterling expenditure in respect of the distribution of our films in Austria, Germany, Italy, Japan, Korea and China, where, owing to the present financial controls, we are unable to remit to this country the revenue which we earn in these territories. We charge such expenditure to revenue in the accounts of the G.C.F. group. We do this as a matter of long-term policy to build up an appreciation of British films in those territories, against the time when we hope economic conditions will improve so that it will be possible for us to receive our earnings from those territories.

The experience which we have had from the playing of British films in this country is being repeated in the Overseas territories, namely, that where we have made arrangements, either through the medium of the theatres we have acquired or through the far-sighted policy of individual exhibitors, for the regular showing of British films, then, over a relatively short period of time, the earnings materially increase.

Your organisation, in addition to showing the British way of life to the peoples of the countries concerned, helps to conserve the dollar expenditure of these countries and increases our overseas trade, also adding to the hard and soft currencies which are remitted to this country.

We have made progress in reducing the cost of our films, but there has been no reduction in quality and there has been increased box office appeal. The group of ten films which have been delivered by our studios in the last three months are, I believe, some of the finest turned out by any studio in the world and are certainly the finest group which we have produced.

BOARD'S POLICY

We encourage young producers, directors, technicians, etc., but we have adopted the policy that, until a producer or director has proved his worth, he makes our smaller pictures and, as he shows his ability, he has increasing opportunities to make larger and more important pictures.

This policy may cause us on occasion to lose the services of a potentially valuable person who is not prepared to move forward slowly. We appreciate that we run this risk, but I am satisfied that our policy leads to stability in the organisation, and eliminates unnecessary risk. We do not intend to embark upon the production of a film for which we cannot see, based upon our past experience, a reasonable opportunity of recovering its cost from this market and the overseas markets which are available to us.

BRITISH QUOTA

During the year the Cinematograph Films Act, 1948, was placed on the Statute Book. The Act, in my opinion, is a good Act and, as time passes, some of its present critics will appreciate the benefits which will accrue to this country and to this industry as a result of it. I have been criticised because I wholeheartedly supported the proposals made by the British Films Council to the President of the Board of Trade for a quota of 50 per cent., because I had previously said I was opposed to all quotas. I altered my opinion as the result of two events. In August, 1948, the Government introduced the *Ad Valorem* duty of 75 per cent. on all foreign films entering this country. Immediately following this, the American companies stopped sending us their new films. The second event was that I had been examining very carefully the distribution and exhibitors' position in this country. This convinced me that there were far too many exhibitors in this country who did not realise the country's economic position or our need to conserve our overseas expenditure and were not sufficiently far-sighted to see that it was in their own interests to support British films.

I intend to persevere in my efforts to secure reasonable playing time in the U.S.A. for the best of our films, as I am convinced that it is in the interests of our two nations that we should see the best of each country's films.

We are working hard to continue to maintain the organization at the highest standard of efficiency; we are alive to new developments; we aim to keep abreast with them and to do our utmost to get on with our business to the best of our ability. We look to the future with confidence, having a sound organization of good heart with a loyal personnel who will tackle energetically whatever problems may arise.

The report was adopted, and at meetings of the subsidiary companies their reports were adopted.

POWELL DUFFRYN LIMITED

CHAIRMAN ON COAL COMPENSATION

The annual general meeting of Powell Duffryn Limited was held on the 27th instant. The following is an extract from the chairman's statement.

The consolidated profit and loss account shows the profit on trading for the year after meeting in full the losses of those companies which incurred losses, and the amount carried to the appropriation account is the portion of profits attributable to Powell Duffryn Limited and its investment in its subsidiary companies. We have retained in the accounts of the subsidiary companies a substantial part of their profits, but we have brought into the accounts of the parent company sufficient to enable us to recommend a total distribution of 8 per cent. for the year on its ordinary capital.

Since the Coal Industry Nationalisation Act, 1946, was passed well over two years ago, very little progress has been made in the payment of compensation. The book value of the vested assets exceeds £12 million or more than one-third of the total book value of the group assets. As a group we are in receipt of interim income of about £540,000 per annum, which broadly speaking, represents 50 per cent of the annual profits earned by those vested assets immediately prior to nationalisation. Under the present arrangements this interim income ceases on the 31st December next. Interest is payable thereafter on the compensation ultimately to be received, but such interest will only be payable when the amount of such compensation has been determined. Therefore an extension of the period during which interim income will be payable is the only fair and practicable way of bridging the gap.

We cannot carry the burden of our present share capital of more than £13¼ million with assets of book value of over £12 million completely immobilised, and the board intends submitting to you a scheme of capital reconstruction as soon as it is possible to do so. Meanwhile, our subsidiary company, Stephenson, Clarke Limited, proposes to repay its own debenture stock and preference shares, out of the compensation of some £3,500,000 received for its main line wagons taken over by the transport commission.

I am pleased to report considerable improvement in the business of handling of oil products through Cory Brothers & Co. Limited.

Stephenson Clarke Limited, is making substantial progress in replacing its wartime shipping losses and has placed orders for the construction of a further seven ships. When these ships are in commission, the total tonnage owned by the company will be in excess of the prewar figure.

We have acquired, jointly with Wm. Cory & Son Limited, the share capital of John Kelly Limited, shipowners and coal factors in Northern Ireland and Eire.

Last year I referred at some length to the formation of a new company—Powell Duffryn Technical Services Limited. We have found that there is a real need for an organisation of this nature.

Surveys and reports have been undertaken for the British Government on the coal resources of Nigeria, British North Borneo and Labuan, Sarawak and Brunei. The Government of Queensland, Australia, have entrusted us with a commission under wide terms of reference to investigate and report upon their valuable and varied coal resources. The Southern Rhodesian Government have recently entrusted the company with the preparation of a preliminary report on the production of oil from coal.

Important progress has been made by our new subsidiary, Powell Duffryn Carbon Producers Limited, in the applications of our new processes for the manufacture of carbon, and we hope to make rapid progress in the near future in the production of carbon.

The report and accounts were adopted.

GENERAL ELECTRIC COMPANY, LIMITED

INCREASED TURNOVER

The annual general meeting of the General Electric Company, Limited, was held, on the 21st instant, in London.

Sir Harry Railing, the chairman, said that the trading profits disclosed were substantially higher than those of the previous year. That satisfactory result was due to increased turnover, a return to more normal production and the fact that the 1947 profits were adversely affected by the fuel crisis in February of that year. To maintain those figures during the current year would be a difficult task, in view of the continuing rise in cost of wages, raw materials and services.

The consolidated profit and loss account showed that the aggregate profit before taxation and proportion attributable to minority shareholders amounted to £4,190,657. Taxation absorbed £2,372,558, a crippling amount. They recommended a dividend of ten per cent. per annum and a bonus of 7½ per cent. per annum on the ordinary stock. In the consolidated balance sheet the strength of the company was fully disclosed. They showed that their current assets exceeded current liabilities by £11,400,000. The total reserves now amounted to £12,469,397, giving a total capital employed in the business of £22,267,769.

It was axiomatic that if they wished to maintain the present standard of living, let alone improve it, national production must be increased. They must produce the maximum quantity of goods for which they could find a market and must do so at the minimum cost. They must have ample means available to provide more research facilities, more modern machinery and more horsepower for each worker. The amount which prudent companies had always saved and ploughed back into their business was now heavily taxed and it was, therefore, becoming increasingly difficult to provide out of the company's savings the reserves which would be ultimately necessary for capital replacement let alone modernisation.

EFFICIENCY NULLIFIED

That heavy taxation, therefore, constituted, in fact, a tax on capital and a brake on modernisation. Unless altered, it would more and more tend to nullify the measures for increased efficiency, for reduced costs and for closing the gap in external trade which industry was so valiantly striving to carry out.

An analysis showing how the total income of the company, including its subsidiaries, was distributed brought out that about 34.7 per cent. was spent on materials, 32.2 per cent. on wages and salaries, 20 per cent. on operating expenses, 6.4 per cent. on taxation, 1.9 per cent. on depreciation, 3.3 per cent. was retained in the business and 1.5 per cent. paid out in dividends. They therefore paid the Government in taxation more than four times the amount paid out in dividends.

The company had passed through a year full of difficult production problems connected with the supply of raw materials and putting new plants into operation. They had successfully overcome them and had increased their production and sales both in value and in volume. Those remarks applied to the home and especially to the export market.

Their increased turnover had been achieved both by increased production in the existing works as well as in the company's new works in Lancashire, Durham, Yorkshire and Walsall. As to exports, their total shipments in 1946-47 represented an advance of 83 per cent. over 1938, and those for 1947-48 an advance of 177 per cent. Their present monthly average rate of shipment represented an advance of 247 per cent. over 1938, which was considerably higher than the task set them.

The report was adopted.

SOUTH AFRICAN DISTILLERIES AND WINES, LIMITED

REASONABLY GOOD PROSPECTS

The fourteenth annual ordinary general meeting of this company was held, on 26th instant, in London, Mr H. R. Mosenthal, the chairman, presiding.

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

The consolidated trading profits of the subsidiary companies for the year ended February 29, 1948, amounted, before providing for taxation, to £901,911, the comparable figure last year being £764,365, an increase of £137,546.

The total estimated liability to South African taxation on the profits earned during the year is £228,412, compared with £194,726 last year. The liability to United Kingdom excess profits tax has not yet been finally computed, but from the information at present available it appears that the estimated liability will not exceed the £185,000 mentioned in the note on the balance-sheet.

Dividends declared by the subsidiary companies amounted to £287,151, as compared with £213,754 in the preceding year. After charging salaries, rent, general expenses and directors' fees, and after providing for United Kingdom taxation, the balance of net profit available for distribution amounts to £152,479

DIVIDEND MAINTAINED

After providing for the Preference dividend the directors propose to distribute a final dividend on the Ordinary stock of 15 per cent., less income-tax, making, with the interim dividend of 6 per cent., already paid, a total of 21 per cent. for the year. This is the same as was paid last year.

Last year I informed you that our subsidiary companies were not able to maintain their sales at the same volume because it had become necessary to ration many of their products owing to the difficulty of building up their maturing stocks. The same difficulty has been experienced in the year under review, but due to careful anticipation of the problems ahead the boards of your subsidiary companies were able to increase the sales of certain of their products with the very satisfactory result now disclosed.

I also informed you last year of the laying down of additional maturing stocks with the object of eventually overcoming conditions which have enforced the rationing of sales. Stocks held by our subsidiary companies show an increase in value at February 29, 1948, of £253,375 sterling over last year's figure.

SHORTAGES OF WINES AND BRANDIES

The directors of the subsidiary companies inform me that trading prospects are reasonably good, sales for the first five months of their current year being roughly on a par with those of the corresponding period of last year, but they are still much handicapped by shortages of wines and brandies, due in part to reduced vintages in the past few years because of droughts, but also to the shortage of fertilisers, producing vintages far below the normal demand.

Brandy stocks in particular are short of their requirements, and the position is further aggravated by the introduction by the Government of quotas to all merchants whereby the company's allocation has been considerably reduced in comparison with that received previously. The matter has been taken up with the Ministry concerned, and it is hoped that there will be a readjustment of allocations.

It will be noted that the South African and British Treasuries have received just under twenty times as much as our stockholders.

The report was adopted.

THE FAIREY AVIATION COMPANY, LIMITED

DEVELOPMENT PROGRESS

The twentieth ordinary general meeting of The Fairey Aviation Company, Limited, was held on the 27th instant in London.

Sir Richard Fairey, M.B.E., F.R.Ae.S., chairman and managing director, in the course of his speech, said: Our considerable expenditure on research and development will have been noted, and this, you will appreciate, is an essential feature of our business. Ours is a progressive industry, and to fall behind in technical progress would seriously damage our future prospects. When one reflects that such successful aircraft as, for example, the "Fox," the famous "Swordfish," our more recent Helicopter and the "Primer," were all private ventures conceived within our organisation, and were all financed from our own resources, it is a little bewildering to learn that it has been stated in the House of Commons from official sources that there is no such thing as private enterprise in the British aircraft industry.

NEW AND NOVEL TYPES

We have some new and novel types in the prototype stage and on the drawing board. Our latest contribution to the Fleet Air Arm will shortly take the air.

Following successful pioneer efforts we are being encouraged by the Ministry of Supply to extend our activities in the guided weapon field. Our Helicopter has been flying for some months. Indeed it has already broken the world's speed record for rotary wing aircraft—a remarkable feat. We have produced a very promising type of training plane—the "Primer"—of particularly cheap construction.

Our principal product continues to be our very successful "Firefly" naval aircraft, now in use by the Royal Navy, the Royal Canadian, the Royal Australian and the Royal Netherlands Navies. A new and improved mark has been introduced recently, and the indications are that our production programme for this aircraft will be maintained for at least another two years. The repair and maintenance of our own and other aircraft form a considerable part of our turnover, and in this connection I believe that our rapid servicing of large aircraft for the Berlin air lift has given great satisfaction.

Reporting briefly on our subsidiaries, Air Survey Company, Limited, is now a considerable organisation, both at home and abroad. It includes Air Survey Company of India, Limited, at Calcutta, and Aero Surveys, Limited, of Vancouver, while its mapping resources have been added to by the acquisition of Aerographic Surveys, Limited. This group is now operating its own fleet of aircraft and its scope has been extended to cover the whole field of aerial survey and mapping. Such maps are of the utmost utility for every kind of land development work, and we are hopeful that this particular branch of our activities will be of growing importance in future years.

I have mentioned previously the necessity of servicing our products overseas, which, coupled with the national need for dispersal of industries throughout the Empire, has prompted us to take certain further steps. I am now able to report two important developments that have been achieved in the past year.

In conjunction with the Clyde Engineering Company of Sydney, Australia, we have formed the Fairey Clyde Aviation Company in that country. We have recently, with the consent of the Treasury, formed the Fairey Aviation Company of Canada, Limited, and have acquired for that company a factory at Halifax, Nova Scotia. In this case we are providing the majority of the capital, and as with the Australian Company, we are giving the new concern our full backing.

The report was adopted.

PETER BROTHERHOOD, LIMITED

HIGHLY SATISFACTORY RESULTS
DIVIDEND MAINTAINED AT 20 PER CENT

The forty-first annual general meeting of Peter Brotherhood, Limited, was held, on the 26th instant, at Winchester House, London, E.C.

Mr Alexander Marcus Neal, J.P., A.C.G.I., A.M.Inst.C.E. (the chairman), who presided, said:

On the liability side, I will refer to the item "Capital Reserve," which shows under Excess Profits Tax Post-war Refund a figure of £98,214 to have been received during the year. This sum is available for capital purposes only; indeed, as will be seen by referring to the penultimate item on the asset side, £36,092 had already been spent by March 31st this year; the remainder will probably have been absorbed by the acquisition of machinery to keep our works up to date by the time next year's accounts are in your hands.

Referring to "Revenue Reserves and Surplus," it will be seen that sundry provisions made in previous years, now no longer required, amounting to £8,500 have been transferred direct to General Reserve, which, with £10,000 transferred from Profit and Loss Account for the year under review, now stands at a figure of £68,500.

Cash at bankers at March 31, 1948, stood at £61,643, compared with £70,031 last year, which I think you will agree, in view of the increasing proportion of commercial work which must be financed, as opposed to Government work on which instalments are usually paid, to be satisfactory.

SALES 20 PER CENT. LARGER

The value of our sales for the year was over 20 per cent. larger than last year's figure, and the nett trading profit for the year, before provision for taxation, amounts to £174,842, against a comparable figure for last year of £66,850. Provision for taxation absorbs £99,325, against £37,900, leaving us, after addition of Provisions now no longer required and other credits of a non-recurring nature, with a nett profit for the year, available for distribution, of £105,662.

The question of a final dividend has been before your Board who, after full consideration, have felt it to be their duty to fall into line with the expressed wish of the Chancellor of the Exchequer that dividends should not be increased at this time Accordingly, your Board recommend the payment of the same total dividend as during the past eight years, namely 20 per cent., less tax, for the year, of which 8 per cent., less tax, has already been paid, leaving 12 per cent., less tax, for immediate distribution.

Your Board propose to strengthen the structure of the company by allocating £50,000 to Reserve for Replacement of Fixed Assets (this we consider to be prudent in view of the largely increased cost of machine tools and other capital items) and also to transfer the sum of £10,000 to General Reserve and to write off completely the value of drawings and patterns. The balance of the nett profit, a sum of £9,057, will increase the carry forward to a figure of £139,742.

At last year's meeting I reported that the Company's business was proceeding in a satisfactory manner. The result of this year's trading has been highly satisfactory reflecting credit on all who have been concerned in carrying on the business of the firm.

As to the future, it might perhaps be as well to remind shareholders that the specially favourable results of this year's trading may not always recur, but we have an excellent order book and, in the absence of unforeseen circumstances, we see no reason why we should not look forward to a continuance of prosperity for some time.

The report and accounts were unanimously adopted.

THE TRUSTEES CORPORATION LIMITED

REVENUE WELL MAINTAINED

The 60th ordinary general meeting of The Trustees Corporation, Limited, was held on 27th instant in London.

Mr Lionel A. Stride (the chairman), in the course of his speech, said: Revenue reserves and unappropriated profits total more than £678,000. The total balance-sheet figure of investments is £3,326,032. The total valuation figure is £5,495,971, showing a market appreciation of 65.24 per cent. as against an appreciation of 71.81 per cent. at May 31, 1947. At May, 1939, more than 44 per cent. of our portfolio consisted of fixed interest-bearing securities such as bonds, debentures, and preference stocks and shares. Last May (including £178,000 nominal held in 3 per cent. Transport and Electricity Stocks as a result of nationalisation) this percentage figure had become reduced to 32 per cent. In May, 1939, some 34 per cent. of our portfolio was represented by investments outside Great Britain and the Dominions and Dependencies. By last May this percentage had become reduced to about 12 per cent.

The total revenue for the year amounted to £298,751, out of which taxation, including profits tax, takes £101,188. Net revenue amounted to £125,287—an increase of £15,179. The dividend for the year, less income tax, on the Preference Stock took £21,656 and an interim dividend of 5 per cent., less tax, paid in January on the Ordinary Stock took £24,063. In view of the postponement of the annual general meeting the directors declared a second interim dividend of 5 per cent. with a 2 per cent. bonus on the Ordinary Stock. This was paid on July 28th and made a total of 12 per cent. in respect of the year to May 31, 1948.

The report was adopted.

NOTICES

RESEARCH Institute requires a number of research assistants for an investigation into the control of monopolies. An Honours degree in Economics or kindred subjects required. Salaries £350-£600, according to age, qualifications and experience.—Applications should be sent immediately to Box 870.

MARKET RESEARCH. Man required for training to take over this development function in large industrial organisation in the Manchester area. Previous experience not essential but an analytical training and tenacious approach to difficult research problems is essential. Send details of experience, training, age, etc. to Box 868.

EXPORT TRADE. Young Dutchman with British born wife, University education, perfect Dutch, English, German, fluent French, Czech, seeks permanent business career with British firm. Knowledge textile trade, adaptable, widely travelled in Europe. Minimum salary acceptable provided prospects for future. Box 866.

APPLICATIONS are invited from men and women for post in Central Office of Information as economic and political editor. Good academic qualifications in economics, sound journalistic experience and an appreciation of the requirements of publications in Eastern Europe are required.

Salary scale: Men £675-£800 p.a. Women £550-£675 p.a.

Written applications, giving date of birth, full details of qualifications and experience, including dates, should be addressed to the London Appointments Officer, 1-6, Tavistock Square, London, W.C.1, quoting reference K.Q. 455. Original references should not be forwarded. Only candidates selected for interview will be advised.

INTELLIGENT woman, graduated this year in mathematics and chemistry, requires an interesting post. Possesses driving licence. Willing to travel.—Box 882.

FOR SALE: *Economist*, last quarter 1946; 1947; offers? Box 850.

FOR SALE: *Economist*, 14/9/46 to 18/9/48. £2. Box 876.

Statistical Summary

GOVERNMENT RETURNS

For the week ended October 23, 1948, total ordinary revenue was £51,085,000, against ordinary expenditure of £57,819,000 and issues to sinking funds £382,000. Thus, including sinking fund allocations of £5,413,000, the surplus accrued since April 1st is £223,618,468 against £229,917,980 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand) April 1 to Oct. 25, 1947	April 1 to Oct. 23, 1948	Week ended Oct. 25, 1947	Week ended Oct. 23, 1948
ORDINARY REVENUE					
Income Tax	1309150	420,351	432,802	13,698	11,043
Sur-tax	90,000	20,905	27,004	600	650
Estate, etc., Duties	160,000	93,869	98,709	3,000	2,150
Stamps	55,000	27,980	31,113	950	750
Profits Tax	250,000	21,270	82,531	2,100	3,050
E.P.T.		145,348	62,460	3,100	1,050
Other Inland Rev.	1,000	115	105	...	...
Special Contribtn.	50,000	...	17,550	...	950
Total Inland Rev.	1915150	729,838	752,201	23,448	19,643
Customs	820,600	440,493	455,401	10,498	11,427
Excise	726,550	315,000	396,900	15,000	15,500
Total Customs & Excise	1547150	755,493	852,301	25,498	26,927
Motor Duties	50,000	11,969	10,300	...	300
Surplus War Stores	102,000	122,278	68,383	15,833	58
Profits Receipts					
Miscell. Receipts	57,000	30,175	826	... 80	...
Savings Receipts	...	80	...		...
Crown Lands	11,000	3,970	4,175	...	...
Receipts from Sundry Loans	-1,000	450	400	...	...
Miscell. Receipts	14,000	17,705	9,142	1,000	...
	68,000	187,688	90,603	15,227	4,335
Total Ord. Rev.	3715300	1825947	1788397	81,136	51,085
SELF-BALANCING					
Post Office	1[illegible],200	76,[illegible]00	81,280	2,920	3,370
Income Tax on E.P.T. Refunds	16,000	12,477	4,354	282	181
Total	3903500	1949324	1874031	84,338	54,636

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Oct. 25, 1947	April 1 to Oct. 23, 1948	Week ended Oct. 25, 1947	Week ended Oct. 23, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	298,608	285,522	2,794	3,145
Payments to N. Ireland	26,000	12,346	12,000	964	14
Other Cons. Fund Services	8,000	3,712	3,746	235	...
Total	534,000	314,665	301,274	3,994	3,159
Supply Services	2442657	1305214	1254092	34,060	54,660
Total Ord. Expd.	2976657	1619879	1555366	38,054	57,819
Sinking Funds	...	...	9,413	...	382
SELF-BALANCING					
Post Office	150,200	76,900	81,280	2,920	3,370
Income Tax on E.P.T. Refunds	16,000	13,477	4,354	282	181
Total	3142857	1710256	1650413	41,256	61,751

After decreasing Exchequer balances by £226,844 to £3,004,583, the other operations for the week increased the gross National Debt by £26,305,350 to £25,739 million.

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Acts, 1946 and 1948	425
E.P.T. Refund	221
Local Authorities Loans Act, 1945, sec. 3(1)	4,450
Cotton (Centralised Buying) Act, 1947, sec. 21(1)	10,000
War Damage: War Damage Commission	4,000
Finance Acts, 1946 and 1947, Post-war Credits	321
	19,417

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	9,598	3% Def. Bonds	*761
Nat. Savings Certs.	200	2½% Ter. Annuities	1,482
2½% D.L. Bonds	330		
Tax Reserve Certs.	267	Other Debt :—	
Other Debt :—		External	1
Internal	6,099	Ways & Means Advances	445
Treasury Deposits	12,500		
	28,994		2,689

* Including £144,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Oct. 25	2230·0	2561·5	332·6	...	1252·5	6376·6
1948						
July 10	2210·0	2625·9	282·3	...	1429·5	6547·7
,, 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
,, 24	2210·0	2632·8	294·6	13·3	1429·5	6580·1
,, 31	2210·0	2620·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5
,, 14	2210·0	2355·6	287·0	...	1429·5	6282·0
,, 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
,, 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
,, 11	2210·0	2378·7	297·0	2·0	1460·5	6348·2
,, 18	2210·0	2399·7	300·5	18·8	1460·5	6389·4
,, 30	4637·3		256·5	...	1449·5	6343·3
Oct. 9	2220·0	2415·3	274·7	8·0	1452·0	6370·0
,, 16	2240·0	2446·7	277·5	5·5	1425·5	6395·3
,, 23	2250·0	2446·3	282·1	0·5	1438·0	6416·9

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Oct. 24	170·0	285·0	170·0	10 1·52	46
1948					
July 16	170·0	279·7	170·0	10 1·55	48
,, 23	170·0	294·3	170·0	10 1·31	43
,, 30	170·0	291·8	170·0	10 1·34	42
Aug. 6	170·0	288·1	170·0	10 1·50	44
,, 13	170·0	269·1	170·0	10 1·91	53
,, 20	170·0	272·7	170·0	10 1·87	52
,, 27	170·0	268·1	170·0	10 3·05	53
Sept. 3	170·0	295·8	170·0	10 2·43	41
,, 10	170·0	284·6	170·0	10 2·84	48
,, 17	170·0	263·8	170·0	10 3·31	56
,, 24	170·0	273·5	170·0	10 3·14	52
Oct. 1	180·0	277·5	180·0	10 1·72	54
,, 8	190·0	269·2	190·0	10 1·90	62
,, 15	180·0	269·4	180·0	10 2·09	59
,, 22	170·0	285·2	170·0	10 1·57	48

On October 22nd applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 48 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for October 29th. For the week ended October 30th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Oct. 18, 1947	Week Ended Oct. 16, 1948	Totals Apr. 1 to Oct. 16, 1948
Savings Certificates :—			
Receipts	2,250	1,900	62,100
Repayments	2,250	2,250	71,650
Net Savings	...	*Dr 350*	*Dr 9,550*
Defence Bonds :—			
Receipts	900	850	21,960
Repayments	817	908	25,435
Net Savings	83	*Dr 58*	*Dr 3,475*
P.O. and Trustee Savings Banks :—			
Receipts	12,304	12,789	342,424
Repayments	9,725	11,163	342,164
Net Savings	2,579	1,626	260
Total Net Savings	2,662	1,218	*Dr 12,765*
Interest on certificates repaid	405	405	12,803
Interest accrued on savings remaining invested	2,262	2,332	65,486

BANK OF ENGLAND RETURNS

OCTOBER 27, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1230,772,356	Other Govt. Securities	1288,164,638
In Bankg. Department	69,475,477	Other Secs.	807,828
		Coin (other than gold)	12,434
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	322,288,941
Rest	3,253,133	Other Secs.*	56,655,080
Public Deps.:—	32,707,293	*Discounts and*	
*Public Accts.**	*13,061,662*	*Advances*	*19,393,305*
H.M. Treas.		*Securities*	*37,351,775*
Special Acct.	*19,645,631*		
		Notes	69,475,477
Other Deps.:—	400,503,169	Coin	2,597,097
Bankers	*307,460,424*		
Other Accts.	*93,042,745*		
	451,016,595		451,016,595

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

COMPARATIVE ANALYSIS

(£ million)

	1947 Oct. 29	1948 Oct. 14	1948 Oct. 21	1948 Oct. 28
Issue Dept. :—				
Notes in circulation	1360·8	1230·1	1231·6	1230·8
Notes in banking department	89·4	64·2	68·6	69·5
Government debt and securities*	1449·3	1299·2	1299·1	1299·2
Other securities	0·7	0·8	0·9	0·8
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept. :—				
Deposits :—				
Public Accounts	13·8	18·9	15·9	13·1
Treasury Special Account	...	6·3	12·9	19·6
Bankers	288·8	303·1	301·5	307·5
Others	95·8	94·9	93·9	93·0
Total	398·4	423·2	424·2	433·2
Securities :—				
Government	287·5	325·5	322·1	322·3
Discounts, etc.	5·9	26·4	25·3	19·3
Other	31·4	22·6	23·4	37·4
Total	324·8	374·5	370·8	379·0
Banking dept. res.	91·4	66·4	71·1	72·1
	%	%	%	%
"Proportion"	22·9	15·6	16·7	16·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

1927=100	Oct. 21, 1947	Oct. 5, 1948	Oct. 19, 1948
Cereals	111·6	122·2	119·6
Other foods	138·7	138·8	138·8
Textiles	145·2	177·1	175·8
Minerals	232 9	264·0	264·0
Miscellaneous	152·1	154·9	155·2
	150·6	163·9	163·2
1913=100	*207·3*	*225·5*	*224·0*

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows :—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Oct. 21	47	77¼	175 0	114 12
,, 22	47	77¼	174 11	114 7
,, 23	Markets	Closed	174 6	114 8
,, 25	47	77½	175 0	114 9
,, 26	47	77½	174 6	113 [illegible]
,, 27	47	77½	174 0	113 [illegible]

PROPOSE



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With our own branches in 19 important Central and South America cities, and correspondents throughout South America, we are well equipped to serve British traders interested in Latin American markets. Correspondents the world over.

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REFUGE ASSURANCE COMPANY, LTD.

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ANNUAL INCOME EXCEEDS £17,500,000
ASSETS EXCEED £102,000,000
CLAIMS PAID EXCEED £189,000,000
(1947 Accounts)

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—CANADIAN PACIFIC RAILWAY FOUR PER CENT CONSOLIDATED DEBENTURE STOCK.—NEW BRUNSWICK RAILWAY FOUR PER CENT DEBENTURE STOCK.—CALGARY AND EDMONTON RAILWAY FOUR PER CENT DEBENTURE STOCK.—ATLANTIC AND NORTH-WEST RAILWAY FOUR PER CENT FIRST MORTGAGE REDEEMABLE DEBENTURE STOCK.—In preparation for the payment of the half-yearly interest due January 1, 1949, on the above Stocks, the Transfer Books will be closed on November 22nd and will be reopened on January 3, 1949.—R. F. TREMAYNE, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. October 23, 1948.

ACCOUNTANT, chartered or incorporated, University graduate preferred, required by old-established Birmingham metalware manufacturers. Duties office supervision, accounts, works costs, assisting Directors. Apply, stating age, education, experience. Salary not less than £800. Prospects.—Box No. 737, 19-21, Corporation St., Birmingham, 2.

INDUSTRIAL ADMINISTRATION OR TRADE ASSOCIATIONS.—*Scotsman (40), available now. Chartered Accountant and Cost Accountant. Twenty-five years' experience Glasgow and London in professional, commercial and Trade Association secretarial work, including six years secretary/manager wartime Pool trading Company, turnover £250,000 p.a. Accounting, investigations and reports, statistics, industrial organisation, price agreements, negotiations Government Departments and Trades Unions.*—Wm. Eadie, 1 London Terrace, Glasgow, W.2.

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NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH

Applications are invited for a senior research appointment to be made for the purpose of undertaking Government-sponsored research into problems of the location of industry. The appointment will be for a period of two years with superannuation provision within the FSSU and children's allowances. It will have Research Associate Grade 1 status with minimum salary £1,000 p.a. The person appointed will act as chief investigator. The necessary research assistance will be provided. In addition to academic qualifications in economics this post requires a first-hand experience of the organisation and conduct of applied economic research and a thorough knowledge of the problems of industry. The work will involve close contact with government departments, local authorities and industry as well as with other research organisations engaged in regional studies. It will require considerable travelling for which suitable provision will be made. An allowance for removal expenses or alternatively a London expenses allowance will be made to a successful candidate if outside the London area.—Applications in writing with a brief statement of qualifications and the names and addresses of not less than two referees (not testimonials) should be made within two weeks of the appearance of this advertisement to: The Secretary, NIESR, 2 Dean Trench Street, London, S.W.1.

ROYAL BANK OF CANADA

DIVIDEND NO. 215

NOTICE IS HEREBY GIVEN that a DIVIDEND of 2½ per cent., being at the rate of 10 per cent. per annum upon the paid-up Capital Stock of the Bank, has been DECLARED for the three months ending November 30, 1948, and will be PAYABLE at the Bank and its branches on and after December 1, 1948, to shareholders of record October 30, 1948.

By Order of the Board,
E. B. McINERNEY, London Manager.

6 Lothbury, London, E.C.2. October 20, 1948.

NATAL UNIVERSITY COLLEGE

(shortly to become the University of Natal)
DURBAN.

Applications are invited for two posts in Durban,
SENIOR LECTURER AND LECTURER
in the
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Successful applicants should preferably possess a university degree and a professional qualification, and will be expected to lecture under the direction of the Professor of Accounting and Auditing to both degree students and professional accountant students in some or all of the following subjects:

Accounting, Auditing, Costing, Income Tax and Executorship.

They may be required to lecture to non-European students.

Salary scales for men are:

Senior Lecturer: £900 x £25—£900.
Lecturer: £550 x £25—£725.

In addition, a cost of living allowance is paid.

Further particulars and information as to method of application are obtainable from the Secretary, Association of Universities of the British Commonwealth, 32 Woburn Square, London, W.C.1. The closing date for the receipt of applications is November 30, 1948.

YOUNG Economist sought for progressive editorial post by West Country publishing firm. Knowledge of State finance, currency and foreign exchange matters, trade statistics, etc., as well as gift for précis writing essential, knowledge of French and/or German an advantage.—Applications (in own handwriting) to Box 873.

COMPANY Secretaryship required by Barrister, 35 years of age, experienced in company law. Exhibitioner, Oxford University.—Apply Box 872.

FOR Sale.—Economic Journals December, 1928-December, 1931. Cambridge Economic Series Nos. 10-59, inclusive.—Offers Box 853.

BEFORE YOU BUY A GREENHOUSE study the illustrated brochure 32 of the precision-made Waldor "Aristocrat" rustless alloy greenhouses. Pat. No. 603410, post free from Waldor Tool and Guage Co., Ltd., Norwich.

Printed in Great Britain by St. Clements Press, Ltd., Portugal St., Kingsway, London, W.C.2. Published weekly by The Economist Newspaper, Ltd., 22 Ryder Street, St. James's, London, S.W.1. U.S. Representative: R. S. Farley, 111, Broadway, New York, 6.—Saturday, October 30, 1948.

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The Economist

Established 1843

November 6, 1948 — One Shilling

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The Steel Bill

THE Prime Minister was justified, in replying to Mr Churchill in the debate on the Address last week, in making fun of the Opposition's complaint that the Steel Bill is badly timed. For Conservatives, no time would be a good time to nationalise steel. Similarly, for many Socialists, it would appear, any scheme of nationalisation of any industry, at any time, is good. But for the great mass of people who are neither committed Socialists nor hardened Tories, there are two quite distinct questions. Is it a good thing to "bring under public ownership" the industry of making iron and steel? And if it is a good thing in general, is this a good time to do it?

To the second of these questions it is surely possible to give a wholly unequivocal reply. There could hardly be a worse time to introduce a measure of this character. Within the industry, the prospect of nationalisation must have some unsettling effect and the clauses of the Bill that are designed to prevent the dissipation of assets between now and its coming into force, however necessary and reasonable their intent, are calculated—at least without the most sweeping and emphatic assurances—certainly to delay decisions and most probably to inhibit them altogether. A time when the industry is working to capacity and when every ton of steel it can turn out is urgently needed is not the time to impose these preoccupations on it. Secondly, within the country at large, the passage of the Bill through Parliament will inevitably embitter political passions and distract attention from far more urgent matters of fundamental policy. The country does not even yet begin to realise the difficulty of the economic adjustments that lie before it, and deliberately to court disunity on a matter that is not urgent is irresponsible folly. Thirdly, the only reason why the British people are not being daily brought up, in their individual lives, against the painful realities of their country's economic position is that Britain is still living on lend-lease. The Americans have been meticulous in not interfering in domestic political concerns; but they have not concealed their dislike of the project of nationalising the steel industry. It is surely only common prudence not to do anything, if it is not strictly necessary, that might compromise the future prospects of the Marshall Plan.

These three reasons are so conclusive against the timing of the Bill that it is hardly necessary to add that it is also politically foolish. Among the doubtful electors who make or break a Government, it is almost certain that there is a strong majority against the Bill. It will lose the Labour Party seats at the General Election, and many Ministers know it. Why, then, do they do it? The answer is by now well known: because a handful of Ministers who know their minds have established a moral ascendancy over the majority of their colleagues who lack the moral courage to tell their supporters a few unpleasant truths about the party doctrines. The introduction of the Steel Bill is the clearest example west of the iron curtain of the way in which a minority within a minority can achieve its aims.

If the question of timing could be set aside (as, of course, it cannot) and the debate concentrated on the substance of the proposal,

then the issues become much more complex. In the years before the war, a large number of articles appeared in *The Economist* criticising both the structure and the policies of the steel industry, and the Centenary Number of this journal proposed, as one of the tasks of the future, a far-reaching technical reorganisation of the industry (though it also said "there could hardly be an industry less suited to nationalisation in any of the accepted meanings of the word"). The structure of the steel industry is still much the same as it was in the 1930s, a tightly organised cartel. It is true that a great deal of technical progress has been made in the last decade, that the industry is working efficiently for a moderate reward and that British steel prices are no longer, as they used to be, largely in advance of those prevailing in other countries. But these are the phenomena of prosperity; it is not in the years of good trade that the defects of a cartel show themselves. The changes that have occurred since 1938 have been not so much in the steel industry itself as in the circumstances surrounding it, and if those circumstances were to change again, the present steel industry would doubtless slip back to the policies to which so much objection was taken before the war.

It is, for these reasons, impossible to agree with those who seek to oppose the present Bill by asserting that all is well with the iron and steel industry. The Government would be entirely justified (at a more propitious juncture) in concerning itself with the organisation and policies of the industry. As with the Transport Bill two years ago, so with the Iron and Steel Bill, the independent spectator, admitting that it is right for the state to have a policy about the industry, has to ask himself the question whether the purpose for which the Bill is brought forward is to advance a sound policy, and whether the structure laid down in the Bill is in fact likely to assist in that object. In the case of the Transport Bill, the conclusion reached in these columns was that it was nationalisation for nationalisation's sake and that nobody had begun to think about what was to be done with the industry once it was nationalised. Everything that has happened since—or, more accurately, everything that has not happened since—has served to confirm that judgment. Must it be repeated in the case of steel?

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The text of the Bill (which is discussed in detail in an article on page 756) suggests at least that somebody has been doing some thinking about the particular problems of steel. Some of the proposals are familiar from past essays in the art of nationalisation. The compensation clauses, for example, are as objectionable as ever. Indeed, they are more so, for not only is the steel industry one that lends itself particularly badly to valuation by the prices that the Stock Exchange happens to set on those marginal amounts of stock that happen to be in the market on a particular day or days, there is also a new factor in the shape of the limitation of dividends that has been applied since the last nationalisation Bill went through. To rig the market first and then to make compulsory purchases at the market price is more than sharp practice, it is plain dishonesty. In other respects, however, an effort has clearly been made to avoid following precedent at all slavishly. This is particularly true of the decision to keep the acquired businesses in existence as separate companies, each trading for its own account. There can be no doubt that this is a great improvement on the usual pattern—though it has the disadvantage of leading the Government also to purchase a whole array of subsidiaries trading in all sorts of fields.

A refinement of structure, however, tells very little about the purpose of the whole proceeding. Can one feel assured that the Government knows what it is doing in purchasing the steel industry? More than that, can one feel assured that its purpose is a good one? It is astonishing how little evidence there is, in respect of any of the Government's nationalisation plans, of why they are brought forward in the first place. The reasons that are usually given in public—and steel is no exception—are either nonsense or else wholly unworthy. There is undoubtedly a great deal of the sheer malicious envy that makes men with a grievance against society want to pull down the mighty from their seats, without thought of the consequences of so doing. The public utterances of Mr Aneurin Bevan, the chief instigator of the present Bill, would lead one to suppose that this is his main reason. There is also a lot of talk along the general line that the owners and managers of the steel industry have so much power that they challenge the authority of the state. What sort of power, and when has it been exercised, outside the steel industry itself? It is said that "overall planning" is impossible without public ownership of so crucial an industry. But what plans has the steel industry refused to abide by? This sort of talk is too obviously *post facto* rationalisation of something already decided on for reasons of doctrine and emotion to cut any ice with the general public.

The only rational way of approaching the matter is to ask what are the chief faults of the present (or, more strictly, of the prewar) organisation of the steel industry, and what prospect there is that the enactment of the present Bill would put them right. The main charge in the indictment of the tight steel cartel of prewar years was that it operated in such a way as to keep costs of production far too high. It is not that profits were rapacious, for they were not. But those firms that were lucky enough to be in the charmed circle were virtually guaranteed against serious loss, no matter how inefficient they were, and outsiders, who might have been more efficient, were kept on the outside. The policy was not restrictive in the sense of keeping productive capacity below demand; but it achieved the same result by keeping costs, and therefore prices, too high. Bad trade was not allowed to have its natural effect of killing off the inefficient producers, and good trade was not allowed to have its natural effect of attracting new men with new ideas.

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What reason is there to believe that the proposed organisation of the industry will remedy these defects? So far as the forcing out of inefficient plant is concerned, the new Corporation will surely be even tenderer to the laggards than the Federation. The Corporation will be able (as the Federation hardly is) to subsidise the inefficient out of the dividends it receives from the efficient, and being able to do so, it will inevitably be under strong political pressure to do so. The record of public ownership is one of slower, not of faster, scrapping of inefficient plant than private enterprise.

Nor is there very much apparent reason to believe that public ownership would lead to lower costs. There are both general and specific reasons for saying this. The general reasons are to be found in the nature of large public monopolies, with their extreme sensitiveness to trade union pressure and the great difficulty they experience in cutting down overheads and effecting economies. This judgment is beginning to be more than amply borne out by the experience of the earlier nationalisation schemes.

The specific reason for suspecting that nationalised steel would be dear steel is connected with the argument that rages round the figures of capacity that the industry should aim at. The present capacity is, in round figures, about 14½ million ingot tons a year and the development programmes which the industry has produced would increase it to about 16 million tons. The Labour Party evidently believes that the proper figure should be higher than this. The Minister of Supply has used language that would imply a belief that the figure should be 18 or 20 million tons. Unofficial but influential Labour pamphleteers have put it at as high as 23 million tons.

It is important to realise where this argument leads. It is quite true that there is a shortage of steel today—though possibly not nearly as acute a shortage as appears on the surface. But so there should be in a time of over-full employment and heavy investment programmes. Steel is the boom-and-slump industry *par excellence*, and the policy it pursues (in so far as any policy is conscious) is to adjust its capacity to the average demand. In the occasional year of very good trade, not all the demand can be met; some of it has to be postponed, or go abroad. But in the years of less-than-normal demand there is less surplus capacity to carry. Within reasonable limits, this is surely the right policy. Certainly, if the industry equipped itself to meet the peak demand, then its costs of production, averaged over good and bad years together, would be very high indeed. Yet this is what the Labour ideas of expansion seem to involve. For when the Socialists talk of 18 or 20 or 23 million tons a year, the only way in which sense can be made of the figures is to suppose that they are intended to be estimates of the peak demand for British steel. If they are intended to be estimates of average demand (or of the rather-more-than-average for which it is reasonable to provide capacity), then they are probably far too high—certainly for a community which has not yet discovered how it is going to do any saving to finance capital expansion. If nationalised steel means the provision of a great deal of surplus capacity purchased at today's mountainous costs, and if all this burden is to be thrust on to a Corporation that is enjoined not to run at a loss, then the risk is that nationalised steel will not only be dearer, but very much dearer, than private enterprise steel. And if so, the Government's policy for steel will, in the end, be much more restrictive than the present cartel's.

In any case, these arguments that start with a figure of desirable capacity, pulled out of some planner's imagination, are topsy-turvy; they put the cart before the horse. The demand for steel is not a quantity that can be estimated independently of the price of steel. If steel is dear, there will be very little demand for it, partly because domestic projects of capital creation will be too expensive, partly because the steel-using industries will not be able to compete in the world market. Instead of arguing that such-and-such an increase of capacity is necessary, regardless of what it may cost, the right approach is to concentrate all efforts on cutting down the cost of producing the present quantities. The capital investment should be directed, in general, to improving the techniques of the present industry rather than to expanding it. When it has been discovered at what cost a reorganised and partially re-equipped British steel industry can produce steel, then—and then only—will it be possible—and by trial and error only, not by planner's estimate—to discover how much demand there is, on the average of good years and bad. What one waits for, and waits so far in vain, is some attempt from the Socialist benches to establish that the state can do this sort of thing better than the private industrialist. Perhaps it can; but nobody has yet been given a reason for believing so.

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The debates of the next few weeks will range over a very wide field, from the loftiest planes of principle to the most complex technical details. But the heart of the matter is simple. The public interest in the steel industry lies overwhelmingly in one thing: that it should produce cheap steel. Nothing else comes within a hundred miles of that in importance, for if that is secured, most, if not all, of the other things that are desired, such as a large production, will follow. The first and the last test of the Bill is therefore this: will it produce steel at lower prices than would otherwise be charged? The balance of evidence is that it will not. It has not been introduced for that purpose but for reasons of the merest power politics. It is accompanied by half-baked ideas of "planned abundance" that would certainly tend to increase costs. And the experience of nationalisation in general to date is that it makes for high prices at the expense of a helpless consumer.

For these reasons, and not from any opposition in principle, the Bill should be rejected, if not by Parliament, then by the electors. But when it has been rejected, the problem of what to do about steel will remain.

Mr Truman's Triumph

NEVER have the prophets been more confounded. The American Presidential election, the results of which were thought to be so assured that it was hardly interesting, has gone the other way. Mr Truman, who was written off as a nonentity, has scored a personal triumph and deserves the world-wide tribute that has been paid to his cheerful, indomitable, never-say-die courage. Mr Dewey, who was so sure of election that he self-consciously donned the mantle of statesmanship, is left looking very foolish; but his face is not nearly so red as those of the poll-takers, the professional prophets and the whole regiment of political experts. Surely never in history can a result of "no change" have been so sensational.

The more purely American repercussions of the election are given a provisional assessment in the "American Survey" section on a later page—provisional only, for it will be many weeks before so unexpected an event will have been fully analysed and a deliberate judgment formed on the motives of the American electorate. But some readjustment of perspectives is needed in Europe, too, where also it had been taken for granted that on January 20th next Mr Dewey would become President and Mr Foster Dulles Secretary of State. There can be no denying the fact that the first reaction on this side of the Atlantic is pleasure that the changes in personnel will be kept to a minimum. Mr Marshall himself is believed to want to retire, but his deputies and coadjutors will remain. The European governments and peoples are not so insensible of the merits of recent American foreign policy that they would actively wish to see its authors removed.

This does not mean, however, that there was any fear in Europe about the consequences of the Republican victory that was expected. To the American elector, no doubt, there are considerable differences between Republicans and Democrats. But in the two great areas in which Europeans have an interest in American policies, the differences are barely discernible, at this distance, to the naked eye. The first of these is, of course, the great issue of foreign policy which is conveniently (but most misleadingly) described as that of Isolation *versus* Participation. On this, the candidates, and very largely their parties, stood together, and the vote can properly be taken as an emphatic endorsement of the "bipartisan" policy.

The second issue is that of economic policy. Here there are indeed shades of difference between the parties. These are perhaps most notable in the field of international trade, where the Republicans do not like Mr Cordell Hull's Reciprocal Trade Agreements as much as the Democrats do. But the practical effect of these detailed differences is usually exaggerated. On the main issue—whether the attempt is to be made to bring the American economy, which dominates the world economy, under conscious control—the differences of view between Republicans and Democrats are far less important than their virtual unanimity in answering No. In the early postwar days the Democratic Administration was inclined to believe that econo-

mic controls were both desirable and necessary. The Congressional elections of 1946 showed that they were not desirable to the American people, while the continuance of amazing prosperity has inevitably made them seem less necessary. Today, in practice, there is very little difference between the parties in their views on economic policy.

From this far-reaching agreement on the main issues the conclusion is being widely drawn that the policies of the United States are now stabilised and set and can be relied upon not to change in broad outline in the years that are to come. But this is a very hazardous conclusion. For if there is one thing that is more characteristic of latter-day Americans than their tendency at any moment all to think alike on great issues, it is their tendency all to change their minds. An article on another page recalls the fact that the Truman Administration, which three years ago was preaching the doctrines of the Morgenthau plan for the "pastoralisation" of Germany, is now asking for an end to all dismantlement in Germany and granting for Germans what almost amounts to preferred status within the Marshall Plan. American opinion, which is now the chief advocate of Western European Union, was once, not so long ago, the chief obstacle to it. A similar reversal can be seen in the contrast between the unrelenting hostility of the American delegations at Geneva and Havana to any form of control over international trade and the high degree of planning that is now required of the beneficiaries of the Marshall Plan.

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It should not be thought that these things are set down in criticism. But they do illustrate how very rash it would be to assume, because the two American parties are agreed today on the main issues both of diplomacy and of economics, that those policies will not change. Indeed, they certainly will change. When the economic tide turns in the United States (as it surely will, though no one can predict when and how strongly), there will be a revision of views and a renewal of controversy about the possibility and desirability of controlling the trade cycle. And it is too much to hope that there will be no reaction, during the first period of international quiet, away from the present very high pitch of interest in the affairs of the outside world. Isolationism, no doubt, is dead for good and all. But a time will come when there are once again differences of view among Americans about the range and intensity of participation in the world's affairs that is worth America's while.

When these changes come, will it still be a matter of such indifference to Europeans as it has seemed to be in 1948 whether a Republican or a Democrat sits in the White House and whether one party or the other controls Congress? The guess may be hazarded that it will never make as much difference as between Yes or No, or as between black and white, or as between war and peace. There is, as has already been remarked, a tendency for American opinion, at least on external issues, to swing in the mass from one view to another, and both the parties tend to swing with it. And when great issues of divergence do arise, they tend to cut across the party lines. There was a majority in both parties for neutrality in 1939, for aid to the Allies in 1941, for the United Nations and "One World" in 1945, and for a firm front to Russia in 1948.

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Nevertheless there are perceptible differences in the backgrounds and instincts of the two parties, which Europeans might well take into account in assessing where their interest lies. Their interest in foreign policy is obvious; and it is a fact that, though both parties are anti-isolationist now, the Democrats are far more firmly based in that creed than the Republicans. Partly because of the bases of their voting strength—in the more recently immigrated populations of the great cities and in the traditionally outward-looking South—and partly because of the double historical accident that it has fallen to them to be in office in both the wars and to be led by statesmen such as Woodrow Wilson and Franklin Roosevelt, the Democrats are firmly committed to the policies of participation in a way that cannot possibly be claimed for the Republicans. If the tide of opinion should set back towards indifference, a Democratic President and Congress will not be unaffected by it; but they can be expected to put up a stronger resistance to the tide than the Republicans.

On the economic plane, the European interest surely is that the American economy should not be allowed to run amok—and also that the temptation to stabilise it at the expense of the foreigner, by higher protection and other such devices, should be resisted. Here, too, as it happens, the record of the Democrats speaks in their favour. It would be wrong to say that they believe in the conscious management of the economy; but at least they are not so heavily committed against it as are the Republicans with their close link to Big Business; and the Democrats are traditionally the low-tariff party.

Perhaps it is only on the very morrow of an election that these sentiments can be expressed in a European journal without giving offence. And the conclusion to which they point should not be pushed very far. Certainly at the moment there is no great partisanship, as between the American parties, on this side of the Atlantic. Indeed, after the breathless suspense of 1940—and the hardly less clear preference of 1944—British and European observers have been enjoying the luxury of watching the show without feeling any real concern about how it would turn out. The pleasure that Mr Truman's victory has undoubtedly caused is mainly the sporting emotion of seeing a gallant fighter win against the odds. But there may, nevertheless, be more solid grounds for satisfaction before Mr Truman's four years are over.



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No Policy in Germany

THE late Andrei Zhdanov, explaining how to wreck the Marshall Plan at the foundation of the Cominform last year, pointed out that the western Powers were bound to fall out over the future of the Ruhr. It would be a graceful tribute to his memory if his words were read out at the conference table round which the United States, Britain, France and the Benelux group will shortly gather to work out an international statute for the Ruhr. Their task will be to implement one of the main decisions reached at the London Six-Power conference last spring. That gathering, which began with optimistic hopes that the western nations could easily agree among themselves, dragged on with as many narrowly averted breakdowns as if Mr Vyshinsky himself were present. And it was only with the greatest difficulty that the French Government of the day could be induced to ratify the final agreement.

Since June, there have been many other indications that no common policy for western Germany exists among the western Powers. The point has now been reached when the first objective of the United States and Britain—to extract "Bizonia" from the intolerable slough in which it lay—has been reached, by means of currency reform and a vast flow of American imports. But it is now apparent that the Powers, having set the country on its feet, do not know what to do with it. For weeks the work of the Organisation for European Economic Co-operation was held up over the allocation of Germany's Marshall aid, and the matter was only settled after Mr Harriman had intervened on the German behalf. There are constant reports of dissensions over the forthcoming Occupation Statute. And only last week, the British Military Governor in Germany, General Sir Brian Robertson, apparently forgot that the Six Powers had signed a solemn undertaking not to withdraw their forces from Germany until peace in Europe was assured. This pledge was given to satisfy the French, and is of importance, despite its vague form, for the reason that any undertaking which keeps American forces in Germany is important. Moreover, any suggestion of a deal with the Russians causes the German constitution-makers at Bonn to pause nervously with a constricted feeling round the throat. General Robertson made it clear that, in approving the all-round eventual withdrawal of occupation forces, he was expressing a personal opinion on a hypothetical question. Nevertheless, it was a most unfortunate episode.

But General Robertson's most revealing remark was that he had no idea what the policy of the British Government was. This is understandable, even for the British Military Governor. For it has been apparent ever since the Potsdam Agreement of 1945, which laid down a number of self-contradictory propositions, that the British Government has had not one policy towards Germany, but several, pursued simultaneously. One has been to build Germany up, the other to keep it down; one to make it democratic, and the other to have a British official in control of every aspect of German life; one to acquiesce in the Polish annexation of one-quarter of Germany, with the eviction of the population, and the other to stimulate revisionism in Germany by encouraging the belief that Britain will one day claim the lost territories back for a new Reich.

Such contradictions are not confined to British policy. It may, in fact, be said for the British that, although they have followed several conflicting policies, they have done so consistently. The latest interim agreement on dismantlement of German industry shows that Britain is (with some unwilling concessions to the ERP Administrator, Mr Paul Hoffman) still doggedly persisting in a policy which, though it has been modified in detail, still clearly traces its ancestry back to Potsdam. The Americans, on the other hand, have nearly boxed the compass. They, too, have had two German policies, but they have, by and large, abandoned one in favour of the other. The "goat-pasture" Morgenthau plan, which appeared in modified form at Potsdam, almost wholly disappeared with the concept of the Marshall Plan. At Potsdam, the United States delegate considered that a German steel capacity of more than 3½ million tons a year would constitute a menace to security; now, though Washington has not yet formally abandoned the present ceiling of 10.7 million tons on steel production, General Clay has made it clear in practice that there is little short of actual armament that he would prohibit today. The United States signed a revised level-of-industry plan with Britain last year, limiting Germany in many fields, and thereby freeing quite a large amount of German industrial plant for dismantlement. But the current American conception of the dismantlement programme is that, while it may possibly be legitimate to shift to other ERP countries plant that cannot in any case be used in Germany today, it is not a penal programme and does not impose permanent ceilings on German production. If German industries find it practicable to re-equip themselves, they may do so. This differing view of the level-of-industry agreement leads to some confusion. For example, while the German Economic Council is still petitioning the ERP Administrator for the right for Germany to have a ball-bearing industry, the Bavarian Ministry of Economics has already got to the point of ordering 220 machines for re-equipping the famous Kugel-Fischer ball-bearing works at Schweinfurt, now totally dismantled and half delivered as reparations to Russia.

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The third partner in western Germany, France, has pursued a consistent policy throughout. True, M. Schuman made a remarkable declaration at Koblenz recently, to the effect that France, unlike Britain, did not have its own interests in mind when dismantling German factories, and had taken the initiative in proposing that the programme should be revised. Nevertheless, it is clear that French policy has been, as it always will be, purely straightforward and instinctive—to weaken Germany as effectively and as permanently as possible. How dangerous French intransigence can be to western European recovery was shown in the recent decision made by the three military Governors in connection with the final step in German currency reform. General Koenig showed enough obstinacy at Frankfurt to secure the adoption, in the main, of his proposal for the disposal of German blocked accounts. By reinflating and undermining confidence in the new Deutschemark, the decision has halted progress towards stability; according to the overdramatic declaration of the German Minister of Finance, it has even dealt a "serious, if not fatal blow" to the work at Bonn. If the results of bringing the French into Anglo-American counsels are all to be of this nature, it would have been better to continue without them.

The British, American and French Governments at the moment all disagree with each other on the important question of the Occupation Statute, which will define the rights to be retained by the Powers, after the German Government is constituted. The Germans may be expected to add their disagreement after the occupation Powers have composed their differences. A main point at issue is whether the whole "Trizonia" shall be controlled only at the centre by a joint Anglo-American-French body on the model of Shaef, or whether each Power shall retain its local Control Commission. The Americans propose a new Shaef, while the British are clinging to their independent regional controls.

On the horizon loom still bigger questions which call for

clear and co-ordinated policies to be thought out now. If the Russians propose a joint withdrawal from Berlin, and arrest all the leading western sympathisers, what is the answer? If Germany is to be included in Western Union, should Germans be allowed to possess arms? Should they be allowed to manufacture them? Is it not worse than useless to build up the Ruhr, if in case of war, the supreme strategy is to abandon Germany to the Russians?

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Yet the German problem, though it has taken on this appearance of complexity—and is indeed complex in its details—is fundamentally simple. For the aims of western policy are plain. They are, first, to secure Germany for the west—the two-thirds of Germany that is already in our hands, and the remainder if and when a world settlement of differences with Russia takes place—and, secondly, to ensure that the Germans never again plunge the world into war on their own account. There is no necessary contradiction between these two aims.

If the aims are simple, so are the basic propositions which should guide British policy. Firstly, it should be borne in mind that a divided Germany, linked by common interests to the west, is not likely to be a menace to security. Therefore, nothing should be allowed to stand in the way of the recovery of the Ruhr—neither French fears of another invasion nor British industry's fears of competition. A much greater fear should override both, namely, that the United States Congress should one day tire of supporting Western Germany with money and defence forces. The Russians describe Berlin as a side-issue, which could be settled as soon as the establishment of Western Germany were abandoned. For once, the Russians are right. So was Professor Reuter, the Social Democrat leader from Berlin, who urged the western constitution-makers to go ahead, since only if they could look to a firm base in the west could the Germans in the east maintain their struggle against Russian bribes and terror.

Secondly, responsibility should be handed over to the Germans quickly and fully. The 15,000 officials of the British Control Commission should finally face the fact that in reality they control almost nothing. Even the Anglo-American Bipartite Control Board in Frankfurt is largely futile, attempting to control German authorities who are adepts in passive resistance, and have, generally speaking, no intention of controlling their own people. This is a situation which brings the west into contempt and involves the Germans in occupation costs which they do not intend to raise taxes to pay.

The Control Commission, and the Bipartite Board, should, therefore, be whittled down to a single Shaef-type control, with the sole functions of guiding German foreign policy into Western Union and providing a protection for Germans whose civil liberties may be threatened by their own countrymen. Germany should be put, for Marshall Plan purposes, on a par with the other countries. It should plead its own case—not through the mouths of American protectors—and should accept a mission of the American Economic Co-operation Administration, with the same task of supervising the use of ERP funds that it has in other countries joined in the OEEC.

To say that the Control Commission should be abolished is not, of course, at all the same thing as to say that the armies of occupation should be withdrawn. On the contrary, they must stay for a long time yet. The Germans themselves are clear about the distinction. They do not want to pay for their own defence, but they do not at any time suggest that the American and British troops should be withdrawn, leaving them at the mercy of the Russians. Should the idea spread that such a move was contemplated, it would be the end of all reconstruction in the west. The line from Lübeck to Trieste must certainly be held. But behind it, the object should be to reconstruct a Germany that is fully self-governing as well as fully self-supporting. Once the western Powers turned aside from the policy of destroying Germany, they committed themselves irrevocably (though few of them realised it) to the alternative policy of allowing Germany to rise again. That being so, the overriding object of policy must be to see that when the Germans rise again, they rise as convinced westerners, not as nationalists willing to ally themselves with any eastern adventurer for revenge and the remedy of grievances. That does not mean that no restrictions at all can be placed on the free exercise of German sovereignty—in the matter of the production of armaments, for example. But it does mean that the restrictions should be kept to an absolute minimum of those for which the justification is overwhelmingly apparent. And it also means that western policy should move promptly and cheerfully to its goal, not with the bewildered costive reluctance that it has shown and is still showing. "Eventually, so why not at once?" should be the motto to hang on the wall alongside Zhdanov's warning.

Almanach de Moscou

THERE was a time not so very long ago when the most useful knowledge for a diplomat was of the kind contained in the Almanach de Gotha. When ambassadors were for the most part envoys of kings and diplomacy was enveloped in the elaborate etiquette of royal courts and an aristocratic society, it was essential to be well informed about royal and princely families, their genealogies, their actual and possible marriages and their apparent and presumptive heirs. Outside the narrow circle of royalty and nobility enfolding the *corps diplomatique* in a monarchically governed country it was seldom necessary to have a knowledge of personalities for purposes of diplomatic relations. For republics a somewhat wider range of information was required, but republics were in any case rare outside Latin America before 1917 and their leading politicians usually came from well-known families or had had long public careers before reaching high office. As democratic politics broadened out and as diplomats had to take notice of economics, and even of culture, keeping track of important people became a more difficult business; but in almost every country publishers provided comprehensive directories in which the stars of the local firmament could be identified and their courses traced.

Since the coming of the Bolsheviks the observer of world affairs, whether diplomat, politician, journalist or interested citizen, has been confronted with a new world of personalities about which it has been extremely difficult to obtain full and reliable information. It is not at all because this is a levelling ultra-democratic *milieu*, in which personal qualities are at a discount and the multitude swallows up the individual leader. On the contrary, here is a system of rigid hierarchy, of living saints and heroes whose pictures, magnified to colossal dimensions, are publicly displayed to their adoring followers. But these great men have neither been princes from their birth nor have they arrived through the normal public careers of a democratic society, gradually emerging into the daylight of national awareness and inspection. They arise suddenly like Aphrodite from the foam of the sea; professional revolutionaries, secret men of many aliases and alibis, they start up from their "underground" like scorpions from under a displaced rock; they arrive without warning from nowhere like V.2 rockets.

Much is now known about the lives of Lenin and his close associates before the revolution, but little could have been known at the time by the curious about the operations of the party within Russia. And today the Communists take conspiratorial precautions in all countries where they do not hold power—for even where they are legal, they always prepare to go underground whenever it may be required. Where they have come to power, they do not need to conceal themselves from the police—since they now *are* the police—but a new kind of secrecy screens the great ones from the prying eyes of the world; a censorship enforced by terror excludes all but official versions of who's who and what's what. It becomes infinitely difficult for the foreigner to find out who really has power, how decisions are reached, what occult forces determine the rise or fall of individuals in the ruling group. Nor is it only a question of knowing who has already come out on top, for the most abrupt changes may occur at any time and entirely new men appear on the scene.

In the Communist world departures are as sudden as arrivals—except in the highest rank of all, and even there a question mark is the only indication of succession to a ruler who, however godlike his other attributes, is but mortal. Only just over thirty years have passed since the Russian revolution, but the turnover in Communist leadership, both in Russia and outside, has been enormous, and it has often been bewildering even for the Communists themselves. In the days of the great purge the official biographers and historians could hardly keep up with their task of revaluing most of Lenin's companions as Fascist reptiles and Trotskyite mad dogs, and a Communist bookshop in London once displayed a pamphlet entitled "Tukhachevsky on Defence" for some time after the Marshal had been shot for alleged treason. When the faithful can thus be mistaken, it is little wonder that outsiders are apt to find the politics of the new civilisation somewhat enigmatic.

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It is doubtless with the aim of assisting those who would like to be well informed about the contemporary world that the American House of Representatives Committee on Foreign Affairs Sub-committee No. 5 (National and International Movements) has now published as a supplement to its Report on "The Strategy and Tactics of World Communism" a directory of five hundred leading Communists of the eastern hemisphere outside the Soviet Union.* The editors modestly admit that the biographical data which they have assembled "fail of perfection," but claim that they are nevertheless "the best that can be assembled and published at this time." It is indeed a fascinating compilation; even the mere list of names whets the appetite for information and the brief notices given further stimulate curiosity without satisfying it. There must be very few, even among the most widely connected of journalists, who can honestly say this is all old stuff or, without reference to these pages, could give offhand an account of Pandi Kristo, Koci Xoxe, Idris Williams, Aaro Uusitalo, Léon Mauvais, Alice Sportisse, Chryssa Hadjivassiliou, Konstantinos Theos, Kim Tubong, Pham-Van-Khoa, Teresa Noce Longo, Harry Snitcher or Paul Schreck. But here they all are, as cosmopolitan a crowd as could ever have been found in a Riviera hotel in the days of free travel. We are not given their addresses, nor informed of their clubs and their recreations; but much is told about their political careers. From an analysis of the facts they have collected the editors have drawn the results that the average age of the five hundred is 46, that though little more than one in five of them has graduated from a university, nearly one in two has graduated from a prison, that over 10 per cent are veterans of the Spanish civil war, and that 20 per cent have today reached Cabinet rank in various Governments outside Russia. Since this handbook was published, however, events have already indicated one notable omission, and it is of a kind which illustrates the difficulty of an exhaustive treatment of the subject. In August a certain Mr Soeparto arrived in Java as the secretary of a Dr Soeripno, who had been sent on a commission to Europe by the Indonesian Republic, but had been recalled for exceeding his instructions in negotiating with Russia. After a few days Soeparto suddenly announced that he was really Musso—not the gentleman of that name who springs first to mind, but a Communist leader who had fled from Java in 1925 after being involved in a rising against the Dutch, that he had spent 23 years in Moscow and had now returned to take over the leadership of the party; this he did without more ado, and soon started the armed revolt against the Hatta Government which is still going on. But the inquirer who looks for his name in the Congressional Subcommittee's collection will not find it among the five Indonesian Communists there listed. Musso is one of those men whom Moscow holds in reserve and out of sight until the moment of using them has come. So long had Musso been in Russia that in public speeches he had to apologise for his inability to use correctly the idiom of his own language. Nevertheless the party had no hesitation in immediately accepting him as its leader.

* Published by the United States Government Printing Office, Washington, 1948. 80th Congress, 2nd Session, House Document No. 707.

*

Apart from the possibility that there are other lurking Mussos undetected by the Congressional sleuthing, there are some very interesting biographical problems about even the most eminent of the five hundred. None of them is more famous than Josip Broz Tito, yet there are strange discrepancies in accounts of his life before he was honoured by the acquaintance of Major Randolph Churchill. According to the Congressional biography he served as a private in the Austrian army, was taken prisoner by the Russians in 1915, and remained in Russia until 1920, "taking part in the Bolshevik revolution." On the other hand, Anton Ciliga, the Croat ex-Communist who spent ten years in Russia and recorded his experience in his book *The Russian Enigma*, says that Tito was a sergeant in the Austrian army and was quite "non-political" up to 1920, when he joined the Red Army, became an officer in it and continued to serve in it until 1924. The Congressional handbook describes him as "Secretary-General of Central Committee of Yugoslav Communist Party circa 1937-1946," but does not refer to the fact that he replaced Gorkitch, who was liquidated in the Great Purge, or to the fate of his first wife, a Russian, who according to Ciliga's account, was arrested in Moscow and "died in prison." Much mystery indeed still surrounds the career of Tito.

What is not manifest in the formal biographies of the five hundred is the nature of the bond which unites them. Of the atmosphere of the Communist conventicles, of the sentiments which inspire them in their relations with which other, of their code of behaviour and conflicts of conscience, there is more to be learnt from Sartre's *Crime Passionel* than from perusal of records of membership of committees or military commands. The discipline of Communism is partly voluntary, partly enforced. It is this discipline which is the strength of Communism, yet it is always in danger of breakdown and covers up deep spiritual contradictions. The foundation of Communism is in fanatical conviction, yet the man of conviction is the most likely to deviate when it seems to him that the leadership is betraying the cause. Where direct physical coercion cannot be used, reliance must be placed on unceasing vigilance and on the mustering of party loyalty against the first beginnings of deviation or backsliding. Through a vast network of spies the central authority keeps track of all its agents and their work; it is the cadres that count, as Stalin once said, but still more the dossiers about them which exist within the walls of the Kremlin. Of one thing we can be certain, that no *Almanach de Moscou* published in the bourgeois world can ever compare with the documentation whereby Moscow knows its own.

between industries. There is something to be said—more than nowadays is generally allowed—for competitive free enterprise; there is something to be said—though less than most enthusiasts believe—for the comprehensive central plan, broadly and elastically conceived. There is absolutely nothing to be said for the pull-devil-pull-baker anarchy of autonomous industrial *blocs*, especially when exclusively governed by the voices of those least qualified to take the long view.

The new London Committee might, under wiser counsels, do useful work. It becomes clearer month by month that greater production must be sought not only through the working of money incentives, or the installing of superior equipment, or such one-sided managerial improvements as can be obtained through better lay-out or time-and-motion study, but also by the reciprocal co-operation of workers and management from the bench up. The proportion either of managers or of workers who wholeheartedly support the principle of co-operation and who understand its technique remains painfully low. A body which would further the education of both, extend the area and intensity of co-operation, and so enable an increasing number of workers to qualify by experience for participation in control at higher levels, would do much more for the cause of industrial democracy than one committed to the tenets of an absolute syndicalism.

* * *

No Bonus for Overtime

No man is better qualified than Sir Stafford Cripps to speak about overtime. At time-and-a-half and tax-free, his overtime earnings would give him the highest net income of anyone in the country, and he would deserve every penny of it. When, therefore, he roundly condemned making overtime pay tax-free last week, he spoke with unrivalled personal authority as well as the weight of his office behind him.

He quoted the Civil Service, where many who work overtime hours without extra pay—this has become an occupational disease among higher civil servants—as a profession would be still further penalised because of their fixed salaries. But a still more cogent reason is the demoralising effect such an additional bonus for overtime would have on the ordinary worker. Extra pay for extra hours already exerts a subtle and surreptitious drag on the normal output of even the most conscientious worker. To increase the attractions of overtime pay increases the temptation to spin out work. Overtime must always be regarded as an evil necessity if it extends working hours beyond the optimum: it is exhausting for the worker and expensive for the employer. The real necessity is to increase output within the ordinary working day, and if any current evidence of this is needed, the failure of the Saturday shift and the extra half-hour a day in the mines provides it. The earlier proposal to treat the miners preferentially is presumably equally condemned by the Chancellor, although he did not mention them specifically.

* * *

New Crisis in China

The Truman victory in America following on the fall of Mukden has now led to the resignation of the Chinese Cabinet led by Wong Wen-hao. For some time the prospect of a Dewey Administration in Washington has been used to bolster up the failing morale of Nanking because of the belief that it would provide more support for the Chinese Government than President Truman and Mr Marshall have been so far prepared to give. Mr Dewey in his campaign attacked the Truman Administration for its "tragic neglect" of China and promised a more vigorous policy; his defeat, therefore, has been the last straw in causing the collapse of a Cabinet which was already tottering to its fall. The Prime Minister and Finance Minister had announced their wish to resign because of the failure of the recent financial reforms which were designed to halt inflation and which initially gave promise of greater success than any previous effort. The reforms were partly intended to give economic support to the Government's military effort, but it is the military situation which has been largely responsible for the failure of the reforms, for the bad news from the fronts has destroyed confidence in the survival of the Government and its currency and has led to fresh commodity hoarding and panic speculation.

All kinds of political combinations are now possible in China; there are not a few generals with long experience of intrigue who are now likely to desert President Chiang's sinking ship and bargain for terms with the Communists. There is, however, no prospect of stable government in any balanced coalition of Communists and non-Communists because the Communists in China, as elsewhere, aim at supreme power and enter coalitions only with the idea of undermining their partners and reducing them to subjection. A coalition would be likely to lead within a short time either to complete Communist domination of the whole of China or to a split followed by the renewal of civil war. If the war continues more or less on present alignments, the questions arise: first, whether Fu Tso-yi can keep the Communists out of Peiping and Tientsin, and second, whether, if north China is lost, it will be possible to maintain an anti-Communist south China regime holding Nanking, Shanghai and Canton. In any case such a regime can hardly be in future headed by the present governing clique in Nanking. There are vital political forces in China which are neither Communist nor Kuomintang Old Guard; if they can once find effective leadership, they can become decisively important. In the fluidity of the new situation, they may get their chance to emerge.

* * *

Arab Policy on Palestine—

Most Arab politicians, when they think of Palestine, seem to be putting up a mental umbrella and hoping that the cloud will go away. Thus the Arab League, meeting in ninth ordinary session and with the so-called government of Arab Palestine at its table for the first time, is discussing model air and postal conventions. Meanwhile, a combination of Israeli purposefulness and United Nations inanition is day by day whittling away the area of Palestine that is still open to negotiation. Last month the northern Negeb, last weekend Galilee have fallen to Jewish forces; their Arab defences collapsed with an ease that surprised us no more than the attackers. This week, small Jewish advances in the Bethlehem and Hebron areas are eating, like the tide at a cliff, into lands so far denied to Israeli expansion. Also this week, the Israeli government has held its first meeting in Jerusalem.

Arabs would not be Arabs if they did not lay the blame for this humiliating situation at others' door. Their chief scapegoat is, it need hardly be said, Great Britain; they like to argue that it, by observing the arms embargo, denied them of victory. They stress such points in order to gloss over their own sad follies. Of these, the greatest is their failure to pull together in any constructive policy, political or military; they are for instance so divided as to whether Arab Palestine is to be independent, or part of Transjordan, that the army of one will not help the army of another even when failure to do so exposes its own flank. A second grave shortcoming is their failure in Paris to see that owing to Jewish military strength and the supine ways of the United Nations, time is against them. Against the advice of their oldest friends, they have voted more than once for postponement of discussion and settlement. It is now, surely, plain that to snatch at a fixing of the Israeli frontiers is their only chance of saving some part of the lands they want. Lately, they have at every turn played into their rivals' hands.

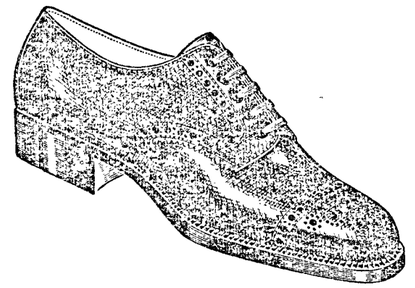
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—And its Implications at Home

This failure abroad is bound to react upon home politics, particularly in Egypt and Iraq. So far, the news has been concealed from the home publics in both countries by jaunty communiqués and, in Egypt, by a censorship that reduces the home press to bombast and that cuts all criticism out of imported newspapers. (*The Economist* is among the papers so mutilated.) What happens when the public discovers, as it must do in time, that the Egyptian army was beaten and is demoralised, that it hated the inhabitants of Gaza, who returned the dislike, and that the comforts funds generously subscribed in Alexandria and Cairo never reached the front, and, seemingly, disappeared on their way through the Ministry of War? Nokrashy Pasha's government has not lately been in a strong position; it has rocked, and would doubtless have fallen were any rival ready to take the unenviable office of premier while there is a military failure to be answered for. Sidky Pasha, much the cleverest man available, has always, even publicly, been against the Palestine war because he foresaw the economic damage it must entail. If Nokrashy falls it can only be to a Palace government that will try to deflect notice from the King's responsibility for the Palestine adventure by diverting public attention to some other issue—for instance, the Sudan. The false rumour, started by an Egyptian pen this week, that Great Britain was ready to abrogate the 1936 treaty and to start negotiations afresh may have been a move in this direction. Other red herrings are to be expected.

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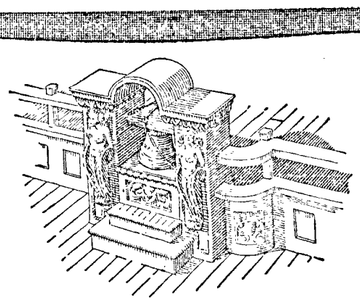
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In Iraq, the government is even more likely to be disrupted when the army's discomfiture becomes known. This last is the greater because the Iraqi treasury is in such a plight that the soldiers are owed considerable arrears of pay. From this situation the Fascist party Golden Square, in temporary union with the Communists, is making political headway. In a word, the Palestine issue is successfully creating a series of local Arab confusions—a situation pleasing to nobody but the Jews, and to Russia.

* * *

Cold War in Italian Industry

Italian employers are now making serious efforts to reduce their staffs to reasonable proportions for the work in hand. This action has long been hanging over the already strained relations which exist in many parts of industry between employer and employee. But it is essential if excessive Italian production costs are to be reduced. The feeling is growing among employers that they are now in a stronger position to try their hand than a few weeks ago.

Workers, however, are putting up a stiff running fight. Last week the Fiat motor company's Mirafiore factory in Turin, the largest in Italy, employing 50,000 people, and of prime importance in the country's export drive, was reduced to operating on what has become known as a "non-collaboration" basis, because seven workers were dismissed. "Non-collaboration" means that a worker refuses to go one iota out of his prescribed routine. If so much as a screwdriver is needed, he will stop work until it is brought to him; he deliberately does nothing at all about getting it himself. When this system was first introduced for a week last December, production in Italian industry was estimated to have fallen by 60 per cent. The Fiat management has now retorted with a statement that the proportional loss of takings will be debited to wage-checks.

Many other big works are also suffering from resistance in this and other forms. Daily one-hour strikes are staged or planned over a period. Last week the Snia Viscosa management of the company's Pignotte works in Florence was completely frustrated by a stay-in strike of redundant workers who had been dismissed. It remains to be seen what the upshot of all this will be, but one thing seems clear. The present cold war in Italian industry will concentrate growing attention on the battle between the Communist and non-Communist trade unions.

After many weeks of indecision since they withdrew from the Communist-dominated CGIL—the Italian TUC— last July, the Christian Democrats set up a new trade union organisation of their own on October 19th. Called the LCGIL, or Italian Free General Confederation of Workers, its first Secretary-General is Signor Giulio Pastore, the former Christian Democrat Secretary on the CGIL. Under its provisional statutes, the LCGIL lays down that any strike must be preceded by a referendum among the actual workers whom it will affect. Dominant elsewhere in Italian politics, the Christian Democrats are, however, still very weak where the trade unions are concerned. They have carried their own 600,000 workers with them into their new LCGIL, but there are over 4 million workers, including Socialists and Republicans, still loyal to the CGIL.

The best hope of the Christian Democrats is perhaps that they may recruit more adherents from the large number of Italian workers who even now belong to no trade union. Yet it is hard to see them doing so, while the predominantly Christian Democrat Government sponsors the present unpopular policy of labour dismissals, however necessary that may be to the Italian economy at large.

* * *

Distribution of Building Resources

Very little is generally known about the distribution of building resources among the various claimants, and in particular the relative strength of the demands from industry and housing. Since housing is the biggest single competitor for building materials and labour, this deficiency in public knowledge leads to some serious misunderstandings about the strain of a large housing programme on the country's capital resources. A little light has been shed on this subject by the Ministry of Works' Summary Report* for the year January to December, 1947, which was issued last week. Unfortunately the report confines itself to figures for the number and value of building licences issued, by local authorities and by the Ministry itself, for new industrial projects and for repair and maintenance work to buildings of all kinds including houses. It excludes, and the exclusion is critical, the estimated expenditure on new housing projects approved for local authorities or licensed for private builders. Strictly this expenditure is within the province of the Ministry of Health, but whatever the department concerned, it would be extremely valuable to have comparable figures published for the housing programmes.

* Cmd. 7521. HMSO. 9d.

BUILDING WORK LICENSED OR APPROVED DURING 1947

	£ million	% of whole
Industrial and commercial buildings	163·9	29·5
Farms and agricultural premises	9·9	1·8
Hospitals and schools	6·5	1·2
Housing work other than new housing, including conversion and adaptations	109·8	19·8
New houses approved or licensed (estimate)	*204·0*	*36·8*
Miscellaneous work including annual maintenance and war damage repairs for both industrial and housing purposes	60·5	10·9
	554·6	100·0

In the absence of official figures it has been necessary to make a rough estimate of the resources devoted to new houses during 1947. This is difficult to calculate accurately, but assuming that the figures for tenders approved for local authority schemes and of licences issued to private builders are comparable with the licences issued by the Ministry of Works and local authorities for industrial purposes, about 170,000 new houses were approved during the year (including some 40,000 temporary houses). Taking an average cost of £1,200 a house, this gives a figure of £204 million. From the table above it can thus be seen that an expenditure of rather over £310 million was approved for housing as compared to £163 million for industrial and commercial purposes during 1947.

It has, over the past year, been becoming painfully clear that any policy for reducing the country's total building programme to provide surplus labour for the undermanned industries is a dead letter; pressure from the unions and the employers has been too strong. In December, 1946, there were 1,062,000 workers in the building industry; in December, 1947, 1,132,000, and by July, 1948, 1,150,000. The most consoling feature of this picture is the shift in the distribution of labour: by and large what house-building has lost, industry has gained. Between December, 1947, and August, 1948, labour on house building and repairs fell 44,000 (from 569,000 to 525,000), while labour in building work for industry and agriculture rose 54,000 (from 194,000 to 248,000). As far as the use of building resources for productive investment is concerned this is a real gain, even if no labour has been squeezed out into the undermanned industries.

* * *

Motor Roads

The special Roads Bill whose terms were published this week is a measure which demands technical rather than political appraisal. It is an enabling Bill designed to modify the Trunk Road Acts of 1936 and 1946 so as to provide for the construction of roads designed for specific purposes, particularly for motorways devoted solely to high speed motor traffic. In 1946, the Government announced a ten-year plan for the improvement of the main road arteries. Although much of the work has been slowed down as one of the curtailments of capital investment which it is least painful to make, it is essential that the correct methods of laying out the road communications should be accurately assessed before an acre of land is acquired or a yard of gravel laid. The cost of altering or widening inefficiently planned highways is out of all proportion to the original cost of construction.

It is proposed that out of the total road programme about 1,000 miles shall be of motorways (there are at present 4,456 miles under the classification of trunk roads). The case for motorways is a strong one. The cost of road transport is a large element in manufacturing and wholesale distributive costs, and the provision of roads connecting main centres on which commercial transport can run at a consistent high speed would do much to reduce them. According to a report prepared by the British Road Federation and other interested bodies, the operating costs on motorways, compared with those on existing all-purposes roads, would be reduced by 32.4 per cent for a 10-ton commercial vehicle and 17.4 per cent for a 3-ton vehicle. The maximum economies

are achieved by running most commercial vehicles at about 40 miles per hour, but the advantage of a motorway lies not so much in the possibility of a high speed, but of a clear run and a steady speed. The cost of constructing a motorway with a two-lane carriageway is about £150,000 per mile, a figure which may be slightly greater or slightly smaller than the cost of reconstructing an existing road to first-class all-purposes standard.

The Report urges upon the Ministry of Transport the desirability of considering special roads not only for cross-country connections, but in built-up areas and particularly London. There is a great deal to be said for this, as the success of such high-speed roads as the East River Drive and the Merritt Park-way in New York have shown. The problem in British cities is not how to enable the commuter to reach his country cottage without delay, but how to enable commercial transport to reach the commercial centres without either disrupting the normal local traffic or losing benefits of such economies in time and mechanical wear and tear as are afforded by the arterial roads. Unless the Railway Executive succeeds in arresting the current trend towards the greater use of commercial road transport, this is a problem which must be faced in the making, not only of road, but of town plans.

* * *

Midland City

Wolverhampton, that much surveyed town, is the subject of a social and industrial survey carried out by Mr Tom Brennan* with the object of aiding the Council's preparation of a development plan for its area. Mr Brennan states that "the real job of Town Planning starts where the Survey ends," and it is true that too few planning schemes are given the benefit of a preliminary investigation of this sort. There is a danger in the drawing up of neat plans of physical layout which look fine on paper, but which can easily overlook the complex tangle of social and economic relationships which a well-established town possesses. Mr Brennan has done his best to discuss what the citizens of Wolverhampton themselves want before their town is reshaped for them. For one thing, people are apparently very reluctant to use any local shopping centre which does not lie from their homes in the general direction of the centre of the town. It follows that social facilities should not necessarily be placed at the centre of a new estate—where they may be ignored by many of the inhabitants—but should rather be grouped together at a strategic point near its inner boundary.

It is also apparent that the creation of neighbourhood units, a favourite objective of town planners, may be a tricky business even if housing estates are provided with appropriate social and cultural facilities. Residents are much less willing to use these facilities if they work in a different part of the town—yet the segregation of industry in one main area is a feature of many plans, such as that for Stevenage. It seems that there is conflict between the ideals of "neighbourliness" on the one hand, and of "orderliness" and "cleanliness" on the other. What sort of town the ordinary people would prefer is unlikely to emerge clearly from this or any other survey because their opinions are too bound by existing circumstances. But studies of urban layout could be still more valuable if they made greater use of local voluntary effort. Surely many private citizens could make an active contribution to the analysis of their town's structure, and the planning of its future.

* "Midland City," Dennis Dobson, 15s.

* * *

Stalin Champion of Orthodoxy

The "reconversion" of the Uniate Church of Rumania, which was announced early this month, marks the formal annihilation of an institution which for several centuries Russian policy has sought to destroy.

The Uniate (sometimes known as "Greek Catholic") Church was established in the sixteenth century with the support of the kings of Poland and Hungary, in an area which then formed the easternmost provinces of those states—east Galicia and Transylvania. The Uniate Church was hierarchically subject to the Pope, but its services were conducted in the language of the people and its priests were allowed to marry. It is not unfair to describe its creation as a worldly manœuvre, to win away potential subjects of the Tsars. Nevertheless, in the course of time it struck roots in the peoples, and became in the nineteenth century a stronghold of Ukrainian and Rumanian nationalism, directed as much against Poland and Hungary as against Russia.

In the 1870s Tsar Alexander II, on the advice of the arch-reactionary Count Dimitri Tolstoy, suppressed the Uniate Church in the western provinces of the Russian Empire. Galicia only came under Russian control, with the help of Hitler, in September, 1939. Nothing was done in the first two years of Soviet rule, but after the recovery of Galicia from the Germans in 1945, the attack began. Possibly the problem was made urgent in the eyes of the Kremlin by the strength of anti-Soviet Ukrainian nationalism (in the form of the UPA or Ukrainian Insurgent Army) in the Uniate areas of Galicia. Whatever the motive, the Soviet authorities imprisoned all the bishops and most of the clergy, and when they had found three priests to form a "committee" to request, on behalf of the whole Church, readmission to the Orthodox fold, the question was considered settled.

The Rumanian Church came under fire at the beginning of 1948, when the Orthodox Metropolitan of Transylvania and the Patriarch both launched appeals to the misguided faithful to return to mother Orthodoxy. In October it was announced that the Uniate Church had voluntarily decided on "reunion." Who decided this, and what methods of persuasion were used, is not yet clear. It is in any case certain that the Uniate Church was never unpopular among the Rumanian people, and that none but fanatics within the Rumanian Orthodox Church had any strong desire to liquidate it. The initiative came from outside. The Kremlin cannot tolerate activity within its sphere by any body which has links with the West. Any such body which seems weak enough to be suppressed without risk is doomed.

It is curious that Stalin, while in his teens was "withdrawn by his parents for reasons of health" from a Seminary, should in his old age help one Christian Church to persecute another.

* * *

Country Housewife

Most people are familiar with the outlines of the war-time revolution in British farming, with its great turnover from grassland to arable, with the growth of more crops and less meat, and to production of more milk despite a decline in imported feedingstuffs. A new Hulton survey, *The Rural Market*,* gives a more intimate picture of postwar rural Britain. The survey is

* Hulton Press Ltd., 21s.

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intended for those who want to sell things to country folk and to bring home the fact that, with a gross annual income of over £600 million for agriculture alone, there is an increasingly worthwhile market in the countryside. It shows in detail the amount and type of equipment the farmer is using and could use, and gives an insight into the work and into the social and buying habits of country men and women.

Most important, it elicits something of the activities of that bulwark of agriculture, the rural housewife. Occasionally she emerges to get a word of public appreciation of her work, fortitude and patience, but usually her place in the news is appropriated to the glamour of the land army and the troubles of the farmer. This may be her own fault. According to the survey few agricultural housewives are members of social organisations or take part in public activities. Less than 16 per cent belong to the Women's Institute and only 22 per cent to any social organisation at all. In rural areas where there are few entertainments, where one likes to think that there is greater neighbourliness than in the towns, and where there is need for neighbourly co-operation, these figures are unexpectedly low. Perhaps she is too busy for these things. Sixty-seven per cent of farmers' wives help on the farm as well as struggle with the work in houses which would be difficult to run even if they had the gadgets usually available to the town housewife. Possibly she leaves public work to the menfolk. Four out of five farmers belong to the National Farmers' Union, and they seem to spend plenty of time at markets, technical demonstrations and the like. But perhaps the answer is that, with better communications, the urban influence of the radio, the national press and the cinema, the countrywoman is not so very different from her sister in the towns. She is a near rival in the use of cosmetics and in smoking, and few countrywomen seem to make any of their own clothes. Perhaps the individualism of English country life is something in which only the townsman believes.

* * *

The Press the People Own

On November 1st the *Daily Worker* launched its new edition, from imposing buildings in Farringdon Road, and printed on that fine product of reactionary capitalist industrialism, a Goss rotary press. Although the second issue contained an unexpected tribute to *The Economist* from the unlikely quarter of Mr Bernard Shaw, it is doubtful whether the appearance of the official organ of the British Communist Party in the same form as the other national daily newspapers will add greatly to its influence and circulation, although it expects to attract readership from the *Daily Herald*.

Apart from the problems inherent in providing any service for which demand is deficient, the *Daily Worker* has difficulties of its own making, although it is doubtless proving a constant source of strength and inspiration to overcome them. The *Daily Worker* is operated by the People's Press Printing Society, which is registered as a Friendly Society. It has never found it easy to make both ends meet. In 1947, the Society sustained a trading loss of £36,074. But this deficit was made good from the People's Press Fighting Fund which in the same year raised £37,683. However, a great deal of space had to be sacrificed to sustain the appeals for aid, which might otherwise have been devoted to advertising matter. It has apparently been a considered policy to eschew the bourgeois virtue of solvency in favour of an enthusiastic participation by its readers in the difficulties of management.

Some possible savings suggest themselves on the layout of the new *Daily Worker*. For instance, the width of the double sheets is 68 inches, as against the 66 inches adopted for the sake of economy by other daily newspapers. This, for instance, would reduce the newsprint bill (which is likely to be little short of £1,000 a week) by some 3 per cent. On a circulation basis of 120,000 copies sold daily, selling at 1½d. a copy, and 105 column inches of advertising at a basic rate of 25s. per column inch, weekly gross income can hardly exceed £3,500. On this basis, it seems possible that further operating losses will have to be made good from the Fighting Fund.

In face of all its financial problems, a more professional-looking *Daily Worker* (with a front-page format closely resembling that of the *Daily Mail*) is now being produced. Additional capital has been raised alongside the appeals for aid to balance on current expenses. Share and loan capital to finance the expansion has been, and is, offered on tap. Shares can be bought in multiples of £1, with a maximum of £200. Share capital can be withdrawn on a fortnight's notice being given, but "no payment of withdrawable capital shall be made while any claim on account of any loan is unsatisfied." Still, this method of raising capital can hardly be termed orthodox finance. Few assets of a newspaper are liquid, yet a shareholder may claim his money back at short notice. Borrowing short and lending long has often proved problematic in the end. Even if the value of the capital is nominally maintained by relying on the subsidy to balance the accounts, raising sums of the magnitude at present required to make good losses over any length of time may turn out in the end only an alternative way of having to draw on capital. It will be interesting to see how long enthusiasm can defeat the inexorable addition and subtraction sum which governs all newspaper undertakings.

Shorter Notes

One need not agree with Mr Michael Foot to regret Mr Churchill's references in the debate on the Address to India and to the disappearance of the words "British Empire" and "Dominion." Mr Churchill has a patriarchal—were he not such a loyal subject, one might almost say a paternal—view of the areas coloured red in the atlas. He has persistently refused to recognise that the Commonwealth is capable of change and development without self-destruction, and his refusal to give the present Government any credit for its Commonwealth policy represents the less generous side of a generous nature. The tragedy is that he is building up a legacy of suspicion and dislike for the Conservative Party in India, in Burma, and, indeed, the older countries of the Commonwealth, which will rebound on those who follow him and do harm not only to a possible future Conservative Government but to Great Britain. There are many younger members of the Conservative Party who are in substantial agreement with the present developments in the Commonwealth, and who are acutely aware of the harm that their leader is doing.

*

In the course of the debate on the Address it was revealed that from September 1st the Foreign Office had "drawn a sponge across" the trials for war crimes in Germany, and that with the exception of the German generals no further trials will take place. That public opinion is still disturbed by the Government's insistence on trying the generals was made clear this week by another debate, in the House of Lords. Nobody pretends, at least nobody should pretend, that there is not a formidable indictment against them. The grounds for protest are the long delay in bringing them to trial which, it appears, cannot, even now, begin until next March and may continue for months after that. Justice so protracted as this becomes injustice and does more harm than good.

*

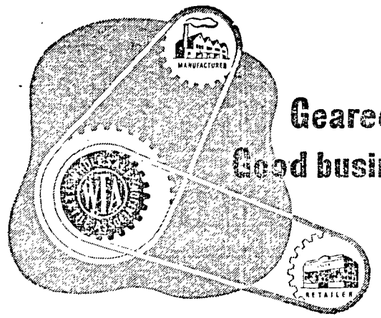
The dispute with Guatemala over British Honduras has come to the fore again. In a Note last week Britain rejected the Guatemalan proposal of July that the dispute should be referred to arbitration by the United States—an attempt apparently to involve Washington in a matter in which it showed little interest at the Pan-American Conference at Bogotá in April. Britain, however, is still willing to refer the case to The Hague Court for settlement on grounds of law. Guatemala's reply, of which details are not available, is unlikely to mark any change from its former acceptance of settlement at The Hague Court on grounds of equity. The next move may be a Guatemalan attempt to canvass wider Latin American support for its case. But would this bring it any nearer a solution?

*

The cost of the British share in the air lift to Berlin up to October 26th was given by Mr Mayhew as £2,300,000. This is a cheap price to pay for such a successful undertaking, but the cost cannot be measured in terms of money alone. The commitments of the Royal Air Force in other parts of the world have been curtailed, and the sooner the United States can be persuaded to provide more of the men and the aircraft needed, the sooner will the RAF be able to resume its equally important duty of keeping open the trunk air routes of the eastern hemisphere.

*

A fuller explanation seems to be desirable in case a phrase which appeared in an article a fortnight ago, "The Enemy Within" should be misleading. "In building," the article stated, "the president of the union is a Communist." The union referred to was the Amalgamated Union of Building Trade Operatives and not, of course, the National Federation of Building Trade Operatives, of which Sir John Stephenson, KBE, who is not a Communist, is president.



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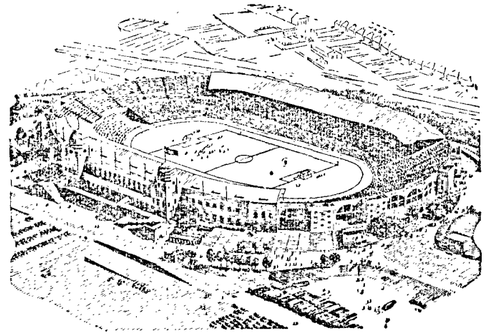
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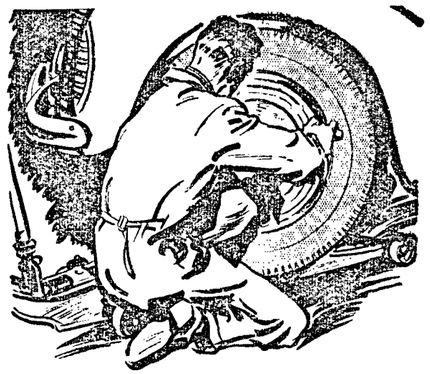
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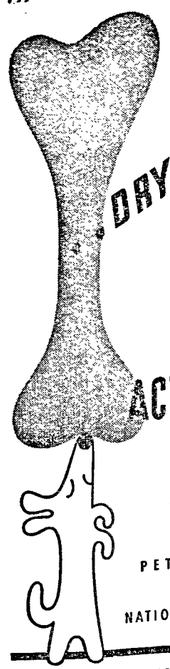


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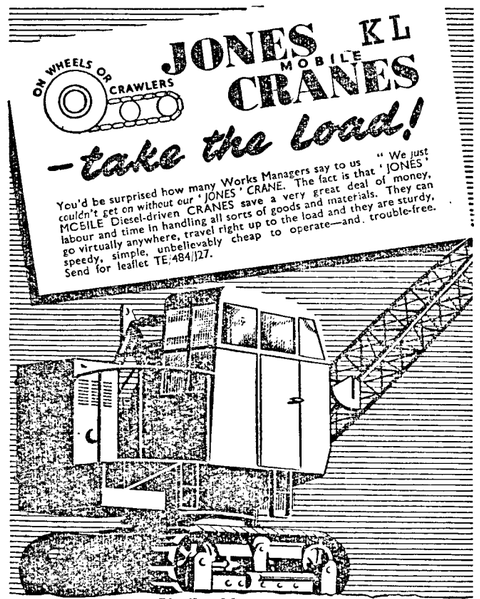
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Letters to the Editor

Trade through the Iron Curtain

SIR,—I should like to call your attention to a misunderstanding of the facts which is contained in *The Economist* of October 23rd on page 661. You state: "One of the less satisfactory aspects of Mr Myrdal's direction of ECE is the way in which the east European governments are allowed to contribute incomplete and inadequate information to reports and studies undertaken."

The information available to ECE in its reports and studies is drawn from two sources: from published data and from data furnished by the governments in the ECE working committees. The reports and studies which have been made public—for example, the "Survey of the Economic Situation and Prospects of Europe" and the recent report on "The Potentialities of Increased Trade and Accelerated Industrial Development in Europe"—derive wholly from public data. The amount and character of the data available for such studies depend upon what the governments choose to make public outside the ECE.

The information furnished in the Technical Committees of ECE (coal, transport, steel, electric power, etc.) is given by the governments to serve certain operational purposes. These data are contained in restricted documents and are not, therefore, made public. On the experience within the ECE to date there is no evidence whatsoever that there is a regional bias with respect to the willingness of governments to present such information in the solution of particular concrete problems. The governments of eastern and western Europe alike have generally shown a willingness to furnish the information necessary to solve, on a common basis, concrete reconstruction problems. When issues have arisen, as they have, concerning the extent of the data required to solve a particular problem, reluctance to give particular types of information has been occasionally expressed by various participating governments. Such reluctance has not, I can assure you, been a particular characteristic of any group of countries participating in the work of the ECE.—Yours faithfully,

GUNNAR MYRDAL, Executive Secretary,
Economic Commission for Europe

Palais des Nations, Geneva

[Our comment related not so much to the quantity and extent of the information that is forthcoming from the east European countries as to its quality and reliability. Further inquiry has, however, convinced us that we were unjust to Mr Myrdal in implying that he was in any way personally responsible for these inadequacies or that he has not set the standards of ECE high enough. The personal reference to him is therefore withdrawn, with apologies.—EDITOR.]

Royal Designers

SIR,—In your note in *The Economist*, October 30th, you were good enough to refer with approval to the utility furniture design team with which I was connected. But with this exception you do not mention one of the industrial case histories, although you deal with the few handwork specimens in some detail.

May I point out that the whole aim of the *Design at Work* exhibition is to show how good design has been achieved in a series of varied machine-made products which have actually been produced? These include mass-produced glass, radio and packaging, textiles, television and lighting fittings.

There has never been any doubt in my mind of the paramount importance of good design for machine production today, but this is not accepted by industrialists, retailers or the public as a whole.

Such handwork as has been shown is there principally to make the point that it does have a stimulating effect on machine production. Professor Goodden, R.D.I., incidentally designed not only the small gold box for Princess Elizabeth and the Sword of Honour which you note, but also designed an excellent range of pressed glassware which has been bought by hundreds of thousands of people. In the same way, the late Eric Gill, R.D.I., is known as a sculptor and letter cutter in stone, but his influence on book production through his wood engravings and the founts of type he designed for Monotype has been widespread. I would claim that his expert knowledge of cutting large letters gave him that feeling for beauty of letter shape and arrangement which we see reduced to type size in "Gill Sans" and "Perpetua."

May I stress, Sir, that this is not an exhibition of objects as such? It is not reasonable to judge it on size or quantity. It sets out to show that everything we use has to be designed, that the industrial designer must be one of the production team from the inception of the job and that first-rate handwork can be a powerful stimulus.—Yours faithfully, GORDON RUSSELL

Master of the Faculty of Royal Designers for Industry

John Adam Street, Adelphi, W.C.2

Is it Safe to be British?

SIR,—William Joyce was found guilty of treason because it was decided that in applying for a passport he applied for protection and owed allegiance so long as that passport was still valid or so long as he did not claim the protection of another state.

If the accused can show that, by reason of his own experiences or those of others, he had good reason to believe that effective protection was unlikely to be given to him, can he claim that he owed no allegiance and hence could not be guilty of treason?

It is rather much to expect that a state should be plunged into war because of the misfortunes of one individual. On the other hand travellers abroad must have passports, if only for purposes of personal identification. Thus, in order to get out of the country, the individual is obliged to give an undertaking of allegiance in return for a protection which may well be non-existent.—Yours faithfully, L. R. H.

SIR,—British subjects abroad may be "entitled to take literally" the words of the Secretary of State printed inside the cover of their passports, but inexperienced travellers would be ill-advised to count too much in an emergency on these instructions even as far as their own British officials are concerned.

Whilst working recently as a visiting correspondent in the Balkans, I recall an episode in Salonika during a bank strike, which the authorities said might last several weeks. I urgently required money to pay my fare to Athens and to cover my subsistence and other legitimate expenses until I was able to get a seat on the plane to England. The bank manager, surrounded by pickets, flatly refused to deal with my valid letter of credit. On inquiries at

From *The Economist* of 1848

November 4, 1848.

The sole means available by the press to obtain the much-desired end [to reconcile the now warring classes] is the expression of opinion, conveying to individuals the approbation or disapprobation of the millions who speak through it. He indeed must have read little and observed less, who is not thoroughly convinced from the writings of our didactic poets, from the behaviour of children, from the means taken to promote great actions in men, from the whole stream of our literature, and the whole course of society, that the love of approbation is one of the strongest incentives, if not *the* strongest, where it is not the only incentive to social and political virtue. Under the perfect conviction of conscious rectitude, it is almost impossible for the strongest minded man to support himself against general disapproval; he will be silent on the rack, he will march calmly to the scaffold, cheered and upheld by approbation, or by the confidence that his conduct is or will be approved of; but it is not in human nature to despise general opinion. The knowledge of man is in fact bounded by his own sensations; and loving pleasure and hating pain, he is intensely and exclusively selfish; but nature has made him from the first perception of a mother's smile to the last hope on his deathbed that his children will honour his memory, exquisitely sensible to the expressed opinion of others . . . . . Respect for opinion shields the weak against the strong; it beats down the bayonet's point; it extorts gifts from avarice; it stifles vengeance, and makes cruelty humane. It is the one sentiment to which the press can appeal; and to misdirect praise, to be careless in the formation and expression of opinion, is to waste the greatest power to effect social good that is given to man.

the Consulate-General, I received the message from the Consul-General: "Under no circumstances whatsoever could any British subject be advanced money." Thanks to the courtesy and persistence of an officer in the Army Pay Corps at a time when the British Army was in no way responsible for the welfare of British civilians, the Greek bank manager was reluctantly persuaded at last to cash my letter of credit at the back door.

My rights as an individual and a British taxpayer and also those of others who have had similar experiences elsewhere are no doubt insignificant. What is important is the fact that such incidents seriously undermine British prestige abroad.—Yours faithfully,

Flat 38, 88 *Portland Place, W.* 1 NANCY CRAWSHAW

Bulgaria under the Communists

(By cable)

SIR,—Your article of October 9th on "Bulgaria Under Communists" contains series misstatements which tend to vitiate its contents and convey an altogether incorrect idea of present developments in Bulgaria. Our Brigadier movement initiated and led by the Peoples Youth Alliance is voluntary. Its spontaneous nature can be gauged from the fact that even elderly orthodox priests and Moslem Mullahs participate with enthusiasm in this venture. Our entire youth accepts physical work with joy and is proud in introducing amenities of civilisation in our hitherto backward country. It is preposterous to state that Civil Servants "are liable to be dismissed" unless they participate in brigades; as a matter of fact, they don't, except for some youths. The Labour Army has nothing to do with the Ministry of National Defence, there's no "War Ministry," and it is run by the Ministry of Public Works. Moreover, its number is just under one-half of the figure advanced by your correspondent. Today, when most nations are feverishly re-arming, Bulgaria is using its youth effectives for peaceful construction work, to which *The Economist* can hardly take exception. There's no such thing as a "harvest militia" (something wellnigh impossible to organise on a nationwide scale), and hence no "special decree" could have been issued forbidding harvesting and other farm work without its supervision. However, peasants here, as everywhere else, strive to protect their crops from incendiaries and thieves. Is this in any way reprehensible? Finally, Bulgaria's trade with Jugoslavia continues normally. Our foreign trade is, in fact, constantly increasing. It goes without saying that we are prepared to do business with any country, regardless of its geograhic position, as long as it treats us as equal partners.—Yours faithfully,

ALEXANDER RIZOV,
Editor, Free Bulgaria.

[It is reported that the Duke of Wellington on leaving a Royal levée dressed in full uniform was approached by a citizen who greeted him with "Mr Smith, I believe." "Sir," said the Duke, "If you will believe that you will believe anything."—EDITOR.]

Economic Plateau

SIR,—I am puzzled as to the meaning of the term "viable" and "viability" as used in the economic sense. The dictionary defines "viable" as "capable of living." Is it then synonymous with "self-supporting" when used in the economic sense? The article "Economic Plateau" in *The Economist* of October 30th asks by what means the Government can expect Britain to become self-supporting by 1952, and suggests that the key to the problem may be found in the greater "viability" which has become the ultimate objective of programmes and plans. But if "viability" means the state of being self-supporting, this merely re-states the problem and does not supply a key for its solution.

The same article suggests, in order to improve the possibilities for exports in 1949, the concentration of Britain's limited resources more effectively upon the most vital tasks. "Policy would be wiser if . . . it considered a means of doubling, and then doubling again, the rather meagre efforts which have so far been made to concentrate the resources available upon vital objectives." It would add to the interest of this admirably clear article if these "vital objectives" could in some way be defined.—Yours faithfully,

Seven Sisters, St. Lawrence, Isle of Wight C. MCKENZIE JOHNSTON

[Last week's reference to viability was intended to suggest just those doubts which are expressed above. Among the most vital objectives, increased production, investment and exports were in fact named.—EDITOR.]

French Difficulties

SIR,—In *The Economist* of October 9th the question is asked: "How can a country's finances be stabilised if the well-to-do consistently avoid the burden of taxation?" Now, I don't acknowledge such a criticism as pertinent and fair.

Truly, many Frenchmen boast about circumventing their fiscal duties; but it's just boasting. Most of these *fanfarons du vile* acquit themselves nevertheless quite readily and sheepishly of their dues. On the other hand, don't suppose that defrauding the French fiscal Argus to be an easy task: each time I have involuntarily committed some small mistake in *my* favour I was quickly and sternly rebuked. Of course, French profiteers, black marketeers and "spivs" don't bother about declaring their ill-gotten incomes, but, in any country where the currency is out of gear, such characters are the children of the inflation and not its fathers.

Since the French system of taxes is notoriously complicated, obsolete in many of its rules and too mild towards some categories of taxpayers, its overhaul is certainly overdue. Economically speaking, its main defect consists in the fact that the dice are heavily loaded against savers and investors, such a tendency being evidently ill-timed in a period of reconstruction and of inflation (i.e., of excessive consumption). But, I cannot agree with most economists who assert that a budgetary deficit is the main cause of the present collapse of the French currency.

Quite on the contrary, I am firmly convinced that the rises of prices, steadily forestalling the rises of public revenues, are the main cause of such permanent deficits, and that, in a country undergoing a crisis of acute inflation or hyperinflation (as the case stands unhappily in France for the time being), no budgetary equilibrium can be realised (taxes running after prices and expenditures exactly as wages do) so long as the currency has not been previously stabilised.

English and American economists have, happily for them, no direct experience of extreme inflation; therefore, their well-meant recommendations to the French or the Italian Governments miss too frequently the mark and incite the said Governments to *perseverare diabolicum* towards blind alleys.—Yours faithfully,

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AMERICAN SURVEY

Victory of the Forgotten Man

THE break-up of the Democratic party seems, as Mark Twain once said of his own obituary notice, to have been greatly exaggerated. The chief casualty in this fabulous election—apart from Mr Dewey's Presidential aura and his political ambitions — has been the public opinion polls. The David from Missouri, the man whose chances were not even worth reporting, has completely routed the Republican Goliath. On the latest figures, he has captured states with 304 electoral votes, secured a popular majority of over a million and a half, and seen Democratic majorities replace the Republicans in both houses of Congress. With one result yet unknown, the Democrats hold 53 seats in the Senate, the Republicans 42. In the House, where 35 returns are still in doubt, the Democrats will have an even greater preponderance. They have already won 247 seats to the Republicans' 153. In the state races for governor the story has been the same. The unity Governor Dewey has promised has materialised—but under Democratic auspices.

It used to be said of Mr Roosevelt that everybody was against him but the voters. But this was never as true of Mr Roosevelt as it has been of his disciple. The Democrats' popular majority this year is narrower than it has been in any of the past four presidential elections. Mr Roosevelt led Mr Dewey by three and a half million in 1944; at the peak of his popularity in 1936 he won 11 million more votes than Mr Landon. But the political miracle of Mr Truman is that he won at all, despite the secession of four states in the South to Governor Thurmond; despite the loss (by a mere 50,000 or so) of New York, a result directly attributable to Mr Wallace's campaign; despite the half-hearted support of the Democratic bosses and political machines which used to roll up the big city vote—by fair means or foul —for Mr Roosevelt; and despite the unwillingness of contributors to put their money on a candidate who seemed destined to defeat.

The rules of the political game have been turned inside out. The most striking of these upsets is the fact that the Democrats won despite the small total vote always believed, by both parties, to favour the Republicans. But the similarity between the present election and that of 1916, another destroyer of the conventions, has also been underlined by Mr Truman's ability to win the Presidency without securing New York, and by the critical role of California, which Mr Truman carried although it is the home state of Mr Warren, the Republican Vice-Presidential nominee, and one of the two states in which Mr Wallace was expected to do well at the Democrats' expense.

After the event it is plain that not only have the assets of the Roosevelt legacy not been dissipated, but that the transformation in American political life brought about by the New Deal has deep and tenacious roots. In his radical crusades Mr Truman out-Roosevelted Roosevelt; and Mr Dewey's own campaign showed a shrewd awareness of how deeply Mr Roosevelt's Presidencies had changed America. He not only made it clear that he was willing to accept the reforms of the past, but that he realised the voters would not tolerate any narrowing of the responsibilities and welfare activities of the Federal Government.

In the light of the returns it is now possible to see that the victories of the Republicans in the Congressional races of 1946 were Mr Dewey's undoing. His ostentatious efforts to dissociate himself from the record of the Republicans in Congress were completely unsuccessful. The absence of any attempt to control the cost of living, the failure to provide adequate housing, and the hostility of the Republicans toward labour convinced the voters who listened to Mr Truman that Mr Dewey's party, if returned to power, would prove to have learned nothing and forgotten nothing since 1932.

On the other hand, Mr Wallace's pitiful showing of something under a million votes is testimony to the truth of at least one old adage: that prosperity favours the party in office. There was no spontaneous revolt for Mr Wallace to build on, and what support he might have reasonably counted on was dissipated by his ill-judged Russian policy and his Communist allies. For the time being, at least, the dream of a third party has been shattered, and the Democratic party has been shown to be the only practical instrument for those who wish to press ahead with social reform.

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Mr Dewey's astonishing failure to carry states in the middle-west which he won in 1944 shows him to have been a very coastal candidate. In part this was a personal defeat. Mr Dewey's coldness, which handicapped him even inside his own party, is particularly unwestern; he suffered, as well, from the deep-rooted belief in the legend of the polished, calculating heartlessness of New York, of which Mr Dewey himself seemed so striking a personification. Mr Truman's refusal to admit defeat, his homeliness, his friendliness, even his ability to lose his way in the subtleties of foreign policy, are much more in the American tradition. Mr Dewey's failure in the farm states like Iowa, Wisconsin and Ohio also shows how effective was Mr Truman's charge that the Republicans, once they secured power, would leave the farmer to his fate, as they did under President Coolidge and President Hoover. The fact that this year there are farm surpluses for the first time since 1941, and that farm prices have gone down, made this more than an empty threat.

Two other issues were of outstanding importance in both the Presidential and the Congressional races. The determination of labour to punish Congressmen who voted for the Taft-Hartley Act and to reward the President who vetoed it, was a positive factor in inducing labour supporters to register and to vote. Purely by chance, 28 of the 32 Senate seats to be filled had been occupied by men who had voted for the Taft-Hartley Act. The American Federation of Labour has announced that no Congressional candidate who voted against the Taft-Hartley Act has been defeated whatever his party.

Less well organised than the labour vote, and for that very reason even more impressive, has been the swing toward internationalism. Foreign policy was not an issue between Mr Dewey and Mr Truman, but among the Senators whose terms expired this time were 18 of the 33 who voted against the British loan, 14 of the 31 who voted for the Taft amendment to reduce the size of Marshall aid, and 8 of the 17 who voted against the recovery plan. From this list there have gone down to defeat Senator Brooks (Illinois), Senator Robertson (Wyoming), Mr Rizley (Oklahoma) who voted against the Marshall plan in the House, Senator Ball (Minnesota) and Senator Revercomb (West Virginia) whose record was so offensive that not even Mr Dewey could afford to support him. There are two exceptions to this list of those who will not be missed. The Democratic tide saved Senator Johnson of Colorado, despite his isolationist record, and drowned Senator Cooper of Kentucky.

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How strongly the internationalist tide was flowing, even before the election, can be judged from the public recantation of Mr Harold Knutson, formerly the Republican chairman of the House Ways and Means Committee, who has decided to support the Marshall plan after 30 years of isolationism. The long and bitter Republican inquest may quite possibly conclude that they might have done better with Mr Stassen or Senator Vandenberg, who anticipated the tide instead of belatedly surrendering to it like Mr Dewey.

In the new Senate Democrats who are progressives in domestic policy as well as internationalists, like Mr Douglas, of Illinois, Mr Kefauver of Tennessee, and Mr Humphrey of Minnesota, will join the conservative Southerners who were the main survivals of the Republican victories in 1946. It was Mr Humphrey who at the Democratic convention wrote an even stronger civil rights clause into the party platform than President Truman desired, and thus forced some Southerners to walk out. The election of men of this stamp, coupled with Mr Truman's own mandate and his debt to labour support, will make Democratic policy more radical than it has been since the early days of the New Deal.

At the same time the victory is not without its embarrassments. The chairman of the all-powerful committees in both House and Senate will be, in most cases, not the men fresh from election triumphs, but Democrats from safe seats—mainly in the South—who, by virtue of the seniority rule, have an inalienable right to these rewards. The demonstration that the Democrats do not need a solid South does not, therefore, secure an automatic right of way for the civil rights programme—which may be a good thing. Labour, too, will expect drastic modification, if not outright repeal, of the Taft-Hartley Act, which Mr Truman, despite his campaign pledges, has found very useful on occasion. The new climate in Congress deprives industry of any hope of exemption from the Supreme Court's decision in the basing-point anti-trust case; and in the fields of social security, minimum wages, housing and public power the Democrats have a clear mandate for action.

One of the most significant results of the Democratic sweep is the transfusion of new blood received by a party which, only in July, seemed so short of outstanding candidates that it was forced—to its own good fortune as it has proved—to accept Mr Truman for the lack of any alternative. Not only the Senate victories, but the contests for state governorships have brought to the fore new leaders for the future. Mr Stevenson, the new Governor of Illinois, is typical of these new Democrats; his victory is accompanied, among a number of others, by those of Mr Lausche in Ohio and Mr Chester Bowles in Connecticut. A tired, dispirited party, apparently without any immediate future, has been transformed literally overnight.

Cold War on the Waterfront

[FROM A CORRESPONDENT IN SAN FRANCISCO]

THE maritime strike on the Pacific Coast has tied up all shipping except US Army transports at every port from Canada to Mexico; 253 ships are already lying idle and, as others now at sea make port, the number will eventually be 375. The strike is now in its third month with every promise of continuing for a long time yet, perhaps for as long as, or longer than, the 108-day strike of 1936.

This year's strike is advertised as a showdown against Communism on the waterfronts. With what others might consider a Californian flair for self-dramatisation, the strikebound shipowners and waterfront employers have unhesitatingly likened themselves to Generals Robertson and Clay in another theatre of non-agreement. At the outbreak of the strike, on September 2nd, they put on the gospel armour and gripped one another's hands in solemn, pledged agreement to wage a fight to the finish against "Communist party-line control" of the unions which work their ships and cargoes in Seattle, Portland, San Francisco, Los Angeles, Long Beach and San Diego.

The Pacific Coast maritime employers are firmly organised in the Waterfront Employers Association (152 stevedoring and allied interests) and the Pacific American Shipowners' Association (35 shipping lines). Maritime labour is in the main affiliated to the Congress of Industrial Organisations (the Sailors' Union of the Pacific, which belongs to the American Federation of Labour, is a notable exception and is not on strike). Habitually this CIO labour force follows the lead of Mr Harry Bridges, president of the International Longshoremen's and Warehousemen's Union. In the present battle he has united behind him in an "all sign or none" pledge the longshoremen, marine cooks and stewards, marine firemen, marine engineers, and a splinter group of AFL radio operators. A coastwide master contract, covering wages, hours and working conditions, has been under negotiation since February. Matters went from disagreement to a more or less expected stalemate on June 15th; whereupon, in accordance with the Taft-Hartley Act, the President directed the Attorney General to petition for an 80-day injunction against a strike. As this imposed midsummer "cooling off" period drew to an end, the two sides reopened negotiations, and it was thought that the prospects for a new contract were good. The employers had conceded to the unions the right to autonomous control of their hiring halls. From these, men are dispatched to jobs on the docks and on shipboard with no right of objection reserved to the employer. Further, the employers had offered the longshoremen a 10-cent hourly wage increase, which would have brought their straight-time rate to $1.77 an hour, or about $75 for the average work-week. Without going into what were called "fringe issues," it is fair to say that the two sides were only 5 cents apart on wages and nearly in agreement on all other unresolved points when the "cooling off" period ended on September 1st. That evening, Mr Bridges, as chief negotiator for the unions, presented some 30 peremptory eleventh-hour demands which, unless they were granted, would result in strike action the next day.

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This brought the employers to a sudden, almost emotional determination to make a stand. They withdrew all offers and announced that no more negotiations would be held and no contracts signed with any union until each of its officers "filed with the National Labour Relations Board in pursuance of law (i.e., the Taft-Hartley Act), his affidavit stating that he is not a member of the Communist Party or affiliated with such party, that he does not believe in, and is not a member of or supports any organisation that believes in or teaches, the overthrow of the United States government by force or by any illegal or unconstitutional methods."

By choosing these grounds of battle, the maritime employers challenged the fixed policy of the left-wing CIO unions, which oppose the Taft-Hartley Act in all its terms but most especially in its requirement that unions which would call upon the National Labour Relations Board to force employers to bargain collectively must first compel their own officers to sign affidavits disavowing Communism.

There are estimates that about 10 per cent of the 30,000 men on the Pacific waterfronts are followers of the Communist party line. Despite the fact that the U.S. Supreme Court in 1943 found Mr Harry Bridges not a Communist and therefore declined to deport him to his native Australia as an undesirable alien, all waterfront employers consider him an aggressive, punctilious Communist party-liner. They apply the before-and-after June 22, 1941, test; before that date they say, he led demonstrations of longshoremen chanting "The Yanks are NOT Coming!," but after the Nazi invasion of Russia he abruptly changed his tune. Mr Bridges and his union have bitterly fought the Marshall Plan. His right hand man in the strike, Mr Hugh Bryson, head of the Marine Cooks' and Stewards' Association, is the California chairman of the Wallace Third Party. Disenchanted Communists have testified to a State Un-American Activities Committee that Mr Bryson and one-tenth of his 5,000-man union are card-carrying Communist party members.

Only the longshoremen's and cooks' and stewards' unions are flatly accused by the employers of being Communist-dominated. The greater the truth in this accusation, the longer the employers will probably have to wait for compliance with their conditions for renewing negotiations. Mr Truman has announced that there is nothing he can do to get the government back into the arena. He was, of course, in an awkward position, because he was campaigning for labour votes and forthrightly opposed to the Taft-Hartley Act whose terms the employers have invoked.

After several days of confusion, the Army, whose supply lines to Japan and other Pacific bases account for 20 per cent of all Pacific Coast shipping, got union clearance for loading its own ships, and longshoremen are benefiting by the work. Shipowners, however, have stood fast against coming to terms with the unions, for operating ships chartered to the Army, and this has obliged the Army Transportation Corps to take some of its own ships out of mothballs in order to keep the overseas GIs fed. At best, the Army says, it can supply occupation troops with only 80 per cent of their normal allowance of fresh food. Alaska, which is largely dependent upon imported goods and constantly expanding as a military base, has cried out for relief from the strike and is now consuming its last fresh provisions.

Assuming war with Russia should break out during the strike, it is safe to predict that the beginning of the one would mean the end of the other. No one in authority has said so, yet one is entitled to guess that known Communists and inveterate party-line followers would be swiftly picked up and perhaps even put in camps, as the Japanese were in 1941, by the Federal Bureau of Investigation. But the problem of serious fifth-column activity is not considered likely to arise in any other strategic industry on the West Coast, and if war broke out the non-Communist majority in the shipping unions would assert itself and smother all but the most elusive and forlorn conspirators.

American Notes

Mr Truman and Wall Street

The selling wave which swept Wall Street on Wednesday—with a turnover in excess of three million shares and a more than seven point fall in the Dow Jones Industrial Average—was a wholly natural reaction to Mr Truman's clear-cut election triumph. Over four weeks to October 23rd, the Dow Average had risen by 14 points to within sight of the 1947-48 peak of 193.16 reached only in June last, and with so much uncertainty still surrounding the business situation it seems altogether likely that a victory for Governor Dewey would have brought little more than formal acknowledgment in the light of the extent to which the market had discounted the potential benefits of a return to Republican rule.

Altogether, the positive gains which American business might have looked for from a Republican victory were probably quite small. Tax relief is the most obvious attraction which spokesmen for that party have stressed as a "spur for production and cure for inflation"; but apart altogether from the doubtful basis for that assumption, the Budget outlook with its grim stress on assistance for Europe and Asia, and rising arms expenditures in fact left very little room for manœuvre. No one has campaigned more actively, and more aggressively, for tax reduction than Mr Harold Knutson, the Republican chairman of the House Ways and Means Committee in the Eightieth Congress, and his successes have been followed by an insistent demand for further relief next year. But more than a week ago, Mr Knutson had reviewed his earlier estimates and reached the gloomy conclusion that no major relief is possible in 1949.

Similar considerations apply to quite a large degree in the wider field of economic policy. It is true, of course, that President Truman, and the more faithful of his followers in the Democratic Party have tried insistently to apply "selective controls" in the form of mandatory allocations, price and wage controls, and rationing, and that the Republican majority in Congress has effectively baulked those ambitions. But that political debate has now been conducted at a fierce partisan level for almost a year, and during that time the pace of the postwar inflationary wave may have slackened, but the movement has not been reversed. Both presidential candidates, in fact, were standing at a point where they were obliged to acknowledge the need for curbs against any fresh wave of expansion. Governor Dewey and his advisers might well have preferred to tackle the problem by a more direct and drastic approach in terms of purely monetary policy. But that is by no means certain, and such an approach, in any event, would have brought very little consolation to Wall Street.

In fact, the fundamental reason for the reversal of Wall Street's bull market is economic and not political. The American economy has reached a point where operations in all basic industries are at virtual capacity, and where reserves of manpower are now so low that any fresh stimulus to demand and any addition to the purchasing power of consumers can find its reflection only in terms of higher costs and prices. And such a process cannot continue indefinitely whatever the political complexion of the party in power. It is conceivable that a growing defence programme could be timed so nicely and so effectively that it did no more than to take up any slack brought about by lagging civilian demands, and thus permitted the economy to achieve stability at a level which is unprecedentedly high by any former standard. But that is not a probable development. What is much more likely is that 1949 will bring either a retreat from present levels of activity, or a pace of arms expenditure that will demand the imposition of new mandatory controls.

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The Outlook for 1949

To say that Governor Dewey had little positive to offer, however, does not alter the fact that Wall Street and industry were looking for and longing for a Republican victory. Whatever controls Mr Truman now deems to be necessary (and his chance of persuading Congress should be greater than at any previous point in his career) will be sought in an atmosphere of hostility far removed from the "favourable climate" for business promised by Republican spokesmen. Mr Truman will no doubt endeavour, as he did earlier this year, to shift the incidence of any new tax burdens away from the consumer, and towards big business. Politically, he stands pledged to the repeal of the Taft-Hartley Labour Act, a measure which, whatever its defects may be, has contributed at least to some extent to union sobriety at a time when organised labour has reached its peak of industrial power. He is committed to vigorous anti-trust actions, and his Congressional majority can be expected to give short shrift to Republican moves for curbing the power of the Federal Trade Commission which, in its appeal to the Supreme Court this year, secured in the "basing-point" price decision one of the most disturbing rulings yet given for steel and other heavy industries. The Democrats too, may press for an earlier revision of farm "parity" supports, though that is not certain. And while industry is not disposed to be generous to farmers, it is sensitive to the fact that farm prices have already fallen very substantially below postwar peaks, and that farm income has been a major factor in the postwar boom.

Wall Street has been advancing simply because the persistent advance in earnings and dividend payments, coupled with "favourable" political news had focused attention upon the relative cheapness of stocks, and had temporarily obscured the adverse factors—domestic and external. Now, it has been brought back with a jolt to the realisation that security values must be very vulnerable at a time when the alternatives are declining business, or rising wages and "selective" controls, or tighter fiscal and monetary curbs. With Mr Dewey it would have hoped for the best; with Mr Truman it is expecting the worst.

* * *

Towards a North Atlantic Pact

The view that America should supplement the Marshall Plan with military aid and military commitments received its great initial impetus at the time of the Czech coup. Since then it has grown with astonishing speed. This has been a silent revolution, compared with the lengthy and acrimonious discussion which accompanied the Marshall Plan. What Mr Lovett called the "spade-work" of preliminary explorations has gone on throughout the election campaign, but far from this being a disadvantage, the ideas of military lend-lease and the North Atlantic Pact seem to have become firmly embedded in the bipartisan foreign policy.

Fear of being labelled as isolationist may have restrained many who would otherwise have been, and may still be, critical. But it is heartening to see the growing understanding of the military and political issues involved. The reaction to Senator Gurney's visit to Spain showed that Americans appreciate that a promise to liberate Europe after its occupation from bases along the European fringe is politically—and perhaps strategically—a delusion.

What Europeans must remember is that the United States has no large and balanced supply of weapons with which to equip

Europe; and such equipment as it possesses is inadequate even for American military expansion. Military lend-lease on a substantial scale will require large appropriations. With a Republican Congress a collision with the demand for a balanced budget would have been almost inevitable, and military aid might have been granted at the expense of, instead of in addition to, Marshall money for reconstruction. In addition, America's own military budget may be difficult to hold under a $15 billion ceiling, and controls more stringent than those which exist may be required. The Democrats may be more willing to accept such restrictions than the Republicans would have been, but the combination of larger foreign expenditures, with controls at home can be welcomed by neither party; at most they can be accepted as part of the price of peace.

The idea of a North Atlantic Pact, however, is to go further and make the United States a party to European defence. Such an alliance would be revolutionary, but what America will accept may be rather different from what Europe expects. The Vandenberg Resolution—the framework within which the Pact must be fitted—which was passed by 64-4 in the closing days of the last regular session was an expression of intent, and in no sense a commitment. The pattern which Mr Vandenberg had in mind for Europe was the Pan-American Defence Pact. This involves no automatic obligation to come to the defence of any member nation; the obligation is only to consult in the event of aggression against another signatory. With an American army in Europe, and American interests in Europe so clearly understood, this may be only hair-splitting; but no Congress is likely to give up its constitutional prerogative to declare war.

* * *

The Electricity Shortage

The biggest issue on which President Truman fought his campaign in the west was the right of the Government to expand its production and distribution of electric power. About 30 per cent of the electricity generated in the United States is hydro-electric, and about half of that comes from the great Government dams which, in the west and in Tennessee, are the most striking monuments to the New Deal. The Eightieth Congress insisted that new multi-purpose dams were to be built only if they were required for irrigation and flood control; the production of electricity, that is, must be merely a by-product. In addition, in cases where private lines existed, it refused appropriations for the construction of public transmission lines to take power from the dams to centres of distribution.

This, Mr Truman insisted, was the voice of the "power crowd" (the utility lobby) speaking through Congress. One of Mr Warren's achievements during the campaign was his success in obtaining from Mr Dewey assurances that he supported, not only multi-purpose works, but the public transmission lines which would make it possible for the Rural Electrification Administration and other public bodies to compete with the private utility companies for cheap power. It is not only these public agencies that favour federal electricity. Cheap power is the lifeblood of the aluminium industry, which is at odds with the private companies over their charges.

Load shedding and voltage reductions are not purely European practices, but in the United States it is industry, rather than the sheltered individual, which takes the cuts. Year-round daylight saving and "brownouts" in California, and a breakdown of air conditioning in Texas, have been the limits of consumer sacrifice. In 1947 2,000,000 new customers were taken on, 75 per cent of them in rural areas, reflecting farm prosperity. But industry at times suffered severe cuts, particularly in the west.

Although the production of electricity is well above the wartime peak, the outlook for this winter is still uncertain. Dry weather is once more threatening the output of water power. In California new steam plants have been built to counter this hazard, and private companies, which built 2,000,000 kW of new capacity in 1947, expect an increase of 5,000,000 this year. Even so, the margin of reserve capacity is likely to be narrower than it was last year, when it averaged 5 per cent. Normal reserve capacity before the war stood at between 15 and 25 per cent of total capacity. Leeway on this scale will hardly be recovered until the completion of the industry's five-year expansion plan in 1951, unless depression dries up demand.

THE WORLD OVERSEAS

Expansion of Dutch Industry

THE core of Holland's economic worries is how to close the huge gap in its balance of payments. Until that is done, the nation must rely heavily and precariously on large foreign credits and must postpone the day when it can enter fully and freely into union with its Benelux partners, Belgium and Luxemburg. Before the war Dutch exports paid for 75 per cent of the country's imports and the difference was made up by invisible exports, largely interest on investments and income from shipping. But last year exports paid for no more than 44 per cent of imports, while today invisible exports are negligible.

All schools of thought in the Netherlands hope that some day there may be a recovery in income from overseas investment, but meanwhile they are agreed that the immediate remedy is further industrialisation of what was in prewar days an economy highly dependent on unearned income and agriculture. With the exception of shipping, they place little reliance on a flow of income from invisible items. Investments in the United States now merely balance interest on current loans. Prewar investments of 4,000 million guilders* in Indonesia are not expected to produce substantial returns for some years to come, if ever. And Dutch prewar assets of about 1,500 million guilders in Germany are of no use for the present, since all efforts to reach agreement with the occupation authorities have failed. Income from international financial services and transit traffic on the prewar scale is also regarded as unlikely by Dutch planners.

Thus, assuming that they wish to avoid reducing imports, they are compelled to look almost entirely to increased exports as a means of balancing payments. Before the war agricultural produce and manufactured foodstuffs accounted for almost half of the Netherlands exports. But it is now the opinion of Dutch experts that neither Britain nor Germany, the best prewar customers for agricultural produce, will ever again resume their former importance as markets. So their plans call for maintaining the present level of agricultural production and, if necessary, seeking new markets, but no expansion is envisaged.

By this process of elimination they arrive at only one concrete hope—the possibility of making ends meet through a greater productive effort on the part of Dutch industry. To some extent this simply means harder work; more important, it entails an ambitious programme of modernising old equipment, expanding the existing plant and introducing new industries.

It is hoped that further industrialisation will help to close the payments gap in two ways—by increasing exports and at the same time by decreasing the need for imports. Between 1938 and 1947 the value of Dutch exports rose from 1,074 million guilders to 1,859 million. Because of the rise in prices, this represents a fall in the volume of exports, but the proportionate composition, with one or two exceptions, has remained remarkably stable. The fact is that little progress has so far been made in obtaining any contribution towards exports from new or expanded industries.

PERCENTAGE OF TOTAL EXPORTS

Industries	1938	1947
Agriculture, cattle breeding and fisheries	24·8	27·8
Manufacture of foodstuffs and luxuries	22·5	18·0
Metal industries (including shipbuilding)	22·0	20·0
Chemical industries	10·2	10·3
Textile industry	7·5	12·4
Mines and peat production	4·4	0·9
Other branches of industry	8·6	10·6
	100·0	100·0

* £1=10.7 guilders.

In the industrial field, only textiles have increased their share in the total exports, but even here the volume of exports, with the exception of rayon, has not yet reached the prewar level. Moreover, once the wartime dearth of textiles is made good, it is doubtful to what extent the Dutch can rely on expanding or even maintaining their present markets. The best long-term prospects appear to lie in the development of the chemical, metal and electrical industries and, to some degree, of the steel industry.

The principal obstacle to increasing the export of manufactured goods is the failure of output per man to reach prewar standards. When in 1946 the Dutch planners set down production estimates, they assumed that by 1947 the productivity of labour would rise to 95 per cent of its 1938 level and that by 1948 it would reach 102 per cent. In fact, by mid-1948 production per man hour was still only 85 per cent of the prewar rate. In part this failure is due to the lack of modern equipment, but the fault also lies with a shortage of skilled labour and competent industrial leadership. A second obstacle to expansion has been the difficulty of obtaining imports of capital quipment.

Equally serious is the problem of how to finance new industrial development. In the past, Dutch industry had no need to look beyond its own frontiers for capital, since nearly all its new capital requirements could be met by self-financing processes. The war, however, has dried up many sources of revenue which previously fed Dutch industry, and the relief offered by the liquidation of foreign assets has been temporary and inadequate. Furthermore, the tax on company profits is, by Continental standards, at a cripplingly high level: 41 per cent of net profits must be turned over to the state. The Government has established a domestic Reconstruction Bank, but its resources are limited.

This shortage of new capital is all the more disturbing in that the Netherlands is still grappling with some of the legacies of war and occupation. For example, in dealing with 1947, the report of the Central Planning Bureau estimated that of the 2,200 million guilders required for net capital formation in that year, roughly one-half would be needed for repairing damage to transport apparatus, housing and other buildings, and for the restoration of depleted stocks.

Added to these burdens is the necessity of financing new industrial programmes. All in all, it is apparent that a substantial part of Holland's capital requirements—possibly not far short of half—must be met by foreign credits. If the Marshall Plan continues on its present scale, most of the foreign credits will come from public sources. But Dutch industrialists are also looking hungrily to American private investors for the necessary funds to put new Dutch industries on their feet. They are not looking in vain. The past year has seen the establishment of several concerns with the help of private US capital—the Dutch American Tyre Factories to which Goodrich has contributed about 20 per cent of the capital, and a Kaiser-Frazer automobile assembly plant.

But from whatever source it comes, foreign credit is a basic assumption in the recovery projects of the Netherlands, and if that assumption is sound, then Dutch statistics at least look plausible. The Planning Bureau's estimates for capital requirements indicate a peak in 1948. They assume that of the net national product, roughly 20 per cent will go to gross capital formation. The initial programme drawn up for the US State Department last year gave the following figures showing the total amounts required for investment in the three years 1947-8-9 and the proportions intended for various branches of industry.

NETHERLANDS INVESTMENT PROGRAMME, 1947-48-49.

Purpose	*Guilders (millions)*
Shipping	755
Transportation	1,200
Industry (building and equipment)	800
Restoration of stocks	760
Public works	500
Residential housing	1,150
	5,105

It is from this programme that the Government hopes to ensure the domestic production of many semi-manufactured and finished products which were previously imported. This is one step towards reducing the gap in the balance of payments. But it is also hoped to bring about a large expansion in the production of electrical and radio equipment, chemicals, textiles, precision instruments, furniture, ceramics, and toys; and it is further anticipated that many of these exports will go to former German markets in the Americas and Asia.

If the Netherlands succeeds so far in carrying out the plan for industrialisation, it will have to tackle one further barrier. Under an agreement with the other Benelux countries, Holland is bound to proceed "in such a way that [its industrialisation] will not cause any prejudice to Belgium's legitimate interests." In practice, this means that there is a big list of industries in which no new establishments or extension of existing plant are permitted without previous consultation between the partners. The list includes many trades in which Dutch industry is being urged to expand: a number of chemicals, steel, certain engineering parts, furniture, coal and rubber.

At the moment Belgium is one of Holland's largest creditors. It also supplies the Dutch with many vital industrial products and it buys an appreciable share of Dutch agricultural exports. The Belgians are obviously in a strong bargaining position, but long-term self interest may well lead them to prefer a prosperous to a dependent partner in the union—even if it means increased competition from Dutch industry.

Poland's Fears for its Frontier

[BY A CORRESPONDENT]

A DISCUSSION at this moment in the British or American press of the frontiers of Poland is, or should be, of largely academic interest. As Professor Namier, the leading authority in this country on the history of those regions, has written:

> The Anglo-Saxon Powers cannot reach Poland with a view to increasing, maintaining or reducing her territory, or even to securing her real independence however desirable this might be. Therefore the less they interfere where they cannot act and do not mean to, the better for all concerned.

Nevertheless the question of Poland's new western frontier is one into which the Anglo-Saxon Powers cannot help being drawn; they are political trustees of part of Germany and are thus inevitably involved in the repercussions of frontier changes upon Germany itself. The fact that the Polish Government has thought



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fit to publish at this moment in London a stoutish collection of documents bearing upon this issue, suggests that the Poles are very alive to this fact, and makes it useful to see exactly where the matter stands.*

Poland's lack of natural frontiers has caused the position and shape of the country on the map of Europe to alter more than that of any other; but the westward shift in its axis that took place in 1945 has meant a reversal of a trend that seemed to be accomplished by the fourteenth century. The changes cannot in fact be justified by either history or ethnographic consideration; no amount of tinkering with spelling can retrospectively confer upon Stettin (now Szczecin) or Breslau (now Wroclaw) the character of Polish cities, to the satisfaction of anyone but an antiquarian.

Indeed, the Polish claim to have the Oder-Neisse frontier regarded as permanent, and subject only to the definition of details in an eventual peace treaty with Germany, is not to any significant degree based upon considerations of this kind. The essence of the Polish case, as revealed in the present documents, is that the change is first motivated by strategic considerations. Germany they say, has lost the base from which its attacks against the Slav nations were launched. Second, the Poles point to the contribution that the new territories can make to the economic development of Poland. They cling to the agreement reached at Potsdam that the standard of living in Germany is not to be higher than that of any of the continental allies of Great Britain and the USSR. The improvement on Poland's prewar living standard that this implies can only be achieved with the aid of the productive capacity of the new territories. They provide a net increase of between 50 and 60 per cent in Poland's industrial capacity and in agriculture a greater potential because the newly acquired lands are more fertile than those ceded to Russia.

A third argument for the frontier is implied: it is that the new Poland, unlike the old, has a relatively homogeneous racial complexion. In 1939, the population of the new territories (then German) amounted to 8,800,000; the latest Polish figures show a population in this area of 5,250,000 Poles and 100,000 Germans. Of the Poles settled in this area nearly two million are, or will be, from the territories east of the Curzon line now ceded to Russia, together with their predominantly non-Polish populations.

Dependence on Russian Protection

If these are the basic arguments from the Polish side—along with the memory of their immeasurable sufferings at the hands of the Germans—it is obvious that the dominant arguments in the minds of the statesmen of the Great Powers, who approved the frontier changes at Yalta and Potsdam, were of a different nature. For the Russians, the changes mean that the new Poland cannot resume the foreign policy followed in the interwar period —described in the preface to the present volume as "hunting for the phantom of security by an unreal 'balance of power'." Poland is now and forever tied to Russia, as the only Power that can protect it against what are bound to be the first territorial demands of a resurgent Germany. Over a recalcitrant Poland hangs the threat that Russia will once again put its policy into reverse and share with Germany in yet a fifth partition of the Polish spoils. It is Poland's gains from Germany, not Russia's gains from Poland that constituted the real triumph of Soviet diplomacy in this region of the globe.

The fact that the Poles are now bound to follow Soviet policy without public questioning is clearly shown by the documents in this volume, which faithfully echo the Soviet demands for a united and democratic Germany. In this respect, particular significance attaches to the speech of the Polish Foreign Minister Mr Modzelewski made on June 26, 1948. Here, and in Notes to the western Powers, the Polish Government's case is that only Soviet policy takes proper account of Polish interests; that the western Powers' policy in Germany can only have the effect of reviving an aggressive and powerful German nationalism, and more specifically that, in the British and American zones, too much toleration has been extended to admittedly revisionist movements among the German population expelled from the east. This latter charge was stated in detail in documents enclosed with a Note to the British Government on August 31, 1948—documents that are worth reflecting on, and would seem to show that the foundations already exist for a movement of the kind the Poles fear, and one that British and American occupation authorities should watch.

If the motives of the Soviet Government for agreeing to the changes were political, so, too, were those of the western Powers. For Mr Roosevelt and Mr Churchill at Yalta, the question to be settled was one of satisfying Soviet claims in the east with the least damage to the interests of Poland. It seemed reasonable that a Polish-Soviet agreement should be sought at Germany's expense; there is no doubt that Poland's western gains were thought of primarily as compensation for its eastern losses. An extension of territory to the Oder to include Stettin had been promised to the Polish Government in London in a letter from Sir Alexander Cadogan to Mr Mikolajczyk's Foreign Minister, dated November 2, 1944, and now printed for the first time in the original. On the other hand it is probable that, insofar as the exact area involved is concerned, it was the Eastern and not the Western Neisse that was in the minds of the western statesmen—a difference involving the fate of three million Germans.

Basis of Polish Claims

Thus Mr Churchill, speaking on June 5, 1946, declared that in his view the Curzon line was a rightful Russian frontier, and that a free Poland should receive compensation "at the expense of Germany both in the Baltic and the west, going even to the line of the Oder and the Eastern Neisse." By then, events had outstripped him: by the Potsdam Agreement of the previous August, Poland had been allowed to occupy territories as far as the Western Neisse, subject only to the provision "that the final delimitation of the western frontier of Poland should await the peace settlement." The Poles and the Russians have consistently argued—and international law would seem to give some colouring to the claim—that "delimitation" can only refer to modification in detail, and that the frontiers of Poland were finally fixed by this decision. The fact that Poland was allowed to proceed with the expulsion of Germans and the introduction of Polish settlers is of course an even more powerful argument for stating that the frontier was regarded as settled.

Nevertheless, British statesmen have never concealed their qualms about the Potsdam frontier. The British case for revision is not, however, in the first instance, based upon the injustices involved, or the economic problem created for Germany by the loss of lands that provided over a fifth of its prewar supply of food. It is rather that assent to the frontier was given at Potsdam on conditions that the Polish Government has not fulfilled. These concerned primarily the guarantee of free elections under the new Polish regime, and assurances about the proper treatment of those Poles who had fought with the western Allies. Mr Bevin declared on October 22, 1946:

> We see no reason why we should finally ratify the cession of this vast territory to Poland, without being satisfied that those assurances have been fully carried out. We should also wish to be assured that the Poles were able to develop this territory so that the economic resources were properly used, and that it did not become a wilderness from which all the Germans had been excluded, but which the Poles were unable to populate.

The reported economic progress of Poland's western territories suggests that it might be difficult to make a case out on this basis; but it looks as though the official British position is still that the matter is one for full discussion when the peace treaty with Germany is finally drawn up.

No Clear Agreement at Potsdam

Such, even more emphatically, is the American viewpoint. Mr Byrnes, in his Stuttgart speech on September 6, 1946, made the first categoric denial that any specific changes, other than those in East Prussia, had been agreed on at Potsdam. At the Moscow Conference in April, 1947, Mr Bevin supported Mr Marshall's view that a settlement of the question must take into account its likely effect on the German economy. The other lands claimed by Poland, which were mainly agricultural, should be divided with an eye to the needs of the Polish and German peoples, and of Europe as a whole. Mr Marshall also pointed out the desirability of doing nothing to discredit democratic German forces and give weight to the propaganda of militant national groups. In the long run, it would not help Poland to be given frontiers which would create disorder later on. Mr Bevin added a pertinent question: Was it likely to improve the prospects of peace if they forced Germany to industrialise itself still further to make up for its increased density of population? In his statement on the London conference in December, 1947, Mr Marshall placed it on record that Germany's eastern frontier was among the subjects upon which no agreement had been reached. Only France of the western Powers seems to have accepted the Potsdam frontier as more or less definitive.

Recent activities and statements by the Polish Government have

* *Poland, Germany and European Peace*: Official Documents 1944-8. (Polish Embassy, London. 116 pp. 3s.)

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shown two things: First, that Warsaw does all it can to maintain both the appearance and reality of independence in its German policy; second, that the dread of German nationalism, directed at the western frontier, is never far from its thoughts. A question that has almost been forgotten by the common man in western Europe is frighteningly alive in eastern Europe. Now that Germans are being wooed by all the Great Powers, it is bound to come to the front again. Any attempt to draw up a peace treaty with Germany would run straight into conflict over the frontier question, and the Polish Government is pushing its case before the British public in anticipation.

Talks on South Schleswig

BRITAIN has little realisation of what it means to be the small neighbour of a big, efficient and disgruntled Power. This failing may account for a certain awkwardness and lack of sympathy in dealing with Danish representations concerning South Schleswig in the last two years. But, equally, on the Danish side there has been some difficulty in understanding the position and responsibilities of the British Military Administration in Germany. Recent informal talks between the British Government, represented by Lord Henderson, and an all-party Parliamentary delegation from Denmark led by the Foreign Minister, Mr Gustav Rasmussen, seem happily to have led to a much better appreciation of the parties' respective positions.

The British Government has undertaken both to investigate the possibility of securing the equitable distribution in Germany of the east German refugees now in South Schleswig and, secondly, in consultation with all directly concerned to give urgent consideration to practical proposals to secure for the Danish-minded population of South Schleswig the freedom, in addition to their normal civic rights, to enjoy their ancient Danish culture.

There is no reference to the third demand the Danes have consistently made, that South Schleswig should become administratively independent of Holstein as a new *Land* Süd Schleswig within the British zone of Germany, with its own *Landtag* and its own government, directly responsible to the occupation authorities. Nor would it require the skill of a lawyer to pick holes in the phrasing of the undertaking the British Government has agreed to. The important thing is that the conflict between the British and Danish attitudes has been largely resolved.

But the problems of South Schleswig are little nearer solution. The most serious is the presence of 394,000 refugees from other parts of Germany, mainly East Prussia. Their vigour and efficiency is fast gaining for them control of the province, which has a total population of some 800,000. The German Government of *Land* Schleswig-Holstein at Kiel has actively fostered the process. On April 4, 1948, it issued an order that, other things being equal, a refugee soliciting an official post is to be preferred to a native. In the last two years 300 out of 350 official appointments made have gone to refugees. No wonder the Prussians say that in five years time they will be "running the place." The Danes do not relish the prospect of a Prussianised and over-populated South Schleswig over the frontier from the thinly populated Danish North Schleswig.

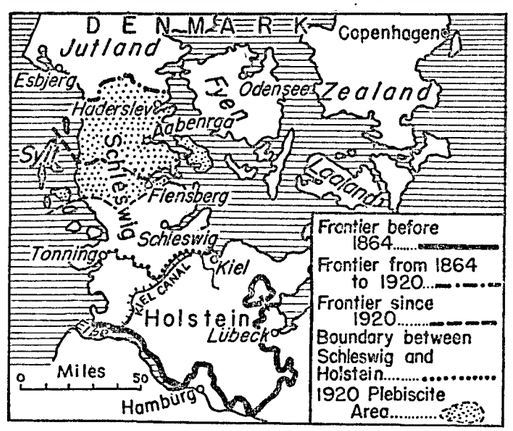
This in the long run is a much more important problem than the securing of various concessions for the Danish minority. For, quite apart from the Prussian element, the Danish section, whose birth-rate is lower than the German, is being increasingly outnumbered. Nor is the swift growth of the *Syd Slesvig Forening* (South Schleswig Association) a cause for unqualified satisfaction. In Flensberg, for example, it had about 9,000 members in the early 1920's: last June it had over 28,000. Its total membership is now about 75,000. But this great increase in support is commonly considered to include a fair number of people who wish to get away from Germany rather than to return to Denmark. The improvement in conditions in the western zones—and the German reaction against the Danish attitude—seems to be reversing this trend. In the local elections on October 24th the Association lost considerable ground. It would clearly be unwise to build future Danish policy towards South Schleswig on the apparent strength of the South Schleswig Association.

The British Military Administration at first viewed the problem of the Danish minority simply as one more administrative nuisance in Germany. In this spirit the British memorandum of September 6, 1946, suggested three solutions, all quick ones. The German sympathisers in North Schleswig, which is in Denmark, should be exchanged for the Danish adherents in South Schleswig. There should be a plebiscite in South Schleswig followed by a frontier adjustment: the present frontier was fixed in this way in 1920. Thirdly, the frontier should be adjusted without a plebiscite and by agreement between Denmark and Britain.

The Danes in a Note of October 19, 1946, rejected all three proposed solutions. Transfers of population or adjustment to the frontier were considered inopportune. Their counter-proposals aimed therefore at reinforcing the position of the Danish minority so that, when conditions became more propitious for change, it would have had the time and opportunity to build up its national identity. Three proposals were advanced to this end. The Danish-minded population should "on a basis of self-determination" be ensured common civic rights, including free cultural and political expression on an equal footing with other permanent residents in South Schleswig. The refugees from eastern Germany should be removed. South Schleswig should become administratively independent of Holstein within the framework of the German state.

The British rejected them. The administrative independence of South Schleswig was not considered feasible. There was nowhere else in the British zone where the refugees could be housed. The rights accorded to the Danish minority represented the maximum concession at present feasible, since no group of German citizens could be singled out for special treatment.

This reply caused considerable annoyance and disappointment in Denmark. Memories of what was called Britain's blindness in failing to rally to Denmark when, in 1864, Prussia seized from her the Duchies of Holstein and South Schleswig were revived. Inside Denmark there were stormy scenes and bitter disputes. The supporters of an active policy towards South Schleswig, among whom in a purely personal capacity—as he continually reminded his audiences—was the Liberal Prime Minister, Mr Knud Kristensen, clashed with the advocates of the official and gradual solution. And it was on this issue that Mr Kristensen was forced to resign just over a year ago.



The Social Democrat Government which succeeded him made no new moves. Negotiations were revived by the British action early in December in insisting that the South Schleswig Association must decide whether its role was political or cultural. If political, it must abide by the same rules as other German political parties and cease to work for the administrative separation of the territory and to rely on help from abroad. At the end of December a further Note amplified the above standpoint, and made it clear that Britain considered the debate about frontiers adjustments as closed. The Danes replied in March through their Ambassador in London, who asked again for the creation of a separate *Land* Süd Schleswig and for further measures to alleviate the pressure of refugees.

No British reaction to this *démarche* was made public; but, in a debate in the *Rigsdag* early in June, the Danish Government spokesman foreshadowed the change both in the British and the Danish attitudes which reports of the recent talks reveal. No decisions were taken in the London talks: the problem is not ready for that. But it has been clarified and set in perspective. These actions in themselves should facilitate its solution. They should also mark the end of an unnecessarily embittered chapter in Anglo-Danish relations.

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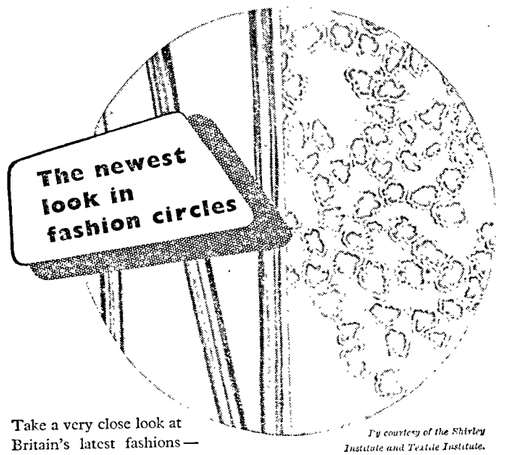
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THE BUSINESS WORLD

The Steel Bill Examined

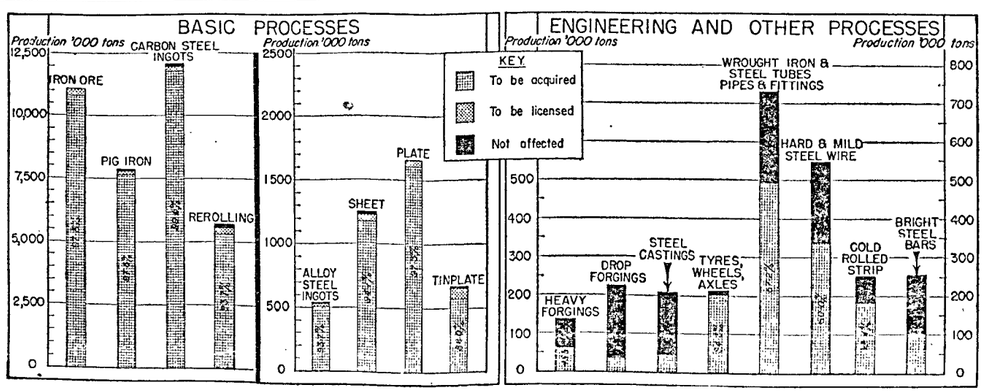
AN earlier article surveys several of the matters of principle which arise from the Government's Iron and Steel Bill. This article has the more limited aim of examining the means which the Government proposes to employ "to bring under public ownership the main producing undertakings in certain sections of the iron and steel industry." In a Bill of this size, with its 58 clauses and 8 schedules, there is more than enough matter for comment. But there are three broad heads under which useful discussion can fall: the definition of the industry to be taken over; the terms on which the state will pay for it; and the interest of the consumer in the future financial arrangements of the industry.

The first of these three topics is broadly illustrated in the chart accompanying this article. The Bill sets up a public authority, to be called the Iron and Steel Corporation of Great Britain, which will consist of a chairman and four to ten other members, all appointed by the Minister of Supply. The Corporation will acquire the debenture and share capital of 107 major companies concerned with getting iron ore, smelting pig iron, producing steel ingots, or the hot rolling of steel. Companies which produce at least 50,000 tons of iron ore, or 20,000 tons of pig iron, ingot steel, or hot rolled products will be compulsorily acquired. Those which produce less than those tonnages, but more than 5,000 tons, will require a licence from the Minister. But in acquiring the securities of the major companies engaged in these basic processes, the Corporation will also take over their interests in subsidiary companies and activities. Thus the Corporation's interests will stretch well beyond the strict confines of the iron and steel industry; they will include important sections of the engineering industries, finished products like tubes (of which two-thirds of the capacity at work in 1947 will be taken over), tyres, wheels and axles (virtually the whole), wire (60 per cent) and cold rolled strip (nearly three-quarters). This is not all. The ancillary activities of the companies to be acquired range into general manufacture of chemicals, fertilisers, building products, and every kind of steel manufacture from a giant bridge to an umbrella frame.

Although the Bill makes provision, under certain conditions, for the Minister to direct the Corporation to divest itself of any of its assets (thus making it possible, to put forward a rather extreme example, for Dorman Long's engineering interests to be sold by the Corporation to some outside purchaser) it is fairly clear that the guiding principle of the Bill in providing for the acquisition of the subsidiaries is the very simple one that "what was good for the industry must be good for the Corporation." But there will now be an important difference, since the state-controlled undertakings, with access to state-produced raw materials, will be competing in many steel using industries with privately-owned concerns. A close watch will need to be kept on both Government-controlled and privately-owned sectors, to make sure that competition between the two is fair. The fact that the Corporation will control a major share of these ancillary activities while in all it will have complete power over supplies of raw materials illustrates one of the risks of defining in such vague terms what "certain sections of the iron and steel industry" really means.

The total issued capital of the 107 companies to be taken over is estimated at about £195 million, and its acquisition will involve the issue of about £300 million worth of Treasury-guaranteed compensation stock. In addition, the Corporation will have power to issue (though not necessarily under Treasury guarantee) up to £350 million of further capital. In terms of capital obligations, the Corporation promises in time to be the second in size of the nationalised industries. It will, however, be very differently organised from its forerunners. The companies which are taken over will be preserved intact, together with their own managements and selling organisations. There is to be no taking over of physical properties, but only of securities. The Corporation will merely replace the existing holders of steel company capital. Thus on vesting day (May 1, 1950, at the earliest, and possibly as late as November, 1951) there will be no perceptible difference in the appearance of the industry—only in its share registers, which thereafter will have only one entry.

There is a good case in political and commercial expediency for leaving the existing companies in being—even a state-controlled steel industry may want to make the best of both worlds, particularly since the goodwill of many steel companies in the



outside world is high. But there is no acceptable case at all for the method of compensation, which, once again, is by reference to the Stock Exchange values of the securities, taken during the month of October, or on six mid-monthly dates before the General Election in 1945. It will be said, of course, that since the 1948 prices are generally higher than those of 1945, stockholders are being fairly treated. Nothing could be further from the truth. Equities as a whole are higher than they were in 1945, owing partly to Daltonian inflation. Steel shares have, in fact, been kept lower than they would otherwise have been for three reasons. Nationalisation itself has been overhanging the market. The industry has been prospering, but its dividends have almost without exception been fixed by dividend limitation—a piece of market rigging which at least transport stockholders were spared. And thirdly, there are several steel companies which, but for Dr Dalton's penal and unjustified bonus issues tax would have restored their issued capital to match the expansion of their real capital since the depression and capital cuts of the 'thirties. In terms of current and prospective earning power, in terms of fair current values for the fixed and floating assets which are being taken over, the Government is once again nationalising on the cheap. Such loading of the dice by the Government in its own favour as a buyer calls for the most emphatic protest.

★

To mention only one anomaly out of many, Steel Company of Wales 3 per cent debenture stock, which is finally redeemable in nine years' time at 101 and was issued only sixteen months ago at par, is to be acquired at £98 18s. 7d. per cent. It is no fault of the issuers, or the company, or the holders that this stock has been a difficult market since July last year. It is grossly unfair that the holders, who were prepared to adventure £15 million of their money in a promising undertaking at a low rate of interest for ten years, should be penalised for their enterprise. This is a somewhat special case. There are others which are as bad. Half an hour with a handful of consolidated balance sheets shows that the Corporation will be picking up undertakings which are so well endowed with current assets that the value to be imputed to their fixed assets—given the limitation of total compensation to Stock Exchange values—will be a small fraction of their true value, reckoned either by earning power or replacement cost. Dorman Long is one case in point, and there are many others.

Not all securities, however, have a Stock Exchange quotation. This is a point which applies to English Steel, which is to be torn from its parent company, Vickers. The value of unquoted securities may be settled by agreement or by arbitration. But the arbitrators are instructed to determine their value as that which the "securities would have had . . . if they had been quoted in the Stock Exchange Official Daily List" on the relevant dates, regard being had to "securities which, as regards all matters affecting their value, are most nearly comparable to the (unquoted) securities." Thus, even in the cases where valuation by reference to assets or prospective earning power would have been natural and convenient, there is a provision, failing agreement, to set up the wholly artificial concept of a notional market value for securities which have always been held in private hands. No words are too strong to condemn the inequity, the lazy-mindedness, and the sheer opportunism of using artificially depressed Stock Exchange prices for buying out an industry whose true asset value far exceeds what will be paid.

The third general question for comment is the future financial organisation and management of the industry. The Minister takes the now familiar powers to issue directions on matters "which appear to him to affect the national interest" and the Corporation must give effect to them. He will also supervise the general programme of development; he can compel the Corporation to shed part of its interests or activities; he can require information and reports; he may appoint committees to represent the interests of consumers, and define their functions. Thus in the broader questions of policy, the Minister will be all-powerful. He will say, in the last resort, what the future size of the steel industry shall be; he will determine (with Treasury approval) what subsidies are to be paid to the Corporation in respect of imported raw materials. It is true that the Corporation is charged with the general duty of securing that iron ore, pig iron, steel ingots and hot rolled products (the Bill says nothing of its other steel and ancillary products) "are available in such quantities, and are of such types, qualities and sizes, and are available at such prices *as may seem to the Corporation best calculated to further the public interest in all respects.*" Whatever this obligation may mean—

STEEL TAKE OVER STOCK PRICES

(Based on average of Stock Exchange prices Oct 1, 1948—Oct. 25, 1948 except those marked with asterisk, which are pre-election averages.)

	1945 High	1945 Low	1947 High	1947 Low	Price (Oct. 28, 1948)	Compensation Price	Price (Nov. 3, 1948)	Yield % (Nov. 3, 1948)
Arthur Lee & Sons, Ord. 2/6	7a	6 11/16a	19/9	17/-	21/6	20/6	20/6‡	5·48
Barrow Haematite, Ord. £1	26/3	20/1¼	44/4	25/-	35/3	35/8	35/3‡	7·09
Briton Ferry Steel, 5% Pref. £1	25/6	24/-	26/6	24/-	26/3	26/-	26/-	2·69‡
" " Ord. £1	34/4½	30/6	46/3	27/6	49/4½	47/11	46/10½	6·40
Brown Bayley's Steel 5% Pref. £1	34/-	30/7½	34/4½	30/-	33/9†	33/9	33/9	2·86‡
" " Ord. £1	115/-	77/6	76/-	43/9	98/9	99/-	98/9	2·43‡
Burrell & Co., 7½% Part.Pref. £1	30/-	26/4½	41/6	35/-	40/-	40/-	40/-	3·75
" " Ord. 5/-	15/9	12/-	28/6	20/9	25/-	25/-	25/-	6·00
Cargo Fleet Iron, 4% 1st Mt. Db.	95½	93	105	97	97½	97½	97½	4·10
Colvilles, 5½% Pref. £1	27/6	21/3	29/3	23/3	24/4½	26/6*	25/-	4·40
" Ord. £1	26/3	21/6	30/4½	23/3	†37/1½	38/-	37/1½	4·31b
Consett Iron, 4½% Deb.	104½	101	106	97	102	102½*	102	4·16
" " 8% Pref. £1	33/-	26/3	34/-	30/-	36/3	35/3	35/-	4·57
" " Ord. Stock 6/8	10/-	7/6	13/6	9/-	15/3	15/3	15/-	5·55
Dorman Long, 4% 1st Mt. Deb.	103½	98	106½	101½	102½	102½	102½	3·90
" " 4% PriorLienDeb.	103½	102	106	100	101	102½*	101	3·96
" " 6½% Non-Cum. Pref. £1	26/9	22/6	31/-	22/9	27/6	27/6	27/6	4·73
" " 8% Non-Cum. 2nd Pref. £1	28/9	25/-	33/-	25/9	31/3	31/2	31/3	5·12
" " Prefd. Ord. £1	56/-	43/11½	55/7	37/9	56/3	54/9	55/-	5·82
" " Ord. £1	29/3	22/6	30/4½	22/9	33/7½	33/1	33/-	4·85
Guest, Keen & Nettlefolds :—								
4% 1st Mort. Deb.	96½	93	98	90	...	...	...	...
5% Tax Free Pref. £1	40/9	29/4½	46/6	36/6	41/-	41/6	40/-	2·50‡
5% Tax Free 2nd Pref. £1	34/6	27/-	41/3	30/-	37/6	38/3	37/-	2·70‡
4½% 3rd Pref. £1	...	...	...	...	22/10½	23/2	22/7½	3·97
Ord. £1	43/6	34/6	49/6	41/-	48/7½	49/1	48/1½	4·57
Hadfields, 4½% Cm. Pf. Stk. £10	10½	10⅜	10½	10½	10½	10½	10½	4·33
Ord. 10/-	34/-	28/-	28/-	19/3	29/9	30/10*	30/3	5·78
John Lysaght, 5½% Red. Deb.	115½	111	119½	114½	116	116	116	4·74
" " 6% Pref. £1	26/3	24/-	28/3	26/10	29/6½	29/6	29/6	4·06
" " 6% 2nd Pref. £1	25/9	24/4½	28/-	26/6	27/6†	27/6	27/6	4·36
John Summers, 4½% Pref. £1	...	...	26/-	19/6	23/-	23/-	23/-	3·91
Ord. £1	30/7½	22/4½	36/3	24/-	33/-†	34/-	33/6	5·07
Lancashire Steel Corporation :—								
5% 1st Pref. £1	23/3	20/7½	23/4½	20/6	21/7½†	22/-*	21/7½	4·62
5½% 2nd Pref. £1	21/6	20/7	21/7½	19/-	21/3	21/3	21/3	5·17
Ord. 'A' Stock £1	27/6	22/-	31/6	23/9	36/6	35/-	34/3	4·66
Millom & Askam, 7% Pref. £1	26/-	22/6	27/6	22/-	25/3	25/6*	25/3	5·55
" " Ord. 5/-	12/3	7/3	9/-	5/11	11/-	10/6	10/-	5·00
Park Gate Iron & Steel, Ord. 10/-	13/-	8/6	13/4½	10/6	13/9	14/-	13/9	7·27
Partridge, Jones & John Paton, Ord. £1	21/4½	16/3	20/10	15/9	16/6	19/10*	18/3	5·47
Richard Hill, Ord. 5/-	5/6	4/6	20/-	12/6	18/9	17/4	17/6‡	5·71
Richard Johnson & Nephew, 7% Pref. £1	33/9	29/4½	39/-	33/6	35/-	35/-	35/-	4·00
Richard Thomas & Baldwins:—								
4% 1st Mort. Deb.	106	99	106½	97½	102½	103.8.4*	102½	3·90
6½% Part. Pref. £1	38/3	27/6	36/6	28/-	34/6	34/10*	33/9	3·85
Ord. 6/8	13/7½	10/3	14/7½	10/9	14/9	15/3	15/-	6·66
Sheepbridge :—								
5% Part. Pref. £1	45/9	39/7½	50/-	40/-	67/6†	62/	62/6	1·92‡
5% Part. Pref. £1 (8/- paid)	16/7½	15/6	18/3	14/6	26/3†	23/9	23/9	2·02‡
Ord. £1	48/3	36/3	55/6	43/3	67/-†	66/5	65/6	1·83‡
South Durham Iron :—								
4% Mort. Deb.	102½	100	101½	98	97½	100½*	97½	4·10
6% Pref. £1	25/9	24/-	25/6	20/3	21/6	24/11*	21/6	5·58
Ord. £1	30/4½	26/-	29/6	27/-	34/-	32/11	33/-	5·15
'B' Ord. £1	12/-	8/-	10/7	7/6	12/1½	10/9*	10/6	4·76
Stanton Ironworks :—								
4% Deb., 1968	101½	100½	101½	98	98½	100½*	98½	4·06
4% Deb., 1948-78	101½	100	102	100	100½	100½	100½	3·98
Staveley Coal, Ord. £1	54/6	41/3	77/6	53/9	88/6	90/8	88/6	2·82‡
Steel Co. of Wales :—								
3% 1st Mort. Deb.	...	...	100⅞	96½	99½	98.18.7 104.3*	97½	3·07
Stewarts & Lloyds :—								
4% Deb.	107	102	105½	99	102½	-4	101½	3·94
6% 1st Pref. £1	32/7½	27/6	34/3	27/3	29/9	31/9*	31/-	3·87
10% 2nd Pref. £1	49/3	46/-	55/-	46/-	47/6	48/3*	47/6	4·21
5% 3rd Pref. £1	26/4½	23/6	27/3	21/-	25/-	25/8*	25/-	4·00
Deferred £1	56/9	46/3	63/4	44/-	59/-	57/4	56/9	4·40
T. Firth & J. Brown :—								
3½% Deb.	97	96	104	99	97½	97½	97½	3·59
6% Pref. £1	30/-	25/7½	30/-	25/9	28/9	28/9	28/-	4·29
5% Pref. £1 (tax free)	34/6	27/6	35/6	29/3	35/7½	36/3	35/7½	2·82‡
'A' Ord. £1	80/7½	52/6	69/4	45/-	77/6†	78/2*	77/6	2·53‡
United Steel Cos., 4½% Pref. £1	...	...	25/7½	19/9	22/9	22/10	22/3	4·05
" Ord. £1	28/3	22/3	29/-	22/6	30/3	30/4	29/9‡	5·38
"	4⅝	3½	6⅜	4¼	6	6.3.7	6¼	4·90
Whitehead Iron, Ord. £1	26/9	21/-	26/10½	24/-	26/6	26/6	26/-	4·23
William Beardmore 5½% Pref. £1	29/6	25/-	49/-	28/9	53/9†	53/8	52/9	6·61
" Ord. £1								

(a) £1 shares. (b) Yield worked on 8% basis. † Ex-dividend. ‡ Net.

and the words almost defy interpretation—there is one thing which it cannot mean, namely the supply of steel at the lowest possible price, consistent with the Corporation's costs. It is for the Corporation to judge what is good for the consumer "in all respects," and the Corporation's conception of "public interest" might well prompt it to charge differential prices for the same products to different consumers. The state already owns coal, electricity, gas, and public transport—all heavy users of steel. It controls the investment programmes of other industries like petroleum and shipbuilding and the export programmes of innumerable trades which use steel. There is nothing in the Bill which suggests—much less proves—that the Corporation's attempts to further the public interest in all respects and hold a fair balance between all consumers will be infallible, or even impeccable.

To leave the Corporation virtually in sole charge of price policy is to hold a child-like faith in the virtues of public monopoly as opposed to the present system of private monopoly under Government supervision. Any system of differential prices in the home market, of concealed subsidies and price premiums, and the equalisation of prices by the use of reserve funds is bound to have arbitrary and uneconomic results. A similar objection applies to the taking of power under the Bill to continue the present system of subsidies on imported raw materials. The estimated cost of these subsidies in the current year is £22 million. The taxpayer finds this sum so that the steel consumer can get steel below the true price—about 5 per cent below on the staple products. The system has little in its favour. It is a burden on the revenue, it encourages part of the very excess of demand for steel of which the Government continually complains, and it results in an unduly cheap price for exports of steel manufactures. Its preservation in the Bill, as if it were inherently desirable or an integral element in a rational system of steel economics, is open to the most serious objection.

Another feature of the Bill which requires careful scrutiny is the protection to be afforded to the consumer. The Minister must appoint one or more committees representative of consumers' interests (after consulting with the Corporation and including perhaps some of their nominees), but he has discretion to define their functions. Consultation with consumers has been the weakest feature in the development of nationalisation to date. The consumers' councils are typically worthy, windy, and weak. As a corrective to the power of a public monopoly to charge what it decides for quality which it determines, the councils so far have had very limited value. It is necessary to insist, yet again, that nationalisation must be judged not by the size of its surplus, or more frequently its deficit, but by service and cheapness to the consumer. Mr Strauss will be wise to demonstrate how the consumers' committees can secure these ends.

Multiple Exchange Practices

RECENT events in France and others impending in Italy provide some basis for the hope that the resort to multiple exchange practices is on the wane. Admittedly, as an article in these columns a fortnight ago showed, there is still room for doubt about the way in which the new French exchange arrangement will work, but, at least for the time being, the pattern of commercial rates at which the bulk of French external trade is transacted is governed by the official parities notified to the International Monetary Fund. In Italy the toleration of disorderly cross rates in the commercial foreign exchange structure is of longer standing than in France. But here, too, the abuse is likely to be removed by arrangements acceptable to Italy, to the International Monetary Fund, and to the countries most seriously injured by the system—that is, Britain, and the other members of the sterling area.

It might, perhaps, be thought that these welcome developments, coming so soon after the meetings of Governors of the IMF in Washington, arise from decisions taken there. Such a conclusion would probably exaggerate the role which the IMF has played. The subject was certainly mentioned during the Washington discussions, and the annual report of the executive directors of the IMF makes some sensible references to it. As it points out

> The practical effects of deviations from an orderly pattern of cross rates are particularly serious when the country concerned plays a major role in international trade. In any country where the cross rates place a premium on the dollar, there is an inducement for traders to purchase goods from other countries for resale in the United States, and thus divert part of the dollar receipts which would otherwise accrue to the countries of origin.
>
> Export and import restrictions may limit the scope of such transactions, but it will be difficult to check them entirely when the goods diverted are raw materials which can be converted into manufactured goods for which the United States offer a market. To avoid further inroads upon their dollar resources by operations of this kind, countries may be obliged to impose still more stringent trade restrictions.

For these and other reasons, the IMF attaches importance to the maintenance of orderly cross rates as a means of protecting its members and encouraging an appropriate redirection of international trade.

The references in the IMF report to multiple currency practices as such, however, were rather more tolerant. The directors emphasised that certain countries, particularly in Latin-America, had used such practices as a means of restricting imports without resort to complicated administrative machinery and without giving the recipients of import licences opportunities for large windfall profits. The gist of the recommendations on this particular issue was that since these practices were mainly a product and symptom of domestic inflation the main remedy was to be found in measures to halt inflation and to achieve such an adjustment of local costs to prices as would facilitate the establishment of a genuine rate of exchange.

It seems from these passages that the IMF discussions in Washington are not likely to have provided the driving force toward the new remedial measures. A much more likely explanation is probably to be found in the Paris negotiations which preceded the launching of the intra-European payments scheme, with its substantial interchange of contributions and drawing rights between European recipients of Marshall aid. The main contributions came from Britain. The largest recipient was France; but Italy, too, will enjoy drawing rights against the sterling area. In the give and take that preceded agreement on this mutual aid, it would not be unreasonable to assume that Britain imposed certain conditions on the taker—notably the requirement that exchange arrangements providing opportunities for disorderly cross rates should be abandoned, since these rates did considerable harm to commercial interests in the sterling area.

Assuming, however, that the cross rates in France will henceforth conform to the official parities and that a similar conformity will before long be established in Italy, it still does not follow that the problem of abnormal and damaging distortions of international trade arising from commercial rates for sterling which diverge from the official parity will have been solved. It is true that some of the more glaring and annoying of the "irregularities" are likely to be stopped. For example, circumstances ought not to arise again in which British fur dealers find in the New York market the very pelts previously purchased on French account at fur sales in London—indicating a loss of dollars for Britain. Similarly, an end should be put to the recent practice by which French manufacturers of certain types of soda, although offered a market for part of their output in Britain, decided instead to sell the whole to Swiss firms, compelling British buyers to make their purchases from Swiss sources—in one of the hardest of hard currencies. Nor should the cross-rate issue again be presented in such blatant terms as those offered when French cloth required in this country for making up was offered at two prices, one expressed in dollars, one in sterling, the two being related by a cross rate diverging widely from the official parity. If the arrangements with Italy are satisfactorily concluded, there should also be an end to the recent highly attractive offers made by Italian merchants to Indian tea exporters to sell, through Genoa, the whole of the tea shipments destined for the United States and with the freight paid for the comparatively short voyage to Italy.

In all these cases, merchants in the countries in question could make an abnormal profit by buying in sterling, which they obtained at the official rate, and selling in hard currencies which they could then sell partly at the official, partly at the free, rate, or at an average of the two. The amount of trade diverted from its normal course by these devices may not have been so large as to do really serious damage to the balance of payments of the countries adversely affected, principally those of the sterling area. But the damage done to individual traders and to long established merchanting relations between individual firms and their agents overseas was, in certain cases, considerable. For instance, a tea importer in the United States, who had always dealt satisfactorily through a London firm, suddenly found that competitors were getting their tea 10 to 20 per cent cheaper by buying through Italian merchants; the damage done to the goodwill of the London firms in such a case will take a great deal of reparation.

*

But, although such abuses as these may be stopped, there is another aspect of the problem of disorderly or unofficial cross rates which is far less susceptible of remedial action, whether by the IMF or under pressure of Britain's strong bargaining position through the intra-European payments scheme. This is the much more intangible manifestation of cross rates which merely emerge by implication from international transactions veiled as barter or commodity compensation deals. An example, not wholly devoid of verisimilitude, will illustrate the complexity of these deals. Wool is bought in Australia on Dutch account and put on board ship with documents duly attesting the transaction cif Rotterdam. At a convenient point in the course of the voyage the wool is transhipped, sent on to New York and the documents duly amended. The wool is sold for dollars. These dollars are then used to buy a commodity in short supply in Europe—say newsprint. This is then sold for sterling to a European country, preferably in the transferable account group, which has enough sterling but not enough dollars and will be prepared to pay a higher sterling price for this dollar commodity than the current dollar price converted into sterling at the official rate. This side of the transaction having been completed by the sale of the newsprint to, say, Denmark, it remains to transfer the sterling from a Danish to a Dutch account. This can be done without the slightest difficulty, since Denmark and the Netherlands are in the transferable account group. The transaction, therefore, does not even need to be referred to, much less authorised by, the Bank of England. The Dutch firm which originated the cycle of these operations, probably on the basis of a sterling credit opened by a Dutch bank, reimburses the credit and, into the bargain, hands over to a gratified Netherlands Bank a much larger sterling profit on the transaction than the custom of the trade would warrant. Almost everyone is happy. The Netherlands has gained valuable sterling from merchanting transactions, Denmark has obtained scarce dollar newsprint by a sterling payment. The sufferers—and they are scarcely conscious of their loss—are sterling area countries, namely Australia which has lost a direct dollar export of wool and Britain which has seen Denmark using sterling to buy a dollar commodity. At no time has any monetary authority sanctioned a transaction in sterling at unofficial rates, though some laxity somewhere must have conduced first to the diversion of the wool from its Dutch to an American destination and secondly to the relatively high sterling price paid for the import of newsprint into Denmark.

The transferable account system can also lend itself to abuse where the authorities of a country within this group are prepared to deal in sterling at other than the official rates. The most significant example of such transactions has been provided by Russian bidding for transferable account sterling. At the moment, Russia is reasonably well supplied with US dollars, partly because of sales of furs to the United States and also by reason of the slow strangulation of US exports to Russia. But while reasonably well supplied with dollars, Russia is short of sterling, which it has been using in substantial amounts to pay for sterling area rubber and other commodities. The Russian authorities, of course, could buy sterling from the Bank of England against dollars at the official rate—and the red carpet would be rolled out for them. But that would be too tame a deal; instead, the Russians have in fact been bidding for cheap sterling in the New York market—a market handled not by the recognised banks but by a group of security houses whose names are well known in official quarters in London. The sellers are holders of sterling in transferable accounts in London. A Norwegian holder of sterling, for example, might be prepared

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to sell his sterling for US dollars at the rate of $3.50. If the transaction was done with a Russian buyer there would be no way of checking or preventing it since both countries are in the transferable account group and a payment from a Norwegian to a Russian account in London needs no official scrutiny.

Some loss undoubtedly falls upon Britain as a result of such transactions. But it would be easy to exaggerate their magnitude. Whether they arise from complicated commodity arbitrage or from use of the well and astutely organised unofficial market in commercial sterling, they are the result of the scarcity of dollars and of certain commodities for which buyers are prepared to pay a fancy price if that price is payable in sterling. It would be a retrograde step to attempt to counter such operations by devising stricter restrictions on the use of sterling for multilateral payments. One or two expulsions from the transferable account club, and the relegation of the countries concerned to "administrative transferability," should be the limit of the restrictive defensive measures taken by Britain. Agreements such as those made with France and Italy are in no way restrictive of the international use of sterling. On the contrary, they will help to promote it. For the rest, the emphasis in British policy should be placed on raising the respectability and status of sterling by working indefatigably towards the goal of solvency with the dollar area. One day that goal may be brought much nearer—not only for Britain but for the whole world outside the United States—by a revaluation of the dollar in terms of all other currencies. But the time for that is not yet.

Business Notes

A Satisfied Chancellor?

It is not often that Sir Stafford Cripps's speeches are disappointing, but that was certainly true of his contribution to this week's debate on the Address. For M.P.s who had not found time to study the intricate documentation of the recent efforts of the OEEC, his factual summary no doubt provided a useful guide. But the only significant fact which had not previously been officially stated (although it was already generally known), is that, despite the intra-European payments scheme, the Government expects to have to make some further gold payments to Belgium and Switzerland. In his comments on the domestic situation, the Chancellor closely paralleled his Mansion House speech of a fortnight ago. Thus, while giving warning that it was too soon to make "any confident judgment" on the effects of the disinflationary policy, he reiterated that revenue is coming in satisfactorily and is likely to reach estimate; that expenditure has been increased by the rising costs of subsidies and defence; and that these changes, though they will involve "some reduction" in the surplus, are not large enough "to counteract the main policies of the Budget." This conclusion was subject to the important reservation that any substantial further increase in defence outlays would "make it necessary to reconsider the whole of the rest of our economic programme."

This possibility apart, the Chancellor appeared tolerably well satisfied with his disinflationary formula, pointing out that although personal savings are still disappointing, and although "we have not done all that we wished to do," the trend towards "a more comfortable position" is clearly marked. Moreover, the Chancellor cited Britain's programme for 1948-49—as set out in the recent White Paper, discussed in these columns last week—as evidence that "a substantial degree of recovery" was expected. This, he declared,

> shows a progress in the right direction which, by 1952, should enable us to be wholly independent of any further exceptional external aid.

There is about all this an air of satisfaction which comes most unexpectedly from the lips of Sir Stafford Cripps. Although he emphasised again the need for hard work, singleness of purpose, and restraint in consumption, there was no hint in this speech of awareness of the changing character of Britain's problem. The critical problem now is quite evidently the levelling of the trend of production and exports, a change which belies all facile forecasts that self-sufficiency definitely can be achieved by 1952. Sir Stafford avoided this critical issue altogether. Indeed, he actually remarked that the added strain caused by the miscalculation of the level of investment had been "partly offset by increased production"—surely a highly debatable proposition.

* * *

Six Billions of Bank Deposits

Restrained though it is, this note of complacence in Sir Stafford's recent comments on the domestic scene is more disspiriting than it would be from any other Minister. Coming from him, and at a time when all the evidence points to the need for a stiffer dose of disinflation, it raises inevitably the suspicion that austere frankness is being dropped because the desirable corrective policies are either regarded as impracticable or are not politically acceptable to the Government as a whole. But the opportunist tactics of pretending that all is well on the home financial front will not long withstand such shocks as that created by the October banking figures published this week. These disclosed a leap in deposits by almost £90 million, a magnitude all too reminiscent of the Daltonian phase, and one which has attracted particular attention because it carried the total beyond £6,000 million for the first time—almost £40 million beyond it. The significance of the experience of a single month should not, of course, be exaggerated; but this expansion follows one of £40 million (net) in September, and occurs at a time when it had been hoped that the growth of deposits, if not arrested by disinflation, would at least be retarded by the delayed effects of the absorption of the Argentine rail moneys which, though involving credit creation last March, have only gradually become available for effective use. Moreover, the reasons for so large a movement are not self-evident.

The £13½ million rise in advances was actually a little smaller than that for September, and at only half the corresponding 1947 rate. Investments rose by £2,500,000. If, say, £5,000,000 of the very large increase in bill portfolios (by £96 million) is presumed to reflect commercial discounts, this means that not more than £21 million of the month's new credit was needed for the private sector of the economy. In other words, at least £63 million of the £84 million expansion of net deposits was required for the Governmental sector, compared with about £27 million in September. In the nearest comparable period covered by the Exchequer returns, below-line net expenditure was larger than usual; after crediting receipts from savings, etc., it required about £38 million, compared with some £17 million in August-September. But this deterioration was more than offset by the items "above" the line, which showed a surplus of £9,000,000 compared with a deficit of £41 million. Allowing for the reflux of notes from circulation (which in effect increases the Government's need for bank finance), the Treasury's total disclosed requirements would be about £41 million—at least £25 million less than in the previous month—before taking credit for the sterling receipts from sales of dollars and any net borrowings of overseas sterling balances on account of the external deficit, now running at, say, £25 million a month. In other words, the finance ostensibly required was no more than £15 to £20 million, in contrast with over £60 million apparently raised.

* * *

Plus ça Change . . .

Unfortunately, the reasons for this wide discrepancy can only be conjectured. In part, it results from the three-day difference between the (five-week) periods covered by the two series of figures, a difference which probably means that, this time, the banking figures were affected by two months' disbursements of certain regular mid-monthly payments whereas the Exchequer returns reflected only one. It is likely, too, that the Treasury had to meet unusual demands from overseas monetary authorities for conversion of bills into cash. Finally, the heavy cost of the health service is presumably involving extra-budgetary demands for finance.

To some extent, therefore, the latest rise in deposits is not representative of the underlying trend. But, when all has been said, it is evident that the present disinflation formula would be insufficient to prevent a rising trend of deposits even if there were no extraneous factors making for expansion. Most important of these factors must be the public's desire for increased liquidity—and the Government's willingness to satisfy it lest new pressures be put upon interest rates. Both the scale of the problem and the tactics employed to meet it are radically different from those of the Daltonian phase. But the principle involved is identical. If the disinflation policy is to be maintained, the Government sooner or later will have to face this conflict between its budgetary and its monetary objectives.

* * *

The Struggle for Coal Production

No sharper reminder could have been given of the realities of the struggle to revive coal output than the rejection by the Yorkshire mineworkers' representatives of the proposals of the joint committee on coal production. Mr Gaitskell, when he commented on the joint committee's recommendations in Parliament on Wednesday, did not claim for them any great inventiveness or novelty of conception. What was important, he suggested, was that they had the backing of the National Union of Mineworkers; the recommendations on recruiting foreign workers and upgrading men for face-work "were matters upon which no progress would have been made without the fullest co-operation of union and management." The recommendations for dealing with persistent absenteeism he described as "a remarkable development which would have been utterly impossible had the mines not been nationalised."

These were fair comments, but only on the assumption that the co-operation was really full and that the remarkable development had in fact taken place. Until, however, the approval given by the mineworkers' national executive is endorsed by the areas and the lodges, it is too early to make any such assumptions. The Yorkshire area council of the NUM, also meeting on Wednesday, decided against the proposals; there were objections, it seems, to the recruitment of foreign workers, to the extended working week, and to the participation of union officials in disciplinary measures against absentees. That the Yorkshire area council should be the first to make difficulties is not in itself surprising; but it is a serious setback, and seems the more irresponsible because the areas are directly represented on the national executive and had the opportunity to make their opinions felt at an earlier stage.

It can be hoped that other area councils will be more helpful. Their helpfulness will not, however, clinch the matter automatically; from the nature of the recommendations it is clear that the results will depend on thorough and detailed application by the miners' lodges. The development of face room, the speedier upgrading of men for face work, the admission of foreigners, and the serious enforcement of attendance discipline—it is only by determined local action, supported by the body of opinion in the pits, that these measures can be made to produce the results which are needed. Both the Saturday shift and the extra half-hour have been frustrated not by opposition from the national leaders but by tacit agreement in the coalfields that they should be taken lightly. The five-day week agreement provided for an appropriate reassessment of tasks, but here above all there can be no effective rule of thumb—only co-operation or obstruction by the men to whom the tasks will fall. And up to now, obstruction has prevailed. The recommendations of the joint committee are sensible enough, and it is a tactical advance to have got them recognised in an unequivocal way by the national leadership of the mineworkers. What remains to be bridged is the hiatus between policy and performance; this is as evident in the NUM as in the Coal Board itself.

* * *

Redeployment and Modernisation in Lancashire

Among the evidences of the Cotton Board's patient efforts to organise opinion in the cotton industry in favour of higher productive efficiency, the collection of papers prepared for the conference of directors, managers and trade union officials at Harrogate last month, and published by the Labour Department of the Cotton Board, is the most encouraging yet seen. The attempt to recruit more workers continues to have no more than modest results, and the cotton employer seeking to improve his production is left with two resources—the redeployment of his labour and the modernisation of his plant. Large projects of complete re-equipment of the kind envisaged in the Cotton Spinning (Re-equipment) Act tend to get less attention, while the possibilities of quick and reasonably inexpensive improvement of existing machinery get more. In weaving, the case for automatic looms continues to be strong, and grows stronger as Lancashire (with still only 5 or 6 per cent of automatic looms) is faced with the competition of foreign weaving industries which are almost completely automatic. Conversion of existing looms must, however, be a radical operation to produce a machine which can give satisfactory performance by existing foreign standards. Mr H. L. Muschamp, in a paper on "The Case for Conversion to Automatic Weaving," mentioned a set of looms the conversion of which had cost 60 per cent of the cost of new automatic looms; but the resulting machine would give, he said, the performance of a new automatic loom. In spinning, the room for minor improvement is greater; Mr B. A. P. Dobson described particularly a number of devices and modifications to be fitted in the card room; because of its greater variety of machines and number of processes, it was in the card room (he argued) that the most substantial savings in yarn output per man-hour by mechanical improvements were possible.

An account of the redeployment carried out in a coarse counts spinning mill showed that redeployment gave best results in the ring room, since the card room operatives were already on piece rates, while the ring room operatives were not. The general outlines of redeployment as described in these papers do not vary greatly from mill to mill. Such principles as the withdrawal from skilled workers of cleaning and other unskilled duties, leaving the skilled man free to mind his machines, are becoming standard, as are also the methods of recasting the wage structure in order to associate reward with effort. But the detailed application, and the methods of enlisting the support and interest of the workpeople, are separately worked out for each mill; they depend, indeed, as much on psychological as on physical conditions.

It was made clear repeatedly how greatly the uniform payments systems in force in Lancashire obstruct these attempts to make better use of labour. Mr Harold Wilson, who presided at the opening session, referred to the recommendations of the Moelwyn Hughes Commission for a new wage structure in cotton weaving—"a system of recommendations which, with such minor changes as you may feel it necessary to make in them, holds the key to the future." He could not have said much more plainly that major changes or further prolonged delays would not be welcome to the Government.

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Anglo-Soviet Trade

There is still no official news about the new Anglo-Soviet trade negotiations. This week Mr Bottomley, Secretary for Overseas Trade, had another meeting with Mr Klenstov, the head of the Soviet trade delegation in the United Kingdom, but the new agreement is apparently no nearer conclusion. Both countries have submitted lists of goods available and required and some time must obviously elapse while these are studied. Russia has already sent Britain the full consignment of grain under last December's trade pact, in fact some 14,000 tons more—764,000 metric tons against the scheduled 750,000 metric tons. The total includes 470,000 tons of barley against the planned 450,000 tons; 190,000 tons of maize against 200,000 tons and 104,000 tons of oats against 100,000 tons. It has not resorted to the escape clause of the agreement which stated that if by May 31, 1948, the total value of orders placed did not reach half the whole value of the equipment agreed to, Russia would have the right to withhold the last 200,000 tons of grain. It is believed that only £6,500,000 worth of orders have been placed to date out of a total of £20 million. So far Britain has sent 13,000 tons of surplus steel rails and 2,200 tons of new steel rails, while a further 3,100 tons of new rails are being loaded or awaiting shipment. This makes a total of 18,300 tons compared with the agreed 25,000 tons of rails, of which not less than 10,000 tons would be from new production.

But the main contention over the last Anglo-Soviet trade agreement has been about the grain prices. Despite all the official secrecy maintained on this topic, the monthly trade returns have now revealed the c.i.f. prices. According to the December protocol "the prices charged . . . shall be based on world prices. . . . Prices shall in every case be calculated f.o.b. port of shipment." During the discussion in Parliament Mr Harold Wilson said that "the prices agreed on were very fair and reasonable in relation to the present price ruling in the world markets." It now appears however that the c.i.f. import price has risen each quarter. The maize price for arrivals in the first quarter averaged nearly £31 16s. a ton, in the second quarter £32 5s. a ton and in the third quarter £33 7s. a ton. The quarterly average price for maize at Chicago—which can be taken as a guide to the world market price—fell from £24 a ton for January-March to £23 10s. a ton for April-June to £20 12s. a ton for July-September. Even if £3 a ton is allowed for insurance and freight from the Black Sea to the United Kingdom, there is still a wide discrepancy between the British import price and the Chicago price. And, moreover, the American price has fallen during the year while the British import price has risen. The average Chicago price for maize in December, when the agreement was signed, was only £26 14s. a ton.

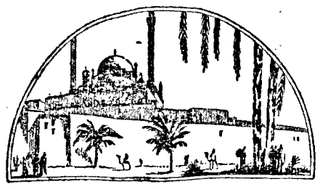
For barley, the initial discrepancy between the British import price and the American level was not so great. The first quarter's import price was £30 16s. a ton rising each three months to £31 4s. a ton and £33 7s. a ton. The corresponding US average prices were £28 16s. a ton, £27 a ton and £18 15s. a ton. In this instance after allowing for freight and insurance, it might be true to say that the initial Russian price was "very fair and reasonable." But it seems that Britain bought only 25,000 tons of barley at this price, out of a total of 470,000 tons. If this analysis is correct, is not the British public entitled to a fuller explanation of the cost of Russian grain?

* * *

Proposed Tin Agreement

As was expected, the third meeting of the International Tin Study Group, which concluded at The Hague last weekend, was chiefly concerned with the advisability of a world tin agreement. A working party was set up at the Washington meeting last April to consider this matter, and it reported to the Study Group that it would be both "appropriate and practicable" to conclude such an agreement, and at the same time it put forward a proposed outline. After considerable discussion, the proposals were modified, but the Study Group accepted the general idea of an inter-Government Agreement. It further decided to circularise member Governments to see whether they would be in favour of such a commodity scheme for tin. The skeleton scheme has not yet been published, but it is believed to concentrate more on marketing than on regulating output. If a sufficient number of member Governments approve of the proposals, a new conference would be convened next spring under the ægis of the United Nations, to work out the details of the scheme.

The Malayan producers have already stated that they would welcome "a practicable and equitable arrangement to ensure long-



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term stability in the industry." But what does "stability" mean? Do producers want stability of prices, or stability of profits, or stability of sales? Stable prices can be secured by long-term contracts, though they have been something of an embarrassment to tin producers in a period of rising costs. Stability of profit margins would have much greater attraction for producers, but would be administratively difficult to operate and would shelter the high cost producers. The guarantee of a market for a definite quantity would also be attractive to producers if at the same time the movement of prices were restricted. But in such a case, would there be any control of output? Without restriction, output could be expanded under the impetus of the "free" market price, that is, the price for tin over and above the agreed marketing quotas. Such a scheme might permit the orderly marketing of a large part of the world's output of tin, and it would also possess a reasonable degree of flexibility. But it is not known whether the proposed agreement will take this form.

Any commodity scheme introduced within the next year or so will, however, be faced with the problem of strategic purchases. Tin producers, quite reasonably, do not want to expand output to meet a large but temporary demand. Yet if these new strategic requirements are to be covered without restricting normal commercial consumption, production must expand. And the new agreement would have to allow not only for such an expansion, but also for a corresponding contraction when the strategic purchases had been completed. Any commodity scheme is certain to be controversial; and a scheme for tin would be no exception if only because of memories of the prewar restriction schemes. It is therefore all the more desirable that the scheme worked out last week should be published without delay so that adequate consideration can be given to it before the new conference is convened.

* * *

Prospectus and Performance

There have fortunately been few instances in the past year where the performances of companies have belied their prospectus estimates of profits by a wide margin, but the few have nevertheless attracted a great deal of attention. Among them, the case of Richard Crittall is exceptionally unhappy. In the prospectus for the issue of 450,000 5 per cent cumulative £1 preference shares at par made on December 22, 1947, the directors estimated that net profits of the group before all taxation for the year ending December 31, 1947, would not be less than £100,000. As is now well known, the consolidated accounts revealed a loss for the year of £607,841. The difference seems too large to be accounted for by mistake or inadvertence, and it is reported that official inquiries are being made to discover the reasons for this serious discrepancy, which clearly involves questions regarding the accountability of the former directors.

The provisions of the Companies Act, 1947, about directors' liability for the contents of a prospectus do not apply to the Richard Crittall issue, since it was made before the Act came into effect. Their actions must be judged by the Companies Act, 1929, which provides that it is not merely a statement that is false, but one made with guilty knowledge which must be proved against directors in proceedings. The Cohen Committee recommended that the law should be amended on the lines of Section 84 of the Larceny Act, 1861. Under Section 66 of the new Act provision has been made for criminal proceedings. The onus has been placed on persons authorising the issue of a prospectus to prove either that an untrue statement was immaterial or that they had reasonable grounds for believing up to the time of the issue of the prospectus that a false statement was true. This test cannot be applied in the present case. Moreover, under Section 65 of the new Act, in the case of an untrue statement made by an expert, and included in a prospectus, persons authorising the prospectus cannot rely on the fact that the statement was made by an expert unless they can prove reasonable grounds for their belief, up to the time of the issue of the prospectus, that the expert was competent. Under the 1929 Act it had to be established that directors had no reasonable ground for believing that an expert was incompetent.

The shifting of the burden of proof in any action arising from an untrue statement on to the shoulders of the persons authorising a prospectus seems to have provided an effective instrument against the wilful insertion of such statements. Of course, no provision can be incorporated in the law fully to guard against the publication of misinformation resulting from negligence or incompetence. But the Companies Act, 1947, should go a long way as a deterrent against the publication of information about future prospects and estimates of profit which have not been given full consideration.

* * *

Shortage of Refractory Linings

Shortages of silica bricks and other refractory lining materials have persistently hampered revival in the European steel and coke-oven industries since the war. This has been evident from the experiences of firms seeking to repair or expand their plants; but there have been no reliable statistics on which a general survey of the position could be based, and this has made more difficult the work of the Geneva working party which has been attempting in the past year to solve the shortage of silica bricks, tamping mass, and their principal raw material, quartzite. A great deal of the working party's time has therefore had to be given to persuading the countries concerned to notify their consumption, production, and plans more completely and with reasonable uniformity.

In spite of this, a good deal of success has been achieved in expanding production and in confining requirements within practicable bounds. Britain, with an estimated production for 1948 of 413,000 metric tons of quartzite, 59,000 of tamping mass, and 294,000 of silica bricks, is still considerably the largest European producer of refractory materials for industry. But production in the Bizone of Germany has shown a sharp improvement since currency reform, and is now estimated at 105,000 metric tons of silica bricks and 65,000 tons of tamping mass for the current year. Bizonal production is particularly important for coke-oven bricks; the estimated output of 32,000 tons this year will have been almost entirely used up in the maintenance and reconditioning of the Ruhr coke ovens, but this is itself important to maintain the coke supplies from the Ruhr to the steel industries of western Europe; and exports of 12,000 tons of coke-oven bricks from the Bizone are now thought possible in 1949. Quartzite production in western Germany, hardly less important, is about equally divided between the Bizone and the French Zone, at about 75,000 tons each this year. Its expansion depends partly on increasing the labour force, which is still inadequate in spite of the improvement since currency reform. The French Zone authorities have been discussing with the Italian Government the possibility of bringing

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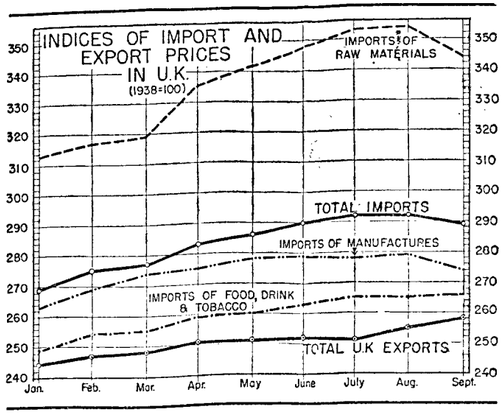
Italian workers to the quartzite quarries in the French Zone, and something may come of their discussions by the spring. The other necessity is material for quarrying—trucks, tractors, and light railway—and the vehicle industry of the Bizone should be able to expand its production sufficiently to meet the purpose; but other demands make an improved supply of railway material unlikely in the next few months.

The Working Party on Refractory Materials for Industry is taking a more optimistic view of the prospects of removing this particular shortage than it has taken so far; a further modest improvement in the main producing countries can remove the deficit. Indeed, doubts have been expressed at Geneva whether there is still a deficit; but the latest suggestion made to the member countries—that they should negotiate for the exchange of quarrying and transport equipment against silica bricks and quartzite—suggests that there is. Another suggestion made, that the working party should undertake the allocation of silica bricks for export, has been turned down.

* * *

Better Terms of Trade?

For the first time since the beginning of 1946, the index of import prices declined in September. The fall was slight—barely one per cent—but as the accompanying graph shows, import prices apparently reached a peak in July and August and started to decline in September. Yet it would be wrong to read too much into this change of direction. The food and drink component of the index resumed its rise, being one point higher than in August, but raw material prices fell by 2½ per cent, owing mainly to cheaper cotton and wool. World cotton prices have fallen, but the lower import prices for wool reflect a transference of wool stocks from the Dominions to this country rather



than any improvement in the terms of trade for Britain—although admittedly wool prices did fall in September. Wool and cotton together have a weight in the component index of 25 per cent and therefore exert a considerable influence on the total.

But the index of import prices is based on c.i.f. import prices and is therefore not a very accurate reflection of world commodity prices. Thus, a reduction in freight and insurance could reduce the index without any corresponding fall in world prices, although there is no evidence that this has happened during September. For this same reason great care has to be taken in measuring the change in the terms of trade. Until there is better evidence that Britain is now purchasing its food and raw materials cheaper than in the past—what facts have already been published about long term contracts and bulk purchases show that prices for 1948-49 have generally tended to increase—the downward trend in import prices may be illusory.

More heartening, however, is the trend of export prices, which being calculated on an f.o.b. basis reflect more closely the trend in world markets. The index in September rose by a further one per cent making the total increase since July almost three per cent. Prices for exported raw materials were nearly one per cent higher than in August and those for manufactures more than one per cent higher. This time it was metal goods prices which jumped, while textiles prices remained stationary. If the current rise in export prices can be maintained to the end of the year, without reducing the volume of exports sold, the balance of payments will be assisted. The dollar drain, however, is more dependent on the terms of trade of the sterling area rather than of the United Kingdom and they appear to be more favourable.

* * *

Oil Dock for Big Tankers

The port of Manchester has handled oil traffic since the Ship Canal was opened in 1894, but the development of the trade is making it necessary to provide for the handling of oil in larger bulk than before. The new dock scheme announced by the Manchester Ship Canal Company on Monday, which will cost about £4,000,000 and will require the authority of a Parliamentary Bill, should meet this necessity. It is designed primarily for the unloading of crude oil for the new refinery which the Shell group is building at Stanlow as part of the national home refinery programme. It will, however, mean that tankers will be unloaded nearer the sea than at present. The new dock will be at Eastham, at the entrance to the canal. Tankers now dock at Stanlow, on the canal itself, but this limits the size of tanker which can be handled to about 12,500 tons, though larger tankers of up to 16,000 tons have occasionally been taken up to Stanlow after partly unloading elsewhere. In the future tankers of up to 30,000 tons will be accommodated in an oil dock at Eastham, and their cargo will be carried by pipeline to Stanlow, about nine miles away. Oil traffic at Stanlow has increased steadily during and since the war, and the new Shell refinery will have a throughput of 2,500,000 tons a year—about five times the quantity which has so far been handled by the same group's specialised plant there.

The canal company is not proposing to raise new capital immediately. It will, however, seek to extend its borrowing powers by £2,500,000, and this provision will be incorporated in the Bill which, before it is brought before Parliament, will have to be approved by a meeting of shareholders in February. The Corporation of Manchester is the largest shareholder. Work at Eastham will begin immediately Parliamentary approval has been obtained, and will take about three years; the new dock should, therefore, be ready for use towards the end of 1952, when the refinery should already be partly in operation.

The plan, which includes an entrance lock 800 feet long and 100 feet wide, is an indication that the trend towards very large tankers is expected to be permanent. At least one tanker of 30,000 tons is building in the United States. The Shell group has two tankers of 28,000 tons already building in British yards, and the keel of a third is to be laid next week.

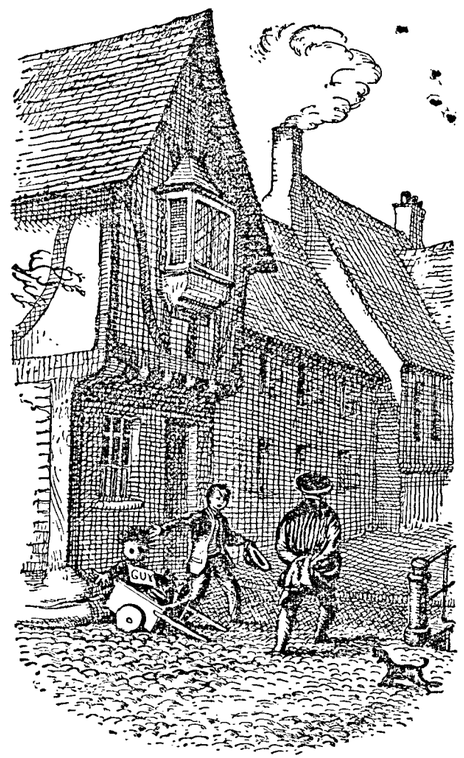
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Film Renting Disagreements

Negotiations have been going on through the summer about the film renting terms charged by General Film Distributors (the main distributor for the Rank Organisation), and they seemed a fortnight ago to be approaching settlement. They have now, however, assumed "national importance" (in the view of the British Film Producers' Association) and have been broken off, to be restarted on an all-industry basis. Mr J. Arthur Rank, who is president of the British Film Producers' Association, notified the Cinematograph Exhibitors' Association of this decision in a letter last week. He explained that the BFPA had decided to set up a special committee to consider distribution policy, and that this would take "a little while." When he resumed the discussions with the CEA he would be accompanied by members of the executive council of the producers' association.

The delay is the more unfortunate since the dispute about rental terms has done a great deal to sour the internal relations of the trade at the outset of the attempt to apply the new Films Act. That the renting terms of the major British distributing organisation might concern the whole industry might well have been thought of earlier in the day; it was, however, made evident to the producers when one or two exhibitors became sufficiently confident of easier terms from Mr Rank to begin to ask easier terms for British films from other studios as well.

The exhibitors have always claimed that they regard Mr Rank's terms as too high, but their main complaint is not against the highest rates, which are charged for successful films, but against the lower rates charged for films which do not do so well at the box-office. A box-office success may well be worth the 50 per cent of takings which the exhibitor has to pay. If takings fail to reach a certain figure the exhibitor pays only 45 per cent, and if they fail to reach a still lower figure he pays 40 per cent. But in the last case he does not get from General Film Distributors a "programme" (that is, a first and second feature, or a first feature with a money allowance to enable him to rent a second feature), but only one film. This again raises his total payment



November

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Next, in 1937, the Company acquired Westcroft Mill, Bradford, then at a standstill, and equipped it with worsted combing and spinning machinery. There Courtaulds showed how their "Fibro" rayon staple could be spun into yarns for use in weaving the kind of cloth for which Yorkshire is famous, thus widening the use of rayon in the worsted industry.

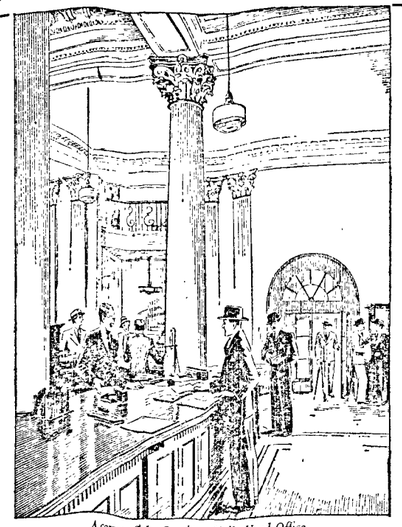
During the Second World War Westcroft Mill provided yarn for Service blankets and garments, and Spring Hall Mills wove cloths for West Africa whence Britain obtained rubber, palm kernels and oil.

Finally, Courtaulds recently opened Bull Royd Mill, Girlington, Bradford, acquired in 1944. Here they are weaving, on the most modern automatic machinery, Yorkshire suitings and dress fabrics in which rayon staple is blended with wool.

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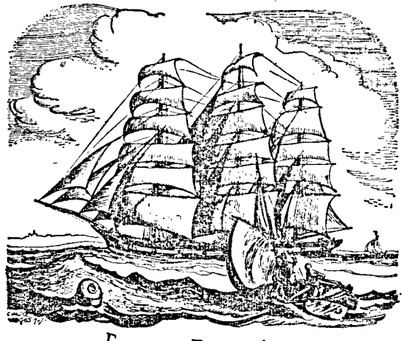
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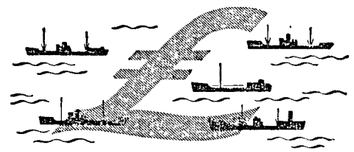
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for the programme to, perhaps, 42.5 per cent. It is for this reason that the reputedly high proportion of "mediocre to poor" films in the British output has played a prominent part lately in arguments within the trade. (The criteria of quality are for this purpose not æsthetic but financial.) At the time the discussions began the exhibitors were openly worried about deteriorating quality. They have lately noticed an improvement in quality. But at the same time the return of American films has improved their bargaining position. And the exhibitor who finds the rental for a particular film scaled in an uneconomic way can invoke the relief clause of the Act, sometimes with hope of success.

* * *

More ECA Loans

The ECA loan agreement with Britain has opened the gates to all others in the queue. During the past week loan agreements have been signed or prepared for signature with Denmark, Eire, Sweden, France and the Netherlands. They all carry substantially the same terms as those negotiated with Britain, namely, 2½ per cent interest with no interest payment due until 1952, and capital repayments beginning in 1956. Some urgency in signing these loan agreements was provided by an announcement by ECA in Washington that no further grants would be made to the participating countries until they had signed their loan agreements. ECA probably felt that it had to apply the spur in order to protect its position with Congress, which has placed on ECA the compulsion to make $1 billion out of the $5 billion voted for Marshall aid in 1948-49 available in the form of loans.

On his return from his European trip the Economic Co-operation Administrator, Mr Paul Hoffman, announced that he would ask the President for a further $1 billion to keep the European Recovery Programme going between April and June of next year. As finally agreed by Congress, the ECA appropriation of $5 billion was to last for fifteen months—until June 30, 1949—but with discretion left to the President of the United States to spend it over a period of twelve months—by March 30, 1949—if he deemed it necessary. At the rate at which procurement authorisations have been granted by ECA, it is clear that the amount will in fact be exhausted by the end of March. It will, therefore, be one of the first tasks of the new Congress to decide whether ERP is to be kept going after that date.

* * *

November Franc Rate

The first of the monthly recalculations of the commercial rate for the French franc in accordance with the new arrangements announced on October 17th was made last week-end. It leaves the rate for November unchanged at the level which obtained since the latest realignment. The commercial rate for sterling thus remains at 1061-1063 francs. The announcement by the Bank of France last weekend adds that the rates of exchange for all currencies will remain unchanged for the current month unless the free dollar rate moves by more than 5 per cent in relation to the average on which the current month's rate has been calculated. The free market rate for the dollar remains rigidly held at around 313 francs, and its stability bears every trace of effective official control. Meanwhile the rates for bank notes, which are both free and unofficial, continue to show a very substantial discount on the tolerated free rates, the latest quotation for dollar notes being 460 francs as against the free exchange rate of 313.80 francs.

* * *

Stock Exchange Commissions

Action taken this week by the group of stock exchange members who last July petitioned the Stock Exchange Council to rescind the new agency rules is expected to result in an ordinary meeting of members to vote on a resolution to defer the implementation of the rules for at least one year from January 1, 1949. The new rules (which increase registration fees and provide for the abolition of rebates on commission to outside agencies) are due to come into effect on that date. The rejection of the original petition to the Council in July was perhaps surprising, for no less than 1,667 out of 3,922 members had signed it. Nor did the counter-arguments put forward by the council at the time appear very convincing. Certainly they have not convinced the opposition, and in the meantime it is likely that more support has been mustered. While neither party to this friendly dispute has changed its ground, the petitioners in their latest letter to the Council particularly stress that any further diminution of business might have grave consequences for many firms. In view of the low level of Stock Exchange business this autumn it will be hard for members to resist this argument. For both the Council and the petitioners seem to agree that the possible effect of the changes on business is difficult to measure.

This is the first occasion in living memory when members have sought to call a meeting of the House for such a purpose. It is emphasised that no constitutional issue will be raised at the meeting. If, indeed, it were the intention to effect a change in the Deed of Settlement it would be necessary to pass a special resolution for which twenty-one days' notice and a 75 per cent majority vote are required. It is understood that the proposed meeting will be convened next week. A minimum of only seven days' notice must be given. A resolution from the floor of the House must be supported by nine members and can be carried by a simple majority of those present. While the Council are not bound to abide by the result, should it be in favour of the resolution they would be bound to take serious notice of it. The next step would probably be a referendum for or against the new rules. The dissenting group may well be satisfied by deferment for a year, but there is a strong body of opinion in favour of complete rescission. Indeed a clear-cut decision one way or the other seems to be desirable.

* * *

Mutual Assistance among Trustee Savings Banks

With one or two exceptions, the changes proposed in the new Savings Banks Bill are of mainly formal significance. Most of them were in contemplation before the war, designed to correct anomalies or remove minor technical difficulties. From the point of view of the depositor, perhaps the most notable change is the repeal of the limit of £500 on the sum in the name of any one depositor in the special investment department and the power given to the Treasury to impose new limits. More important, however, for the future of the Trustee Savings Bank movement itself are the provisions in Clause I which authorise a trustee savings bank to make, subject to the approval of the Commissioners, grants to other trustee savings banks. For the purpose of dealing with grants made for the benefit of unspecified banks, the Commissioners are required to maintain, as part of the Fund for the Banks for Savings, a separate mutual assistance account. This provision, for the establishment of what is in effect a central pool, apparently derives from the delayed effects of cheap money upon the earnings of the banks, and enables banks with large running surpluses to provide funds for others which are still in the development stage. The Trustee Savings Bank movement has a large postwar development programme, and in the financial year just ending 100 new branches have been opened. Any surplus on the earnings of the funds employed by the National Debt Commissioners in the Fund for the Banks for Savings over the interest payments made to the individual banks is, of course, payable to the Exchequer. Last year, it will be recalled, the Finance Act incorporated a corresponding provision that any deficiency should be made good from the consolidated fund.

* * *

Getting Rid of Cost-Plus

The important changes in the mechanism of price control of certain types of clothing, which became effective this week, have naturally been warmly welcomed in trade circles, notably, of course, in the sections directly affected—principally, men's woollen outerwear and all waterproofs. But the new arrangements are of significance over a much wider range of trade than this, for they mark the first really important step in the process of discarding the anomalous principle of controlling prices by reference to the cost of production of individual firms. The clothing trade has this year been particularly vocal in its protests against the unfair effects of this system, and its defects have also been underlined by instances of prosecutions of firms for exceeding the prices dictated by their own costs even though these prices were well below the overriding ceiling prices prescribed in the price control orders. Under this system, an efficient manufacturer had not only an incentive to inflate his costs but suffered the frustration of knowing that the less efficient members of the trade were entitled to sell at higher prices than he, just because they were less efficient.

Now, at last, this demoralising system is diminishing in scope. The goods affected by this week's changes are now subject to price control only by the method of prescription of uniform selling prices for all goods within the scope of the order, regardless of the varying costs of the firms who make or sell them. During the past two years a similar simplification of the price control system has been made for knitted goods, braces and women's rayon underwear. It is to be expected that the range of goods

over which the objectionable "cost-plus" principle operates will be further reduced as the buyers' market subsides and brings a relaxation of pressure upon productive capacity. Under conditions of acute shortage, when there is need to encourage even the marginal producers, the cost-plus formula has at least the justification, in principle, that it makes it possible for the average price to the consumer to be kept below that which has to be offered to the marginal firm. Conversely, the abandonment of the principle now leaves room for an increase in prices at present charged by the more efficient firms, and it will be surprising if some increase does not occur—within the limits, of course, set by the ceiling prices.

* * *

Free Tea Auctions?

The question of reopening the London tea market has again been raised, but this time the move has apparently come from the Ministry of Food. Twelve months ago tea producers approached the Ministry with a similar proposal, but at that time it asked for a guarantee that sufficient supplies would come to the London market to maintain the British ration. Such a guarantee was not forthcoming. This year, however, there has been little delay in shipments from Calcutta, and tea stocks have been accumulating in this country so that the ration should not be affected by the change over to auctions. But the Ministry must first get the approval of the Indian and Ceylon Governments. The proposed scheme, it is understood, would provide for auction in London, at the same time maintaining the domestic ration system and subsidised home prices.

Indian and Ceylon growers may need some convincing that the London market will in the long run favour their interests. In recent months tea prices in Colombo have been below the Ministry of Food's contract price and those producers who did not tender to the Ministry have suffered. This experience has undoubtedly inspired the Ceylon Government to suggest a new contract for 1949. In Calcutta, on the other hand, prices have tended to be above the Ministry's price, but this was due largely to the fact that the Ministry had already bought a sizeable proportion of the crop and also to local transport difficulties which created temporary shortages. Thus it is doubtful if London prices would remain at the high levels registered in Calcutta. On the other hand, they would give the producers a truer picture of long-term market trends.

Since Indonesia, China, Japan and Formosa are again becoming important exporters, a single international market is clearly needed, and Calcutta is unable to fill that role. It has few facilities for storage, sampling and blending and little expert staff. During and since the end of the war, India and Ceylon have enjoyed a good export trade with the United States, but now it is possible for the United States to import green teas again; moreover, India may soon have to compete again with Indonesia.

One major obstacle to the reopening of the London market is the export duties in both India and Ceylon. Producers, sending their teas to be sold in London, would have to pay these export duties when shipment took place. Now, by selling in Calcutta or Colombo they can pass them on to the buyer. Should this scheme be accepted, the main advantage the British public is likely to enjoy is a wider selection of teas.. Brokers would be able to bid freely at the auctions, but they would have to come within the controlled prices in their sales to the home market.

* * *

Agricultural Wages

The claim of the National Union of Agricultural Workers for a "substantial increase" in wages is based mainly on the increase in the cost of living since their minimum wage was raised to £4 10s. in August last year. The union also refers to the need for increased recruitment, in view of the likelihood that the manpower target set in the "Economic Survey" will not be reached. The suggestion that the manpower problem can largely be met by employing foreign workers is indignantly rejected—indeed, there is already considerable pressure in some districts to get rid of the Poles—on the ground that these constitute only a temporary addition to the labour force.

The Agricultural Wages Board, which heard the claim this week, has not yet given its reply. It is a difficult claim to determine. The farm workers' minimum, though more than double its prewar rate, is still low in relation to that in other industries, but, at the same time, agricultural workers have had more increases since the war than most others. The question of comparative cost of living in town and country has never been seriously studied, but farm workers have certain advantages, such as low rents, and are probably less affected by fluctuations in the cost of living than town dwellers.

The case for shorter hours and longer holidays has probably better hopes of success. The 44-hour week, which the union is claiming, is now the general practice in British industry, and most unions are seeking a fortnight's holiday. Shorter hours will add largely to costs in an occupation which will require a great deal of overtime in the summer months, but it may be that the claim cannot be resisted.

Another current claim is that of the Post Office engineers for improvements in their wages scale, ranging from 7s. to 18s. a week. Their chief grievance is the Postmaster-General's delay in replying to their claim, which was lodged last April. The Government is certainly placed in something of a dilemma. It was recognised in the White Paper on Personal Incomes that it would give a lead to private industry in promoting wage stabilisation and—apart from the astonishing decision to increase the wages of Government-employed engineers—this has so far been the practice. Post office engineers claim that they are underpaid in relation to their skill and are threatening a "go-slow" movement which in some cases might lead to strike action. Threats of that kind can hardly be taken lightly.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: British Celanese; Eastwoods; Ferranti; Calico Printers.

Prices, Year 1948 Jan. 1 to Nov. 3 High	Prices, Year 1948 Jan. 1 to Nov. 3 Low	Name of Security	Price, Oct. 27, 1948	Price, Nov. 3, 1948	Net Yield, Nov. 3, 1948 (a)	Gross Yield, Nov. 3, 1948
		British Funds			£ s. d.	£ s. d.
101⅜	100⅞	War Bonds 2½%, August 1, 1949-51	100⅜	100⅜	...	1 4 4*e*
101¼	100⅜	Exchequer Bonds 1½%, Feb. 15, 1950	100⅜	100⅜	0 3 8	1 2 0
102⅛	100⅛	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 5 9	1 9 8*e*
103	100	War Bonds 2½% March 1, 1952-54	102⅛	102⅛	0 11 11	1 15 4*e*
104⅜	101⅜	War Loan 3½% (after Dec. 1, 1952)	103xd	103xd	1 2 1	2 12 5
102⅜	99⅛	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	0 18 9	2 1 10*e*
103⅛	100⅛	Funding 2½% June 15, 1952-57	103⅛	103⅛	1 3 2	2 8 9*l*
105⅛	100⅛	National Def. 3% July 15, 1954-58	104⅛	105⅛	1 3 0	2 10 4*l*
105⅛	101⅛	War Loan 3% Oct. 15, 1955-59	104⅛	104⅛	1 3 8	2 10 1*l*
103⅝	100	Savings Bonds 3% Aug. 15, 1955-65	103⅛	103⅛	1 8 9	2 15 9*l*
101⅛	96⅜	Funding 2½% April 15, 1956-61	101⅛	101⅛	1 4 3	2 6 8*l*
103⅜	98⅛	Funding 3% April 15, 1959-69	102⅞	103⅛	1 9 8	2 16 3*l*
114⅛	110⅛	Funding 4% May 1, 1960-90	113⅞xd	113⅛	0 19 7	2 13 2*e*
102⅛	97⅛	Savings Bonds 3% Sept. 1, 1960-70	102⅛	102⅛	1 10 7	2 17 7*l*
97⅛	92⅛	Savings Bonds 2½% May 1, 1964-67	97⅛xd	97⅛	1 10 5	2 13 3*l*
115⅛	112⅛	Victory Bonds 4% Sept. 1, 1920-76	115	115⅛	1 3 7	2 16 8*
102⅛	96⅛	Savings Bonds 3% Aug. 15, 1955-75	101⅛	101⅛	1 12 1	2 19 3*l*
111	107⅛	Consols 4% (after Feb. 1, 1957)	110⅛	110⅞	0 19 1	2 14 4*f*
106⅜	102⅛	Conversion 3½% (after Apr. 1, 1961)	105⅛	105⅛	1 9 1	3 0 0*f*
83⅜	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	78⅜	78⅛	1 15 2	3 4 1*f*
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	98	98⅛	1 14 6	3 2 9*f*
100⅜	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	99⅛	99⅜	1 13 3	3 0 5*l*
83⅞	74⅛	Consols 2½%	78⅛	78⅛	1 15 0	3 3 9
97⅜	96	Brit. Elec. 3% Gtd. April 1, 1968-73	101⅛	101⅛	1 11 8	2 18 7*l*
99⅛	99⅛	Brit. Elec. 3% Gtd. Mar. 15, 1974-77	99⅛	99⅛	1 13 1	3 0 2*l*
100⅜	93⅛	Brit. Trans. 3% Gtd. July 1, 1978-88	99⅛	100⅛	1 13 3	3 0 9*l*
102⅛	95⅛	Brit. Trans. 3% Gtd. April 1, 1968-73	101⅛	101⅛	1 11 8	2 18 7*l*

Prices, Year 1948 Jan. 1 to Nov. 3 High	Prices, Year 1948 Jan. 1 to Nov. 3 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Oct. 27, 1948	Price, Nov. 3, 1948	Yield, Nov. 3, 1948
		%		%	**Other Securities**			£ s. d.
105	101⅛	(d)		(d)	Australia 3½% 1965-69	105	105	2 17 6*e*
95	90	(d)		(d)	Birmingham 2½% 1966-71	94⅛	94⅛	2 16 6*l*
8⅛	5⅛	50	*c*	50	*c* Anglo-American Corp. 10s.	6⅜	6⅛	3 16 10
10⅜	7⅛	25	*b*	*a*	Anglo-Iranian Oil £1	8⅜	8⅛xd	3 10 7
87/6	69/–	10	*f*	5	*a* Assoc. Electrical Ord £1	75/–	75/–	4 0 0
16/6	£2/4	15	*c*	15	*c* Assoc. Port. Cem. Ord. Stk. £1	74/6	75/6	3 19 6
38/6	29/6	40	*c*	40	*c* Austin Motor 'A' Ord. Stk. 5s.	35/–	35/7½	5 12 3
84/–	42/9	7	*b*	1	*a* Barclays Bank Ord. 'D' £1	79/–	79/–	3 10 11
10⅜	8⅛	£20	*b*	15	*a* Bass Ratcliff Ord. £1	8⅜	8⅜	2 16 5†
105/–	85/–	12	*b*	8	*a* British Oxygen Ord. £1	99/7½	100/–	4 0 0
46/1½	36/–	2½	*a*	5	*b* Courtaulds Ord. £1	40/3	39/6xd	3 15 11
32/6	25/1	20	*a*	1¼	*b* Distillers Co. Ord. 4s.	28/4½	29/–	3 15 10
34/10½	27/9	8	*c*	8	*c* Dorman Long Ord. £1	33/7½	33/–	4 17 0
19/9	68/–	15	*c*	15	*c* Dunlop Rubber Ord. £1	74/3	74/–	4 1 1
53/–	43/7	7	*b*	3	*a* Imp. Chem. Ind. Ord. Stk. £1	47/6	47/6	4 4 3
6⅞	4⅜	19½	*b*	13¼	*a* Imperial Tobacco £1	5⅝	5⅝	6 7 2
48/9	40/3	10	*c*	10	*c* Lancs. Cotton Ord. Stk. £1	44/4½	44/4½	4 10 3
56/6	43/9	10	*c*	10	*c* Lever & Unilever Ord. £1	51/3	50/–	4 0 0
61/3	47/6	12½	*c*	10	*c* London Brick Ord. Stk. £1	53/9	53/9	3 14 5
66/11	47/–	25	*c*	31¼	*m* P'chin J'nson Ord. Stk. 10s.	54/9	55/6	4 10 1
63/4½	49/6	8	*b*	4	*a* P. & O. Def. Stk. £1	55/–	55/–	5 6 8
35½	30½	†7¼	*c*	†7½	*c* Prudential 'A' £1	33	33	2 6 8†
59/9	49/9	12½	*c*	12½	*c* Stewarts & Lloyds Def. £1	59/–	56/9	4 8 1
85/7½	71/6¾	12½	*a*	15	*b* "Shell" Transp. Ord. Stk. £1	76/3	75/–	2 0 0†
7⅞	5⅜	12½	*b*	12½	*a* Tube Invst. Ord. Stk. £1	6⅞	6⅛	3 19 0
90/9	72/6	11¼	*b*	5	*a* Turner & Newall Ord. Stk. £1	77/6	77/6	3 17 6
93/3	76/–	55	*b*	15	*a* Woolworth (F. W.) Ord. 5s.	82/–	83/–	4 4 4

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yield on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked *e), and those paying 3 per cent or less will be repaid at the latest date (marked *l). (a) Net yields are calculated after allowing for tax at 9s. in the £. (d) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly (e) To earliest redemption date (f) To latest redemption date (m) 15 months. Yield Basis 25%. † Free of tax.

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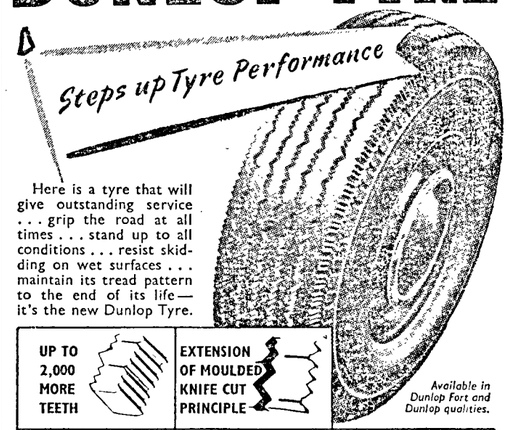
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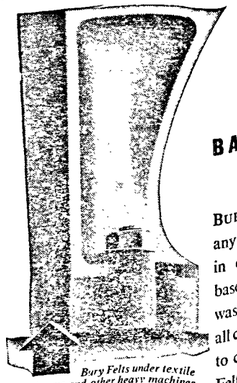
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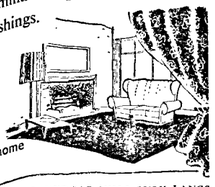
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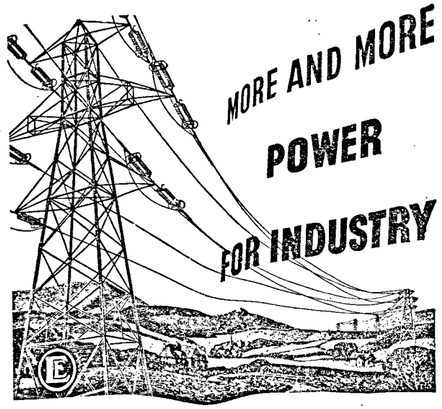
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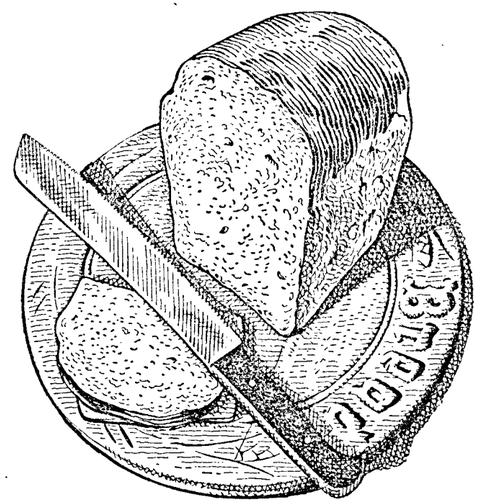
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COMPANY MEETINGS

TRINIDAD PETROLEUM DEVELOPMENT COMPANY, LIMITED

A SATISFACTORY YEAR

PROJECTED NEW ISSUE

MR KENNETH MOORE ON EFFECTS OF TAXATION

The annual ordinary general meeting of the Trinidad Petroleum Development Company, Limited, was held, on the 2nd instant, at the registered office of the company, River Plate House, Finsbury Circus, London, E.C., Mr Kenneth A. E. Moore, F.C.A., the chairman, presiding.

The secretary (Mr J. Mytton) having read the notice convening the meeting and the report of the auditors,

The chairman said:—Gentlemen, As you will have observed from the accounts and from the directors' report, the company has had an active and satisfactory year. The production of crude oil has been well maintained and drilling operations have been substantially expanded. Even with the most careful management, however, costs have continued to rise, but as Gulf Coast export prices for oil products have shown a proportionately greater advance, the trading profit at nearly £600,000 is a record in the company's history.

To retain perspective, however, we should remember the many years of the pioneer and development work and risk-taking persisted in despite early setbacks. We should remember, too, the work of our geologists and of those responsible for management in the earlier and more difficult years; it is to their foresight, tenacity and ability and, may I add, to you as shareholders who ventured your savings to provide the necessary capital, that we as a company, and indeed the whole community of Trinidad, today owe thanks.

"DALLEY" VILLAGE

In this connection, a most notable contribution was made by the late Mr Christopher Dalley, joint managing director from 1927 to the time of his death in 1944. We have recently honoured his memory by naming after him the model village which, as mentioned in the directors' report, was in course of construction during the past year.

Dalley Village was declared open at a ceremony held on September 13, 1948, and I cannot do better than quote from the speech made by His Excellency the Acting Governor (The Hon. Patrick M. Renison) on that occasion:—

"It is very good to see in Trinidad an industry which is able and willing to plan and spend money on this scale for the happiness and welfare of the staff and the workers on which its prosperity depends. During the short time I have been here I have heard quite a lot of jealous things about the profits of the oil industry, but nothing of these houses and the health centre. I think it is correct to say that several oil companies well established in Trinidad have fallen by the way. More money has been put into the oil industry in Trinidad than has ever come out of it. From every barrel of oil that is produced, the government of this colony, that is the people of Trinidad, get more than the shareholders of the company."

DIVIDEND LIMITED TO 16¼ PER CENT. TAX FREE

To return to more mundane matters, the directors recommend that the total dividend should be limited to that paid last year, namely 16¼ per cent. free of tax, and that all that remains after provision for taxation should be ploughed in, as to £50,000 in the shape of an addition to our general reserve account and as to £45,680 as an addition to the amount carried forward on profit and loss appropriation account.

If these recommendations are approved, the allocation of the year's profit, amounting to £595,078, will be as follows:—

Taxation	£327,798
Dividends	171,600
Ploughed in	95,680
	£595,078

You may be interested to know that of the above item for taxation about two-thirds goes to the Trinidad Government and the remainder to the United Kingdom Government in the form of profits tax. In addition, of course, the Trinidad Government receives from us a substantial sum each year for rents and royalties (the figure for the year to July 31, 1948, was £157,962). Quite apart from this, the revenues of both Governments benefit in various ways from our activities. For example, some of you no doubt pay surtax.

EFFECTS OF PROFITS TAX

It is a matter for regret that, even in so successful a year as that just past and even though we are limiting our dividend to that paid in the previous year, we are able to add so comparatively little to the financial resources of the company. I would blame in particular the profits tax which has taken no less than £107,000 this year. This additional tax, both by its nature and severity, seriously reduces the ability of the normal well-conducted company to add to its capital resources by ploughing in a reasonable proportion of its profits. On top of other taxation and in combination with the present inflated cost of capital equipment, it has practically brought to a standstill the normal healthy process by which until recent times the growth of productive enterprise was financed largely from within.

Our own record in this matter is not without interest—during the eleven years that I have been your chairman we have withheld from distribution profits amounting in all to well over £1,000,000, resulting, after payment of taxation thereon, in a net addition of £719,000 to our capital resources.

During this period, and thanks in no small measure to this gradual accretion to our resources, we have succeeded in doubling our production of oil, have greatly extended our proven reserves and have both improved and extended our field organisation in Trinidad and the plant and equipment and housing and other amenities that go with it.

STRONG FINANCIAL POSITION

As you will have observed from the balance sheet, the conservative financial policy which has been pursued has resulted in an extremely strong financial position judged by all the orthodox tests—for example, current assets (including nearly £700,000 of cash assets) exceed current liabilities by £534,000.

It is well that we should have built up this strong position, since the development of our proven areas is already absorbing additional capital—replacements of plant and equipment are now costing two or three times the prewar figure—and there is the further consideration that there are reasons for thinking that the long-term future of the oil industry in Trinidad depends to some extent on drilling ever deeper, involving extremely expensive equipment. In this connection you will be interested to know that we are negotiating for a heavy drilling rig capable of going down to hitherto unattainable depths.

MAJOR DEVELOPMENT PROGRAMME

I mentioned last year that our present productive operations cover about one-third of the mainland area over which we hold oil rights and that geological and gravimetric surveys of what we call the Moruga area—an outlying area of some 10,000 acres—led us to think that a major development effort should be undertaken there.

We have already made a start with the preliminary work—the making of roads, the clearing of jungle and the ordering of equipment—and we estimate that development work in the Moruga area to the point where we shall have drilled six exploratory wells will cost not less than £500,000.

PROPOSED NEW CAPITAL ISSUE

Of course, not all this expenditure will have to be faced at once, if only because of the delays in the delivery of plant and equipment, but having regard to the incidence of current taxation on undistributed profits and to the other factors already referred to, the board feel that it would be imprudent to attempt to carry through this substantial extension of our present activities without first securing a suitable increase in our capital resources. We have therefore decided to make the appropriate approach to the capital issues committee at an early date and in due course hope to be able to send to shareholders a communication on the subject. An extraordinary general meeting will be necessary to sanction any increase in capital.

The issue in contemplation will be calculated to see us through the next stage in the development of our reserve resources, though none can say at the present time what work ultimately lies ahead of us. In this connection, you will be glad to know that, as the years go by and the experience gained from drilling operations accumulates, our geologists have progressively enlarged their earlier estimates of our reserves, with the result that those reserves are thought to be substantially greater today than was the case ten years ago, in spite of all the oil we have taken out of the ground in the meantime.

PROGRESS IN TRINIDAD

I have again been out to Trinidad this year with your managing director, Mr Tweed, and once again was impressed with the progress visible on every side. The company's field organisation, its camps, and the housing and amenities provided for staff and workpeople are indeed something to be proud of and, while they are yielding a return to those who risked their savings in the search for oil, they are also yielding immense benefits to the general community in Trinidad and to the economic position of the sterling area—since oil is the equivalent of dollars.

You will, I am sure, wish to join with your directors in expressing sincere thanks to our staff and workpeople at home and abroad for a strenuous year's work well done. Our appreciation of their services is reflected in tangible form *inter alia* in the improved health and housing services and club and other amenities on the field which better times have enabled us to provide. We look forward to continuing progress in this and other directions.

The chairman concluded by moving the adoption of the report and accounts.

Mr Richard R. Tweed, F. Inst.Pet., managing director, seconded the resolution and it was carried unanimously.

The retiring director, Sir Claud Hollis, G.C.M.G., C.B.E., J.P., was re-elected; the fee of the auditors, Messrs Josolyne, Miles, Page and Co., waz fixed and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

FURNESS, WITHY AND COMPANY, LIMITED

SHIPOWNERS' PROBLEMS

The fifty-seventh annual general meeting of Furness, Withy and Company, Limited, was held on the 29th ultimo in London.

Sir Ernest H. Murrant, K.C.M.G., M.B.E., presided, and, in the course of his speech, said: The profit on vessels' trading, plus agencies, stevedoring operations, finance and other ancillary businesses of the company and its subsidiaries—and after charging depreciation as well as provision for deferred repairs, amounts to £2,300,863. In addition there are the dividends received on trade and other investments, totalling £545,779, making a grand total on the profit side of the account of £2,846,642.

DIVIDEND OF 8 PER CENT

Your directors recommend that £150,000 be transferred to the insurance reserve; that a dividend of 8 per cent. per annum less tax be paid on the ordinary share capital—the same as a year ago—and that there be carried forward the increased amount of £244,525.

Finally, we have the consolidated balance sheet, which in form follows the changes made in the presentation of the parent company's accounts. The figures are impressive, but I don't pretend that they speak for themselves. They do, however, show that apart from the small amount of debentures outstanding in the British Maritime Trust there are no charges upon any of the assets; the investments stand in the books at values substantially below market values where such values are available, and generally our resources are ample to take care of our commitments.

TAXATION

On the subject of taxation, it will have been noted that within the group we have had to set aside no less than £1,696,385, the bulk of which represents United Kingdom taxation, and this liability represents a charge against the profits for the year. Shareholders, who have provided the capital of the company and who, because of the modest dividends which have been distributed in the course of the years, have acquiesced in the building up of reserves aggregating £12 million, receive only some £300,000. Superficially it may be thought that there is nothing much wrong with these figures, but I submit that the present basis of taxation is quite inequitable so far as shipping is concerned, and has the effect not only of taking a large share of the profits of the business but actually of taking capital as well. It is to be hoped that the Chancellor will show some practical realisation of this fact in his next Annual Spring Number.

Everyone engaged in the shipping industry is aware of the problems involved in building new ships at current costs. These problems need much anxious consideration and call for no small measure of courage to make decisions. But your directors feel that the primary business of this company and its associates is to own ships; to maintain the goodwill which is chiefly represented by the services in which we are engaged; to keep the various sections of our business in proper balance and to ensure that the organisation as a whole is occupied to the fullest possible extent and in full vigour. In answer to anyone who may feel inclined to suggest that there are already now, or shortly will be, sufficient ships to cover the world's requirements, it merely needs to be pointed out that one ship cannot necessarily serve the same purpose as another ship. In fact, the ships we have built since the war, and still have under construction, are mostly specialised types adapted to particular trades, and I feel satisfied that shareholders will endorse the policy which has been pursued after mature consideration of all the issues involved so far as they can be foreseen.

WAR LOSSES REPLACED

So far, I have confined my remarks to domestic matters directly concerning our own group of companies, and have endeavoured to show that we have played an adequate part in the postwar rehabilitation of the Mercantile Marine, but it would be foolish to ignore the fact that shipping is the same hazardous business that it has always been. It is common knowledge that approximately half the British Mercantile fleet was destroyed during the war; it is equally common knowledge that the values recovered under War Risk insurance policies fell far short of the cost of replacement. Nevertheless, by means of new building; by purchase of war-built ships from the Government and from the United States, etc., those huge war losses have pretty well been made good by the industry out of its own resources. In the process of building new ships huge liabilities have been met, or incurred, in the belief that it was the industry's right as well as its obligation to rebuild the Merchant Fleet in spite of the hazards involved. Let there be no doubt that what has been achieved has been achieved despite many discouragements.

In the period which has elapsed since the release of British shipping from requisition gross earnings have appeared superficially to be satisfactory, and the great majority of owners, knowing the hazards involved in their undertaking, have retained the bulk of such earnings as the Chancellor has left in their hands. In the case of the Furness group of companies, as I have already shown, shareholders have received an infinitesimal amount compared with what has been paid in taxation, and compared with what has been retained in the business. But it is abundantly clear that whilst the Chancellor seeks to restrict dividend distributions, there is no restriction on his taxation requirements.

"UNBOUNDED FAITH"

Shipowners are now more than ever concerned to see that overseas world trade develops and expands in order to provide full and remunerative employment. The problem of currency exchanges still creates considerable difficulty, but to my mind it appears that a substantial expansion of coal exports, and an all-round reduction in the cost of producing everything we do produce—including as a start the cost of Government administration—would go a long way towards putting our general economy on a more competitive level than it is at present. However, these things don't appear likely to happen so long as more and more is expected to be paid for less and less. In earlier days we were encouraged to think that the way to achieve improvement, whether it was in the matter of the standard of living or building up great industries, was to strive our utmost and with all the means at our disposal to achieve the objectives; we did not expect these things to happen simply through the use of the ballot-box. However that may be, and whether old ideas are better than new, or vice versa, the shipping industry has once again shown itself to be sufficiently virile to recover in a comparatively short space of time from unprecedented blows; our faith in the future is unbounded, but a mere possession of ships is not sufficient—we need and must have sufficient overseas trade to keep the ships adequately employed both in our own interest and in the ultimate interests of the nation as a whole.

The report was adopted.

HAMPTON TIMBER COMPANY, LIMITED

PROFIT ESTIMATES EXCEEDED

The twentieth ordinary general meeting of the Hampton Timber Company, Limited, was held on 2nd instant in London.

Mr. C. J. F. Savill, M.Inst.B.E. (the chairman), in the course of his speech, said: The consolidated net profit of the parent and subsidiary companies, after charging all expenses and providing for depreciation, amounted to £32,273, as compared with £24,255 for the previous year, being an increase of over £8,000.

The directors estimated in the statement published preparatory to Stock Exchange quotation, that the profits would be no less than £30,000; this estimate has been exceeded and your subsidiary companies, Hamco Metal Pressings, Limited, and the Durham Timber Company, Limited, have contributed their full share to the general satisfactory results. They also forecast a dividend of 87½ per cent. on the Ordinary shares, against a proposed full dividend of 80 per cent. This slight change of financial policy will, without doubt, be to the ultimate benefit of shareholders and will enable the company to take better advantage of the opportunities which present themselves at the present time.

During the past few months your directors have been actively engaged in extending your company's activities in East and South Africa. It is a little premature to give precise details, but I feel confident that in the not too distant future these efforts will be well rewarded. We have acquired industrial property for the further development of the subsidiary companies which I am of the opinion will play its part in maintaining and improving the strong position in which your company is to-day. I am optimistic of the future development in this direction.

The report was adopted.

INDUSTRIAL FINANCE AND INVESTMENT CORPORATION, LIMITED

A STRONG POSITION

The twenty-third annual general meeting of The Industrial Finance and Investment Corporation, Limited, will be held, on the 26th instant, in London.

The following is an extract from the statement of the chairman (Mr J. N. Buchanan, D.S.O., M.C.), circulated with the report and accounts for the year ended June 30, 1948:—

The accounts again present a strong position, revenue from all sources showing a considerable increase on last year. The form of the accounts has been brought into line with the provisions of the new Companies Act, and the opportunity taken to make certain other alterations.

Although the year's results would have permitted an increased ordinary dividend, in present circumstances the board has decided to recommend the same dividend as last year—namely, 9 per cent., less tax. The balance of the profits, less taxation, has been used to strengthen the reserves, mainly by the transfer of £50,000 to investment fluctuation reserve, which it will be noted now stands at £200,000.

Projects from a variety of industries continue to reach us, showing that our services in helping constructive development are widely appreciated; some of those now under study will, no doubt, be solved with benefit to all concerned. Under existing conditions, however, it is not anticipated that the large increase in profits of the last two years will continue; indeed, the current year's revenue may well show some decrease from the high figures of the year under review. For these outstanding results our thanks are tendered to our managing director and all his team, without whose loyal service to the company they could not have been achieved.

COVENT GARDEN PROPERTIES COMPANY, LIMITED

RECORD PROFITS

The twenty-fourth ordinary general meeting of this company was held, on the 3rd instant, in London, Mr Louis Nicholas, J.P., F.C.A. (the chairman), presiding.

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

The aggregate profits in the consolidated profit and loss account show an increase over those of last year and are the highest in the history of the company. Part of this increase arises from the Covent Garden markets and surrounding property, the return from which was equal to that of prewar years, largely due to the greater amount of produce handled in the markets, while the balance was derived from the company's other investments and properties including those belonging to its subsidiaries. Unfortunately in common with most other businesses, our expenses are still on the upgrade, particularly wages, rates and cost of repairs.

After deducting debenture and mortgage interest, income tax, profits tax, etc., the balance of profits available for your company, including dividends receivable from its subsidiaries, is £85,975. The charge for taxation in respect of the year under review shows an increase of £21,164 made up of an increase in profits tax of £28,564 less a decrease of £7,400 in income tax. In addition provision has been made of an additional £9,500 to cover the profits tax on the further three years' dividends on the 8 per cent. cumulative preferred ordinary shares, making a total charge for profits tax of £53,700. This tax bears most harshly upon the ordinary shareholders, whose income through circumstances beyond the company's control was very much reduced during the war, resulting in a considerable accumulation of preferential dividends.

DEBENTURE CONVERSION

During the year your directors converted the outstanding debenture issues of £2,500,000 and £1,000,000, both bearing interest at 4 per cent. per annum into one issue bearing interest at 3½ per cent. This conversion will effect a saving of £17,500 per annum. Your directors have paid or provided the dividend on the 7 per cent. cumulative preference shares and two years' dividend on account of the arrears on the 8 per cent. cumulative preferred ordinary shares and propose on November 30th to pay a further three years' dividend on the 8 per cent. preferred ordinary, thus bringing these dividends up to June 30, 1945, leaving to be carried forward unappropriated £61,027.

The provisions of the Town and Country Planning Act, 1947, are very involved and it will be some little time before their full effect is felt. As your company's properties are in the main fully developed, it is unlikely that its interests will be materially affected at least for some years to come, and such steps as are possible are being taken to protect these. It is the opinion of those interested in land, developed or otherwise, that this Act will seriously restrict the future development of land and the alteration for more advantageous use of buildings now erected thereon. The Government has given notice of its intention to acquire the Royal Opera House. Your directors are advised that no loss should be sustained in the event of the Government proceeding with the acquisition. It would be unwise to express an opinion as to future results, but up to the present the profits of the company and its subsidiaries compare satisfactorily with those for the corresponding period of last year.

The report was adopted.

WILLIAM DOXFORD AND SONS, LIMITED

AN EXCEPTIONALLY GOOD YEAR

The fifty-sixth annual general meeting of William Doxford and Sons, Limited, was held on the 29th ultimo in London.

Mr E. P. Andreae, Ph.D., the chairman, in the course of his speech said: The financial year ended last June was an exceptionally good one. The improvement, compared with the previous year's results, strikingly emphasises the effect of the difficulties and handicaps to which I had to draw attention last year. The winter was mild, and generally more normal conditions prevailed this year, although shortages of materials and certain classes of labour caused, and indeed continue to cause, us much trouble and anxiety. As a result, in spite of the betterment noted, output was not up to the full capacity of our installations, and I regret that, at the moment, we are unable to foresee the realisation of our hopes for a peacetime output comparable to our achievements during the war. Nevertheless, the experiences we gained during a long period of frustration have taught us to adapt ourselves more realistically to inevitable circumstances, and thus avoid the losses inherent in a more ambitious programme, which would be subject to the continual interruptions such as it was our misfortune to endure last year.

We are recommending the same final dividend as was paid last year, and, although it is apparent that the profits for the year under review would have amply justified the restoration of the cut in the bonus which we felt it prudent to make last year, your Board decided that the principle of voluntary limitation of dividends should be observed.

Seven ships were completed and delivered, and all were powered by Doxford Oil Engines. In addition, several sets of oil engines were delivered to other shipbuilders. It is pleasing to note that two of our ships and three sets of engines, built for other shipbuilders, were for foreign clients. Our company, therefore, has made a material contribution to the nation's exports.

DOXFORD OIL ENGINE

The popularity of our oil engines, and the consequent demand for them, grows continuously. In addition to the 11 licensees in Great Britain, and the four abroad, reported in my last year's address, the Australian Government has, this year, been granted a licence, and building in Australia has already commenced.

Over 500 ships, powered by Doxford engines, have been put into service since the first ship thus equipped was launched some 27 years ago. Approximately 250 more such ships, totalling about 1,350,000 I.H.P. are now either in the course of construction or on order. These figures are impressive, and we are fully alive to the responsibilities devolving upon us, as the pioneers and sponsors of our own designs, which have met with such universal approval.

The department for research and development set up with the intention of encouraging closer contact and exchange of views between ourselves and our many licensees is already operating successfully.

Further orders have been obtained for ships and machinery which should keep our works fully employed for the next few years. We are especially pleased to report the receipt of orders for four large oil tankers for friends in the United States. It would be futile to attempt to forecast conditions which may exist after the completion of the orders now on our books. Present costs are undoubtedly very high and tend rather to increase than diminish, with the result that many shipowners are reluctant to place new orders. Any further increases are bound to have a most serious effect.

The report was adopted.

BEKOH CONSOLIDATED RUBBER ESTATES, LIMITED

DIVIDEND OF 5 PER CENT

The twenty-eighth annual general meeting of Bekoh Consolidated Rubber Estates, Limited, was held, on the 2nd instant, in London, Mr E. G. Estall (the chairman), presiding.

The following is an extract from his circulated review:—

On August 12th last the Coronation Estate was raided by armed insurgents, which resulted in three deaths, the burning of two smoke houses, the packing shed and damage to the factory engine and approximately 15 tons of rubber. The company had, of course, taken the precauton of taking out an insurance for riots and civil commotion and we are hopeful that our claims will be met.

The combined crop harvested exceeded the estimates by some 145,000 lb. Costs were a shade lower, but unfortunately the selling price of the commodity was approximately 2d. per lb. lower. Taking everything into consideration I feel sure you will consider the results satisfactory, and the board is able to recommend a dividend of 5 per cent., less tax, the same as the previous year. Dealing with the current year, the estimated crop is 2,860,000 lb., the reduction being due to the fact that 352 acres are being cut out for replanting purposes.

Addressing the meeting, the chairman said that they were doing everything possible to protect the estates and the personnel. They had a fairly satisfactory number of guards who were being added to as and when possible, barbed wire had been erected around the factory and buildings and the managers' bungalows, and they were contemplating installing flood lighting. So far, they had had no trouble on Bekoh estate.

The report and accounts were unanimously adopted.

GOLD COAST SELECTION TRUST, LIMITED

TAX APPEAL REJECTED

The eighteenth annual general meeting of the Gold Coast Selection Trust, Limited, was held, on the 2nd instant, in London, Sir Joseph Ball, K.B.E., the chairman, presiding.

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

We have deferred the presentation of the directors' report and the accounts until we were in a position to inform stockholders of the result of the company's appeals to the House of Lords against those additional assessments for income-tax in respect of the years 1934-38, to which reference has been made annually for some years past in the chairman's review.

I regret to say that, by a majority vote, judgment went against the company. At the same time, the case was referred back to the Commissioners of Income-Tax with instructions to reassess, on principles laid down by the court, the value of the assets which the company received in return for the properties.

It is a great disappointment to the board that we are unable to recommend the payment of a dividend in connection with the accounts now before us. We are carrying forward a large credit balance which in ordinary circumstances would have been available for distribution. The whole of our liquid resources have, however, been taken up in discharging our taxation liability and taking up the new shares which were offered to members "as of right" in Gold Coast Main Reef, Limited, Ariston Gold Mines (1929), Limited, and two years ago, the Amalgamated Banket Areas, Limited. These additional share investments were, of course, necessary in order to ensure the success of programmes of expansion being developed by these companies, and so to safeguard our existing large interests in them.

The report was adopted.

CHAMBERS WHARF AND COLD STORES, LIMITED

LARGER PROFIT

The twenty-first annual general meeting of Chambers Wharf and Cold Stores, Limited, was held, on the 28th ultimo, in London, Mr Charles Goldrei, chairman and managing director, presiding.

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

In presenting the accounts of the company for the financial period ended June 25, 1948, I desire to make the following observations regarding the company's affairs. The trading results for the period under review continue to be satisfactory, the accounts disclose a trading profit for the 52 weeks ended June 25th (after providing for payments to the Ministry of Food Cold Storage Control of the excess over the maximum allowed to be retained by the company) of £94,844, against £81,787 for the previous period, an increase of £13,057. The net balance of profit for the period after providing for the directors' remuneration, depreciation, taxation and war damage contribution amounts to £33,635, against £29,845 for the previous period.

Of the balance of profit available, taking into account the amount brought forward from the previous year of £6,344, after payment of preference dividends for the year to May 31, 1948, and the interim dividend of 15 per cent. on the ordinary shares, your directors have transferred £5,287 to general reserve, £1,000 to staff pension and benevolent reserve and recommend a final dividend of 25 per cent., leaving a carry-forward to next year of £7,445.

BALANCE SHEET

It will be observed that in order to comply with the provisions of the Companies (Consolidation) Act, 1948, the balance sheet of the company has been rearranged. The provision for future taxation is shown separately as a revenue reserve and includes a provision of £2,500 (£1,000 this period) against the time when wear and tear together with the allowances granted under the Income Tax Act, 1945, will be less than the company's normal depreciation provision in the profit and loss account. Share premiums received from the formation of the company up to May 31, 1937, less allocations therefrom previously included in the general reserve have now been transferred to share premium account and reserves for depreciation are now shown separately as deductions from their respective assets.

In my previous year's report, I referred to the purchase by the company of East Lane Wharf, which adjoins the western boundary of the company's riverside property; buildings were erected on the site early this year, and the full benefit of this additional storage accommodation should be felt next year.

STEAMER TRAFFIC

During the period under review the company has increased its steamer traffic and your directors are taking further steps to improve the existing riverside facilities in this direction. Arrangements were made with the Ministry of Food as from February 26, 1948, to decontrol certain sub-zero temperature space, representing about half of the company's total cold storage capacity. The company has always been pre-eminent in the sub-zero storage of quick frozen fruit, vegetables and fish, and further new ground has now been broken in this class of storage, the results of which have been very gratifying to your directors. The volume of business since the commencement of the current year has been very satisfactory and your directors look forward with confidence to the results of the trading period just commenced.

The board consider it advisable that the maximum number of directors should be increased to 10 instead of the limit of seven now imposed by the company's articles. The appropriate resolution will be submitted to the shareholders at an extraordinary general meeting to be held immediately following the conclusion of the annual general meeting and the notice convening such extraordinary meeting is being sent herewith to ordinary shareholders, together with a form of proxy. I wish to thank my colleagues and express the board's appreciation of the good work of the executives and staff during the past year and I look forward to their continued co-operation and loyalty in the future.

The report and accounts were unanimously adopted, the retiring directors, Mr H. G. Jaeger, M.Inst.R., and Mr W. P. Power, were re-elected and the fee of the auditors, Messrs Nevill Hovey Gardner and Company, was fixed.

At a subsequent extraordinary general meeting the proposed increase in the maximum number of directors was approved.

GOODE DURRANT AND MURRAY, LIMITED

AN ENCOURAGING RESULT

MR G. P. SCHOOLAR'S STATEMENT

The fiftieth annual general meeting of Goode Durrant and Murray, Ltd., was held on 27th ultimo at 197, Great Portland Street, London, W., Mr. George P. Schoolar (chairman of the company) presiding.

The following is the statement by the Chairman which had been circulated with the report and accounts and was taken as read:—

The directors have pleasure in presenting their report and balance-sheet for the financial year ended July 20, 1948, the conclusion of the fiftieth year since the incorporation of the company.

DEMAND WELL SUSTAINED

The demand for merchandise was well sustained throughout the year, but customers became more discriminating and were not prepared to accept stuff unless it approximated to their inquiry. Australian turnover shows a substantial increase on last year, partly due to higher prices, but mainly to output of goods. Rates of gross profit show further reductions due to prices orders affecting margins.

Shipments from London to all parts of the world continued at a satisfactory level in spite of racial and political conflicts in so many places where we have business connections. In fact, the company is materially assisting the export drive.

The result of the year's trading is encouraging, and compares favourably with recent years.

DIVIDEND AND BONUS

Ample provision has been made for doubtful debts, contingencies and taxation on the profit of the year. Exchange on the net current assets in Australia is provided in full. From the profit of £59,777 (against £53,378) we propose to transfer the sum of £4,000 to the superannuation fund for employees, making the fund up to £15,000, and to recommend a dividend of 10 per cent. and, in addition, to commemorate the fiftieth anniversary, a bonus of 5 per cent. on the Ordinary shares of the company.

Properties, fixtures, fittings and plant are shown in the accounts at conservative values, and are maintained in good order and condition.

THE BALANCE SHEET

In other respects, the balance-sheet is drawn up in conformity with the new Companies Act, but, in order to enable shareholders to more easily evaluate their holding and to assist in assessing the financial position of the company, we have adopted what is called the vertical form. On this occasion, comparisons with last year's figures are not available, but it will be noticed that current assets and liabilities are slightly greater. The increase, however, is not comparable with the actual rise in cost of stocks, from which fact it is possible to deduce that we were running the business on less stock. How long this condition will last we cannot say, for although prices of goods are still holding at a high level, and in general display strong features, this is not the case with all lines, and we can detect easier tendencies in some cases, which can be expected to extend when the hunger for goods is satisfied.

Deliveries are deferred to meet the convenience of customers, instead of being at our option. Shipments to certain markets are held up due to import restrictions, particularly in South America.

HOUSEWIVES AND PRICES

There is a definite demand by housewives for reductions in household goods, and we are searching for values to meet the situation, and passing offers which are beyond a reasonable figure.

The inquiry for British goods continues, but the effect of foreign competition is having its influence on purchases from the United Kingdom. This needs watching if we are to maintain the volume of United Kingdom exports.

Australian production is adversely affected by the introduction of the 40-hour week, and leaves the way open to overseas competition.

It is not easy to forecast for the coming year. Prospects appear promising and demand is strong for wheat, meat, wool, butter and other primary products.

There has been a valuable increase in local manufactures, but Australia is handicapped by the intransigent attitude of labour, particularly among coal miners and waterside workers, with the result that golden opportunities are passing by.

Gold mining is languishing as a result of rising costs, without any compensating advance in price of the metal. Mining of lead, asbestos and other minerals is expanding. It is claimed that West Australia possesses the richest known belt of minerals, both rare and base, awaiting exploitation.

Our factories and workrooms turn out a useful quota of stock, but dearth of labour limits production.

AGRICULTURAL OUTLOOK

The agricultural outlook in both States gave very serious concern for some months, but it is greatly improved as the result of useful rains in late July and August. Very fair harvests are expected.

The unsettled state of the world does not encourage confidence, and we cannot overlook the position, particularly in those markets that concern us. It would be futile to indulge in promises of continued progress until the volume of production reaches a higher level at a cost which will successfully meet foreign competition. Output is the solution, and the efforts of all concerned should be strained in that direction.

The report and accounts were unanimously adopted and the dividend and bonus as recommended were approved.

Statistical Summary

GOVERNMENT RETURNS

For the week ended October 30, 1948, total ordinary revenue was £81,311,000, against ordinary expenditure of £62,829,000 and issues to sinking funds £30,000. Thus, including sinking fund allocations of £9,443,000, the surplus accrued since April 1st is £242,070,606 against £214,522,549 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948–49	Receipts into the Exchequer (£ thousand) April 1 to Nov. 1, 1947	April 1 to Oct. 30, 1948	Week ended Nov. 1, 1947	Week ended Oct. 30, 1948
ORDINARY REVENUE					
Income Tax	1309150	433,438	443,571	13,087	10,769
Surtax	90,000	21,455	27,550	550	550
Estate, etc., Duties	160,000	97,399	102,600	3,530	3,900
Stamps	55,000	29,580	32,713	1,600	1,600
Profits Tax / E.P.T.	250,000	21,620 / 152,017	90,382 / 62,700	350 / 6,669	7,851 / 300
Other Inland Rev.	1,000	115	109	...	...
Special Contributn.	50,000	...	18,600	...	1,050
Total Inland Rev.	1915150	755,624	778,221	25,786	26,020
Customs	820,600	458,231	469,408	17,738	14,607
Excise	726,550	349,547	434,200	34,547	37,300
Total Customs & Excise	1547150	807,778	903,608	52,285	51,307
Motor Duties	50,000	11,715	10,887	446	519
Surplus War Stores	102,000	125,721	68,457	3,443	74
Surplus Receipts from Trading	57,000	30,175	826	...	...
P.O. (Net Receipts)	...	780	...	700	...
Wireless Licences	11,000	5,170	5,360	1,200	1,185
Crown Lands	1,000	650	590	200	190
Receipts from Sundry Loans	14,000	17,705	9,142	...	...
Miscell. Receipts	68,600	187,973	92,617	285	2,016
Total Ord. Rev.	3765300	1943292	1869708	84,345	81,311
SELF-BALANCING Post Office	150,200	80,300	85,980	3,400	4,700
Income Tax on E.P.T. Refunds	16,000	14,017	4,536	540	182
Total	3931500	2037609	1960224	88,285	86,193

Expenditure	Estimate, 1948–49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Nov. 1, 1947	April 1 to Oct. 30, 1948	Week ended Nov. 1, 1947	Week ended Oct. 30, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	314,604	285,522	15,906	...
Payments to N. Ireland	26,000	12,346	13,053	...	1,047
Other Cons. Fund Services	8,000	5,758	3,798	47	52
Total	534,000	332,708	302,373	16,043	1,099
Supply Services	2442657	1388811	1315822	63,647	61,730
Total Ord. Expd.	2976657	1719519	1618195	99,640	62,829
Sinking Funds	...	...	9,443	...	30
SELF-BALANCING Post Office	150,200	80,300	85,980	3,400	4,700
Income Tax on E.P.T. Refunds	16,000	14,017	4,536	540	182
Total	3142857	1813836	1718153	103580	67,741

After increasing Exchequer balances by £21,825 to £3,026,408, the other operations for the week decreased the gross National Debt by £11,344,133 to £25,727 million.

NET RECEIPTS (£ thousand)

Housing (Temp. Accommodation) Act, 1944, sec. 8 (5)	8,097
Building Materials and Housing Act, 1945, sec. 4(1)	500
	8,597

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Acts, 1946 and 1948	425
E.P.T. Refund	221
Overseas Trade Guarantees Act, 1939, sec. 4(1)	9
Overseas Resources Development Act, 1948, sec. 17(1) Colonial Development	70
Finance Acts, 1946 and 1947, Post-war Credits	358
Local Authorities Loans Act, 1945, sec. 3(1)	4,600
Cotton (Centralised Buying) Act, 1947, sec. 21(1)	10,000
	15,683

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
2½% Def. Bonds	106	Treasury Bills	21,760
Tax Reserve Certs.	10 457	3% Def. Bonds	*764
Other Debt:		Other Debt:	
Internal	6,617	External	1
Interest outside the permanent debt charge	4,075	Ways & Means Advances	4,075
		Treasury Deposits	3,000
	18,255		29,600

* Including £191,000 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947 Nov. 1	2240·0	2543·4	154·8	1·75	1252·5	6392·5
1948 July 17	2210·0	2632·4	296·5	12·8	1429·5	6581·1
" 24	2210·0	2632·8	291·6	13·5	1429·5	6580·1
" 31	2210·0	2629·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5
" 14	2210·0	2355·6	287·0	...	1429·5	6282·0
" 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
" 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
" 11	2210·0	2378·7	291·0	2·0	1460·5	6348·2
" 18	2210·0	2399·7	300·5	18·8	1460·5	6389·4
" 30	4637·3		256·5	...	1449·5	6343·3
Oct. 9	2220·0	2415·3	274·7	8·0	1452 0	6370·0
" 16	2240·0	2446·7	277·5	5·5	1425·5	6395·3
" 23	2250·0	2446·3	282·1	0·5	1438·0	6416·9
" 30	2250·0	2424·6	278·5	...	1435·0	6388·1

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947 Oct. 31	170·0	289·5	170·0	10 1·38	43
1948 July 23	170·0	294·5	170·0	10 1·31	43
" 30	170·0	291·8	170·0	10 1·34	42
Aug. 6	170·0	288·1	170·0	10 1·50	44
" 13	170·0	269·1	170·0	10 1·91	53
" 20	170·0	272·7	170·0	10 1·87	52
" 27	170·0	268·1	170·0	10 1·95	53
Sept. 3	170·0	295·8	170·0	10 2·43	41
" 10	170·0	281·6	170·0	10 2·84	48
" 17	170·0	263·8	170·0	10 3·31	56
" 24	170·0	273·5	170·0	10 3·14	52
Oct. 1	180·0	277·5	180·0	10 1·72	54
" 8	190·0	269·2	190·0	10 1·90	62
" 15	180·0	269·4	180·0	10 2·09	59
" 22	170·0	285·2	170·0	10 1·57	48
" 29	170·0	291·1	170·0	10 1·46	43

On October 29th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 43 per cent of the amount applied for at £99 19s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for November 5th. For the week ended November 6th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Oct. 25, 1947	Week Ended Oct. 23, 1948	Totals Apr. 1 to Oct. 23, 1948
Savings Certificates:			
Receipts	2,800	2,200	64,300
Repayments	3,200	2,000	73,650
Net Savings	*Dr 400*	200	*Dr 9,350*
Defence Bonds:			
Receipts	1,300	800	22,760
Repayments	873	1,087	26,522
Net Savings	427	*Dr 287*	*Dr 3,762*
P.O. and Trustee Savings Banks:			
Receipts	12,745	11,699	354,123
Repayments	10,798	10,012	352,176
Net Savings	1,947	1,687	1,947
Total Net Savings	1,974	1,600	*Dr 11,165*
Interest on certificates repaid	576	360	13,163
Interest accrued on savings remaining invested	2,262	2,332	67,818

BANK OF ENGLAND RETURNS

NOVEMBER 3, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—			
In Circulation	1233,934,734	Govt. Debt	11,015,100
In Banking Department	66,313,099	Other Govt. Securities	1288,157,182
		Other Secs.	815,369
		Coin (other than gold)	12,349
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	325,193,941
Rest	3,280,110	Other Secs.:—	57,096,408
Public Deps.:—	34,993,825	*Discounts and Advances*	*23,727,845*
*Public Accts.**	*16,700,194*	*Securities*	*33,368,563*
H.M. Treasy. Special Acct.	*18,293,631*		
Other Deps.:—	308,545,915	Notes	66,313,099
Bankers	*204,124,984*	Coin	2,769,402
Other Accts	*94,420,931*		
	451,372,850		451,372,850

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

COMPARATIVE ANALYSIS

(£ million)

	1947	1948		
	Nov. 5	Oct. 21	Oct. 28	Nov. 4
Issue Dept.:—				
Notes in circulation	1365·4	1231·6	1230·8	1233·9
Notes in banking department	86·4	68·6	69·6	66·3
Government debt and securities*	1449·3	1299·3	1299·2	1299·2
Other securities	0·3	0·6	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Value at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·6	15·9	13·1	16·7
Treasury Special Account	...	12·9	19·6	18·3
Bankers	288·7	301·5	307·5	304·1
Others	96·2	93·9	93·6	94·4
Total	398·2	424·2	433·2	433·5
Securities:—				
Government	294·4	322·1	322·3	325·2
Discounts, etc.	5·7	25·3	19·3	23·7
Other	27·6	23·4	37·4	33·4
Total	327·7	370·8	379·0	382·3
Banking dept. res.	88·4	71·1	72·1	69·1
" Proportion "	% 22·1	% 16·7	% 16·6	% 15·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Oct. 28	47	76½	174 0	113 4
" 29	46¾	74¾	173 7	113 15
" 30	Markets	Closed	172 7	114 1
Nov. 1	45¾	74¼	173 10	113 13
" 2	45¾	Closed	175 7	114 0
" 3	45¾	74¼	174 14	114 0

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Colombo	Tientsin	JAPAN	Malacca	PHILIPPINES
CHINA	Tsingtao	Kobe	Muar	Iloilo
Amoy	LUZON	Kure	Penang	Manila
Canton	Baguio	Tokyo	Province Wellesley	SIAM
*Chefoo	Iloilo	Yokohama	Singapore	Bangkok
Chungking	HONGKONG	JAVA	Sungei Patani	UNITED KINGDOM
*Dairen	Hongkong	Batavia	Telok Anson	London
Foochow	Kowloon	Soerabaya	NORTH BORNEO	U.S.A.
Hankow	Mongkok	MALAYA	Jesselton	New York
*Harbin	(Kowloon)	Cameron Highlands	Kuala Belait	San Francisco
Kweilin	INDIA	Ipoh	Sandakan	
Nanking	Bombay	Penang	Tawau	
Tientsin	Calcutta	Port Swettenham		

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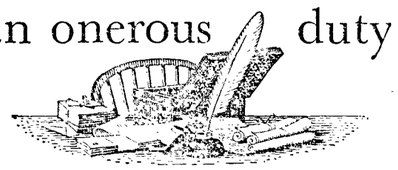
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CLAIMS PAID EXCEED £189,000,000
(1947 Accounts)

DOMINION OF CANADA

THREE AND A QUARTER PER CENT REGISTERED STOCK, 1958-63.

For the purpose of preparing the Interest Warrants due January 1, 1949, the BALANCES will be STRUCK on the evening of December 1, 1948, after which date the Stock will be transferred ex-dividend.—For BANK of MONTREAL, Financial Agents of the Dominion of Canada in London, A. D. HARPER, Manager, 47, Threadneedle Street, E.C.2. November 1, 1948.

PROVINCE OF QUEBEC

FOUR AND A HALF PER CENT REGISTERED STOCK, 1954.

For the purpose of preparing the Interest Warrants due January 1, 1949, the BALANCES will be STRUCK on the evening of December 1, 1948, after which date the stock will be transferred ex-dividend.—For BANK of MONTREAL, A. D. HARPER, Manager, 47, Threadneedle Street, E.C.2. November 1, 1948.

PROVINCE OF NEW BRUNSWICK

FOUR PER CENT REGISTERED STOCK, 1949.

Repayable January 1, 1949. For the purpose of preparing the Warrants for the final Payment of Interest, due January 1, 1949, the BALANCES will be STRUCK and the Registers of the loan finally closed for transfer of Stock at the close of business on December 31, 1948.

For BANK of MONTREAL,
A. D. HARPER, Manager.

47, Threadneedle Street, E.C.2. November 1, 1948.

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Applications should be received not later than December 15, 1948, by the Secretary, London School of Economics, Houghton Street, Aldwych, London, W.C.2. from whom further information may be obtained.

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Votes and Votaries

THE success of the Democratic party in the American elections is reported to have given great confidence to the Labour party in Great Britain. The directness with which the American electorate repudiated the activities of the Republican party in the 80th Congress, coupled with the fact that Mr Truman drew much of his strength from the adherence of organised labour, has tempted Transport House to see in the epic events of November 2nd a presage of victory in 1950 for the British Labour party. To certain enthusiastic journalists of the Left—who were, no doubt, preparing to prove the irrelevance to British politics of Mr Dewey's election—Mr Truman's victory has appeared as a further step on the road towards the century of the Common Man—even though its original prophet, Mr Henry Wallace, seems to be engaged on a flank march. It seems that the workers of the world, in their own queer way, are uniting after all. The Forgotten Man, it would appear, has been forgotten even by the public opinion polls, which have been predicting victory for Republicans and Tories. He can be relied upon, when the day comes, to emerge from his unpollable obscurity and do the right thing by the Left, in Oldham as in Ohio.

It is not surprising that the defeat of the Republican party—which, if it is no more fervent in its praise of private enterprise than the Democrats, is certainly more closely identified with Big Business—should have given satisfaction to Socialists in Britain. But it would be unwise for them to put too much weight upon any possible analogy between British and American politics. In the first place, the structure of the American Constitution created in this instance a political situation which could never occur in Britain, namely a Republican Congress pitted against a Democratic President. It would be impossible in Britain for the party in office to make electoral capital out of the legislative misdeeds of its opponents, for the simple reason that the Opposition in Britain can have no responsibility whatever for current policy.

In the second place, Mr Truman's election is, by universal consent, a victory for the New Deal; it is Roosevelt's fifth term. The Labour party has no leader, now or in its history, who could possibly be put alongside the giant figure of Franklin Roosevelt. He has taken his place, rightly or wrongly, temporarily or permanently, as a symbol whose influence on the imaginations of ordinary Americans can be compared only with that of Abraham Lincoln. If the Democrats found to their surprise that Roosevelt's social and political philosophy had penetrated deeply into the consciousness of the American electorate, and enabled a President of only modest talents to carry the country, the British Socialists have no such backing. The leaders of the Labour party will go to the country as an ordinary government of ordinary capacities—as Truman without the shadow of Roosevelt—and they will be judged on their own merits and their own policy without any legacy of inherited greatness to assist them.

In the third place, there is no direct analogy between the Democratic party in the United States and the Labour party in Britain. The Democrats are, it is true, of the two major parties the one that has the greater belief in the intervention of government in social and economic matters—

though their interventionism is still much weaker than that of most British Tories. They are the party most concerned—a fact clearly recognised by the electorate—with providing a minimum of social security, curbing the cost of living, and influencing the course of investment and development. They are the party most committed to the reduction of social inequalities by taxation, by social services and by minimum wage laws, and, in spite of the bipartisan agreement on immediate foreign policy, to a more effective policy of international commitments. But this is not to say that the Democrats are a party of the Left in any European sense; it is merely to say that the Republicans have a view of the ends of government which is very far to the Right by the standards of any country except the United States. It places the Democratic programme (if, indeed, there can be said to be such a thing) somewhere between the Toryism of Mr Butler and the beliefs of the Liberal party. Certainly, nobody would be more surprised—and shocked—to be hailed by the Labour party as a comrade than Mr Truman himself.

It is, in fact, quite fruitless to attempt to trace any exact comparison between British and American politics. The social climate from which they spring is entirely different. Civil liberty is a burning issue in the United States but hardly raises a cheer in Britain. Public ownership, in the sense of ownership of land and of public services, is probably more widely developed in the United States for historical reasons than even in Socialist Britain. Organised labour and the organised employers in the United States have never handed over their loyalty to one political party—though the recent campaign and its results suggest that this may not always be the case.

Finally, there is no historical evidence to show that movements of opinion transcend the width of the Atlantic. The depression of the nineteen-thirties, which produced the New Deal in America, resulted in a "National" (that is, Conservative) coalition in Great Britain, a government of much the same hue in Australia and a straight Conservative government even in Canada. There is at present some similarity in the trend of elections in western Europe, but that is because all those countries are reacting to identical pressure from Communism—and, in any case, the reaction is towards the Right. If the party managers of Transport House are prepared to make optimistic deductions from the result of the American elections, they must explain why they are not similarly cast down by the success of General de Gaulle in last Sunday's French elections.

*

But nevertheless, by inference rather than by direct comparison, there are certain lessons which those who scan the picture of British politics can learn from the American elections. In the first place, the analogy of the swing of the pendulum can be as misleading as any other analogy. There is no law of experience which dictates that parties shall change places at regular intervals either in Britain or in America. Change places they must if parliamentary democracy is to be preserved, but the political history of Britain between the two Great Wars is clear evidence that there is no automatic rhythm about the process. If there is a law of international application, it is that prosperity favours the ins. The Conservative party will be desperately unwise if it depends upon the mere passage of time to waft it into office. Conservatives cannot rely upon absorbing political strength from the inevitable dislike which affects any government in office. They cannot count upon being *tertius gaudens* to the conflict between the Government's policy of austerity and the desire of the people for a higher standard of living. Those who are disillusioned with Labour will by no means necessarily vote Conservative: they may vote for a smaller party or, more likely still, they will not bother to vote at all. The phenomenally low vote recorded in the American elections should remind both the major British parties that political support does not pass from side to side, but can easily evaporate into mere indifference.

Secondly, the Conservatives are in a position not unlike that of the Republicans in that they are concerned more with opposing the present regime than with the advocacy of a positive political programme. Except in times of crisis, the electorate demands something more of a political party than a promise to govern well and to do its best in the light of circumstances. It is neither necessary nor even possible for the Opposition to present an alternative policy in all its details; only those who have the Civil Service behind them can draw up exact proposals. But at least it must convince the electors that it is capable of working out a coherent alternative policy if entrusted with office. It must, that is to say, have a clear alternative set of principles, and towards that the Conservatives, like the Republicans, are still only groping their way. They must explain what there is in their policy which would lead to greater solvency and security for the nation and a happier and more prosperous life for the individual. Merely to say that they are in favour of these things is not enough.

Finally, the Conservatives have a difficulty which presents itself more acutely to them than to the Republicans—that of being the rich man's party. Although all rich men are not Tories, and certainly all Tories are not rich men, it is undeniable that over the last two generations the Conservative party has gathered to it, in addition to the farmers and the shopkeepers, the majority of businessmen and almost the whole of the rentier class. While it is perfectly true that the Labour party is equally the representative of sectional interests, every bit as parochial as those which support the Tories, they have the definite advantage that these interests are not individually wealthy, that in the past they have had an unsatisfied claim upon society, and, above all, that they are far more numerous than the middle and upper classes. The Tory party can only too easily be identified with the "boss" class, and while this, in view of the voting record and of the domestic legislation of past Conservative governments, is an unjust imputation, the party's readiness to admit big business to its counsels makes it hard to shake off. Moreover, it gives to the more progressive policies that its liberal wing fathers a ring of paternalism which, while no more distasteful than the self-righteous assumptions of Socialist propaganda, is politically damaging.

*

But the Conservatives have no monopoly of political problems and difficulties. If they are in search of a policy for the nineteen-fifties, so also is the Socialist party. With the nationalisation of iron and steel, the programme put forward in 1945 will come to an end. They could go forward at the insistence of their radical wing to propose the nationalisation of insurance, banking, shipbuilding, and perhaps the land. But the party managers are well aware that nationalisation is steadily becoming an emptier issue, and an unpopular one too, not because it is thought to be wrong, but because it is seen to be pointless. On the other hand, the other great prop of Labour policy—the steady advance of the social services—cannot, for some time to come, be pressed any further without wrecking the national economy.

The fact is that British politics are dangerously close to a vacuum. Neither party has a set of principles—still less a detailed policy—adapted to the world in which postwar Britain has to live. If the Tories are still nostalgic for the 1920's, the Socialists are still facing a future that existed only in the imagination of the same era. The American election has demonstrated the hazardous nature of all electoral prediction, but we will nevertheless venture one: the party will win the votes of the British electorate that shows most realism in facing the truth of the position the nation is in and most courage in basing its policy on the necessities that a searching scrutiny of the facts reveals.

Crisis in China

THERE have been signs for some time that the storm-centre of world politics might shift from Europe to the Far East. In Europe, in spite of the continuing tension over Berlin, there has been a certain consolidation of positions on both sides, a transition in the cold war from a campaign of movement to a vigilant defence of fortified lines. It is only in China that at the present moment Communism is advancing victoriously by force of arms. The destiny of a country which holds a fifth of the world's population is at stake in a far-ranging civil war in which both America and Russia are involved, at least morally, as backers of the opposing sides. Britain is relatively uninvolved, having withdrawn from active concern with Chinese affairs ever since China was declared an American "strategic sphere" during the Pacific war. But no nation can remain unaffected by a threat to the peace of the world such as may at any time arise out of the Chinese civil war, and Britain has already felt its repercussions in the Communist revolt in Malaya, for this rising is almost entirely Chinese and has been partly a projection of the Chinese civil war into Malaya; many more non-Communist Chinese than Europeans have been killed by the rebels.

The situation which has existed in China since the fall of Mukden to the Communists cannot be merely an internal concern of China, nor in its international implications can it be confined to the interests of America and Russia. There would, indeed, be ample justification for bringing it before the United Nations—were there any ground at all for believing that the United Nations could do anything about it. But whether within the framework of the United Nations or outside it, the Western nations will have to do some hard thinking about China. Their concern with the Chinese crisis, it need hardly be added does not arise out of any assumption of right to supervise China's internal political or economic development or decide what China's national policy is to be. Nor is it primarily because of anxiety over the fate of foreign-owned properties in China; these are legitimate interests to be defended by diplomatic means, but they are not a ground for intervention in China's domestic politics. The reason for alarm at the military advances of the Chinese Communists lies in their fanatical hostility to America and the Western World and in the probability that a Communist China would be inseparably combined, like Poland or Czechoslovakia, with Russia in an anti-Western bloc, thus bringing about a profoundly important alteration in the world balance of power and opening the way for fresh advances and excursions of militant Communism.

Communism, triumphant in China, would hardly be contained by China's borders. The wave would pass on into south-east Asia, where there are large Chinese communities in each country; it is significant that the Chinese Communists have followed the example of the Kuomintang in taking special measures for organising the "Overseas Chinese," and they have the advantage of a doctrine which, unlike pure Chinese nationalism, can influence the native inhabitants while retaining leadership in Chinese hands. Thus, not merely Manchuria or even North China, but the whole Far East from the Amur to Timor and the Bay of Bengal is at stake in the struggle for the Chinese capital which is now developing.

There has been much controversy about the Chinese Communists, the character and aims of their movement and their relation to the Soviet Union. There has been a great vogue for the view that the Chinese Communists are "not really Communists," but merely radical agrarian reformers with a Chinese version of the faith having little except the name in common with the Moscow brand. It has been inferred as a corollary of this interpretation that a Communist victory in China would make little or no difference to China's foreign relations and that the western nations would be able to do business with the new regime simply on the basis of China's national interests and need for foreign economic aid. Unfortunately this view hardly squares with a scrutiny of Chinese Communist propaganda for home consumption or with the writings in which Chinese Communist leaders have expressed their attitude to world affairs.

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There is nothing to show that the Communists in China, any more than elsewhere—at any rate, as far as their higher leadership is concerned—are merely practical reformers, indifferent to Marxist-Leninist dogma; on the contrary, it is the fanaticism of belief in a revealed doctrine which, combined with a supple tactical skill in the manipulation of social forces, has been the secret of their success. Because of the economic backwardness of China and the course of events which in 1927 drove them from their original bases in the coastal cities, the Communists in China have become more specially identified than in any other country with peasant revolt; they have also gone very far in temporary compromise with capitalism in order to win support among middle-class elements disgusted with the corrupt rule of the Kuomintang.

But in their world outlook, and therefore in their foreign policy, as and when control of it can be obtained, the Chinese Communists are fully orthodox. They know from their

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Marxist-Leninist bible that imperialism is the final stage of capitalism; America is the strongest of the capitalist states and must therefore be planning the conquest of the world, including the subjection of China. All the denunciations of American imperialism and the "instigators of war" which pour from the radios of Moscow or Warsaw are echoed in Chinese Communist broadcasting with, if that is possible, even greater venom. If Britain figures less prominently than America among the infernal powers threatening the hard-won independence of the Chinese people, it is not because of any sympathy for the efforts of the British Labour Government to carry out a programme rather more socialist than that put forward currently by the Communists for China, but because from a Chinese angle Britain and Europe are hardly in the picture at all.

It may be said that the rabid anti-Americanism of the Chinese Communists is due only to American support for President Chiang Kai-shek and that it would disappear if American policy were to abandon the Nanking regime. However, the Chinese Communist line on foreign policy did not start with the American aid given to the Chinese Government after the surrender of Japan; in 1940 the Communists in China were faithfully following the Moscow directives on the "imperialist war" which Britain was then waging against Hitler, and Mao Tse-tung's book *The New Democracy*, which laid down the principles of Communist political strategy in China, made clear the fundamental alignment of the party on the side of the Soviet Union against all capitalist states. It is possible, indeed, that the Chinese Communists, if once in control of all China, might succumb to "Titoism" and forget their proper devotion to the highest authority of the brave new world; the size of China and the instinctive Chinese ethnic pride would make for insubordination. But western policy cannot safely be based on such a remote chance. It is impossible for the leaders of a state to hold definite *a priori* convictions about the inevitable imperialism of certain other states, and to instil such convictions into the whole people through a monopoly of propaganda, without their foreign policy becoming, in a large degree, the prisoner of these ideas.

In these circumstances can there be any doubt that the western Powers, and above all the United States, have an overwhelming interest in sustaining any government which is friendly to the west and opposed to the absorption of China into the Russian orbit? It is not the virtues of Nanking that make support for it imperative. The western Powers have indeed no reason at all to be satisfied with the record of the government which today is attempting to stem the Communist advance. But the nature of the struggle leaves the western Powers no choice. In the circumstances which exist, support for the anti-Communist forces is legitimate and should be inevitable.

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But even if the need to reinforce Nanking is admitted—which is far from the case in Washington where the "plague on both your houses" pronounced by General Marshall eighteen months ago still checks the "China firsters" in Congress and the popular press—and even if the decision were taken to give the Nanking Government sufficient backing to maintain its position, the problem remains of finding some means of doing so. The issue is urgent. It is not a question of long-term support but of stopping the Communist flood within the next few weeks and checking the advance which today threatens the whole Yangtse valley. Clearly, therefore, it is in this first instance a problem of military supplies and food for the threatened cities. But fundamentally it is a political initiative which is needed. It is manifestly impossible for any situation to be retrieved if the present Nanking regime continues unaltered. Its record of corruption and incompetence is such that it can no longer maintain popular leadership against the Communists. Moreover, it has failed in what is both in the immediate future and in the long run the crucial issue in China—the attitude of the peasant. Military resistance now and stability in the future depend upon agrarian reform. The total failure of the present Government at Nanking to recognise this necessity has ruled it out as a rallying point for Chinese resistance.

Is the situation, therefore, hopeless? Far from it. Upheavals in the Nanking Government may well come, of themselves, as a result of the military defeats of recent months. But the Americans can accelerate the process by making their aid conditional upon the broadening of the Government by inclusion of some of the liberal statesmen who for the last eighteen months have been seeking to break the limpet hold on the power of the Kuomintang Old Guard and chief among them the notorious "CC clique." The creation of a new cabinet would permit the Americans to press forward with the two chief needs of the present situation—the distribution of arms not only to the regular forces but also to local armies and defence organisations together with the announcement and where possible the enforcement of drastic changes in the relations between landlord and tenant.

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In the south and west of China there are vast areas where Communism as yet appears hardly to have gained a foothold and where resistance under local leadership could certainly be organized if military supplies were available and initiative were no longer cramped by the jealous obstruction of the Nanking bureaucracy. A traveller in Szechwan this summer found considerable enthusiasm for the local "self-defence" organization —a kind of Home Guard—but was told it could obtain no arms or ammunition from the higher military authorities. This seems to be a common story throughout China and applies not only to local militia units, but also to certain generals who have been effective in fighting the Communists but are not regarded by the Kuomintang ruling clique as quite reliable upholders of the Nanking regime. The time has now come when the American Government, in extending aid to Nanking, should insist that the arms sent are properly distributed to those who are prepared to use them against the Communists.

The pledge of agrarian reform is as urgent as the proper control of arms distribution. The Communists' sweeping advances are in large part due to the support they have gained as the champion of the peasant at a time when in Kuomintang China the grip of landlord and moneylender has grown more grievous with the combination of food shortages and inflation. The Americans have already recognised this fact by setting up a joint Chinese-American board for agricultural rehabilitation which attempts to bypass the corrupt central authorities. This step is, however, only a modest beginning. The new situation offers the opportunity for more drastic reforms.

These are the immediate issues. They are urgent. They present the United States with as delicate a problem of negotiation as has ever confronted the State Department, and doubtless if events in China were not taking so tragic a turn for the Government, the Chinese would reject out of hand the coupling of assistance with direct intervention—however beneficial—in China's domestic concerns. But the situation now has slipped far beyond squabbles over sovereignty. The issue in Nanking is bare survival, and in such a crisis, it is hard to believe that instincts of self-preservation are so slight that they cannot bring the interested parties together and do it speedily. Consultations have already begun in Washington on the next stage in China, and it would clearly be an advantage to place whatever weight there is in British and Commonwealth influence behind the Americans in devising an emergency programme to hold the Chinese line. But the first responsibility falls inevitably on the United States and the whole future of western influence in the Far East may depend upon whether American policy can move fast enough and far enough in the decisive days ahead.

Latter-Day Luddites

NOTHING could show in clearer contrast the two faces of British trade unionism than the juxtaposition, within the last week, of the Trade Union Congress's report on Productivity (on which, together with other aspects of the general issue of productivity, more is said on later pages) and the strike of a number of dockers at Butler's Wharf, Bermondsey, against the use of labour-saving machinery. Simultaneously also, the Anglo-American Council on Productivity, on which representatives of British labour and industry met their opposite numbers from the United States, published an agreed statement issuing from their first session. The Council could hardly be expected to be critical of any of the interests represented on it. But it is a little odd, to say the least, that the attitude of the workers towards productivity should be wholly omitted, and that only the management side of industry should be called upon to "keep abreast with, and to apply, the best practices and most modern equipment."

Opposition to labour-saving machinery is, of course, as old as trade unionism itself, if not older. On the short view, and from the exclusively sectional standpoint, it is perfectly understandable. Whatever the obvious and permanent gain of having better tools to work with, the reshuffling of workers called for by the introduction of those tools is unpleasant to those most closely concerned. The impulse of the worker to stick like a limpet to what he regards as his freehold is neither unnatural nor discreditable. A bird in the hand is worth two in the bush of a more prosperous, better-equipped future; next year's increased national production is a dim vision, next week's pay envelope is reality.

Even on a somewhat longer view than next week, there are some trade union groups that have every reason, except the public interest, for fighting labour-saving devices. If—by chance or contrivance—one finds oneself in a really lucrative monopoly position, the by-passing of that bottleneck is a real disaster, fully as unwelcome when the monopolist is a trade union as when it is a trade association. To varying degrees, all trade unions are monopoly bodies, whose commodity is manpower. For most of them, their monopoly power is as strictly limited, and, therefore, innocuous, as that of any seller whose customers, when pushed, will satisfy their needs elsewhere. But for some unions, their strategic advantage is an established gold mine. No compositor could be expected to welcome the advent of the varityper, whose use has kept the Chicago newspapers going through a compositors' strike with the disconcerting, if expensive effectiveness of an air-lift.

But even when a trade union has a real stake in stagnation, that is no reason why it should be treated with any particular tenderness. And so far as the ordinary worker is concerned the stake is, of course, quite illusory. The establishment of a rule that no one's job shall ever be taken from him by a machine would hit him far harder than the inconvenience of adapting his economic life to technical progress; in so far as such a rule is enforced, he suffers from it now. The docker is ill-housed partly because of the job-safeguarding restrictive practices of bricklayers, carpenters, and plumbers; his clothing is rationed and expensive partly because his trade union comrades in the textile industries have objected to automatic looms; his children's schools lack textbooks partly because of the restrictions imposed by printers and binders; his whole standard of living is held down and endangered by his country's insolvency, to the cure of which the shipping industry could make a perceptibly larger contribution but for the slow turn-round imposed by his own actions.

The general break-up of the limpet tradition, the spread of a new spirit of welcome to better equipment and methods, would benefit each group out of all proportion to any sacrifices of immediate security which it would entail. This is no mere theoretical calculation or guess at probabilities. Nation by nation, the countries of the world can be classified in order of capital per head—of the amount of equipment backing each worker's labour—and of income per head; and the two classifications are the same. Those workers who have a team of mechanical slaves to assist them not unnaturally produce more and, producing more, get more pay wherewith to buy the production of others. Those who reject the machine, or have never had the choice, producing less, consume less too. One may reject machinery as Ruskin and William Morris rejected it, because one believes a mechanised life not worth living; one cannot reject it while simultaneously claiming material standards which only the machine can give.

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The American worker's attitude to labour-saving machinery is, with a few exceptions, radically different from that of his British counterpart. The exceptions exist—nothing could be more Luddite than Mr Petrillo of the Musicians' Union—and an enlightened view of the benefits of up-to-date equipment need not deter a union from the most violently anti-social practices in other directions. The demarcation rules in the American building trades, the punitive initiation fees charged by many unions to new entrants, and the ways of union strong-arm squads with non-union labour, are decidedly not features of a universally superior system. But American workers do know what machines are for—that is, higher production; and they do know what higher production is for—that is, higher wages. The connection is as clear and obvious to their minds as the connection for the frontiersman between a sharper axe and a better cabin, or a better plough and a bigger crop. Mr John L. Lewis, who is hardly the employer's *beau ideal* of a trade union leader, is accustomed to boast of the initiatives that his union has taken to introduce labour-saving machinery into the coalmines.

The American worker's willingness to move over to let in the machine which is his long-run ally is matched by the American employer's willingness to reward increased production with higher pay. The American business tradition, not universal but preponderant, is to boast as loudly of high wages paid as of high production figures or technical excellence. This tacit bargain between employer and employee has served the Americans well. It is not a panacea; they have had economic troubles enough. But they have never fallen into that state of wary and suspicious stagnation, that spider's web of mutual stranglehold, which for the last quarter-century has frustrated British brains and energy; nor, while this positive attitude towards everything making for high production lasts, are they likely to. It is significant that the state of affairs known on this side of the Atlantic as "full employment" is called "full production" in America. The specific study of American "know-hows" could be profitable enough to British industry, but nothing like as profitable as an infusion—on both sides of British industry—of the American attitude to technical progress and cost-cutting.

The infusion has begun—had begun well before Sir Stafford Cripps announced the formation of his Anglo-American Council on Productivity. Responsibility in the face of crisis has taught the trade union leaders, in the teeth of all their traditions and preconceptions, to seek higher working-class standards in higher production rather than in the expropriation of the expropriators; it has even brought them to face that problem of industrial

mobility to which technical progress must give rise. Labour must not be wasted; labour must move, between jobs and between localities, from where its usefulness is less to where it is greater; "redeployment" must not be resisted but actively furthered, whether in order to take advantage of new equipment or to make the best of what equipment there is. True, the TUC carefully averts its eyes from the question of wage inducements, whether positive or negative; but one cannot expect everything to happen at once. The conversion of trade-union leadership to the gospel of high production is in itself as striking a change as the conversion of the Middle West to a qualified internationalism. But the trade-union mind is not a single entity. The mind of Mr Will Lawther or Mr Jack Tanner is not the mind of the irritated and apprehensive docker at Butler's Wharf; still less is it the mind of the Communist borer-from-within, with orders from the Cominform in his pocket and industrial collapse as his immediate objective.

A time-lag in enlightenment is always to be expected, but it is as dangerous to let it persist and widen as to ignore it. The verdict that what British productivity needs is more equipment may be, on the evidence, obvious; but it is not sufficient. It is little use devising or buying superior equipment if the products are strikes, ca'canny and mutual ill-will—even if superior equipment could be conjured out of thin air by merely wishing for it. The need for mechanisation reinforces, and does not override, the need for economic wisdom, whether embodied in policy or in the details of good management. It is essential that there should be no such blunders in rate-fixing as recently caused a strike at Austin Motors against a new machine to which, in principle, no one objected; that is primarily the responsibility of employers, and should not be too difficult. It is essential that relations of mutual confidence and responsibility should be cultivated between management and labour from the lowest levels upwards; that is a matter for both sides, and cannot, given a long history of mutual antagonism, be easy. It is essential that labour shall willingly adapt itself with all the smoothness and speed which is physically possible so as to make the best of whatever technical opportunities present themselves; that is predominantly a matter for the workers themselves, and probably, in view of their historical tradition, the hardest of all.

The mass of the trade union movement has a great deal not merely to learn but to unlearn. The major lesson, that real earnings depend on production, may, to an optimistic eye, appear to be sinking in; but the important corollary now stated in the TUC Report that production can only be increased at the cost of greater mobility between occupations is likely to take some swallowing. How easily it is swallowed will depend not only on the intelligence of those most immediately affected, but on the actions of their comrades in other unions. It is all very well to look at the Butler's Wharf dockers, fighting the introduction of a machine which can lighten their labour, raise their pay, and contribute to cheapening what they buy with it, and to condemn their selfish short-sightedness and economic mediaevalism. It is all very well to point out that the guaranteed week safeguards their immediate livelihood and that even for the ultimate "redundants" there are unemployment pay, an efficient labour exchange, and training facilities; that there is little comparison between the lot of the latter-day Luddite and that of the displaced handworkers whose fate has coloured for more than a century the workers' attitude to new machinery. The crux of the matter lies in the behaviour of other unions towards those displaced by this and other improvements in equipment; those from whose temporary loss, inconvenience and anxiety they benefit in lower prices and increased production. Will they in turn move over and make room, as the displaced workers move over and make room for the machine, and share the benefits brought by cheapened production? Or will they cling to the sacrosanct *status quo*, merely resolving that they, if and when their turn comes, will put up a stiffer fight against their mechanical allies? The General Council's report gives the lead—a genuine lead, a powerful and positive contribution to the cause of social democracy—indeed, of democracy *tout court*. But the General Council will have its work cut out to put across the lesson; a job all the harder in an economy where Luddism, the gospel of stagnation, has so firm a hold not only on the workers but on their employers, too.

Uno Discusses Greece

THE attempt of the Slav *bloc* to filibuster the Greek dispute out of the General Assembly's Political Committee has failed. A long resolution has been passed which virtually repeats the resolutions accepted a year ago. Greece's northern neighbours are blamed for assisting the Greek rebels and are called upon to work with Greece and with the United Nations Special Committee on the Balkans to secure a peaceful settlement. The Political Committee, at Australian instigation, has also invited the three neighbours—Bulgaria, Jugoslavia and Albania—and Greece together for secret talks in Paris. Since, however, there is obviously no readiness to reach agreement and no intention of bringing intervention to an end, the discussions at the General Assembly seem likely to leave the Greek question exactly where it was left last year—with the northern neighbours assisting the Markos regime and Greece bleeding to death from the open wound of civil war.

This situation is so obviously dangerous and unsatisfactory that the western Powers can hardly rest content with the verbal condemnation of the General Assembly. Another year of ruinous fighting, or disorganisation among the peasantry, of mass withdrawals of country folk to the cities—already over 500,000 have crowded into the towns—may cause, irrespective of outside assistance, the sort of economic and moral collapse which is occurring among the Nationalists in China. The western Powers, with America at their head, can neglect no means of ending the struggle. To play a holding game—just sustaining Greece above the abyss—is not enough. No people can endure indefinitely the strain of life on the edge of the gulf and unless new hope is offered, a majority may come to prefer peace on any terms—even the terms of a "people's democracy."

It is useless to suppose that the civil war can be stopped simply by internal reforms. The roots of misery in Greece—poor soil, agricultural over-population, absentee capital, a poor administrative machine—all existed before the war and have only been exacerbated by the last eight terrible years. No change of government, no reform of taxation or fiscal policy will reconcile the people by the offer of quick prosperity. This is not to say that radical reform is unnecessary. If the United States and the other western Powers involved make new efforts to put an end to the fighting, they can and should demand the *quid pro quo* of a better government, a refashioned civil service, an acceleration of the reforms in government finance already initiated—for instance the shift from indirect to direct taxation—and the adoption of modern programmes of capital development (particularly of hydro-electric schemes), public works and social services. But these are measures whose results will be felt in five or ten years' time at the earliest, and never so long as the meagre resources of the country are absorbed by a hundred thousand men under arms and hundreds of thousands more living as destitute unproductive refugees in the cities. The first step is to end the fighting.

The proposal of the Greek Government—to increase the number of men under arms and to provide more modern equipment—can hardly be rejected, particularly after the summer's fighting when the successful clearing of Mount Grammos was simply followed by the reappearance of the rebels in the Vitsi massif. The Greek Army is clearly not yet on a sufficient scale to deal with its tasks, and some expansion should be conceded.

At the same time, it is doubtful whether even an indefinite expansion could settle the struggle so long as the rebels can retreat across the northern frontier, reform and refit and return to another mountainous area at a new point on the front. This is the crux of the civil war. The Greek Army cannot both hold a 500-mile mountain frontier—which it cannot cross, while its adversaries are free to come and go—and also clear the rebel-infested districts in the centre of the country. The army's effort to clear Mount Grammos was followed by a great increase in rebel violence in the Peloponnese, simply because the Greek Government had concentrated its forces in the north and the Peloponnese had as a result to be left relatively undefended. The first aim, therefore, in Greece must be to seal off the northern frontier.

The first possibility is to increase and intensify the intervention of the United Nations. The United Nations Special Committee on the Balkans has done valuable work. But its observers can only watch and report the constant violations of Greece's frontier by the northern neighbours. The situation would be different if an international force were created to patrol the frontiers, thus liberating the Greek Army for the task of clearing up the rebels in the interior. It is doubtful whether the northern governments would go to the point of armed clashes with United Nations troops. United Nations commitments could also usefully extend to guarantees of fair treatment to ex-rebels returning to their villages. Teams of inspectors should be provided for this purpose. It is by no means a hopeless task. Even in the burning passions of the last two years, the small number of British police advisers have achieved a great deal towards the creation of a professional force. The help of experts from the United Nations countries could achieve much more. And an international guarantee of fair treatment would go far to reassure the waverers on the rebel side and to appease the country. The General Assembly's condemnation of Greece's neighbours should be followed at once by the proposal to back the work of the Special Committee with a strong defence force, before the Assembly scatters and its condemnation is buried under the United Nations' inevitable avalanches of paper. The formation of such a force would inevitably fall to the responsibility of the western governments and their unwillingness to act in the matter of a police force for Palestine does not encourage optimism on their readiness to second detachments of their armed forces to serve in Greece. On the other hand, the alternative—an endless continuation of the war—may prove even more costly in the long run.

But is a strengthening of the role to be played by the United Nations the only possible step? One striking change has after all taken place in the Balkans since the General Assembly finished its fruitless discussions of Greece in 1947. The change is the excommunication of Marshall Tito from the Cominform and the new isolation of Jugoslavia. Is there nothing in this situation that the western Powers can use to close the breach between Greece and its Jugoslav neighbour and thus to reduce the length of the mountain frontier that must be sealed off?

The matter is admittedly extremely delicate. It is true that Marshal Tito is receiving increasingly contumelious treatment at the hands of his brother Slavs. On the other hand, it may be that his long service within the Communist ranks has left him with a distaste of the west too ingrained to permit of any contact. But the Western Powers have this advantage—that they want very little from Jugoslavia. They have no imperialist sphere of influence in which they seek to incorporate the country. They want no internal social changes. They make no demands for military assistance. In trade matters, they seek much less from Jugoslavia than Jugoslavia seeks from them. All they ask in the first place is Jugoslav neutrality over Greece—in other words, a sealed frontier. The terms of a bargain being so modest—on either side—it is perhaps not beyond the wit of western diplomacy to devise a solution.

One thing, however, is certain—that the risk both of increasing United Nations intervention and of seeking some sort of understanding with the Tito regime is worth taking. The most risky of all situations is the present position in Greece in which neither the people nor their armies—nor indeed their foreign advisers—can really see any end to the hopeless and horrible drain of civil war. A nation's endurance cannot be tested beyond a certain point nor can the Greeks be asked indefinitely to do the lion's share of military action in a war which has a Mediterranean as well as a purely local significance. One way or another, the Greeks must be relieved of their burden or the day may come when they will prefer to lay it down.

NOTES OF THE WEEK

Western Defence and European Doubts

The timetable of western defence is beginning to take shape. In the next weeks the discussions which Lord Montgomery is conducting in France, western Germany and the Low Countries should have produced estimates of responsibilities, contributions and requirements sufficient to provide the United States and Canada with a programme upon which a concrete defence plan can be based. The Americans have already entered—as responsible military authorities in Bizonia—into Lord Montgomery's preliminary studies, and the visit which Mr Forrestal is paying to Paris and London will ensure that the information Washington and Ottawa require before entering into firm commitments will cross the Atlantic without delay. The results of Mr Truman's victory are probably more obvious in this field than in any other. The elections have been followed by an acceleration in military preparations, and it is possible to believe that an Atlantic Defence Pact will not be too long delayed in 1949. Yet the smooth flow of preparations on the surface of the proposed alliance does not altogether obscure some dangerous reefs of political misunderstanding. The question of including other European nations besides the five of the Western Union will probably not prove too difficult. The French, with a wary eye on the amount of armaments the Americans can in fact supply, are most anxious to keep down the number of allies for the time being. But the Italians are beginning to resent this exclusion and to ask whether the North Atlantic concept is not overshadowing the European—in which case, are they to be left on an undefended periphery? This difficulty, however, is not likely to become acute at this preliminary stage and Mediterranean strategy is far too vital for the Italian position to be permanently overlooked.

The most dangerous difficulty lies in a slight but unmistakable difference of emphasis between France, and to a lesser extent the Low Countries, on the one side and the United States and, more hesitantly, Britain, on the other. It is clear that the Americans regard Russia as the chief menace, and as far as American opinion is concerned an Atlantic Pact is necessary solely to prevent a further extension of Soviet imperialism. The European countries, however, have longer memories of the last two wars, and for them Germany is almost as much the potential aggressor. Western Union for them is a method of holding the Germans down quite as much as of holding the Russians back. Thus the strengthening of Germany which—economically at least—is a first point in the American conception of a strong western Europe is regarded with painful suspicion by the French, and now that German steel production has caught up and actually surpassed French production, their anxieties are concentrated on the future and the control of the Ruhr. If the Anglo-Saxon Powers desire the really firm adherence of Europe's "western fringe," they would

be advised to reconsider the French case for safeguards. The conference which opens in London this week on the control of the Ruhr offers them their opportunity. Unfortunately, the timing of the decision to transfer the German coal and steel concerns to purely German trusteeship was calculated to rouse France's apprehension and has already led to a vigorous official protest.

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Steel and Coal to the Germans

The reason for French nervousness can be understood but in themselves, the new trusteeship regulations do not justify alarm. Phrases such as "the Ruhr is handed back to the Germans" are as exaggerated as the German politicians' description of the new International Authority as "annexation." The chief effect of the arrangement will be to introduce the same system of control in both the steel and coal industries. Hitherto, steel has been in the hands of a German trustee, under a purely British control; while the coal mines have been controlled by a joint Anglo-American body, with trusteeship vested solely in British Military Government. Now, the Americans will join the British in control of the steel industry, while Germans will become interim trustees for the mines. The important point is that control remains in both cases with the occupation powers. A further result of the new regulations will be to regroup the "decartelised" steel industry into units which will be efficient without—it is hoped— coagulating afresh into powerful trusts. Here, too, a moderate American view has prevailed over the zeal of the British "decartelisers."

It may be asked whether the French are nevertheless justified in fearing that the British and Americans have opened the door wide to ownership of the Ruhr by a central German Government. On the face of it, they have. The German Government—when it is at long last formed—is to decide whether the industries shall revert to private ownership or be nationalised. The American objections to socialism have given way to their equally sincere attachment to working democracy. Nevertheless, it would be wrong to assume that the Occupation Powers have finally thrown the reins to the Germans, or that they intend to do so. Even if the Left should prevail in the future German Government, and a socialisation measure be passed, the Occupation Statute which is now being hammered out between the Powers may well provide for a veto on any step which might hamper Germany's removal from the list of countries requiring dollar subsidies.

It is, moreover, apparent that the proposed International Authority for the Ruhr will in practice mean that control is in the hands of neither the Germans nor the French, but the British and Americans. The new body will, in fact, have very limited functions beyond passing on recommendations to the Military Governors. Only if their zone is merged with Bizonia will the French acquire an effective voice in decisions, as their Military Governor will then join General Clay and General Robertson in command of the Ruhr. For as long as they think fit, the Military Governors will exercise the votes accorded to the Germans. It will be for them to hold a nice balance between the claims of Germany and the fears of its neighbours. For this impossible task to be fulfilled, the hard road must be taken towards integration of western Europe's heavy industries at the cost of mutual concessions. Much stands in the way of this path—British unawareness of its necessity, French obstinacy, and the arrogant nationalism of the resurgent German industrialists. Hopes can only justifiably be placed on the Americans, with their great financial power and their simple conception of the redundancy of western European frontiers. At the Six-Power conference last spring, the United States delegation put forward a proposal that not only German territory, but the whole of the Ruhr-Lorraine-Luxembourg complex should be placed under international control and operated as an integral whole. This idea was rejected instantly by the French. Perhaps it will appear again.

* * *

Basis for Civil Defence

The Civil Defence Bill published earlier in the week will provide more solid ground for the discussion and planning of the protection of industry and the civil population from enemy attack. In the first place, it removes the uncertainties about who shall bear the cost, which so retarded effective preparation before the late war. If local authorities are required by Whitehall to undertake the building of shelters and defence works, they will be paid for by Exchequer grants. The same will apply to the more important items of equipment if they are not provided from a central pool. Other local expenditure on works or services will be met by an Exchequer grant of up to 75 per cent.

Secondly, it enables the Minister to demand that local fire and police authorities shall be trained in civil defence. The general public may voluntarily enrol into defensive organisations, and once in are bound by much the same obligations as Territorials, that is, they can be fined up to £5 for shirking their training duties and heavily penalised for not showing up in an emergency. There is, however, no immediate intention to start recruiting members of the public until an instructional cadre has been built up and former civil defence centres re-established. When the time comes to recruit from the public, the general eagerness to come realistically to grips with the frightening possibilities of atomic and bacteriological warfare, and latent nostalgia for the old excitement of warden posts and plotting rooms, suggests that there will be a ready response.

Thirdly, although the Bill does not seek powers to centralise the control of fire-fighting forces, it does contain provisions which would enable factory, mine and public utility staffs to be brought within and trained for a general civil defence scheme. It is within these fields—in the measures contemplated to keep the essential services and the essential part of the economy up to date in methods of protection from the effects of attack—that planning and training must be unremitting.

Finally, according to the Bill, it seems unlikely that there will be any change in the higher organisation. Although it refers to the possibility of allocating powers between different Ministers, the only responsible Minister nominated in the Bill is the Home Secretary. There has been a great deal of muddled thinking on this subject. The Home Secretary only became involved in civil defence before the war because he was responsible for the police and public order. Since then it has been rightly recognised that civil defence should not be under the Army, and it has therefore remained with the Home Secretary. But the place where civil defence should be planned and executed is the Ministry of Defence, for it is a fourth Service. The fact that it needs the co-operation of civil authorities is as poor an argument for leaving it with the Home Office as to say that the Inland Revenue or Customs and Excise should be responsible to the Home Secretary because their officers have powers of search or enforcement. Local authorities have to deal with many Ministries in Whitehall, and it would be greatly to their advantage to deal on questions of defence with a Ministry whose whole attention was devoted to its defensive and offensive aspects, instead of with one whose Minister is not even a member of the Cabinet Committee on the subject.

* * *

Dog Days in Paris

A feeling of more than ordinary aimlessness and frustration has hung over the last weeks' deliberations in the General Assembly. The acrimony has reached a new high record, the performance a new low. The whole affair is expected to wind up in four weeks' time, having dragged on since late September with practically speaking nothing to show for the labour. The two positive resolutions of the week have only served to underline the general lack of achievement, for what could be more tragi-comic than the unanimous adoption by the Assembly of a Mexican proposal that the Big Powers should co-operate for peace and conclude treaties with Germany and Japan? And what could better represent the sum of wasted hours than the Assembly's decision, the eastern *bloc* alone opposing, to reaffirm the Baruch Plan for atomic control, recall the Commission to its fruitless labours and thus restore the position to the *status quo* of last spring, when, in face of complete Soviet obstruction, the Commission decided its usefulness had come to an end?

The truth is that the life went out of the Assembly when the attempt at conciliation over Berlin broke down. Without a minimum desire on the part of the Great Powers to co-operate, the United Nations can be little more than a sounding-board for their differences and Berlin has proved in this session to be the touchstone of their intentions. Nothing Russia did gave any promise of a greater desire to reach a settlement, and the western Powers had apparently not quite decided whether they really wanted to reopen negotiations, and if so upon what terms. The resulting deadlock has now lasted over a fortnight, and meanwhile in Berlin the Russians are improving their advantage by imposing even tighter controls on the passage of food and materials into the western sectors.

This situation is so obviously unsatisfactory—both to the Powers in general who by their efforts at mediation and their resolutions on peacemaking have sought to underline their impatience at the quarrels of their great neighbours, and to the three western Great Powers who must bear the full brunt of a winter air lift—that the Secretary General and his executive office are performing a valuable service in making yet one more effort to restart negotiation. A draft currency proposal is being prepared in the Secretariat, and it will be submitted to the contending parties. It is difficult to hope that the Secretary General will succeed on a point which proved the major stumbling block before the breaking off of direct negotiations in August, but his attempt is clearly justified and deserves success.

* * *

Can Uno Survive Palestine?

Our times are no advertisement for collective security. The man of fixed purpose can, it seems, defy any council of nations. Is Mr Shertok, Israel's Foreign Minister, newly arrived in Paris, about to prove this once again? The United Nations Assembly is running perilously close to letting him do so.

On November 4th the Security Council had to come to a decision of importance. The data before it was that both antagonists in Palestine had broken its truce; that the Jews had done so with military success and the Arabs unsuccessfully, and that Israel's forces had as a result won all Galilee and the key parts of the northern Negeb. They had also entered Lebanon. The Council's dilemma was as follows: was it to throw in its hand and accept the result of this fighting conducted in defiance of its authority? Or was it to reassert that authority? By a majority of nine votes to one, with one abstention (Russia), it resolved upon the "urgent study" of sanctions if its request for withdrawal in the Negeb to the position prevailing before October 26th was further flouted. It spoke belatedly. The Egyptians, who are the Arab army concerned, are in any case in military retreat in the area prescribed. What if Israel refuses to withdraw?

The United Nations will then be obliged to choose between two distasteful courses. Either it must implement its resolution of November 4th and apply at minimum economic sanctions, with all the bitterness that they entail. Or else it must accept discomfiture at Israel's hands, and sign its own death warrant. For unless it now upholds its Council's word, who is going to respect that word in future?

Unfortunately for Uno's repute, there is a way of sliding between these stark alternatives. And that way is already being sought, although its very negativeness renders it as damaging to the organisation as is any other form of failure. During two secret meetings held on Tuesday and Wednesday of this week the mediator in Palestine, Dr Ralph Bunche, attracted many doubting Thomases and other waverers by dressing up an old proposal in new guise. He suggested getting agreement to call the truce an armistice, and to follow this up by withdrawal and ultimate reduction of forces on both sides. He himself admits that his plan can only work "provided instructions to withdraw are accepted by both sides." But to bank on this is to blink the facts. All that Dr Bunche has done is to rob the earlier resolution of much of its weight, and to pander to those who are content to see Uno peter out in a living death, mouthing resolutions that it has not the will to implement.

* * *

Sharing the Blame

For this situation more than one member must take blame. The Arabs must shoulder some of it. Even they on occasion voted for the postponements from which the Jews have derived such handsome dividends. But the main share of blame for Uno's discomfiture must fall upon the United States, for it was the incidence of the presidential election that caused the American delegation to postpone action until matters have reached a stage at which nothing short of using the enforcement chapter of the Charter can prevent Israel from dictating its terms to the rest of the world.

Even now, American intentions are not clear. They are governed by two conflicting statements: General Marshall's, in September, that the Bernadotte plan must be pursued, and President Truman's, during the election, that he stood by the UN Assembly's plan of November, 1947. Which applies? And is America firm in its intention to pursue the "study" of sanctions, for which it voted? Uncertainty on this score was enhanced by the arrival in Paris, fresh from the front, of General William Riley, the mediator's chief of staff, who, through friends in the secretariat, made widely public his personal view that the Jews have won the war and rendered the truce a dead letter. The general confusion of mind as to American intentions became worse confounded when he was quieted into the silence that befits an official in his position, and into saying that he would of course carry out any bidding of the Security Council if instructed to do so. All told, the common man may be forgiven if he collects the impression that America's hesitations are having the same result as Russia's intentions—to let things slide, and so to create, throughout the Middle East, as much bad blood against the west as possible.

* * *

The Arab Refugees

While the record of the Security Council and the Political Committee on the Palestine issue is one of confusion and inaction, the third and fifth committees of the Assembly—responsible respectively for humanitarian matters and for finance—have a slightly happier record. They have dealt solely with the question of the Arab refugees, and they have, in the last week, done so with a somewhat heightened sense of urgency. On the money side, they can record some good results. Of the $29,500,000 that is required for feeding and sheltering the refugees for nine months from December 1st, $6,000,000 has been voted by the International Children's Fund—enough to provide 250,000 children with 850 calories only per day. The fifth committee has voted an immediate $5,000,000 repayable from the Secretary General's working fund. A sub-committee of the third committee is ploughing its way through a draft resolution calling on state members for more voluntary contributions in money or kind. In advance of this appeal, the British Government has stated that its contribution to any such fund will be £1,000,000.

But complacency is still premature. The job ahead, if half a million Arab lives are to be saved, entails much more than the mere provision of funds. The main problem is the purchase of goods and their delivery to the spot. (4,000 tons of wheat bought this week in Syria by the International Children's Fund, and 180,000 blankets on their way by air as a gift from the Iraq Petroleum Company are at the moment more valuable than any money promises; but they are a mere drop in the bucket.) For the physical operation, a major feat of organisation will be required. Has the Secretary General the drive to nominate and secure the right man for the job? He does not seem to have given his confidence to Sir Raphael Cilento, who was Count Bernadotte's director of relief. Has he anyone else in view? The task calls

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for a skilled administrator, for every ton of goods purchased and delivered must—until Israel develops the magnanimity that befits a victor—travel round by Beirut, Damascus and the back way to the Jordan. Has Mr Trygve Lie a Nansen up his sleeve? If so, he may yet save something of Uno's dwindling reputation.

* * *

Scrapping the Controls

The abolition of certain controls announced last week by the President of the Board of Trade and the Minister of Supply is discussed in detail on page 801. Most of the controls which have gone, or are to go, did not affect the consumer directly—exceptions are the derationing of boots and shoes and curtain material, and the end of the priority allocations of utility furniture. Their departure will be felt with most relief by the business man.

There are, however, three points of general interest arising from the decision. Why did it not take place at least a year ago? The last people to recognise that a control has become unnecessary are the controllers themselves. Mr Wilson's appointment of an examiner of controls last February was tantamount to a recognition on his part that many of them should go; it can, therefore, be taken for granted that they had already by then been superfluous for some time. It ought not to have needed an official examiner to find out that the permit scheme for the distribution of thermos flasks had become a complete farce. It is to be hoped that the examiner, now that he has cleared a way through the first mass of unwanted controls, will be on the alert to pounce on those whose uselessness is not so obvious.

A second point of general interest is that Mr Wilson intends to retain controls which ensure "a sufficient proportion of inexpensive goods of sound quality on the home market." The difficulty is that so long as controls remain it is impossible to determine the extent of the true demand. Everybody, given a ration or an allocation, tends to draw it to the full in case there is a subsequent reduction in the ration. Very often the demand, as for supplementary petrol, is overstated because it is known that the controllers will automatically grant 10 per cent less than the amount asked for. The control of allegedly scarce materials and goods often helps to maintain an artificial scarcity.

Thirdly, Mr Wilson and Mr Strauss both said that there would not be a large saving of staff in Government departments as a result of the "bonfire" of controls. One would have liked some explanation of this. Does it mean that the controllers are being transferred to other Government work, and that there is no limit to the absorptive capacity of the Government machine?

* * *

Airy Confusion

It is ironical that, just as a new system of air traffic control, developed with the experience gained in the Berlin air lift, has virtually eliminated delays in landing aircraft at Northolt, even in bad weather, the services of British European Airways should be halted by a strike of engineers. The engineers, who are not supported by their union, object to the introduction of an incentive bonus scheme which is part of the drive to increase efficiency and reduce costs on which the British Air Corporations have been engaged for more than a year. BEA has recently called in a firm of industrial consultants and is to have the advice of an expert on organisation from the Ministry of Civil Aviation. Its part-time directors have agreed to take only half their fees. Similarly BOAC is now putting into effect a reorganisation announced in July and reducing its staffs considerably. Surely there could have been a shorter period of suspense between the announcement and the decision to retain or dispense with the services of particular employees?

The recent intensification of measures for efficiency and economy is probably aimed at taking the substance out of the criticisms that will follow the publication of the Corporation's accounts for last year, which were expected to show a bigger deficit than the previous year's £10 million. It also undoubtedly represents a serious effort to remedy an unsatisfactory position. Mistakes have certainly been made, but the Corporation's fleets are no longer such a heterogeneous mixture of highly uneconomic aircraft nor, perhaps, are their staffs so swollen. But perhaps the root cause is a failure to consider all the implications of operating nationalised air lines on a commercial basis.

One of the strongest arguments for nationalising civil aviation was that only a nationalised industry could undertake to operate certain services which were essential in the national interest. With this background it is surely absurd to treat the nationalised Air Corporations as entirely commercial undertakings. This is quite a separate issue from that of administrative efficiency on which two of the Corporations, at any rate, are open to criticism. But how can a commercial firm be expected to operate economically if its operations are governed by political considerations? Over £1,000,000 was lost by BOAC in 1946-47 on maintaining a service to Australia and New Zealand. There is no doubt that service was necessary. But it was not a sound commercial proposition: and it should not be forgotten that in the early 1920's, when British air lines tried to operate on an entirely commercial basis, they were all grounded and had to be revived by a subsidy. The problem is likely to arise in a more acute form when the Brabazon trans-Atlantic air liner takes the air. The Government has insisted that it should be built. The operators, BOAC, are chary of flying it without a guarantee against loss or at least a clear statement in their accounts of the cost of such a political service as distinct from normal commercial operations. If the Brabazon is the success it is expected to be, the Government will have been justified. But why confuse the issue by trying to foist off as a commercial venture projects which were undertaken in the national interest?

* * *

The French Elections

The elections for the Council of the French Republic undoubtedly increase the political power of General de Gaulle, but the situation is much more complex than current talk of a "walk-over" and an "electoral landslide" suggests. In the first place, the majority of the electors were delegates from municipal councils or of councils of the departments. Thus their voting represented not necessarily the views of the French people today, but the views which moulded opinion when the last municipal and departmental elections were held. In a sense, therefore, General de Gaulle's advance is a reflection of his municipal victories in 1947, not necessarily of a phenomenal increase in popularity this year.

Another element of confusion lies in the fact that his actual numbers in the Council are difficult to determine. The government puts the figure at 104 out of a possible 269, the General's own headquarters at 125 and more. The confusion springs from the fact that many independents and some centre party men may in fact accept the General's leadership, and his exact strength is therefore impossible to estimate. For the same reason it is hard to say in advance whether he can so obstruct the work of the National Assembly that it will be compelled to seek the new elections for which the Gaullists clamour. In general, the Council has only advisory powers, but it can return proposed legislation to the Assembly—in which case an absolute Assembly majority is necessary for its passage, and an absolute majority is something upon which neither M. Queuille nor any other moderate Prime Minister can confidently count.

In all the uncertainty, it is this setback to moderation, to the centre parties, to the Third Force that is the really sure result of the General's victory. At a time when dissensions were splitting the Gaullist "Rally", and the Government had gained credit for its firm but patient handling of the coal strike, the elections have struck a shattering blow at the MRP and may tempt many Radicals to look to the General rather than continue their association with a weakened MRP and with Socialists whose desire to check inflation and control prices by state intervention they do not share. All in all, the only certain result of the French elections is another disastrous weakening of the Third Force.

* * *

Industrial Diseases

On the face of it, the report of the departmental committee on industrial diseases (Cmd. 7557) is a technical document dealing with a technical subject. The committee was appointed

> to review . . . the policy adopted in scheduling diseases as industrial diseases under the Workmen's Compensation Acts, and to advise as to the principles which should govern the selection of diseases for insurance under the National Insurance (Industrial Injuries) Act. . . .

Such terms of reference would seem to preclude any pronouncements of general interest.

Yet there is, or should be, general interest in the committee's report for the following reason. One of the main objects of the whole social security scheme was to co-ordinate the various schemes previously in force and to provide a minimum income, sufficient for subsistence, for a breadwinner and his family in the case of his sickness, unemployment, retirement or death. The one departure from this co-ordinated, all-embracing scheme was in respect of industrial injuries, for which the benefits, replacing the former system of workmen's compensation, are much higher than those payable under the general national insurance scheme. If these higher benefits had been restricted to industrial injuries, the anomalies thus created would not have been so obvious. It is in the prescription of certain diseases as industrial diseases that will give rise to more serious anomalies. Here, again, if the intention were to limit the prescription to well-defined occupational diseases, like the pneumoconiosis of miners, that were scheduled under the old system, the anomalies would be less pronounced. But the whole tenor of this committee's report, which, indeed, accords with the intention of the legislators, is to make it easier for diseases to be scheduled as industrial diseases than it was under workmen's compensation. Thus, although tuberculosis is a risk common to all persons, it would be possible, according to the committee's findings, for it to be scheduled as an occupational disease for hospital nurses, who, if they contract it, would accordingly receive much higher benefits than would the ordinary sufferer from the disease.

The effect of treating people with the same needs differently is constant pressure from the less favoured to qualify for the benefits given to the favoured—a process noticeable under workmen's compensation, but much more probable now that virtually everyone pays the same insurance contribution. This means constant pressure to have a disease scheduled as an occupational disease in an individual case or for certain classes of workers, which, when successful, creates a further class of privileged people who are treated, not according to their needs, but according to the work that they voluntarily undertake.

* * *

A Rasher of Bacon

For the second time within twelve months the British public is to suffer the indignity—not to mention the inconvenience—of a weekly ration of one ounce of bacon. Again the reason is a "shortfall in Canadian supplies." But almost a year ago when Britain was trying to cut down its Canadian dollar commitments, the Ministry of Food representatives pointed out to the Canadian Government that its output target for bacon was too optimistic, and any observer of Canadian agricultural production during the past six months realised that this "shortfall" would occur. But what steps has the Ministry taken to secure alternative supplies? Admittedly, a new agreement was signed with Denmark this summer, but the increased supplies will not be available for Britain until next year. It is reported, however, that bacon has been offered by Poland, Jugoslavia and Hungary. Yet from none of these countries has Britain bought any additional quantities.

The food negotiations with Poland have already dragged on for many weeks. It is understood that agreement on the food items was reached some while ago, but that the Treasury is now objecting to the terms of compensation for the nationalisation of Polish industry. Does this mean that the Treasury will permit foreign holders of securities in nationalised British industries to enter objections to the terms of compensation after they have been enacted? Meanwhile people in Britain must have only one ounce of bacon each week for the four weeks beginning November 21st. And according to Mr Strachey British supplies will in future be dependent on shipments from Canada. The Polish supplies alone could have made good this shortfall.

* * *

The West Midlands

The plan for the west Midlands, which has been prepared for the Ministry of Town and Country Planning by Sir Patrick Abercrombie and Mr Herbert Jackson, deals with three counties—Warwickshire, Worcestershire, and Staffordshire—whose population was steadily growing before the war. The plan assumes, realistically enough, that migration into the area, though at a lesser rate, is bound to continue up to at least 1961, even if the Government takes steps, as the planners assume to be desirable that it should, to divert the general flow of industry into other regions. The problem area, however, is not the west Midlands as a whole, but its central industrial core of Birmingham and the Black Country. The further growth of this conurbation, which

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is inevitable unless firmly checked, would mean either that its housing densities would be further raised, and its standard of life thus lowered, or else that it would continue to engulf the surrounding countryside. Both these alternatives, or the mixture of them which would probably occur, are unacceptable to the framers of the plan. Their recommendation is that steps should be taken to relocate elsewhere in the west Midlands, 250,000 people who would otherwise in 1962 be living in Birmingham and the Black Country.

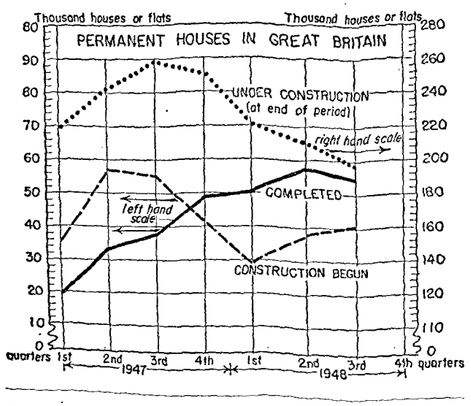
To do this, it is not necessary to formulate a large-scale scheme of dispersal or to build new towns in the way envisaged for Greater London. Nearly every other town in the west Midlands—including Coventry, Rugby, Stafford, Worcester, and Burton-on-Trent—is considered suitable for further expansion. What has to be done, therefore, is to make these places successful rivals to the main conurbation in attracting both industry and population. From the social viewpoint, at any rate, the objective is a good one. But it is, and can be, no more than a general aim; and town-planners should desist from the irritating habit of working out the target population of towns to the last digit. (These targets are given in *Records and Statistics*.)

One of the plan's most interesting features is the preferential treatment which it proposes for the Black Country. In order to redress the grave lack of amenities and the extreme shortage of service industries there, it is thought essential to encourage the middle-class to live inside the Black Country instead of migrating to its periphery. This would be done by according priority in building licences in this area, especially for better-class housing, and also by slowly regrouping development so far as possible into two broad residential areas and one broad industrial zone. It is also proposed that a joint local planning authority should be established for the Birmingham-Black Country area, which is tantamount to a further recognition of the inadequacy of the present local government units.

* * *

Housing—A Tale of Fluctuation

The latest housing returns* show with remarkable clarity the trend, as illustrated in the diagram below, of the housing programme over the last year. They also bring out the violent fluctuations to which the industry has been subjected first by over-expansion and subsequently by rapid deflation. Even before the official policy of cutting capital expenditure was started in 1947 the Ministry of Health had appreciated that the country's building resources were too widely deployed and had ordered a reduction in the rate of new construction. After the White Paper,



however, the restriction on the starting of new houses was so severe that the number begun each month fell low enough to cause acute concern lest the continuity between the various stages would break down. Housing authorities were therefore permitted to start building again, with the result that houses are now being begun at something approaching the same rate as before the capital cuts were inaugurated. Between July and September, 1947, 38,000 new houses were started in England and Wales; between January and March, 1948, this had dropped to 21,000; for July to September, 1948, the level rose to 32,000.

The rate at which houses are being completed has by contrast kept fairly level since last March at 18,000 or 19,000 houses a month, while the number under construction has fallen steadily during the whole year. How far the improved ratio between houses completed and houses under construction will be maintained must depend on how many new houses are started. But the prospects of a more regular progression are strengthened by the figures of the production of building materials and components. In the last quarter and in some cases over the last two quarters the output of such things as tiles, copper piping, guttering, sanitary fittings, cookers and washers has fallen—presumably in accordance with the new requirements of the programme. Although the history of the housing programme over the last three years has defied every effort of prognostication, there does now seem a better chance of stability.

* * *

Holding the Line in Italy

Signor Tremelloni, Minister in charge of ERP affairs for Italy, has just presented the first in a series of quarterly progress reports on Italian recovery. In reality the Minister had little progress to report. The most he could claim was that Italian industry had not fallen off the plateau maintained for the past year. Marshall Aid, he pointed out, had not yet brought any noticeable improvement to the Italian economy, and so far its role had been limited to the important but negative one of preventing conditions from growing worse.

According to the Minister, the general index of industrial production is still 20 per cent below the 1938 level. In the current year production is running slightly ahead of last year's average, although it has never regained the peak reached in September, 1947. When it is recalled that this marking time was accomplished only with repeated and potent injections of American dollars, it is obvious that Marshall Aid alone will not put Italy on its feet by 1952-53. A greater effort will be needed from the Italians themselves and from their western neighbours.

Some indications of the size of the effort required are given by preliminary reports from Paris of the Italian four-year programme. The Italian planners say that before the country can pay its own way, a number of conditions should be fulfilled. Production must rise 40 per cent above the 1938 figure. Exports, which last year were still 40 per cent below the prewar volume, must be restored to at least the 1938 level, with the emphasis on chemicals, food and mechanical equipment. The total investment required for modernising and expanding industry and for an enlarged public works programme is put at 2,273 billion lire of which roughly a quarter should be devoted to agriculture. Above all, Italy must find some permanent solution to the problem that overshadows all else in the economy. Unemployment today stands officially at 2 million. It is accompanied by underemployment, and this more than any other factor is responsible for inflated costs of production, and Italy's inability to sell at competitive prices on world markets.

However, even on the rosiest estimates of the numbers that can be absorbed through emigration, public works and the expansion of Italian industry, the planners confess that the country will still be left in four years' time with 1.2 million unemployed. Until a far more satisfactory method is devised for relieving the nation of this deadweight, it is difficult to see how by 1953 Italy can look forward either to economic or political stability.

* * *

New Phase in the Antarctic

In answer to a recent question in Parliament, Mr Bevin stated that the British Government was still in consultation with the Dominion Governments on the US proposals (not yet published in detail) for a condominium in the Antarctic; the Government, however, regarded them as a "useful contribution towards an eventual settlement of this difficult problem on an international basis." Meanwhile the Chilean Government, which has already announced its flat rejection of the proposals, is going ahead with plans to set up a new base in the disputed Falkland Islands Dependencies; the site, it is believed, will be at Marguerite Bay, where the British have been in residence for the last three years.

The Latin American states have been encouraged by the economic bargaining position they inherited from the war and by

* Cmd. 7552 and 7553.

the political influence their solid voting *bloc* has given them in the United Nations to allow emotional nationalism to stir them on the issue of European colonies in the western hemisphere. Hitherto, Britain's desire to allow so essentially silly a dog to sleep has played into their hands. If, however, the Chileans invade the Falkland Islands, the time for passivity is past.

In the first place, the British Government should make it quite clear that economic sanctions will follow attempts to take British territory. The increasing shortage of dollars is enhancing the value of sterling and the United Kingdom is not so lacking in weapons of reprisal as it was a year ago. In the second place, if "bases" are established, they must be quietly and efficiently removed.

It is not certain whether Argentina is involved in Chile's latest folly. It is certainly unlikely, since Argentina's claim to the Falkland Islands is its biggest bone of contention with Britain. There seems here to be a chance of dividing the Latin American republics and wooing Argentina to a more reasonable state of mind. During the recent visit of the Argentine Foreign Minister, Dr Bramuglia, to London, he and Mr Bevin are reported to have agreed to send no naval expeditions into Antarctica for the duration of the summer (which is just beginning) and the Argentine Government has only refused the American proposal of internationalisation on the grounds that all parties concerned must first be consulted. Here is an opening for firm and tactful Anglo-American pressure to take the hot air out of one of the silliest international disputes of this century.

Shorter Notes

Four million pounds are to be distributed in prize money to the Navy and Royal Marines and £1,250,000 to the RAF. The money will come from the proceeds of prize captured in the war. Every officer and man in the Navy who had not less than 180 days sea service, as defined by the regulations, between September 3, 1939, and September 2, 1945, will be entitled to receive a sum based on his rank. Corresponding regulations for the Air Force will presumably be issued later. An Admiral of the Fleet will receive ten shares, an AB one share. Intermediate grades get appropriate shares between these extremes. With the total sum for division fixed at no more than £4,000,000, more wartime dreams will fade—and there will be fewer grand pianos to grace the parlours of fewer "Crown and Anchors" or "Admiral Benbows."

*

An interesting and somewhat unexpected judgment was given by the House of Lords on Tuesday to the effect that, by virtue of the Housing Act of 1936, local authority landlords are not bound by the Rent Restriction Acts. According to the judgment, from which Lord du Parcq dissented, a local authority may turn out one working-class tenant in favour of another as part of its functions of management, although a private landlord is debarred from doing so. The justification given by Lord Porter was that "local authorities might well be expected to exercise their powers with discretion." But there is no assurance that they will do so. Why should local authorities be privileged and private landlords penalised?

*

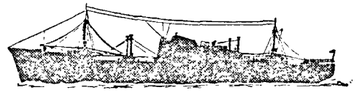
In an article in *The Economist* of October 23rd reference was made to the work done by Citizens' Advice Bureaux in London. It ought to have been made clear that the seventeen bureaux referred to are those maintained by the Family Welfare Association, in inner London, but that altogether in the whole of the London area there are 82 bureaux dealing with some 25,000 inquiries a month, the other 65 being assisted by the London Council of Social Service.

*

The Government's decision not to appoint a Select Committee to consider war pensions is unfortunate not only in itself but in the manner in which it was announced—to a private meeting of the Parliamentary Labour Party. The decision itself can be criticised. If hardship among the war disabled does not exist, it will be to the Government's advantage for a Select Committee to make it clear beyond doubt. If there is hardship, then a Select Committee is all the more necessary. But for the Government to treat it as a party matter is an equally grave mistake.



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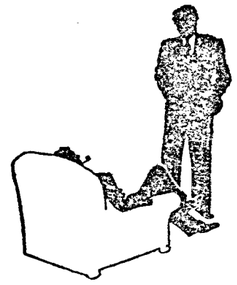
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Letters to the Editor

Mr Truman's Triumph

SIR,—It is not often that *The Economist* lends itself to inconsistency, but anyone who read your article on "Mr Truman's Triumph" without reading "Victory of the Forgotten Man" in the American Survey, or vice versa, would obtain a totally contradictory view of the effect of the American elections.

Both as regards foreign and domestic policy, there were sharp differences between Republicans and Democrats, discernible to the naked eye even at this distance. These differences are very rightly emphasised by the American Survey article. To suppose, for instance, that the defeat of Senators Brooks, Robertson, Rizley, Ball and Revercomb does not affect American foreign policy one way or the other is somewhat startling. Not less so is the suggestion that Republicans and Democrats saw eye to eye on labour policy, price policy and trade policy. If in fact there was no real difference between Republicans and Democrats, one might wonder what the election was about, and why there is so much dismay in the Republican camp at the result. The answer is given by the second article, and no amount of analysis or explanation by the pollsters is likely to change its general judgment of the issues which determined it. Nor will it alter the fact that the result is very far from being a matter of indifference to Europeans.—Yours faithfully,

HAROLD BUTLER

Little Court, Sonning, Berkshire

[It would be silly to deny that there are great differences between individual Republicans and individual Democrats. What we said was that, in the recent election, "the candidates, and very largely their parties, stood together" on the major issues of interest to Europeans. It was the whole point of the article that, whatever the convergence of the parties in this election, there are likely to be big differences between the parties before long.—EDITOR.]

Mr Churchill on the Commonwealth

SIR,—Might I refer to one sentence in your criticism of Mr Churchill in your "Shorter Notes" of November 6th. You say "the tragedy is that he is building up a legacy of suspicion and dislike for the Conservative Party in India and Burma . . ."

To my mind, the real tragedy with regard to these two unhappy countries is that the British public know so little of what is going on there. And what they do hear is not the sufferings of the common people, but the "hand-outs" of the British Government and the high politicians in the countries concerned, all of which are very naturally at particular pains to make out that all has been done for the best. To call attention to the 400,000 people massacred in the Punjab last year, to the war in Kashmir, the rape of Hyderabad and the chaos in Burma, as Mr Churchill continually does, is regarded by the Socialist Government as mischievous diehardism. Yet the daily bulletins I get from Pakistan about the continued operations in Kashmir and the continuance of "arson, loot and rape" (I quote from the latest bulletin) in Hyderabad make very unpleasant reading. It is in the lack of information and publicity on all these things that we realise the shortage of newsprint to be so lamentable. The policy of sacrificing our friends and loyal supporters in Burma to achieve a quick and easy solution likely to cause the least obstruction to the progress of Socialism at home was never likely to bring anything else but misery and suffering to the bulk of the common people of Burma—which it has since done.

If, by showing up these matters and demanding some constructive action, the Conservative Party becomes unpopular with certain high politicians at home and abroad—then surely we should be proud of being unpopular in such a worthy cause. To many serious students of the East it seems possible that Mr. Churchill may prove to have been as right over India and Burma as he has been over so many other matters in the past. If Communism succeeds in engulfing China, only a strong and united Indian sub-continent will stay its further advance. India and Pakistan have coped manfully with the very difficult circumstances which inevitably followed on the overhasty and unplanned transfer of power, but the fact remains that conditions have been created which could facilitate the spread of Communism throughout the Far East.—Yours faithfully,

Dolphin Square, S.W.1 J. G. SMYTH, Brigadier

[The Conservative Party as represented by Mr Churchill has not demanded "constructive action." He has confined himself to lamenting the past. The object of our Shorter Note was to point out there is more constructive thinking in the Conservative Party on Commonwealth affairs than finds expression in Mr Churchill's speeches. Furthermore, one thing which would have made certain of a common cause between the Communists and the Indian Congress Party would have been a decision that Britain should indefinitely remain as the paramount power in India. While it is possible to criticise the timing of the British withdrawal from India, the decision to withdraw is one to which no one—not even Mr Churchill—has been able to offer a constructive alternative.—EDITOR.]

From *The Economist* of 1848

November 11th, 1848

Various reforms in the discipline and course of study at our universities have long been demanded and at length a beginning has been made. As an acknowledgment of fallibility it is of great importance, other improvements may follow. Now that the necessity of making some is admitted, there is no telling whither the admission will lead, and where it will stop. Being the admission of a principle, the five "graces" passed on Tuesday week at Cambridge are of considerable value; but the changes they really effect seem to us much too trifling to merit the approbation they have received from the liberal journals. . . .

The M.A.'s and LL.D.'s have slighted and neglected political economy, and it has become the pride of Britain, has helped to rescue her from the calamities that have fallen on other nations, and has gained for her honour abroad that has never been vouchsafed to anything especially taught at her Universities. Do the Germans and French borrow our classics and our mathematics? No. But they do borrow our political sciences, our free trade theories, and acknowledge that there is no other salvation for society, but in adopting and following the principles of that science which our learned Universities are now only beginning to appreciate. They despised it as long as they could, and now when it has become the master of the masters, when it has assumed its high place in the world of letters, they assume to ratify its worthiness by their signature.

Silent Discussion in the Coal World

SIR,—I agree with your remarks in the short Business Note in the October 30th issue to the extent that the aura of mysticism which surrounds the Coal Board's statement is, in my opinion, the sign of ineffective control.

This points to the need for decentralisation in an industry, where it has become essential for greater understanding from the executive and more practical use made of local knowledge.

With regard to the organisation underground I would point out that you may have given the impression to readers that the Deputy in the pit is responsible for safety alone. This is, of course, not the case. The Deputy is the NCO of the Mining Industry, and is very much a productive agent. In fact, from my own experiences and association with miners from many other pits, I would go so far as to say that if he could be trained and supervised with more careful attention from the management level, production of coal could be increased considerably. The Deputy is the fellow who leads a team of men at the coalface, and he directs their concerted effort, through the shift, by periodical visits and examinations.

The control of our mining deputies would bring better results at no extra cost, if more constantly exercised by the officers of existing managements.—Yours faithfully,

Rotherham Miners' Hostel, Rotherham D. A. HUGHES

[Hitherto the Deputy has been almost entirely confined to his statutory duties, i.e. safety. This is borne out by the paper delivered to the National Coal Board Summer School by Professor A. M. Bryan, HM Inspector of Mines.—EDITOR.]

Cards on the Table

SIR,—In your leading article in *The Economist* of October 16th, "Cards on the Table," you state: "Instead of refusing a reduction of one-third in armaments, the western Powers should have instantly proposed instead a reduction of three-quarters. . . ." Is not any common proportional reduction in armaments useless in so far as the balance of power is still maintained? If Russia has 200 divisions and the western Powers 50 a common reduction by three-quarters still leaves Russia with 50 divisions and the western Powers only 12! This is the cunning and subtlety of the Russian proposal for reduction by one-third which so many acclaim. Russia would still be the superior military power. The solution is insoluble except on a basis of trust and confidence between nations.—Yours faithfully, R. A. BAKER.

29, Stoneyfields Lane, Edgware, Middlesex.

Uses of Manpower

SIR,—It is doubtful if the observations put forward by your correspondent, Mr John Clews, will bring us any nearer to the solution of our manpower problem.

One need not be a disciple of Mr Lewis Ord to discover the disturbing drift from the occupations requiring mechanical skill towards the army of "Penpushers." To me—viewing this development from within industry—it seems that the problem is not so much whether a particular set of workers may or may not be suitable to shift to an entirely different type of operation within a short period of time, but rather whether something could be done to arrest the disturbing and often quite unnecessary drift towards those "indirect" functions which add so greatly to overhead costs and deprive industry of much needed productive manpower.

Among the many reasons which could be given for this unhappy development, not the least important is that work done on the floor of the factory is increasingly regarded as of a lower order of value than work done by the "penpusher." This would perhaps, have no economic significance were it not for the fact that it reinforces the drift towards the already greatly swelled ranks of the "indirects" and thus raises costs. No effort should be spared to make industry more "production-conscious" and less "administration-conscious." The Trade Unions would no doubt welcome this and they themselves might greatly add to its success by examining afresh the complicated methods of wage calculations which require additional clerical staff.—Your faithfully,

ANDREW TESSIER.

30 Netherhall Gardens, London, N.W.3

The Steel Bill

SIR,—I fail to understand the arguments produced in your leader on the Steel Bill about the desired future capacity of the steel industry. The home consumption of steel expanded at the rate of approximately 1¾ per cent per annum between the years 1913 and 1929, and at approximately 3¼ per cent per annum between 1929 and 1939. If we take a rate of expansion of 2½ per cent per annum as reasonable for years beyond 1939 it would make the desirable home consumption of steel about 13¾ million tons in 1952. The desired rate of exports in that year would seem to be about 5,000,000 tons (net), giving a desired output of a little under 19 million tons per annum.

Your objection to capacity estimates of this order of magnitude seems to be that they are intended only as "estimates of peak demand." But surely if we are planning for an era of full employment it is not wrong to base our estimates on the output figures of the best prewar years (both in 1929 and 1939 unemployment was over 10 per cent of insured workers compared with future hopes of 5 per cent or so). Furthermore, this estimate does not take into account a condition which you point out: that "the structure of the steel industry . . . was in the 1930's a tightly organised cartel." This implies a restriction of supply in those years, an implication which appears to be borne out by a comparison of steel prices in the late 1930's (which were 15-20 per cent higher than in the late 1920's) with general price indices of those years (which were, if anything, lower than a decade earlier).

I agree that a case for nationalisation cannot rest on this ground alone, but if the industry is unwilling to bear the risks of this expansion and the Government thinks such expansion desirable in the community's interest, then the community through their Government should see that this expansion takes place and should bear the full risks of such expansion. Whether it is necessary for the State to take over the whole industry to ensure this expansion depends on other issues which it is not my intention to discuss.—Yours faithfully, E. B. PALMER

22 The Gardens, Watford, Herts

Books and Publications

The Perfect Horatio

"The White House Papers of Harry L. Hopkins." By Robert E. Sherwood. Vol. 1. September 1939-January, 1942. Eyre and Spottiswoode. 491 pages. 25s. net.

IT is not easy to give an estimate of the interest and importance of this publication to any Englishman who has not read its 490 odd pages. If one can imagine Mr Brendan Bracken as a retired social worker as well as a wartime lodger in Number 10; if, furthermore, the author of *The Gathering Storm* had died in office before the end of hostilities and Mr Bracken had followed him within the year; and if, finally, the papers of the latter had been correlated and edited by a synthesis of Mr J. B. Priestley and Mr Noel Coward, who was *also* on the most intimate terms with both these eminent politicians—no, not even then should we have a British counterpart to the *White House Papers*. They are as unique as they are indispensable. Valuable as their documentary revelations are, it is conceivable that the information they give could with diligence be pieced together from other sources. What cannot, in the nature of things, be duplicated anywhere else is their depiction of the human relationships which made the New Deal and the Anglo-American war effort unlike anything else in history. Hopkins's position had no parallel; there was no other Horatio to his Prince of Denmark. And if the injunction

> Thou livest, report me and my cause aright
> To the unsatisfied

could not be executed in the first particular, Hopkins has left behind him in Mr Sherwood a literary executor who has fulfilled the rest with a fidelity and felicity of the highest order.

It is even arguable that we have gained by the two removes at which the Roosevelt-Hopkins story now reaches us. The total devotion which marked the Hopkins of the war years, while being the secret of his astonishing success as an executive assistant, is not necessarily an ideal equipment for a historian. Furthermore, he obviously lacked the literary skill for such a large-scale undertaking; except when fused by the heat of action or passion, Hopkins's own memoranda, as printed here, are ungainly and awkward. Lastly, he could hardly have given us, even if he had so intended, the astonishingly honest and revealing narrative of the New Deal Hopkins which Mr Sherwood inserts as the prologue to his own account.

The first volume divides naturally into three parts. The first adds little of substance (though much of colour and human interest) to the various narratives already published by other actors in the New Deal drama. There is some rebuttal of Mr Farley and some amplification of Miss Perkins, but nothing which will substantially change our views of this period—or, surprisingly enough, our dislike of the acidulous, none-too-scrupulous Harry Hopkins of the WPA. The second part (more properly deserving the description of "The Education of Harry Hopkins" than the first to which it is applied) is the story so rich in incident, drama and suspense (the almost unbearable suspense, as one reads it again, of the movement towards "all aid short of war") of the period from the fall of France to Pearl Harbour. This middle scene has Hopkins as a central character of truly heroic proportions whose efforts on behalf of Britain and the USSR are told here for the first time in detail, and gain enormously from being set against the frequent indecision and embarrassments of the President himself. Lastly, as a coda to the volume, comes the brisk narration of Pearl Harbour and the first reactions to total war. The curtain of this first volume falls, characteristically, with Hopkins back in hospital, recovering from the first of the great Roosevelt-Churchill war conferences, in December-January, 1941-2. One hopes impatiently that Mr Sherwood and his publishers will not keep us waiting a day longer than is necessary for the second act.

Ciano's Papers

"L'Europa verso la Catastrofe." Galeazzo Ciano. Mondadori, Milan. 722 pages. 1,100 lire.

WHEN Count Ciano's Diary was published it only showed half the story: it often excused omissions by reference to separate documents. Thus, when he visited Franco in Spain in July, 1939, his only remark was "I have set down my impressions of Spain in a notebook. The Duce is quite satisfied with the

"report"; and next month he skipped over the vital conversations with Hitler and Ribbentrop at Salzburg because "I have a transcript elsewhere, along with reports of all my conferences." Such references to a companion-volume of documents occur throughout the diary.

This companion volume is now published. It contains Ciano's papers between the Abyssinian War and the collapse of Fascism—transcripts of interviews with Chamberlain and Franco, Hitler and Ribbentrop and Balkan politicians, and reports from Italian ambassadors in foreign capitals. After the Diary and the Hitler-Mussolini letters it is the most illuminating document of its kind which has emerged from Italy.

After the evidence given at Nuremberg and the earlier publications, there is little left to reveal about Axis politics. The documents about Spain are interesting, and confirm the evidence of the Hitler-Mussolini letters and the Goebbels Diaries that Hitler and Mussolini banked heavily on Franco's entry into the war in the winter of 1940 and never forgave his defection. The interviews with Hitler show him as erroneous as ever in his generalisations: the war is won in 1940, the British Army and the American Navy are "dilettante organisations," and invaded England "will crumble at the first blow." Of crucial importance were the interviews at Salzburg, which Ciano remembered bitterly in his last hours. There we find both Hitler and Ribbentrop determined on war and "absolutely certain" that it will be localised and short. "Europe," said Ribbentrop, "will sit and watch the remorseless annihilation of Poland," and to Ciano's protests he retorted that his information, and above all his understanding of English psychology, convinced him that "any armed intervention by Britain is out of the question." Hitler supported him, only adding that a war with the west would nevertheless be necessary in the end, "if only to dispose of its pretence of moral superiority." Hitler's judgment of Europe was often confirmed by events: it was about the Anglo-Saxons that he made his wildest howlers; and the basis of them was his ineradicable inferiority-complex.

But if Axis politics have few secrets to reveal, Allied diplomacy can still be illuminated, and to English readers the most shocking document is Count Grandi's 30-page report on his three-hour interview with Mr Chamberlain and Mr Eden on February 12, 1938. No summary can do it justice. The meeting's only purpose was apparently to supply Chamberlain with ammunition against Eden. "I quickly took note of this," says Grandi, "and naturally enough sought to supply Chamberlain with all the ammunition which could serve such a purpose." "Chamberlain and Eden were not a Prime Minister and a Foreign Minister discussing a delicate international situation with a foreign ambassador, they were two enemies, face to face, two gamecocks in fighting posture." When all was over Grandi was satisfied. So was Chamberlain: he next sent a secret message to Grandi and congratulated him on the result. His message was that "he greeted me cordially, he appreciated my statements which would be very useful to him, and he was confident that from now on all would go well." Two days later Mr Eden and Lord Cranborne resigned, and the way was open for planned catastrophe.

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Subjective Anti-Semitism

"Portrait of the Anti-Semite." By Jean-Paul Sartre. Translated by Erik de Mauny. Secker and Warburg, and Lindsay Drummond. 128 pages. 7s. 6d.

THIS is a remarkable book. The tragedy of the Jews who are forever attempting to escape into anonymity; to merge themselves into the herd; to take on the protective colouring of their environment, but who are as often singled out and pilloried by the anti-semite's desire for a victim is movingly and brilliantly painted. M. Sartre describes with sympathy and understanding the effect of the anti-semite's ostracism upon the Jews which has built up their infinite patience, their foreboding of catastrophe and their anticipation of persecution. The picture of the anti-semite which fills the first half of the book, though as interesting is less convincing, except perhaps to another thorough-going existentialist.

The antipathy towards the Jews is, according to the author, entirely subjective—" . . . it is the anti-semite who makes the Jew," or " . . . the Jew is perfectly assimilable by modern nations, but defines himself as one whom the nations will not accept." While M. Sartre concedes that what weighed against the Jew in the first place was that he was the murderer of Christ, he dismisses this as an effective cause in modern life. To him anti-semitism has no roots in reason but is the offspring of fear and blind passion, the result of the desire of anti-semites to find a victim over whom they can feel superior. This passion of hatred is not provoked by anything: on the contrary it anticipates the facts which might give rise to it and interprets them arbitrarily in order to find them offensive. The anti-semite hates because he chooses to do so, not because there is cause. Indeed M. Sartre denies that the Jews have sufficient in common racially, physically, religiously or socially to account for their ostracism as a group.

Such an interpretation of anti-semitism may be satisfactory for fellow existentialists who believe that the individual is solely responsible for all his reactions and that the trends of history must be discounted in an analysis of this kind. But for those who are not impregnated with existentialism M. Sartre's explanation must leave a basic sense of dissatisfaction. The anti-semite may be personally responsible for flaming or suppressing his passion of hatred. But this explanation leaves unexplained the reason why the Jews are always selected as the victims. Why are not Indians, or red-haired people, or everyone over fifteen stone equally reviled? Yet in spite of this fundamental defect the book illuminates much that has been ignored by others.

Shorter Notices

"The Common Law of England." By a K.C. Published by Messrs Hollis and Carter. 36 pages. 2s. 6d.

THIS is a reprint of three broadcast talks on the Inns of Court and on the Substance and Practice of the Common Law. The theme of each is freedom and tradition, neither new, but in this volume distinguished by the sincerity of the pleader and the skill with which he pleads. What increases the charm of the published volume is the fact that the author includes as footnotes many of his references and his comments on them. These are delightful.

"The Motor Industry of Great Britain, 1948." Society of Motor Manufacturers and Traders Limited. 334 pages. 30s.

THIS latest edition of the statistical review of the motor industry contains complete figures for motor-car trade of this and other countries for 1947, and compares them with 1938 and 1946. A new feature is a series of maps showing population density per car and commercial vehicle throughout the world. A comprehensive table of the regulations relating to the construction and use of motor vehicles in all countries where they are permitted forms a useful part of the miscellaneous information. According to the preface an endeavour has been made to eliminate some material which is readily available in previous editions, and this has enabled the number of pages to be considerably reduced without seriously detracting from the value of the volume as a whole.

AMERICAN SURVEY

The Man and His Mandate

(From Our US Editorial Staff)

NOW that the tumult and the shouting have died, the would-be king-makers retired off-stage, and the political experts eaten the requisite amount of tough crow, it is possible to look behind the ballots at the winner and his mandate. Whatever else this election has accomplished, it has blown away the mists in which Mr Truman has walked since he took office in April, 1945, after Mr Roosevelt's sudden death. The bulky mantle of his predecessor still is clutched lovingly about his shoulders, but it no longer obscures his own outlines. From now on the man whom few took the pains to know is President in his own right, with a Congress of his own party. His achievements—and his mistakes—will be his own. The people, in whom, according to the Constitution, sovereignty resides, have told him so.

Mr Truman stands clear of almost all the usual commitments. He proved his ability to win with little help, against all predictions and despite organised opposition from both wings of his own party. He need placate neither the fellow travellers on his left nor the Southern cave-dwellers on his right. The road down which he campaigned to victory now emerges as the American middle way, and political observers must henceforth take it, and not some remembered past, as the norm from which divergences to left or right are measured.

In substance that road is the one marked out and paved by Franklin Roosevelt's New Deal. The constant refrain, spoken or implied, which runs through all those speeches that the sophisticates failed to read or were too bored to listen to is, "The Republicans will take the New Deal away from you if you don't watch out." The New Deal was not presented as a new way which had to be crammed down the voters' throats, but as the *status quo* to which they had become accustomed, the dearly bought and present heaven in which Mr Truman and his audiences believed, the pleasant state which gave them their present comfort, and which was threatened by "the Wall Street Republican way of life." To opponents who boasted that their candidate was an efficient administrator, he retorted, "efficiency isn't enough . . . Hitler was efficient . . . there must be life and hope in Government . . . democracy is a faith in human rights." Broader social security; full employment; co-operation between farmer, labour, industry; better education; better care for the old and poor; conservation of natural resources against the predatory designs of the interests; and in the international sphere, "peace, prosperity and progress for all nations and all people everywhere";—the programme is not socialist, but an expression of the American liberal tradition built up by Theodore Roosevelt (a Republican President), Woodrow Wilson, and Franklin D. Roosevelt.

Read in the light of his extraordinary victory Mr Truman's speeches constitute a model for those who want to know what kind of language reaches home to Americans. "How far," he asked in Lincoln's birthplace, "do you suppose the real estate lobby would get with Abraham Lincoln?" "Any plan," he told the workers at Akron, "which seeks to weaken one group in order to establish the superior power of another is not a democratic unity and threatens the basis on which our free institutions rest." The basic philosophy on which the New Deal rests is "service for the people—the greatest good for the greatest number."

If this Benthamite benevolence couched in Rooseveltian phrases be tub-thumping, it is the kind the people like. It exalts the Rights of Man as more precious than the rights of vested interests or the Communist Manifesto. Workers who are getting higher wages than ever before in their lives, as well as farmers who flew in their own planes to hear him rail against "gluttons of privilege" at a ploughing contest, agreed with that point of view.

The New Deal, then, is reaffirmed, sanctified and fortified. The verdict of the voters is that ground already won must be held against a repetition of attacks like those made by the Eightieth Congress and progress continued toward goals previously marked out. In domestic affairs most of those goals were defined by President Roosevelt in the years before the war. Internationally, they are those for which the war was fought, but events since Mr Roosevelt's death have given them a sharpness and definition which he did not live long enough to foresee

Of the fifteen or so major speeches which Mr Truman made between the middle of September and election day, two were devoted primarily to international affairs, a third to the Palestine question in particular, and two others to Communism abroad and at home. In addition, he touched on aspects of foreign policy again and again in his more general speeches, so that fully a third of his talking time must have been spent on matters of concern outside the borders of the United States.

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This proportion is surprising only to those who still think of Mr Truman as a grass-roots candidate from the isolationist Middle West. If he has risen above his grass-roots, the Middle West has as clearly grown with him. Informed sources say that he is exceedingly proud of his foreign policy, and in comparison with that of any other President save Franklin Roosevelt it is in truth a thing to marvel at. To find his concern for it, and his repeated careful explanation of it, woven into campaign speeches along with domestic matters which form the more traditional warp and woof of American politics is to realise how far this country has come in a decade.

Search in his speeches for hints as to what he may do on specific points at issue, and the man's concern and his caution are both evident. He berates the Republicans for trying to capitalise on his private discussions with the Secretary of State, but he does not promise either to give that Secretary *carte blanche* in the future or to send another Mr Vinson if the stalemate with Russia is not broken by the men now on the job. "The heart and soul of the American foreign policy is peace," he said in Brooklyn on October 30th. "The President's responsibility goes far beyond the formalities of diplomacy. It extends to the ultimate realities—the final consequences of war and peace . . . He must leave no stone unturned in expressing their (the peoples') will for peace."

But at the same time the world situation is dangerous. The United Nations must be strengthened. "The very basis of our foreign policy is international co-operation," and we will not desert other nations with like objectives. "I do not believe that war is inevitable, and I shall make use of every honourable means of preventing it." What that means in practical terms is not defined.

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

From his first enunciation of the Truman doctrine in the spring of 1947, through the difficult passage of the appropriations for the Marshall plan, the setting up of the Economic Co-operation Administration and its correlative organisms, to the last Palestinian wriggle, Mr Truman is proud of the record on foreign affairs achieved under his leadership and intends to carry it to further heights in the years ahead. This sense of continuity, permeating his whole campaign, gives the clearest clue to the future.

In a discussion of domestic controls he told an audience in St. Paul, "The only thing we can get automatically is boom or bust." Anticipating his probable measures to prevent "bust" the stock prices fell when his election was assured and commodity prices looked up. Financial writers eager to know the worst as soon as possible have filled the air with trial balloons. Business is pictured as expecting more "interesting events" than a maternity ward—a fourth round of wage rises in the spring, an attempt to raise the statutory minimum wage from 40 cents to 75 cents an hour, an excess profits tax, more anti-trust activity and a stronger anti-trust law. Meanwhile Mr Truman's running mate, Senator Barkley, is predicting that the Eighty-First Congress will give the President those selective price controls which the Republicans refused him, that they will extend the rent controls now due to expire on March 1st, repeal the Taft-Hartley labour law and amend the older Wagner act with the aid of those who believed in its fundamentals. He also mentioned a civil rights programme and the continuance of foreign aid.

A second "Truman honeymoon" is in full swing, with the man who, before November 2nd, could do nothing right now praised as having done everything right. How long this will last depends on what kind of a person this "new Truman" turns out to be. Did people misjudge him who for three years thought him a bungler, a weak executive, a nice little man whom everyone liked, but unequal to the Presidency? Now that he stands on his own feet, beholden to no one but himself and his predecessor, will he reveal qualities of mind and spirit previously unsuspected? Able now to offer a four-year invitation, will he put into his new Cabinet men of greater stature than most of the pre-election incumbents?

The process of myth-making which always surrounds a President has not been kind to Mr Truman. Material for a new and better legend lies at his hand. He has slain Goliath in a blue serge suit. Will he turn into King David, or remain that Jack who, having disposed of his giant, went contentedly back down the beanstalk and home to supper? On the answer depends much of the American temper for the next four years.

American Notes

After the Earthquake

The deflation of the public opinion polls is undoubtedly one of the results of the election that has given most pleasure. Had the returns borne out their predictions, not only would their pretensions have become insufferable, but voting in the United States might well have been on the way to becoming as vestigial a routine as the proceedings of the Electoral College. But if it is tempting to remark that if Mr Truman could win in a walk, he had no need to win in a Gallup, it would also be misleading.

Without taking the part of devil's advocate, it is only fair to point out that, although Mr Truman indeed has rolled up more votes than his three chief rivals combined, his lead over Governor Dewey, which stands at only 2,125,000, is the smallest since 1916, when President Wilson polled just over 9,000,000 votes to Hughes's 8,500,000. Republicans like Harding, Coolidge, and Hoover never had less than a lead of 6,000,000. The latest returns give Mr Truman 23,667,727 votes, with 304 electoral votes, Mr Dewey 21,542,581, with 189 electoral votes. When an important state like Ohio is carried for Mr Truman by a mere 18,000 (and, on the other hand, New York is lost by only 40,000) this election becomes, as Wellington said of Waterloo, "a d—d near thing." It constituted, in fact, the first searching test of the reliability of the opinion surveys; and the pollsters' only comfort is that the "wise money"—with a far longer record of infallibility—was just as wildly off the mark. Prophets, in any event, have no honour in their own country. The Missouri milling company which took its own poll by putting up feed in bags labelled "A Vote for the Republicans" and "A Vote for the Democrats" quietly abandoned the experiment in September when it showed an improbable and embarrassing bias toward Mr Truman.

It is, of course, possible to reckon that, had the Democrats been united, Mr Truman would have been the stronger by 47 electoral votes in New York, and 38 in the South. But it was hardly possible to do both. Without the civil right programme which alienated the South, the Democrats could not have won the Negro vote; and without Mr Wallace in the field, the campaign radicalism which paid such good dividends might never have been thought necessary. What does deserve a mention is the strategy which saw that a Democratic victory could be won in the apparently unpromising states of Ohio, Illinois and California, and concentrated upon them.

Fears that the smallness of the vote cast would throw a shadow upon the validity of the results have diminished as the total vote has crept up toward 47.5 million. But this figure is just half of the eligible voters, who now total 95 million; it represents the smallest proportion of those eligible to vote in a hundred years; and the total is just about what the vote was in 1944, when many soldiers and war workers were disfranchised. It is substantially less than the 49.5 million votes cast in 1940, although since that year the population has increased by 14 million. This problem of the sleeping votes must concern both major parties; as well as all believers in the Democratic process.

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The Defeated

Governor Thurmond, the Southern "States Rights" candidate, won 1,005,945 votes in 14 States (including 111 in North Dakota), won the 38 electoral votes of Alabama, South Carolina, Louisiana, and Mississippi, and elected two Electoral College delegates in Tennessee. But one of these has already been persuaded to switch his electoral vote to Mr Truman, and there is some doubt whether the rest will go down with their ship, now that the hope of throwing the election into the House of Representatives has been frustrated. The rebels are now remembering, with some qualms, that each State which casts its electoral vote for the President receives a bonus of four votes at the Democratic Convention in 1952. To throw these away would further diminish that influence in the party's councils which the revolt was designed to increase.

It is worth recording that in not one Southern State did the existence of the Dixiecrats permit a Republican victory. Maryland went Republican, but not by grace of Governor Thurmond. This year saw no repetition of 1928, when the Republicans profited by Southern dislike of Al Smith to the extent of carrying six Southern States. On incomplete returns, the Republican vote in 13 Southern States was about 1.8 million, the Truman vote 2.9 million. In 1944 the Republicans received 1.9 million votes in the South. This year's similar total was won despite Mr Dewey's position on equal rights for the Negro, but even so it suggests no rapid dissolution of the traditional one-party rule.

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The fact that Governor Thurmond polled only a quarter of Mr Truman's votes in the South is testimony to the pull of party loyalty there. Despite a total vote of only 1,116,379 Mr Wallace's influence was much more important.

The decision of the US Supreme Court not to interfere with the election law of Illinois kept Mr Wallace's name off the ballot in a State where Mr Truman's lead over Mr Dewey was a mere 50,000 votes and thus saved Illinois for the Democrats. In California a vote of 178,000 for Mr Wallace left Mr Truman with a lead of only 32,000 votes over Governor Dewey; in New York the vote of the American Labour Party for Mr Wallace saved Mr Dewey's skin in his own state. It is an amazing fact that if the ALP vote is left on one side on both occasions, Mr Truman did better against Governor Dewey in New York than Mr Roosevelt did in 1944. In the local contests, moreover, the bark of the ALP proved much worse than their bite. Mr Marcantonio survives as their sole representative in Congress, but the term of Mr Isacson, the first and only swallow of Mr Wallace's brief summer, is over. Mr Lee Pressman was defeated, and the June panic which led some Democrats to form local coalitions with the Republicans is now shown to have been groundless.

The Republican post-mortem is only beginning. Governor Dewey lays his defeat to over-confidence, which kept Republicans from the polls, but Mr Russell Davenport (a Willkie supporter) has put the issue bluntly as "the Republican party *versus* the American people. The people won." Certainly the *Chicago Tribune* lost. In Illinois not only its favourite Senator, Mr "Curly" Brooks, and its pocket governor, Mr Green, but six Republican members of the House of Representatives were retired. Coupled with the defeat of men like Senator Dworshak of Idaho (the last of the doubtful States to declare for a Democratic Senator) this should be a sufficient answer to those Republicans who are still inclined to criticise Mr Dewey for having been too liberal and too internationalist. The Republicans whose prestige survives the flood, and who will be instrumental in reforming it in accordance with the new realities, are men like Senators Vandenberg, Lodge, Tobey, and Morse, Baldwin and Aiken. Senator Taft, the leader of the Republicans' conservative wing, was not up for re-election this year, but his home State of Ohio was lost to the enemy.

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The New Congress

Some observers are now saying that, far from local candidates riding into office on Mr Dewey's coat-tails, strong Democratic candidates in the state and Congressional races account for Mr Truman's victory. In the elections for state governor, the Democrats unseated eight Republicans, lost only one governorship (in Utah) and now hold 29 of the 48. It would be one more if Governor Hunt of Wyoming were not going to the Senate, to be succeeded by a Republican lieutenant-governor. In Ohio, it is quite true that while Mr Truman carried the State by only 18,451, Mr Lausche, the new Democratic Governor, polled 217,000 more votes than his opponent. In Illinois, where Mr Truman won by 50,000, Mr Douglas defeated Senator Brooks by 400,000. In Ohio over 300,000 voters who voted for the governorship could not bring themselves to vote either for Mr Truman or Mr Dewey and turned in blank Presidential ballots.

In the new Senate and House the Democrats will have a stronger hold than the Republicans had in 1946, and in the House, though not in the Senate, a larger majority than they possessed in the Democratic Seventy-Ninth Congress. The table shows the relative party strength:

	Republicans	Democrats	Other
The Senate:—			
Seventy-ninth	38	57	...
Eightieth	51	45	...
Eighty-first	42	54	...
The House:—			
Seventy-ninth	190	243	2
Eightieth	246	188	1
Eighty-first	171	263	1

But these party lines are often more honoured in the breach than the observance; despite the Democrats' Congressional majority in 1944, Mr Roosevelt was often frustrated on liberal measures by a coalition between the Republicans and the Southern Democrats, who are equally conservative on most issues and on the question of white supremacy much more obstinate.

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State Issues

Freedom to drink in Kansas and to divorce in South Carolina were state issues settled at the election. Such contrasting proposals as the support for World Government and the liberalising of rules for osteopaths were among the couple of hundred issues which appeared on the ballots of 35 states. State procedures vary as to the way such questions can be presented to the people. It can be done by constitutional amendment, by taking a referendum or, in some States, the people have the right of "initiative" which allows them to put issues to the vote. To the outside observer, the most interesting results this year were related to prohibition, bonuses for veterans and issues involving organised labour.

The day when a legal intoxicating drink can be bought by the 2,000,000-odd residents of Kansas was brought considerably nearer. The voters repealed the amendment to the state constitution which has banned the sale and manufacture of liquor for nearly seventy years. The state, however, has a "bone dry" statute on its books which prohibits the transportation and possession of liquor, so before the unsuspecting traveller can obtain alcoholic refreshment, the second half of the battle must be won in the state legislature. This may not be done for some time as the "dry" rural districts are in control. The delay will give the bootleggers, who have profited so pleasantly from the Kansas law, time to move into Mississippi or Oklahoma, the two remaining "dry" states. Liquor was a minor issue in eight more states.

In two states labour won important victories but it suffered a setback in a third. In Massachusetts a referendum against the "closed shop" was defeated as well as two others advocating restrictions on labour unions. New Mexico voted for a "closed shop." But Arizona, which passed a law against the closed shop two years ago, failed to repeal it and tightened the existing laws governing labour.

Bonuses for veterans ranging in amounts from $250 to $650 appeared on the ballot of twelve states accompanied, in some cases, by requests for bond issues to finance them. Six states approved bonuses for veterans of World War II, four rejected bonus proposals entirely. North Dakota turned down a levy for veterans' rehabilitation and California, which had 15 other proposals on the ballot, rejected a plan to exempt veterans from certain taxes.

Many issues concerning roads, hospitals and schools appeared in one form or another. Two results involve matrimony. The electorate of Elkton, Maryland (the Gretna Green of the East) approved a referendum which outlaws loitering near public buildings. The local practice of urging couples to marry for the purpose of collecting a licence and ceremony fee should thus be eliminated. In South Carolina the voters chose to legalise divorce. This was the only state which had recognised no grounds for divorce. Colorado passed a law permitting pari-mutual betting on horse races and it is expected that dog racing will be introduced as a result. In Massachusetts a referendum which would have allowed doctors to give birth control advice was defeated. This issue has been brought repeatedly before the electorate of both Massachusetts and Connecticut, owing to their outdated laws relating to the subject, but the Catholic Church, which is powerful in both, has always succeeded in blocking medical progress in this field. In Connecticut a referendum was passed endorsing a strong United Nations and urging American initiative towards World Government. Altogether the minor issues of the 1948 election supplied more spice than the major issues.

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Bargaining on Pensions

The scope of collective bargaining has been widened by two important decisions. The first is that unions are entitled to a voice in "merit increases" granted to individuals or groups; the second the ruling of a Chicago court, in a case brought by the Inland Steel Company, that management must discuss pension and retirement plans with the union it has recognised. In the same case, however, the court upheld the National Labour Board's view that to enjoy the protection of the law in bargaining on pension rights, the officers of the union concerned must sign anti-Communist affidavits. Both decisions are to be appealed to the Supreme Court, the first by the steel company, the second by the union. Though the law may be repealed before a judgment can be obtained.

The Inland Steel Company's view is that the right of a union to participate in drawing up pension plans will discourage employers from introducing or maintaining them. But union pressure is strongly in favour of increasing protection for labour's aged, and will be hard to resist. There are already over a million men of 65 or older employed; and Mr Murray, head of the Congress of Industrial Organisations, recently gave notice that pension and welfare benefits loom large in labour's plans for the future. Already at least 3,000,000 workers are covered by some type of private welfare or retirement scheme. Of these, 45 per cent enjoy health and welfare benefits, 44 per cent are covered by pensions as well, while 11 per cent have only retirement or pension coverage. These employer security schemes are concentrated in a few industries such as coal (where 450,000 workers are concerned), textiles (where 875,000 are protected) and transportation.

This strong demand for insurance from industry is the direct consequence of the failure of government social security benefits to keep pace with the cost of living, and of the fact that all workers are not covered. At the end of 1947 Federal retirement benefits averaged only $25 a month for a single person. Old-age assistance, granted by the States on the basis of need to those who do not qualify for Federal benefits, stood in June at $38 a month—substantially more than a worker received who had paid contributions into the national scheme. National health insurance is, of course, still only in the debating stage. In these circumstances, union attempts to secure adequate security for their members is not surprising. Not to be outdone the American Legion has passed a resolution demanding monthly pensions commencing at $60 for all veterans over 55. The promises of both the Republican and Democrats to increase Federal benefits are not likely to bring about sufficient increases to head off these demands. But the result, inevitably, is that the community will pay, in higher prices, for security which will be confined to workers in highly organised industries like coal and pressure groups like the veterans.

THE WORLD OVERSEAS

The Agrarian Crisis in Hungary

(By a Correspondent Recently in Hungary)

AN agrarian revolution was decreed in Hungary in the middle of March, 1945, a couple of months before the end of the war in Europe: the time has come for a first review of its consequences. It would have been necessary to review them in any case, and it may be partly by chance that the time of doing so has coincided with the stiffening of the Communist attitude as expressed by the Cominform in the summer of 1948.

The need for agrarian reform was notoriously more acute in Hungary than in the other countries of eastern Europe because the necessary legislation had in effect been shelved after the first World War. The crying problem of the country before 1945 was that of the landless labourers who, together with their families, comprised a third of the whole population in a country where the really big estate had survived and yet was very seldom well run. There was a strong case in the plains of Hungary for the big farming unit, but it was rare for the large-scale owners even to demonstrate enlightened self-interest. The reform of 1945 which the Russians pushed through with alacrity—sometimes, it is said, by suggesting that in the case of disputes or delay the available land could be offered to the neighbouring village—reduced the landless labourers and their families from 3,000,000 souls to 1,000,000 at the outside. Like nearly all reforms which war induces, this one, too, had to be carried out in unfavourable circumstances. Hungary had been literally ravaged by the war. It had been the scene of one of Hitler's "last stands" against the Russians; the battle ebbed and flowed, many villages changed hands several times; after the German occupation from the west, the country was swept by the Soviet armies from the east. Thus livestock was about halved; 39 per cent of Hungary's horses, 44 per cent of its cattle and 78 per cent of its pigs were eliminated, and the survivors tended to have accumulated in the west which was anyway the richer part of the country.

As the result of the agrarian reform it has been seen that some 2,000,000 souls (or about 640,000 families), many of them estate servants, ceased to belong to a landless agricultural "proletariat"; 50.7 per cent of Hungary's arable land was absorbed into farms of from 5 to 50 cadastral acres (this Hungarian unit measures 0.57 of a hectare or 1.37 English acres), while the number of dwarf holdings of less than 5 cadastral acres or yokes increased by over 200,000. Many of the new small farmers began with no kind of capital and at first the state could do next to nothing for them. Some of them were keen and made good and somehow arrived at the decisive purchase of a cow after a year or two. But some were foolhardy, and many felt lost. The weather was unpropitious, the difficulty culminating in the drought of 1947. It can have surprised no one that agricultural production fell between 1945 and 1947. This was accompanied by a good deal of surreptitious buying up of land by the richer peasants—the "larded" ones they are popularly called (the word kulak has only been introduced by the new official jargon). Some of the poorer peasants worked for them in addition to working their own plots; others gave up the struggle and went back to being landless labourers, often receiving nothing but a poor percentage of produce. The richer peasants did well out of the drought just as they had in the famine period in 1945; they still tend to be the only people who can afford to buy the expensive consumer goods in the shops.

The New Line

Now the leading economists of the new regime held all along that it was useless to chop the land up into smaller holdings, and that the only solution lay in industrialisation to absorb the surplus agrarian population into industrial employment. When they published their Three-Year plan in 1947, it was found to propose the investment of 2,000 million forints in agriculture which was thus to be restored only to its prewar level. It is further intended to reduce the production of wheat so that it shall no longer be grown for export, since Hungary cannot really compete on the world wheat market; instead, the Hungarian farmer is to specialise in sugar beet, fruit, vines and sunflower seeds, and in the south-east, in the valley of the Körös river, in rice. The richer peasants dislike these innovating ideas, and continue to concentrate on growing corn—wheat, maize and rye.

It is important to the regime and to the planners that the country should produce more efficiently, if less traditionally; for one thing, the increasing number of industrial workers must be fed. The Government cannot fairly be reproached with not doing its part. By now it has helped to bring the livestock level back to prewar, it has sent round reasonably competent technical advisers, it has started up a high number of tractor stations, especially in the poorer east, through a company founded for this purpose last June. The state also manages farms and forests of its own. It has also done a great deal to stimulate co-operative farming. MOSZK, the Hungarian National Co-operative Centre, has about 4,500 member societies, including 2,400 farmers' co-operatives: MOSZK also runs its own production (particularly of fat pigs), and has taken over a number of the small industrial enterprises which were formerly attached to many big estates.

Drive against the Rich Peasants

All this, however, is not enough in 1948; both economic and political considerations impel the Hungarian regime to go further and faster, and in both the economic and the political arenas the richer peasants are its antagonists. The conflict manifests itself in a number of ways. Since the summer the buying and selling of land have been more definitely blocked, and a register is being compiled of the post-reform state of affairs; a number of incompetent small farmers are losing what they were given in 1945. At the same time, the richer peasants are being taxed with increasing severity, largely in terms of produce which they have to deliver to the Government. But the most important drive since early this year has been towards the extension of MOSZK, which is to draw all farming into its control. So far the peasants have only gained certain advantages by joining the local co-operative, and they were free to remain outside it; indeed, it was astonishing on a recent journey to find how relatively little more the non-members paid for goods in the new village co-operative shops. Now this is to change. So early as last spring the change was defined by an important figure in the Hungarian revolution, Erdei, now the leader of the pro-Communist rump of the National Peasant Party. The co-operatives, he declared, were no longer there to protect small traders against capitalists (as they had before the revolution), but to develop national production by the creation of the framework of collective farming; within collective units, he added, the farms in Hungary would remain the private property of individual farmers. On July 2nd the Communist leader, Rákosi, followed this up with the statement that within a year or two it would not be possible to continue to raise the standard of living without changing the methods in use until now.

This seems to have given all the opponents of the regime their chance to play upon peasant prejudice, individualistic and conservative, whether the peasant is poor or rich, and a tremendous agitation is in process; in the most backward parts of the country the word "kolkhoze" seems to signify more or less the same as atomic bomb, at all events some kind of terrifying explosive. The Catholic Church was the biggest landowner in the country before the agrarian reform, which it has never ceased to condemn. Catholic priests, although some of the poorer ones were given small holdings as part of the reform, are active crusaders against the regime, and insist that nothing but imitation of Russia is intended. In the poor east, where there were less big estates and where Calvinism was strong and the peasants less servile, the clash between rich and poor peasants is perhaps most bitter; some of the staunchest Calvinists were well "larded" peasants; the official anti-kulak drive is making them suspicious and hostile for the first time since 1945. Traditional anti-Semitism is used to whip up feeling against a Government whose leading personalities are Jews.

It is too early to judge whether the planned industrialisation of Hungary which was inaugurated in August, 1947, will hamper agricultural production by drawing the ablest peasant youths into the factories away from the land. A tendency of the kind has operated through most of this century, and the present regime counteracts it to some extent by the encouragement of agricultural colleges and technical training. In the long run it is probably true that larger collective units are the only way to raise the general standard of living. Some of the prophets of agrarian reform, former leaders of the then revolutionary National Peasant Party, reply: "Yes, but our people would rather eat less and be their own masters. They do not wish to be estate servants working for the state instead of the Esterházys."

End of the Honeymoon in South Africa

[FROM OUR JOHANNESBURG CORRESPONDENT]

THE South African Government has issued import control regulations which it is hoped will reduce the total imports from non-sterling countries by a quarter. "Luxury" goods are prohibited from all countries except under permit; currencies costing gold are to be rationed. But the essential needs of agriculture, mining and secondary industries will be met by supplementary quotas.

The Minister of Finance, Mr N. C. Havenga, has embarked on this course with obvious reluctance. He had hoped that before now the import of consumer goods would have fallen as wartime arrears were overtaken, so that the Union would be able to cover its unfavourable balance with its current gold output plus the normal flow of foreign investment capital. But imports, as the Minister admitted, are still rising. It is moreover doubtful to what extent this rise is now due to consumer goods. A large percentage of imports seems to be accounted for by producer goods for secondary industries which expanded under the stimulus of the large net inflow of capital in 1947 and the first quarter of this year—although that stimulus has itself been removed.

If it is correct that a large proportion of the still rising imports is accounted for by the demands of industry rather than of commerce and the general body of consumers, Mr Havenga's task is made all the more difficult. In the Budget debate in August, he declared: "If we once start on import control, it will not be possible to limit it to what are usually called ordinary consumer goods and luxury goods." Analysing imports from the non-sterling area, he pointed out that, on the basis of the 1947 figures, textiles accounted for £28 million, motor vehicles and spares for £15 million, agricultural machinery for £4,000,000, other machinery for £20 million, petrol and oil for £5,000,000, paper and wood for £5,000,000, steel and iron for £9,000,000, and medical and chemical supplies for £4,000,000—a total of £90 million. He warned that import control applied to those items might cause "thousands of unemployed." What he is now seeking to do is to stop the drain on the gold reserve, estimated to be running at not less than £5,000,000 a month, by rationing non-sterling currencies while leaving imports of producer goods as far as possible unaffected. In 1947, the value of imports from the United States and Canada was £120 million, and from other non-sterling areas about £85 million. The estimated total of imports from the non-sterling area for this year is about £250 million. It is calculated that the new regulations will effect a cut of between £75 million and £100 million between now and next June (the quotas are retrospective to July 1, 1948). Obviously much depends on what proportion of current imports is accounted for by the "essential requirements" of industries, agriculture and mines.

The present position has come about after the cessation since May—the month in which the Nationalists came to power—of the extraordinary capital inflow from the sterling area. This began in 1946 and continued throughout 1947 and the first quarter of this year. The net capital inflow during this period has been estimated at £150 million, or two-fifths of the total foreign capital imported between 1870 and 1936. This enormous inflow permitted and encouraged a vast increase in imports, without any internal monetary decline. In 1946 the Union imported goods to a total value of £214.4 million, which was almost double the 1945 figure. In 1947 the total was £295 million. Of this 1947 total the United States accounted for £104 million and thus became the chief supplier of goods to South Africa, a position which Britain had held, with one break in 1941, since 1910. Nevertheless, British exports to the Union in 1947 also constituted a record, standing at £91.8 million.

This heavy external deficit on current account was not, however, accompanied by any decline in the volume of money in circulation. A contraction did occur in the early part of 1947; but the commercial banks' cash reserves rose to £175,277,000 in October, from £133,151,000 in January, while deposits rose to £329,800,000 and discounts and advances to £113,643,000—a record; the volume of money in circulation rose to £411,900,000. All this was made possible by the capital inflow from the sterling area. At the beginning of 1947 the Union's sterling holdings were £11,043,666. By the end of the year they stood at £53,068,070, and were to rise still higher, to £83 million in May this year. Though the gold reserve had fallen from £230,681,258 at the beginning of 1947 to £187,117,074 at the end of it (because of Lend-Lease repayment, contribution to the International Monetary Fund, and other causes), the end-of-the-year figure still represented a ratio of 73.5 per cent to liabilities: and though, in February, 1948, the £80 million gold loan was transferred to Britain, the decline in the Reserve Bank's gold and foreign exchange holdings was only £58.5 million at the end of March. Had it not been for the gold loan holdings would thus have increased by £21.5 million.

The picture today is very different. It now seems clear that the capital inflow, in excess of the country's capacity to absorb it, produced inflationary conditions which attracted labour and materials away from the mines, the Union's chief dollar earners, to secondary industry and commerce, the chief spenders of dollars. At the end of March, 1948, the gold reserve stood at £107,695,386; but by the end of August it was down to £75,700,000, and thereafter it continued to decline rapidly until it stood at £57,522,206 at the end of October. And with the cessation of the capital inflow after May, the sterling balances dropped from £83,000,000 to £50,801,543. The Union's deficit with the sterling area is estimated to be running at an annual rate of not less than £80 million.

The Nationalist Government's policy has been to delay import control as long as possible in the hope that the balance of payments would right itself as the demand for imported consumer goods was satisfied and the backlog of past orders placed in the dollar area was overtaken. Delaying action has taken the form of appeals for voluntary curtailment of imports, and reducing the statutory minimum of the reserve ratio from 30 to 25 per cent, to release more gold for sale in the dollar area. Repayment of the £80 million gold loan has been counted as part of the Union's sterling assets to demonstrate that the deficit with the sterling area presents no immediate problem. Meanwhile, the Minister of Finance has declared that import control is "only an emergency measure" and that it must be supplemented as soon as possible by "positive action"—increasing the gold output and increasing other exports, while economising on capital spending within the Union. But it will not be easy to apply these obvious remedies. Gold output is shrinking, and the new Free State mines are not yet in production. The new mines also require considerable capital. Mr Havenga has called for a greater volume of internal savings to take the place of the overseas capital which has now stopped coming, and Dr Donges, the Acting Minister of Economic Affairs, has calculated that with a national income of £750 million, a net amount of £120 million ought to be available for home investment. But this overlooks the inflation which defeats attempts to save—the cost of living is still rising.

Warnings Disregarded

Mr Havenga has been severely criticised for introducing a "favourable" Budget in August despite the warnings about the country's financial position delivered at the end of July by the Governor of the Reserve Bank, Dr de Kock. Another criticism is that the reintroduction of white bread will cost the country about £5,000,000 in wheat purchases from the dollar area. The gold output has dropped by 40,000 ounces a month compared with last year, and 10 mines which produce 14 per cent of the total output and employ 19 per cent of the total labour force are paying no dividends. It is argued by the Opposition that the Budget ought to have reflected the country's true financial position.

The Government's own finances present problems. In September, when the Government's 3¼ per cent loan matured, an attempt to convert it at 2⅞ per cent failed. The Minister has to find £15 million to pay out. It has also been calculated that Mr Havenga is not at present in a position to raise more than about half the £71.5 million which Parliament voted for expendi-

ture from loan account, and it is expected that State, provincial and municipal spending will have to be severely axed. Mr Hofmeyr remarked last month, "It all looked very nice on Budget day, but now the honeymoon is over."

FAO in Conference

[BY A CORRESPONDENT]

APART from the International Labour Organisation, which is an unaccountable survival from the peace-making of thirty years ago, the Food and Agriculture Organisation is the oldest Uno organisation now at work. It dates from the honeymoon period in East-West relations of 1943, when the thunder of the guns at Stalingrad was still reverberating around the world and the architects of the Grand Alliance were taking their first, sneaking look at the plans for the postwar world. The best that may be said of the FAO is that it still retains some of the spirit of the International New Deal which in 1943 everybody hoped would come out of the war. There is no doubt that if all the Uno organisations were arranged in order of progressiveness, the FAO would stand on the Left, with the International Bank unmistakably to the Right on one side and Unesco imperfectly seen in the mists of the far distant Left on the other.

The fourth FAO annual Conference which assembles in Washington on November 15th will meet under the leadership of a new chief, Mr Dodd, from the US Department of Agriculture. The first of its tasks is to allocate scarce supplies of certain cereals, fats and oils, fertilisers and feeding-stuffs by persuading, shaming and jollying producing and consuming countries into agreement. This is a wartime legacy, which will doubtless disappear with the shortages of these commodities. The second is the technical education of backward countries in the most efficient methods of producing and consuming food—an important and continuing job. It involves missions, conferences, visits by experts, training schemes and wide distribution of numerous technical publications. Since the technical advice comes from an impartial international source, the experts who give it are less likely to be suspected of serving any narrow national interest, while the roster of contributing countries is wide enough to ensure that the standard of expertise can be kept high. There have been missions to Greece and Poland which went into considerable detail with recommendations for improvements in farming and nutrition, and regional conferences have been held on technical problems such as the introduction of hybrid maize into Europe and the prevention of infestation of stored foods. Experts are continually being sent from the advanced agricultural countries of Europe and the Western Hemisphere to solve the agricultural problems of countries on the other side of the globe and a small return flow of students has started along the same routes.

In all of this strenuous and in the main useful activity, there is at times a certain danger for Uno as a whole. FAO has no funds of its own to distribute, its budget being limited to a bare $5,000,000 a year; and it cannot influence the International Bank or the International Monetary Fund directly. It has, however, succeeded in dropping some pretty broad, fraternal hints to the Bank, the most celebrated instance being when the FAO Mission to Greece recommended that the Greek Government should apply to the Bank for an "initial" loan of $100 million. Although this sally was ignored by the Bank, it may be surmised that the possibilities of using the technical Uno organisations to soften up the Bank and the Fund prior to a direct attack, were not lost on certain needy countries.

Part of the educational job of FAO is economic reporting. The reports to be discussed at the forthcoming Conference are on the whole optimistic, forecasting a world export surplus of grain this year of some 38 million tons, the largest since 1930. But the world will continue to rely overwhelmingly on the Western Hemisphere for its food imports and is not likely to get them any cheaper in the near future. World food production has been rising—but so has world population, some two hundred million new mouths having been added since 1938. Supplies available per head have therefore recovered less rapidly than total supplies. The relevant FAO index numbers for the principal regions of the world are:—

	Total Supplies Available (1934-8 = 100)		Supplies Per Head	
	1946/7	1947/8	1946/7	1947/8
Far East	92	95	84	87
Europe (ex. USSR) ...	77	75	73	81
United States and Canada	126	122	112	103
Latin America	119	127	96	101
Australia and New Zealand	108	110	94	95

The Swiss View on OEEC

[FROM A SPECIAL CORRESPONDENT IN SWITZERLAND]

SWITZERLAND'S attitude towards the European organisation set up to run the Marshall Plan seems to have given rise to some misunderstanding. That attitude may be defined as entirely co-operative in purpose, but as somewhat critically reserved and more effective than ostentatious in action.

At a meeting recently summoned in Berne to consider an inquiry received from Paris as to the future policies of the Swiss Government, one of the participants said in substance:

> Suppose that after a violent storm a fire had broken out in one of the villages in our Alps. The flames had ravaged and more or less burned out all the wooden *chalets*. One house alone, that of the village doctor, being built of stone, had been spared. What, under such circumstances, would and should be the attitude of its privileged occupant? He obviously could not be indifferent to the sufferings of his distressed neighbours. The less so as they were both his intimate friends for whom he had none but the kindliest fellow-feelings, and his suppliers and customers, whose welfare was a condition of his own material existence. To anybody who came upon the scene of desolation from without with offers of advice and assistance, he would not hesitate to pledge his full co-operation. But if it was suggested that, in order to show his sympathy and to assure a greater uniformity of architecture in the reconstruction of the village, he should adapt his own home to the style of that of the victims of the fire, he could hardly be expected to concur.

This Alpine parable was much appreciated by the other members of the commission in Berne as an expression of their unanimous views. The only criticism it elicited was to the effect that it did not quite faithfully illustrate the position of a liberal Switzerland in a ravaged and plan-ridden Europe. Might not the village physician be tempted to seek more congenial surroundings if his attitude were misunderstood and his counsels disregarded?

The Swiss Government had no hesitation in accepting the Franco-British invitation to join in a co-operative effort to promote the economic rehabilitation of Europe. In this they were fully supported by the Swiss parliament and the Swiss people, the only opposition being that of a negligible Communist minority. The Swiss acceptance was prompted by feelings both of international solidarity and of enlightened national self-interest.

Switzerland's Financial Strength

Switzerland neither needs nor seeks Marshall aid for itself. Although its balance of trade is exceptionally passive, and indeed in recent months has become somewhat alarmingly so, its balance of payments as yet shows no signs of disequilibrium. In fact, all foreign currencies, not excluding even the American dollar, are cheaper than the Swiss franc, at home and abroad. Furthermore, the country suffers from no unemployment. Its financial and monetary position has heretofore allowed it to purchase all the foodstuffs and raw materials it needs on the markets of the world. The products of its highly developed mechanical, chemical and dairy industries are eagerly sought for all over Europe. As for its textile and other industries, which supply what most hard-pressed states tend to brand today as non-essential goods, but without which civilisation would be a mere word, they are kept in full employment by an active policy of bilateral agreements, supplemented by freely, perhaps all too freely, granted financial credits.

The whole economic machinery of Switzerland is kept in operation not by any hard and fast system of state-planned directives, but by the individual efforts of salesmen abroad and of entrepreneurs and workmen at home. How could it be otherwise in a small and densely populated country, deprived of almost all natural resources and consequently entirely dependent for its prosperity on foreign trade? In this respect the economic policy, but not the structure, of Switzerland much more closely resembles that of the other and incomparably greater creditor beyond the seas than it does that of its European neighbours.

Is it really surprising under such circumstances that Swiss opinion should be sceptical of the much-vaunted but strangely deceptive schemes of rigid national, and purely hypothetical ideas of international, planning to which some abroad would have Switzerland adhere? How can it, as a relatively prosperous creditor nation, be expected to abandon or to jeopardise the policies of free enterprise to which it, no less than the United States, attribute their material welfare? Is it not displaying its sense of European solidarity more effectively, even if less spectacularly, by offering to share the fruits of its productivity with its less fortunate neighbours than it would be by seeking to emulate their paralysing policies?

To conform might be to please. But to produce, by not conforming, is more usefully to serve.

THE BUSINESS WORLD

The Contest Over Steel

AT some stage in the controversy which is breaking out over the Iron and Steel Bill it will be necessary to leave aside for a moment the merits and demerits of what the Bill proposes to do, and consider how to avert the heavy contingent disadvantage that it carries with it. The Bill, whether it would be good or bad in a timeless existence, threatens for the next two or three years to exert strong disintegrating forces on the steel industry, considered as a working part of the national economy, itself. It is, indeed, because these two or three years will be of such decisive importance for the material economic recovery of Britain that the Bill, introduced at the present moment, is seen to wear its Socialist doctrine with an impish and irresponsible air. Whether the Bill passes or not, and whether or not it undergoes substantial change, it will be vital to avert as much of the contingent damage as possible. Since the Iron and Steel Federation has this week entered actively into the controversy over the Bill, the means of doing this will be better considered now than later.

Up to the present the Iron and Steel Federation has displayed outwardly an impressive and to many observers puzzling lack of agitation about its future. Clearly its reticence did not arise from lack of concern; of the industries touched by the hand of nationalisation, the iron and steel industry is perhaps the first to be found in the posture not of prayer or resignation but of confident self-defence. One of the steelmasters' assets is their confidence that they can manage their affairs well if things are left as they are; when they say that the public interest will be better served by leaving them alone than by imposing the Bill upon them, they evidently mean it, and this goes some way towards strengthening the fairly widespread suspicion that by chance they are right. But the Federation's policy so far has been to concentrate on its business: the production of steel, the planning of the industry's development programme, the handling of such special matters needing concerted action as ore and scrap supply, and the furnishing to the public of an excellent service of statistical information on which the industry's recent performance can be judged. About the Government's plans to take over the industry, and the questionable political manœuvres in which those plans have involved the Government, it has been reserved. There could probably have been no more effective public relations policy.

This relative silence has been broken this week in two ways. Sir Ellis Hunter (not as chairman of Dorman, Long and Company, but as president of the Federation) issued a statement on Wednesday setting out briefly the Federation's opposition to the Bill. He concerned himself less with the general economics of the proposed nationalisation than with the fact that it promises to destroy the Government's position of impartial public supervisor of the 2,000 or so firms which came within the sphere of action of the Iron and Steel Board, and bring it into direct competition with many of them over a wide field of mixed industrial activities:

> In future the Government would itself be an interested party controlling the price and volume of the raw material supplies of its competitors in the finishing branches. As owner of the 107 firms it would similarly become a competitor in many British industries beyond the bounds of iron and steel products.

The variety of these activities in which the Iron and Steel Corporation will be engaged, or from which it will require to disentangle itself, is shown more fully than has previously been done in a list issued by the Federation. To the celebrated example of umbrella frames it adds some that are more unexpected: hotels, insecticides, cookers, and tennis rackets among them. The conclusion drawn by Sir Ellis Hunter is that conflict will be created between the State and private enterprise over a wide field of industry "without the slightest indication being given of the terms on which public money and public powers will be used." In sum:

> The industry has always been prepared for further constructive development of public co-operation but the Government have abandoned their own experiment of control through the Iron and Steel Board, in favour of a policy grievously prejudicial not only to iron and steel output and development, but also to the industries which iron and steel serve.

These are not immoderate words. But they are merely the opening shot in a cannonade which promises to be long and to grow more bitter as it progresses; what is alarming about them is that the responsible industrial leaders from whom they come will have to work, throughout the entire controversy which is now opening, in the closest contact with the Government over vital matters of the day-to-day conduct of the steel production drive and the realisation of the steel development plan. The first sight of the danger in which this collaboration now stands came over the resignations from the Iron and Steel Board in September. This action of the members (other than the trade union members) of the Board has been described in a recent Labour party pamphlet as "petulant" and as proving that "the Tory way of controlling steel is unworkable." There is no reason to suppose that it was anything of the kind. The gibe, which itself promises ill for the way in which the argument over steel is to be conducted, ignores the fact that the difficulty which is being created is a real one, and will arise again and again over a period when cross-purposes in the working of the steel industry can least be afforded.

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There are probably few instances of a matter of this size and importance being decided against so slender a background of impartially collected expert knowledge; the rule that survey should precede action has not been observed in more than the most perfunctory manner or to the satisfaction of any but the actively engaged protagonists. What is the existing organisation of the steel industry? To what extent does it leave room for the play of healthy competitive forces? To what extent is it a cover for monopolistic practices? In what ways is it, as it stands, responsive to the overriding necessities of the public interest? The Iron and Steel Federation has produced its own answers to these questions in an article, "Organisation in the Steel Industry," in the October number of its *Statistical Bulletin* which appeared this week. Since this article is intended as a considered statement of the steelmasters' own view of how their industry is organised, its main points deserve recapitulation.

To some extent the article is a theoretical statement: it assumes, as a beginning, that "detailed control from the centre cannot satisfactorily replace the discipline to which a particular firm is subject when it has to compete and survive on its own merits." It assumes, on the other hand, that untrammelled competition is out of the question, and to that extent

gives away in advance the pure individualist case against nationalisation:

> The capital investment in many industries is now so large, and the importance of overcoming extreme trade fluctuations is so great, that there is inevitably a direct public interest in industry which, in the conditions prevailing today, may not be fully safeguarded by private competition alone. Over a wide field of industry, therefore, a conscious expression of the public interest may well be required, as well as the discipline and stimulus of competitive enterprise. It is in this field of the practical working out of a relationship between the State and industry that the steel industry has much to contribute from its practical experience.

The argument which follows is clear and coherent, though there is no blinking the fact that it depends to some extent on unsupported assertion and is to some extent prejudiced by the highly abnormal set of conditions in which the present arrangements operate. The steel industry is competitive and free from monopoly practices, it is argued, because in each field of production a number of firms is engaged, and because the price of steel products is fixed not by the industry but by external factors. But what are the external factors? Substantially they amount to the Government's decision upon what the price of steel products ought to be. It is true that there is a clear incentive to efficiency in the prospect which the efficient firm enjoys of a bigger margin on the fixed price. But only the Government itself can support the assertion that the system of price-fixing shows no tenderness to the marginal producer; and the Government, being itself about to engage in monopolistic practices which promise to dwarf anything ever achieved by the steelmasters in the most restrictive moments of their past, can only be a suspect witness.

The *Bulletin* is, however, able to show that large variations exist in the margins earned by steelmaking firms, and shows, too, that room for initiative exists in the possibilities of expanding production in the present boom times. Some firms have increased their production by as much as 70 or 80 per cent since 1938, while some have achieved little or no increase; and on the whole the smaller firms have achieved larger proportionate increases than the bigger firms. Rigid technical factors determine, no doubt, much of this apparent success or failure; but the room for individual effort is no doubt there.

Having sought to establish that competitive conditions exist in the iron and steel industry, the article goes on to describe the machinery which exists for curbing and co-ordinating it: the common services which the Iron and Steel Federation provides and the supervision on behalf of the public which is provided, until the resignations of its members take effect at the end of this year, by the Iron and Steel Board.

It is not necessary to accept the whole of the Federation's case to recognise that the work done over the last few years represents, as the article claims, "a constructive development in industrial organisation," and that it has something to do with the industry's excellent production record in the postwar years. The point is underlined at the same time by the announcement that the annual rate of British production of steel ingots and castings in October, 15,455,000 tons, was the highest ever reached in the steel industry; and the comparison between the steel industry running well ahead of its target and the coal-mining industry lagging behind is not one that has been lost on the public.

There are at the same time questions which any critical reader of the Federation's case must ask himself before he gets near to accepting it. He is not likely to be satisfied that the industry's present organisation contains no element other than the two to which the Federation points, internal competition and external public control; the other element may not be playing any outstanding part at the moment, but then the conditions are at the moment strange. He is not likely to be satisfied that in the pure field of technical growth the search for efficiency plays the unhampered part that it should play. Neither of these doubts, however, is likely to decide him in favour of the Steel Bill, the only competitor to the steelmasters' thesis which for the moment has the field.

The immediate case against the Bill rests most strongly on two feelings which are widely to be found. The first is that the Bill is likely to perpetuate some of the main faults in the existing organisation. The second is that, whatever ultimate virtues the Bill might have, its immediate effects are bound to be mischievous. The second argument is strong, but because of its strength needs careful handling. It can best serve the steel firms if they and their representative organisation continue to display the patience and restraint and attention to their business that they have shown so far. The responsible leaders of the industry will go on trying, no doubt, to resist any pressure on them to turn their full attention from the running of the steel industry to the conduct of a fight. That there must be such pressure in the heat of a political contest of this sort is evident. If it is not resisted the industry, and the country's economy, will be damaged; the evil effects will outlive the controversy itself, and it will be the steel industry's case more than the Government's case that will suffer. The steel firms cannot in any case decide the outcome; all they can do is to create the conditions (or preserve them) in which their case has the best chance of being effectively heard. The first of these must be an industry which continues to be stable and energetic. By maintaining this condition the steel firms will be performing a public service which is needed whether the Bill passes into effect or not.

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Bonfire of Controls?

IT was a happy thought of Mr Harold Wilson to stage his "bonfire of controls" on the eve of Guy Fawkes day. The Government has said repeatedly that it does not control for control's sake, that some relaxation or simplification of controls takes place "almost every day"; but a public which sees little sign of increasing freedom in its daily life is excusably prone to greet such protestations with a rude retort. It was good tactics, therefore, for Mr Wilson to dramatise what is being done, to show that enough tinder could be piled up to make a setpiece. True, the effigy was a mere skeleton, without substance for a roaring blaze; but there was quite enough for a brief flare. The public, dazzled only momentarily, is now wondering whether anything important has been burnt; and, if not, whether this scene promises a bigger and better spectacle eventually.

There is little doubt that the significance of this occasion lies rather in the second of these possibilities than in the first—but the chances of a good honest blaze by next Guy Fawkes day are not bright. Mr Wilson's statement explained that since February 1st he had authorised the relaxation of controls affecting more than 60 commodities for which the Board of Trade is responsible; but they are mostly minor commodities and minor relaxations. And he then said:

> Apart from those basic controls which are essential for our economic recovery for industrial efficiency or for full employment, it is our policy to maintain all those controls—and only those controls—which are essential to secure a proper distribution of materials which are still scarce. A wide range of materials still continues in short supply, and we shall consequently have to continue the measures by which they are allocated though we shall continue to introduce improvements and greater flexibility wherever possible.

Here is a considered statement of Government policy. It stands by the main structure of control, but reiterates the need for flexibility and the desirability of relaxation wherever possible. The reason given for the recent changes is to "assist our industrial efficiency and our power to export." Moreover, apart from what Mr Wilson calls the "basic" controls, the Government is definitely committed only to the allocation of scarce raw materials.

To understand the significance of the recent changes and the scope for further simplification within the range of direction which the Government still regards as necessary, it is desirable to glance first at the shape of the whole system. Broadly, there are three groups of controls. The first is exercised by statutory regulation of manufacture and supply of an article, by a licensing system related to the prewar pattern of industry. The principle of licensing was that unless a firm produced certain types of goods before the war, it could not be allowed to produce those types after the war. Such a control, no matter how justified it might have been during the war, is pernicious by its very rigidity. It prevents competition by preventing new entrants, and it tends to perpetuate the same old ideas and the same old designs. The second group of controls works through the allocation of scarce raw materials, and is quite distinct from the first. Hence a permission to manufacture carried with it no guarantee of a supply of raw materials, and the risk of duplication inherent in this arrangement gave obvious scope for simplification. The third group of controls embraces import and export licensing, and public purchase.

All these controls had their origin in the war, and although a good many modifications have been made in the past three years, there has been no major reorganisation of the control system. In war, the problem was one of conserving labour and materials and getting maximum output for the forces, consistent with a basic supply of essentials for the civil population. In peacetime the problem is still to maximise output, but to direct as large a part as possible to the diverse needs of export markets instead of to a single mass buyer, the Government; and to do this in such a way as to economise hard currency and scarce raw materials.

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In both sets of circumstances, of course, supplies to the home market had to be drastically curtailed. The use of the wartime system of control without any major alteration to meet the changing circumstances inevitably involved some overlapping and the retention of some controls which had become redundant. Indeed, as the postwar economic situation deteriorated, controls were used as stop-gap devices to help dam the dollar drain. The whole system of statutory control of manufacture was in fact merely used as a secondary control on the use of raw materials; later, it was modified as an instrument for fostering the export drive.

In principle, any system of controls of this kind is a substitute for "automatic" control by the price mechanism. But in certain directions, as subsidies on various raw materials were abandoned and as the home issue prices of those goods centrally purchased were brought into line with world market prices, the automatic system of control began to do its work again, and the need for many of the physical controls tended to disappear. Price determined the allocation, and in some categories of clothing and footwear it determined the ration as well. In addition there has been a distinct improvement in Britain's economic position, especially in certain lines of production. In chemicals, home production has expanded sufficiently to meet both overseas and domestic demand, while the supply of certain less known raw materials has improved owing to a softening of certain currencies, thus providing further scope for relaxation of control.

RELAXATION OF BOARD OF TRADE CONTROLS
Since February 1, 1948

Abolition of Statutory Control of Manufacture, etc.	Allocation Abandoned and/or Private Purchase Restored	Relaxation of Export Licensing and Control of Distribution
Mechanical lighters	Acetone	Cotton piece-goods
Perambulators	Sunn hemp	Formvar
Certain plastic manufactures	Leather	Glue, gelatine, size
Rugs	Liquid rosin	Knitted goods
Toilet preparations	Pyrethrum	Lactic acid
Toys	Japanese silk	Linen
Artificial flowers	Constructional veneers	Potassium permanganate
Braces	Acetates	Rubber tyres
Curled hair	Amyl alcohol	Soda ash
Cutlery	Caustic potash	Plywood, boxwood and veneers
Embroidery on net	Cotton linters	Woollen piece-goods
Fertilisers	Cotton waste	Cork
Fountain pens	Derris	
Glassware	Drying oils	
Gramophone records	Sisal and manila hemp	
Hollow-ware	Manila copal	
Jewellery	Rayon yarn and staple	
Linoleum		
Miscellaneous household and fancy goods		
Miscellaneous textiles		
Sports gear		

Note: The above list is not fully comprehensive but it includes most of the Board of Trade items concerned. It does not include those items covered by the revocation of the Wireless Receivers and Radiogramophones Order and the Machinery, Plant and Appliances Orders of the Ministry of Supply and referred to in the text.

Such was the background of the decision of the President of the Board of Trade last February to appoint an Examiner of Controls to advise him on the possibility of relaxation and, in particular, of cutting out duplication. The Examiner's terms of reference, however, did not include matters of policy, such as price control or de-rationing. The first group of controls to be examined was that involving the regulation of manufacture,

least necessary part of the whole system. In the main, it was reinforcing the raw material controls or export licensing. Moreover, the control of manufacture caused the greatest number of pinpricks to industrialists. It is clearly wrong in principle to attempt to keep an industrial structure rigid for any long period, while there is a possibility that the increased competition which relaxation would permit might stimulate industrial efficiency. The revocation of many of these statutory orders was not, however, well received by many trade associations. The fear of competition and the veneration of the *status quo* dies hard after a phase of spoonfeeding and sellers' markets. But it is now permissible to manufacture any of some 25 categories of articles, whether or not such a manufacture had been carried on before the war. These include wireless receivers, radiograms, numerous types of machinery coming under the Machinery, Plant and Appliances Order of the Ministry of Supply, and a number of miscellaneous consumer goods ranging from perambulators to mechanical lighters and toilet preparations. For many articles, the control of distribution has also been abolished. In the past, manufacturers even of new products or new types were permitted to sell only a small proportion of their output on the home market. But the risk involved in selling an entirely new product overseas was often too great, and the projects were generally abandoned. Now a larger proportion can come on to the home market, so long as the export target is reached by the industry as a whole. These relaxations, it is estimated, will save the Board of Trade from issuing some 200,000 licences a year. This is an impressive figure, but unfortunately it throws into relief the magnitude of the licensing which will still take place; for it is admitted that these relaxations are marginal.

In raw material allocation the relaxations have been limited to the relatively minor commodities. Acetone, sunn hemp, manila and sisal hemp, liquid rosin, Japanese silk, constructional veneers, cotton linters, oiticica oil and other little known commodities have reverted from public to private purchase. In each case, either the supply has improved so that the commodity can be readily purchased in the sterling area, or, where only dollar sources are available, control will be effected by allocation of foreign exchange. Although the main group of raw materials has not been affected, this policy of decontrol at least gives an opportunity to experiment with the less constrictive methods of control, by a general allocation scheme for foreign exchange. If the experiment is successful—if under these conditions private importation does not cause any serious drain on dollars—it may be all the easier to get the more important raw materials put on the same basis.

The relaxation of export licensing is in the main a corollary of the relaxation of the other controls. In many instances, the abolition of the statutory orders controlling the acquisition, manufacture, supply and distribution of goods automatically abolishes export licensing—that is, specific control of the proportion of output destined for export. Experience has proved that the achievement of export targets depends on the co-operation of industry rather than upon specific regulations. The Government has set the general target and the various industrial organisations have split it into individual targets for factories; and it is now generally recognised that those industrial organisations will do more to ensure that the target is met than any licensing system can do. When the sellers' market was ubiquitous overseas (and when, also, home demands were at their peak), the export licensing system undoubtedly helped to expand the volume of exports. But now, with the growth of buyers' resistance abroad, this system is proving to be too rigid. Exporters must be free to switch from market to market and from commodity to commodity as saturation of local markets becomes apparent. Without this flexibility, the potentialities of the export drive might be

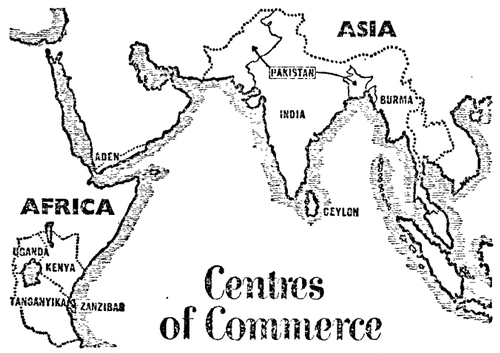
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London Manager: W. Kerr.

severely limited. Moreover, in many categories the pressure of home demand is now less insistent, so that the danger of undue diversion to the home consumer is lessened.

The changing conditions in Britain and the world have permitted some measure of relaxation of controls—even within the rather austere limits still set by the overriding policy of the Government. With steel, timber, paper, building, textiles and fibres still firmly under control, it may seem that not much has yet been achieved. But the relaxations conceded this year are a beginning. They will help industry more than they will help the consumer. They will permit greater flexibility, will stimulate competition, and will remove many annoying restrictions which industry has long regarded as unnecessary. These relaxations will not, however, permit any perceptible reduction in staffs at the Board of Trade; this may or may not be a measure of their extensiveness. But they should reduce the clerical burden imposed on industry. These measures should perhaps be regarded as really no more than a streamlining—the abolition of redundancy or, in some cases, a simplification. They have not meant a complete reorganisation of the system of control. For that very reason, there must be great scope for further relaxation—in the Board of Trade, the Ministry of Supply and other departments—even without abandoning any of the basic objectives of policy. Mr Harold Wilson has already promised more easements; and he must be held to his promise. This good beginning must not be made an excuse for reduced vigilance in the search for new opportunities for economy and simplification.

Business Notes

Priority for Productivity

Sir Stafford Cripps, who had in recent weeks given no more than hints of any uneasiness about the trend of production, has now plainly conceded that the effort is slackening and can only be revived through higher production per head. He qualified his acceptance of the recommendations of the Anglo-American Council on Productivity (which are outlined below) by pointing out, legitimately, what is already being done to furnish the tools which industry needs and by reiterating that the need to export machinery and vehicles must continue to restrict the volume of re-equipment at home. But he accepted the Council's report in general readily enough, and his comments on the trend of production could hardly have underlined it more strongly:

> There is evidence for believing that after the remarkable industrial recovery achieved in this country in the first two years of peace there is an apparent flattening out of the curve of production, suggesting a slower rise in productivity per head of the population than we are entitled to expect with the growth of mechanisation.

There had been little change in the production index since the spurt of a year ago, and another such spurt was urgently needed now. But how was this to be done?

> Unless with our existing labour force we continue to increase output per head substantially we cannot expect to see a further improvement in the overall level of production, since there is very little fresh labour that can now be drawn in.

There is indeed no escape from the conclusion that only a major increase in productivity can save Britain from a further and probably severe constriction of its standard of living when the economy has again to support itself, as it will have to do, willy-nilly, when the ECA period ends. Henceforth, the drive for productivity must be foremost among Britain's economic objectives. Critical importance is attached, therefore, to any elements in this campaign which hold promise—notably to the efforts of the new Anglo-American Council on the one hand and of the trades unions on the other.

The results of the first series of meetings of the Anglo-American Council have been summed up this week in a number of incontestable general statements and (more important, no doubt) in the announcement that it has set up committees to pursue special lines of action and inquiry between now and its next full session, which will probably be in the United States in the spring. It had seemed that the council was suffering from an excessive tenderness towards British susceptibilities, but the statement issued last week suggests that it has laid its plans in a businesslike manner, and may yet produce results. One committee is to arrange visits from British factories to factories in the United States. This is only one part of a general recommendation that the best industrial practice should be more generally shared; another, and essential, part is that "knowledge of the best practice in the United Kingdom itself" should be made more generally available, and this is left to British industry to arrange.

Another committee will study the level of productive plant and power in British industry, and will inquire whether the level is relatively increasing or declining. As the report points out, the amount of energy available per employee is one of the main determinants of productivity, and this ratio in the United States is about twice that in Britain. A third committee will try to establish a basis of productivity measurement to permit comparisons of British and American experience and thus to settle at last the differences of opinion on the bare facts of the matter. Companies which operate comparable plants in both countries can obviously help to elucidate this, and their collaboration is to be sought. A fourth committee will report on the possibilities of specialised production of components, and a fifth will tackle what may yet prove to be the central task of getting economic problems, as they relate to productivity, more widely understood. This is a task with which the Government has been struggling for some time, and which (as the latest TUC report on productivity indicates) will have to engage the attention of the trade union movement as well. But there is still room for the Anglo-American council to act as a stimulant.

* * *

TUC's Output Drive

The general questions raised by the decision of the TUC to call a special conference of trade union executives to consider productivity are discussed in an earlier article. The TUC report, published this week, was prepared for the special conference, and will form the basis of the discussions on Thursday. The assumption from which it starts is therefore worth noting:

> For the purpose of this conference of executives the General Council feel assured that there is common agreement on the need for greater productivity. The purpose of this conference is to discuss *how* the level of productivity can be raised.

It will be concerned, adds the TUC report, not merely with the volume but also with the economy and efficiency of production; and with workers not merely in productive industry, but also in non-productive occupations, for in those too it is necessary in a period of full employment that "manpower should be organised efficiently and treated as the precious commodity which it is." The task which the TUC has set itself is therefore very wide, and one conference will clearly not dispose of it. The first stage of the task is publicity, and here the General Council of the TUC decided that general publicity would not do; the problems in each industry were too various, and it is to be supposed that the council had the inadequacy of recent Government publicity, of precisely this general kind, in its mind. It decided that separate consultation with each industry was unavoidable, and Thursday's conference is an attempt to prepare the ground for a series of conferences with the major negotiating groups in the trade union movement—the federations of trade unions—with whose member organisations the power of decision rests. If active policies are to result, they will have to be worked out in the separate conferences which are to follow. To criticise the report for its failure to lay down any new policy in detail is therefore hardly to the point. It does, however, tackle a number of the main questions in a preliminary way, and in doing so concedes some important points.

It recognises that there are over-manned industries which could lose labour to under-manned industries to the general benefit, and that the solution "may possibly mean the transfer of membership and the adoption of measures which may not be universally popular." It refers to the waste of manpower caused by the excessive turnover of labour—in many industries at the rate of 50 per cent a year—and urges on unions "the necessity for examining the conditions in which an excessive turnover of labour exists." Although the Restoration of Prewar Trade Practices Act has not yet been applied, it recognises that restrictive practices need careful examination both by unions and manage-

ments, and draws attention to the losses of production and employment which demarcation disputes still cause. It discusses the "training within industry" scheme, the part to be played by the shop stewards when the new productivity policy passes from the union leadership to the floor of the shop, and the qualifications of industrial consultants.

Most of the report is plain commonsense; the process of growing up has been carried a stage farther. But the conversion of Transport House was perhaps the easiest matter; in the conversion of the unions themselves, as the tepid reception given by the Margate Conference to the general council's proposals on production showed, there is still a stubborn body of tradition to be overcome.

* * *

Steel Companies' Compensation

The method of compensation prescribed in the Iron and Steel Bill has evoked emphatic protests from the City—and far beyond it. In *The Economist* last week it was emphasised that the basis of Stock Exchange values is indefensible in principle and grossly inequitable in practice. Now The Council of the Stock Exchange, following the precedent of its own action over the Transport Bill, has addressed what it terms "the strongest possible protest" to the Government, pointing out that "whilst the general arguments against the use of Stock Exchange prices as a basis for compensation remain undiminished in force, there is in addition a new and grave cause for objection" in the voluntary limitation of dividends. The Council urges once more that, failing agreement between the parties, independent arbitration is the only equitable way of determining compensation "in all cases of State acquisition of private property." The resulting "take over" prices of shares are demonstrably unjust, whether measured against the value of current and prospective earning power or against fair current values for fixed and floating assets. Full documentation for this view would require a statistical repast of indigestible proportions. In the accompanying tables a middle course is adopted. These indicate how "take over" prices estimated according to the provisions of the Bill compare with prices estimated by two alternative methods. Calculations are given for four of the leading companies—United Steel Companies, Dorman Long, Stewarts and Lloyds, and Lancashire Steel Corporation—which together produce nearly one-third of the steel output of the country.

ESTIMATES OF BALANCE SHEET BREAK-UP VALUES OF STEEL SHARES(*a*)

	The United Steel Companies June 30, 1948	Dorman Long Sept. 30, 1947	Stewarts & Lloyds Dec. 31, 1947	Lancashire Steel Corpn. Dec. 31, 1947
	£000's	£000's	£000's	£000's
Fixed assets, at cost, *less* written off	17,586	7,025	13,789	3,718
Assets vested in National Coal Board	3,840	(*a*)	1,056	...
Investments in associated companies (*a*)	5,693	395	5,732	1,012
Net liquid assets	3,728	9,885	10,167	4,407
Net total assets	30,847	17,305	30,744	9,137
Less prior charges at take-over prices	*24,252*	*6,595*	*10,988*	*2,390*
Net total assets for ordinary capital	24,252	10,575	19,756	6,747
Total compensation at estimated take-over prices (*f*)	15,450	7,165	25,200	6,059
Deficiency	− 8,802	− 3,410	+ 5,444	− 688
Estimated "take-over" prices per share (*b*)	30/4	54/9(*c*) 33/1(*d*)	57/4(*e*)	35/−
Balance sheet break-up values per share	47/8	53/−(*c*) 53/−(*d*)	44/11(*e*)	38/10

(*a*) Market values adopted for investments where obtainable. (*b*) Not separately distinguished. (*c*) £1 preferred ordinary. (*d*) £1 ordinary. (*e*) £1 deferred. (*f*) As provided for in the Iron and Steel Bill.

The estimates in the first table are based on the valuations of assets given in the latest consolidated balance sheets, except that, where market valuations are available for trade investments, these have been included in preference to book values. Total trade investments and capital loans of Stewarts and Lloyds have a balance sheet value of £1,292,849, whereas its holdings in Tube Investments alone have a market value of over £4,500,000. Similarly, the market value of quoted investments held by United Steel Companies is some £2,300,000 more than the book value. It will be noticed that, on this basis, the value of the £1 deferred ordinary shares of Stewarts and Lloyds works out at about 12s. 6d. less than the estimated take over price of 57s. 4d. But, as will be evident from a study of the table in the succeeding note, this arises from the heavily written down value of assets which in all cases is quite unrepresentative of replacement values at prices now ruling. It will also be noted that in all four cases goodwill has been entirely written off in group balance sheets, and that in general balance sheets provide no accurate indication of amounts ploughed back over the years. Neither Dorman Long nor Stewarts and Lloyds shows the amounts written off assets in its group balance sheet.

* * *

Valuation by "Intrinsic" Worth

A second method of valuation which attempts to value the companies on their "intrinsic" worth, or their value as going concerns, has been adopted in a circular prepared by a leading firm of brokers before the publication of the Iron and Steel Bill. The validity of calculations on this basis, of course, stands or falls by the value placed on producing capacity and the reasonableness of the assumptions implicit in this valuation about future demand and earning power. The firm in question estimates that the cost of erecting steel plant today is something over £30 a ton of annual output capacity, compared with from £10 to £13 a ton before the war. Taking this as a basic figure, but discounting it for age and condition of the plant, it then values the principal fixed assets of each of the four companies by reference solely to their output. For this purpose, the actual output has been adjusted upwards by about 10 per cent to allow for plant extensions already in hand and financed which have not yet contributed to output. It has also been found necessary to make an

ESTIMATES OF VALUE OF STEEL COMPANIES AS GOING CONCERNS

	The United Steel Companies	Dorman Long	Stewarts & Lloyds	Lancashire Steel Corpn.
Steel output (tons) (*a*)	2,000,000	1,300,000	1,200,000	600,000
Estimated present value of producing capacity (per ton)	£15	£15	£25	£15
	£000's	£000's	£000's	£000's
Total estimated value of producing capacity	30,000	19,500	30,000	9,000
Estimated coal compensation	2,500	3,250	2,500	1,050
Trade investments (market values where stated)	5,693	395	5,732	320
Net liquid assets	3,728	9,885	10,167	4,407
Estimated value of plant for processes subsequent to rolling of light sections	2,500	Nil	10,000	300
Goodwill valued at two years purchase of profits (*c*)	5,653	4,200	8,500	2,400
Estimated value as going concern	50,084	37,230	66,899	17,477
Less prior charges (at "take-over" prices where applicable) and minority interests	*6,595*	*6,730*	*10,988*	*2,390*
Estimated "actual" value of assets attributable to ordinary capital	43,489	30,500	55,911	15,087
Compensation for ordinary capital at "take-over" prices (*b*)	15,450	7,165	25,200	6,059
Deficiency	*28,039*	*23,335*	*30,711*	*9,028*
Indicated value per ordinary share on going concern basis	85/4(*d*)	152/9(*f*)	127/2(*g*)	87/3
Estimated "take-over" prices for ordinary shares (*b*)	30/4	54/9(*d*) 33/1(*e*)	57/4(*g*)	35/−

(*a*) Allowing for post war increase in capacity. (*b*) As provided for in the Iron and Steel Bill. (*c*) After depreciation but before taxation. (*d*) Preferred ordinary. (*e*) Ordinary. (*f*) Preferred and ordinary rank *pari passu*. (*g*) £1 deferred.

approximation for the amount of coal compensation receivable by the companies; book values of assets vested in the National Coal Board are not a reliable guide. The item for capital attributable to plant for processes subsequent to rolling of light sections must also be an estimate, and while it is possibly overstated in the case of Stewarts and Lloyds, the high cost of replacement must be duly taken into account. The Government's decision to keep in being the trade names and the organisations of the present companies in the industry is a measure of the importance to be attached to the value of goodwill, the scarcity value of assets and the "know-how" which goes with a business. It is certainly not over-rated at two years' purchase of profits.

The results obtained from these calculations are somewhat startling. Admittedly, this method invites a number of criticisms in principle; but if the basic assumptions are reasonable, the conclusions at least afford an indication of the wide range of valuation estimates which may reasonably be brought into the argument about the merits—or, rather, demerits—of the Stock Exchange valuation method.

* * *

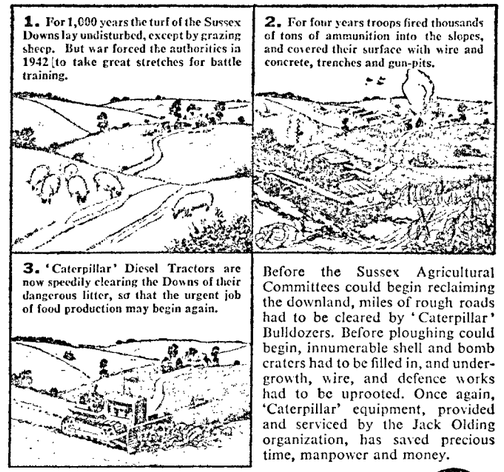
South Africa sees the Red Light

South Africa is now facing the consequences of Government procrastination—by the Smuts Government equally with that of Dr Malan—in tackling the clamant problem of the external

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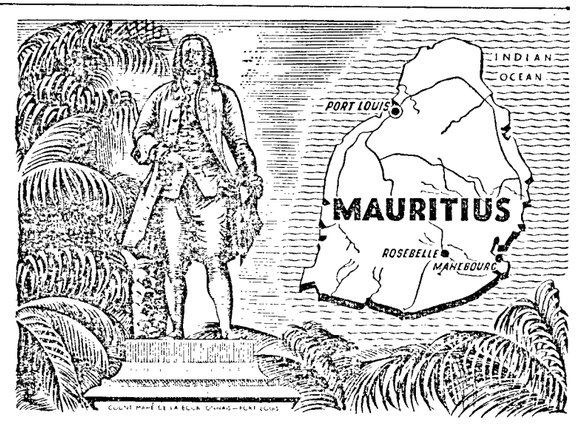
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Count Mahé de la Bourdonnais was born in France in 1699 and took his title from Mahé on the Malabar coast which he captured from the British in 1724. Successful though he was as a naval commander, de la Bourdonnais is chiefly remembered for his fine work in developing and improving Île de France—the name by which Mauritius was known in his day. During his term as Governor he founded the town of Port Louis and was instrumental in establishing the cultivation of sugar cane as the principal industry of the island. De la Bourdonnais died in 1753 and Mauritius was subsequently ceded to Britain in 1814. The cultivation of sugar remained the mainstay of the Island's economy and Mauritius is now among the greatest producers of sugar in the British Empire.



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deficit. A note in these columns a fortnight ago, commenting on the expedient of revising the Reserve Bank statutory gold cover, remarked that such shifts and devices would not serve for long to enable the Government to avoid the import cuts the need for which has been apparent for many months. Now the first cuts are already effective; some of them, indeed, are in effect operative from July 1st last. Imports of a lengthy list of mainly luxury items are wholly prohibited, regardless of the countries of origin, except under licence which will be granted only in "very exceptional circumstances." Imports of all other goods from non-sterling countries are to be sharply curtailed by a system of exchange rationing which, in the absence of specific permits for special treatment, will be at the rate of 50 per cent of the import level of the calendar year 1947. As the volume of hard currency imports has been rising, this choice of base period means that the new standard rate of importation will be less than half the current rate. In practice, however, the total enforced economy will be less severe than this, because the Government does not intend to place any "undue" restrictions upon exchange required by mining, agricultural and secondary industries. Though the choice of adjective may look rather ominous to the industries concerned, Mr Havenga's calculations of the rate of saving suggested that the present intention is not to make any cuts in these particular imports. About half the total imports, he estimated, consist of producers' goods; and he then went on to say that "if supplementary quotas are freely granted for all producers' goods," the total reduction in hard currency imports will be about 25 per cent.

From Britain's point of view, the prohibitions are less drastic than might have been expected. A good many minor items are affected, including certain domestic electrical appliances, cut glass, jewellery, matches, cigarettes, soap, biscuits, confectionery and processed foods—and many others of less significance for British export trade. But some of the key lines are outside the range of the ban. Motor-cars are prohibited only if they cost more than £500, radios if they cost more than £15; whisky is excluded from the prohibition of liquor imports. Outside the prohibited groups, the constriction of hard currency imports may actually divert some business to Britain—at least so long as South Africa's domestic purchasing power is maintained.

Here, however, comes the rub. It is questionable whether the cuts are sufficiently drastic from South Africa's point of view. And it is still more questionable whether a policy of cutting down non-essential imports can suffice by itself. It needs to go hand in hand with measures to relieve the excessive pressure upon South Africa's economy as a whole; and such measures, the need for which is further discussed on page 797, could scarcely leave the level of domestic investment untouched, however drastically they might strike at the consumer. Micawberism, it is clear, is still very much alive in the Union. Through the lips of Mr Havenga it still talks glibly of a dollar loan—despite the fruitlessness of the recent informal quest, and despite the admission that there is no intention to make "formal application" in the near future. Mr Havenga remarked that if the restrictions on non-dollar imports achieve a sufficient improvement in the reserve position, he "would seriously consider giving priority to the relaxation of restrictions in favour of those countries." Does he really expect the Americans to swallow so obvious a bait?

* * *

Government Loans for Film Production

Although the Bill to set up the Film Finance Corporation has still to be introduced in Parliament, the corporation is already at work in its preliminary form as the National Film Finance Company, and the chairman, Mr J. H. Lawrie, disclosed this week something of what it is doing. A good many requests for loans have already been turned down (precisely how many would be hard to say: Mr Lawrie observed that it was possible to turn down eight times the same proposal coming from eight different people) but two loans have been agreed. Both are to go to distributing companies, since this is the method laid down by the Board of Trade. It is a method which carries probably the smallest financial risk consistent with the purpose, but it is open to the criticisms that it will finance for the most part undertakings which ought in any case to be able to find money privately, and that it will not help the producer to escape from under the distributor's thumb. One of the loans, being under £20,000, underlines the fact that the Government finance will supplement, rather than replace, the customary bank advances. The other, to the British Lion Film Corporation, is for more than £1,000,000—it appears, considerably more; Mr Lawrie has not disclosed the exact sum. This is to be used by British Lion as additional working capital to finance "a programme of films to be produced by a variety of people who can in varying degrees be described as independent." Complete independence rarely exists in the film world, but the general prospect opened up by the British Lion loan is fairly clear; the activities of the group of producers more or less loosely associated with Sir Alexander Korda are to be expanded, and a nucleus will be maintained for large-scale British film production outside the Rank Organisation. Sir Alexander Korda has stated his intention to raise the production of this group to 18 films a year. Whether the funds which will now be available will permit anything so extensive will depend partly on the speed at which the money is turned over, and partly on the degree to which the box-office results shown make it easier or harder to raise money from commercial sources. Such incidents as the delay in sending "Bonnie Prince Charlie," which has gone back to the studio for re-editing, out into the world, show a praiseworthy desire for perfection, but they tie up money for inordinate periods and can only damp the hopes of expanded activity.

One of the main preoccupations of the Film Finance Company must presumably be to see that mistakes of this kind become rarer. Anyone financing film production undergoes some risk of being faced with an accomplished fact in which the production time and the budget have exceeded what seemed probable, and more money is needed before the first investment can be recovered. This will need keen examination of the budget for each film, and strict control of current expenditure on production. It will limit severely the number of budgeting errors which any one producer can afford to make in one lifetime. Mr Lawrie indicated that the decision to make or refuse a loan would be guided by the creditworthiness of the distributing firm concerned, the producer's personal record, the firmness of the project, the ability of its budget to withstand scrutiny, and the eventual home and foreign box-office prospect in relation to the outlay. He would not attempt to be an arbiter of taste. This is reasonable, but there are pitfalls in it. Occasions have been known when film producers have put taste second and still failed at the box-office; and commercial failures are less readily forgiven when no purpose but a commercial one is intended to be served.

* * *

Sterling Trade with Japan

The trade agreement between Japan and a number of countries in the Commonwealth which was announced this week provides for a more than three-fold increase in the trade between Japan and the sterling group. This group includes Australia, India, New Zealand, South Africa and the United Kingdom and its colonies except Hongkong. The agreement is for twelve months, and will operate retrospectively from July 1st last. It anticipates a two-way flow of trade totalling some £55 million and envisages approximate balance between commercial traffic in each direction. This is the first time that so large and representative a part of the sterling area has combined for the purpose of forming one of the two parties in trade arrangements of this kind. The agreement provides that all trade between the two parties shall be conducted on a sterling basis. The previous arrangements made last May also conceded the point that British trade with Japan should be conducted in sterling but excluded from this concession the most important item of all, namely, the trade in Japanese cotton goods. Dollar payments had to be made, for such goods, on the ground that the raw cotton from which the textiles were manufactured was in large part being supplied by the United States and financed by dollar loans.

The intention will be to prevent excessive accumulations of sterling on either side of the account. The balances will be struck every six months, and any sums in excess of balances required to meet short term commitments will be converted into dollars. The main goods to be exported by Japan under the arrangement are cotton textiles, which will account for a minimum of £16 million of Japan's estimated sales of £27½ million under the agreement. The rest will include exports of industrial machinery, raw silk, caustic soda and other chemicals, rayon and silk manufactures, paper and paper products and bunker coal. The reverse flow of goods from the sterling area will include a wide range of raw materials, including raw wool, iron ore, salt, raw cotton, cereals, rubber, tin, jute, manganese, etc. Shipping services will also account for an appreciable figure. The total of these exports is estimated at £23 million for the current twelve months. The balance of approximately £4,500,000 will be offset against debts already incurred by Japan for goods delivered prior to July 1st on open account under Governmental trading arrangements

On all counts, this should be regarded as a valuable and welcome agreement. If, as is reported, it has been received with "very mixed" feelings in British cotton circles, that is a sad commentary on the parochialism with which world events are now viewed from Lancashire and on the defensive timidity that besets an industry which once thrived on free trade and bestrode the markets of the world.

* * *

Export-Import Bank Report

Now that it has been designated as the chosen instrument through which ECA loans will be canalised to European countries, the Export-Import Bank at Washington is acquiring a stature which can hardly have been conceived by those who launched it in 1934 as a Governmental agency to help in the finance of US exports. With the termination of hostilities, the Bank began to depart from its strict sphere of activities by granting reconstruction loans to European countries, and in effect cushioning the impact on the European economy of the sudden suspension of lend-lease. In 1945 the Bank was given increased capital resources and made a permanent agency of the US Government. At present its lending authority amounts to $3,500 million, of which only $628 million remained uncommitted at the end of last June. During the twelve months which ended June 30, 1948, the "Exim" Bank authorised new credits totalling $465.7 million, and in addition allocated $171.6 million for specific projects under credits authorised in previous fiscal years. The operations of the Bank showed a marked diminution in the first half of this year, a movement due to the belief of the board of directors that, in view of the programme launched with the Economic Co-operation Act of 1948, credits to European countries participating in Marshall Aid should not be authorised save in exceptional circumstances. In this respect, therefore, the Exim Bank followed the general line of policy also adopted by the two Bretton Woods Institutions, and the common source of inspiration, namely, the National Advisory Council in Washington, stands revealed.

This line of policy is not crossed by the decision to make the Exim Bank the channel through which ECA loans are being granted. When acting in this capacity the Bank will be operating as an agent for the ECA. Though it will make and administer the credits, the terms will be specified by the Administrator in consultation with the National Advisory Council. The Bank will also be agent for the issue of guarantees extended to US firms making investments in the recipient countries under the relevant section of the Foreign Assistance Act of 1948. All operations of the Exim Bank under the Foreign Assistance Act of 1948 will be carried on the books independently of the normal banking operations. They will not, therefore, require an increase in the capitalisation of this institution, since the resources required for these operations will be provided out of the funds appropriated for the Economic Co-operation Administration by Congress.

* * *

Thomas Tilling Agreement

Proof that fair compensation terms can be reached by negotiation with the state authorities on the basis of assets values is afforded by the agreement which has now been completed between Thomas Tilling and the Transport Commission. Sir Frederick Heaton, the chairman of the company, has himself commended the settlement as "an equitable one." Nevertheless, some disappointment has been shown this week that the payment of the compensation sum will be made in Government stock and not in cash, as was generally expected. The payment of £24,800,000 to Thomas Tilling is to be in British Transport 3 per cent Guaranteed Stock, 1968-73 at 101 per cent. Interest at the rate of 3 per cent on the purchase price will be paid as from January 1, 1948, and the profits of the Thomas Tilling undertaking will accrue to the British Transport Commission from that date.

The company is to propose a capital distribution to shareholders at the rate of £5 of British Transport Stock for each £1 ordinary stock of Thomas Tilling held. This will leave it with £3,954,455 of the new stock for which suitable opportunities for conversion and investment will be sought. In addition, the company retains its holdings of 253,348 £1 ordinary shares in Cornhill Insurance, 225,000 £1 ordinary shares in Daimler Hire, smaller interests in other companies, £1,148,000 in liquid assets and certain freehold properties. Total income of the parent company from these assets in the last completed financial year amounted to £240,000 before taxation. No indication has been given of total group earnings from which to form an idea of the future value of the Thomas Tilling shares, which in active dealings this week have reacted 1s. 9d. to 119s. 3d.

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Only certain wines, then?

So far. All are good, but not all are fine. The improvement is naturally progressive.

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Now you're delving into history. They used to be very popular. But in 1860 Mr. Gladstone removed the Colonial Preference and sent the South African wine industry into the wilderness.

Is that likely to happen again?

I hope not. Imperial Preference has encouraged the South African wine growers to tremendous efforts. The British Government is not likely to lead such an important Empire Industry up the garden again. It wouldn't make sense.

So we can look forward to several kinds of really fine wines from South Africa?

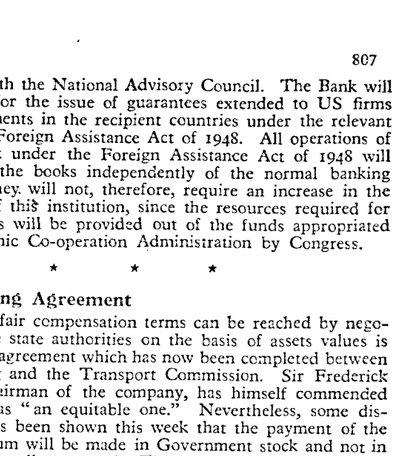
You certainly can, and very soon, too."

SOUTH AFRICAN WINE FARMERS ASSOCIATION (LONDON) LIMITED

SAWFA

Valenta

the luxury cigar from Jamaica

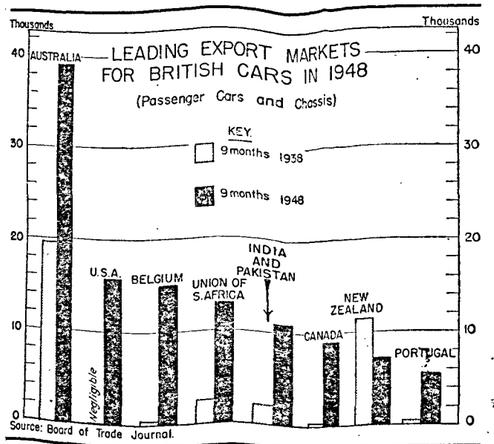


Among men who appreciate the distinctive qualities of a fine cigar, Valenta is recognised as the foremost imported brand of today. Skilfully rolled, sumptuous in flavour and aroma, Valenta is a cigar to linger over with supreme enjoyment. Available from your usual cigar merchant in any of three favourite sizes, *all* in boxes of 25 and the handy 'Fives' pocket carton. To secure these luxury cigars, ask for your Valenta *by name.*

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The Motor Industry's Progress

With the success of the Motor Show and the exceptional interest shown in the new year's models by foreign as well as British buyers, the great opportunities within reach of the British motor industry can be taken for granted, and the striking progress made towards its immediate objectives can be conceded. The industry's task now is to sustain the impetus gained in production and keep the initiative won in foreign markets in the past year, while at the same time looking critically on its new models. Figures published in the *Statistical Review* for November of the Society of Motor Manufacturers and Traders illustrate one trend which was to be expected from the changes in motor-car taxation since the war: the proportion of cars with an engine capacity over 2,200 cc (roughly, 16 h.p.) rose from 5 per cent in the early summer to 10 per cent in August and September. This trend has still some way to go before a balance is reached corresponding to world demand. At the same time



the interest which the new models of the two surviving British-made 8 horse-power cars (Morris and Ford) aroused at the Motor Show suggests that the career of the very light car is by no means over.

Figures published in the *Board of Trade Journal* and expressed in the chart above give a picture of the relative success with which the industry has not only enlarged the volume of its exports but changed their distribution between different overseas markets. Total exports of cars and car chassis numbered 170,000 in the first nine months of 1948; this is 25,500 more than in the whole of 1947. In addition, 54,000 commercial vehicles and chassis were exported in the nine months; in building up this figure, agricultural tractors have played an increasing part.

* * *

The Trend of Earnings

The Ministry of Labour's half-yearly review of workers' earnings is always useful, but suffers from the unfortunate time-lag in the collection of information. The survey in the current *Ministry of Labour Gazette* relates to the position last April, so that it is still impossible to assess fully the effects of the Government's wage stabilisation policy announced in February. But it is fairly safe to assume that the steady upward trend revealed in the present survey has continued in more recent months.

The average earnings of the 6,000,000 workers covered in the survey (mainly in manufacturing industry) were 114s. in the last pay week of April, an increase of 114 per cent over October, 1938. In October, 1947, the average was 108s. 2d., which represented an increase of 103 per cent over the prewar figure. The average earnings of workers in industries excluded from the survey—agriculture, rail transport, mines, distribution, catering and entertainment—would probably not affect the national figure, for the high earnings in mines (165s. 2d.) and docks (155s. 5d.) would be balanced by the lower earnings of distributive and catering workers. The average earnings of mineworkers are 206 per cent higher than in April, 1938, and are well above the present general level.

The increase in earnings arises more from the extension of overtime and the operation of piecework systems than from increased wage rates. In fact, wage rates had increased by only 67-68 per cent compared with October, 1938. The reduction of working hours in many industries and the introduction of the 44-hour week have undoubtedly led to increased overtime throughout industry. The actual average of hours worked in April was 45.3, compared with 46.5 in October, 1938.

The survey reveals the disparity between men's and women's earnings and between earnings in various industries. The average for men was 134s., compared with 72s. 11d. for women, although the women's earnings had increased by 124 per cent over 1938, while the men's had gone up by only 94 per cent. The same relationship is shown between youths' and girls' earnings. The most highly paid sections are found, as might be expected, in the metal, engineering and shipbuilding groups, in iron and steel and in transport other than railways. Thus the average was 151s. 7d. in steel smelting and rolling, 138s. 3d. in motor manufacture, and 140s. 11d. in shipbuilding and repair. In the trades which employ mainly women and the traditional Trade Board occupations, the average ranges from 70s. to 90s. The textile group shows a bigger increase over 1938 than any other single industry covered by the survey (144 per cent), but its earnings are still relatively low in the scale. The average in cotton was 96s. 6d. (81s. 10d. for women), and in the woollen and worsted industry 94s. 3d., with only 72s. 1d. for women.

* * *

Faroes Leave Sterling

The Faroe Islands have left the sterling area. An announcement amending previous notices issued under the Defence Regulations states that as from November 10, 1948, these islands were placed outside the "scheduled territories." It follows that the Faroese kroner is now included in the list of specified currencies which must be offered for sale to the Bank of England. Henceforth, payments with the Faroe Islands will be made through the same machinery as that which applies to Danish accounts with which Faroese accounts will now be merged. Payments arrangements with Denmark are on a bilateral basis, but tempered with administrative transferability which has in the recent past been operated in a very liberal manner (though there is no automatic transferability of Danish sterling as was stated in *The Economist* last week). The Faroe Islands have always been somewhat exotic and transient members of the sterling area. Their admission dates back to the war years when the islands were occupied by British forces. This membership has become increasingly incompatible with the political and economic ties between the Islands and Denmark, itself a non-member of the area. The latest development is an adjustment to these political realities and has no greater economic significance than this.

* * *

Record Sugar Crop

If current prospects materialise, world sugar production in 1948-49 will reach the highest figure ever recorded, 30,200,000 tons, and it will be over a million tons above its 1937-38 level. Beet production in Europe has made a remarkable recovery compared with last year, but at 6,400,000 tons it will still be 800,000 tons below its prewar level. Nevertheless, practically all the countries of Western Europe, except Germany and Austria, have regained their prewar output, and some of them, including the United Kingdom, are well above it. World output of cane sugar is estimated at 19,800,000 tons, compared with 18,900,000 tons a year ago and 18,000,000 tons before the war. And this expansion has taken place despite a smaller crop in Cuba, whose production this season is expected to total only 5,400,000 tons, and owing to adverse weather conditions, even that may be an optimistic estimate.

The most welcome feature for Britain has been the sharp expansion in output in Commonwealth countries. This totalled some 2,800,000 tons in 1937-38. All areas, with the exception of British Guiana and Fiji, have a larger output than before the war. Estimates of world production by major producers for the current season, compiled by Messrs. C. Czarnikow Ltd., are reproduced in this week's issue of the *Records and Statistics* Supplement.

The prospect of a large sugar crop has naturally tended to reduce the world price, and new crop shipments are being offered at around 22s. a cwt.; current shipments, however, are almost 2s. a cwt. dearer. Britain is reported to have bought the exportable surplus from San Domingo, and it will no doubt also buy a large consignment from Cuba. Under Marshall aid, Britain has been allocated $25 million for this purpose, but this sum would provide only 250,000 tons of sugar, and Britain will

THE

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† The yield is conservatively calculated on net cost which includes commission and 2% Government Stamp Duty.

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for an

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of

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2. Throughout its existence the Company has made continuous progress and has never failed to make a profit in any year. The demand for "RECORD" tools far exceeds the present capacity of the works and orders on hand, which include a large percentage for export, are equivalent to approximately 18 months' output.
3. The Directors are confident that subject to unforeseen circumstances, the Company will be able to maintain at least the same rate of dividend as that paid for the year ended 30th June, 1948, viz., 45 per cent.
4. Profit for the year ended 30th June, 1948, amounted to £153,707 before taxation. Calculated on the most conservative basis the earnings yield at the offer price based on the profit for that year would have been £18 10s. 1d. per cent. The dividend of 45 per cent. required £45,000 to cover which there would have been available £131,586 after deduction of Profits Tax at the appropriate rates. At the offer price a dividend of 45 per cent. represents a yield of £6 18s. 5d. per cent.

Copies of the full Offer for Sale, on the terms of which alone applications will be considered, and Forms of Application will be obtainable after 12 noon on Monday, 15th November, from :—

BANKERS:

LLOYDS BANK LIMITED, 39, Threadneedle Street, London, E.C.3, and Branches.

BROKERS:

LAING & CRUICKSHANK, Northgate House, 20/24, Moorgate, London, E.C.2, and The Stock Exchange, London.

J. W. NICHOLSON & SONS, Telephone Buildings, Sheffield, 1 and The Stock Exchange, Sheffield.

THE REGISTERED OFFICE OF THE COMPANY:

Record Tool Works, Bernard Road, Sheffield, 2, and from

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

probably need up to a million tons from Cuba. In general, purchases from dollar sources will tend to be limited, particularly as European production is again expanding. Yet, as producer stocks are believed to be low, the sugar market should be able to absorb the larger world output without any undue difficulty. This expansion in production, however, will undoubtedly raise again the question of a new sugar agreement at next year's meeting of the International Sugar Council.

* * *

Jute Allocations Cut

The scheme to reduce the consumption of jute which was introduced in Dundee at the beginning of November provided for an all-round reduction of between 25 to 30 per cent according to the types produced. This curtailment has been a serious blow for Dundee, for the jute industry was again beginning to get into its stride and even attracting new labour. But it was clear that shipments of raw jute from either Chittagong or Calcutta could not be relied upon to keep the industry going, while stocks in this country had fallen to about four months' supply. More recently, however, the Indian Government has lifted its ban on exports from Calcutta for November and December, but the United Kingdom will receive only 50,000 bales, compared with a normal weekly consumption of 11,500 bales. This quantity is therefore too small to cause the reduction in consumption to be rescinded.

The important question is how much jute the Indian Government will allocate to Britain during the second half of the season beginning in January. Last season Britain received 106,000 bales, against a consumption of nearly 300,000 bales for the six months. If the curtailment continues, consumption this season is likely to be 200,000 bales for the six months. The Pakistan Government has allocated to Britain 207,000 bales for shipment up to December, but the difficulties encountered at Chittagong have delayed most of these supplies. If Britain is given a similar quantity for the second half of the season, provided there is no hold-up in shipment, arrivals would be adequate to cover the normal level of consumption. In these circumstances, however, it would seem more prudent first to build up stocks in this country to a healthier level before expanding consumption again.

The Pakistan Government has recently decided to treat the United Kingdom as a hard currency country, so that larger shipments ought to be forthcoming. Indeed, they would be, were it physically possible to move the raw jute through Chittagong. These difficulties, however, are likely to endure unless the Indian Government allows the unrestricted shipment of Pakistan jute through Calcutta.

* * *

Dearer U.S. Lead and Zinc

American prices for both lead and zinc have again risen. Zinc is ½ cent dearer at 15½ cents a lb. (equivalent to £86 a ton), while the lead price has been raised by 2 cents to the record level of 21½ cents a lb.—equivalent to £119 10s. a ton—and is now only 2 cents a lb. cheaper than copper. The supply of lead—the scarcest of metals—has been even more restricted recently in the United States owing to strikes both there and in Mexico. Moreover, commercial consumption has been fully maintained, and is likely to be so long as industrial activity remains high. It was first thought that, owing to its scarcity, lead would not be included in the stockpiling programme. But now the US Government has intimated that purchases will have to be made during the coming year. And these can only be at the expense of commercial consumption. There is also an indication that the American copper price might rise to 25 cents a lb. or £139 a ton; the current British price is £140 a ton.

The British price of lead was raised at the beginning of October to £112 a ton and zinc to £92 a ton. The latter price is still above the American level so that no change need be expected here. But the lead price is now well below New York's quotation. Nevertheless, some 60 per cent of Britain's import requirements comes from Australia and Rhodesia and only 30 per cent from Canada and Mexico, with little or none from the United States. Deliveries in this country are based on a quarterly allocation scheme, so that any adjustment of the lead price is unlikely until the turn of the year. Even then it is not a certainty, unless contract prices to sterling area producers are also raised, or unless the Ministry of Supply decides to keep British prices in line with world replacement costs. One thing, however, is certain. Consumption is about 5 per cent above last year's level, and imports some 20 per cent below; stocks in Britain have accordingly declined quite sharply, and at the end of August amounted to only 26,000 tons against 40,000 tons at the beginning of the year.

* * *

The Savings Banks Bill

The second reading of the Savings Banks Bill, brief though it was, produced one or two points which deserve to be put on record. Mr Glenvil Hall confirmed the objectives of the Bill as those indicated in these columns last week, and gave details of the new financial arrangement between the National Debt Commissioners and the banks. It is commonly supposed that the rate of interest allowed by the Commissioners on the fund, now exceeding £600 million, which the banks invest with it bears some relationship to the rate the Commissioners themselves earn on their investments in Government stocks. This is not so. Under the Act of 1920, as Mr Hall explained, the Treasury fixes the rate, within the limits of £2 15s. and £2 17s. 6d. per cent; and, in fact, the rate paid throughout has been unchanged at the maximum of £2 17s. 6d. Compared with the appreciably higher yields which have at times been obtainable on Government securities, this may appear a modest payment; but as the banks have consistently paid ⅜ per cent less on their ordinary deposits (i.e., 2½ per cent), it has sufficed to enable some of them to earn substantial surpluses. Even after allowing for the smaller surpluses of others and the deficiencies of some, the movement as a whole has been able to show a comfortable margin beyond its management expenses.

The Treasury, evidently with an eye upon the diminishing margin earned by the National Debt Commissioners (a margin which would assuredly have turned from positive to negative if Dr Dalton's dreams had been fulfilled), therefore decided that the allowance to the banks should be reduced to £2 16s. per cent. This will cut the banks' gross margin over their allowance to depositors by one-fifth—a squeeze which can be exerted without either hindering the development programme of the banks or threatening a reduction in their deposit allowances only if the surpluses which will still accrue to the strong banks are made available to support their weaker brethren. Herein, as last week's note hinted, lies the real purpose of the Bill. It is a perfectly legitimate purpose, given the fact that the Consolidated Fund already guarantees both capital and interest due to depositors, and given, too, the Treasury's determination that the 2½ per cent allowance shall be maintained. "The present terms upon which any moneys are deposited and accepted," declared Mr Hall, "will continue, and there is no intention whatever of changing them."

Equally, there is no intention of opening the door to the large depositor. The clause which empowers the Treasury to limit deposits from any one individual in the special investment department is designed merely to remove doubt that powers in the ordinary department extend also to the special department. The present limit of £500 is under review, but there is no intention to withdraw the limit altogether. Incidentally, it deserves to be noted that, at least for the time being, the distinction between the two departments has lost most of its former significance. Deposits received in the ordinary branch are automatically invested with the Commissioners; the other deposits may, with the consent of the Commissioners, be invested directly by the banks in approved securities. Formerly, an important avenue for such direct investment was in loans to local authorities, enabling the banks at times to pay appreciably more than 2½ per cent on the deposits received "for special investment." This channel, however, was closed by the centralisation of local authority borrowing through the Exchequer, so that now there is hardly any practical difference between deposits in the two branches—except that those in the special department, though equally receiving only the basic 2½ per cent, are withdrawable only at notice.

* * *

Prospectus Profits Requirements

In their recently issued memorandum prepared in conjunction with the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors, the Share and Loan Department of the Stock Exchange has moved one step forward from the Companies Act, 1947. Neither the Act nor Appendix 34 to the rules of the Stock Exchange gives precise guidance on the method of showing the ten-year profit record required in a prospectus. Appendix 34 to the rules makes it incumbent on either the auditor or accountant of a company to report on the profits or losses for each of the past ten years of its existence, but nothing has been laid down about the form of reporting. In future, a written statement will be required by the Share and Loan Department; its memorandum lays down both the form of this statement and the information to be inserted.

Section A of this pro forma statement must show all items which would be separately distinguished in the profit and loss account under the provisions of the Companies Act, 1948. It is clear from the wording of the memorandum that the Stock Exchange is particularly anxious to ensure information about directors' fees; non-cash benefits, however, need not be revealed. Distinctions must also be made between depreciation provided out of taxed profits and that for which taxation allowances have been granted. Interest on debentures must be separated from that payable on other fixed loans, while any material revenue items dealt with outside the profit and loss account must be shown. Section B provides an important additional safeguard; details of any adjustments made to a company's accounts which are shown in the report of the auditors or accountants must be submitted with the prospectus application. Another requirement ensures that in the case of a holding company not presenting consolidated accounts the information pertaining to separate companies in the group is presented in summary form. These are useful supplements to Appendix 34. They suggest that the Stock Exchange is maintaining its modern tradition of keeping ahead of the law in the matter of new issue requirements—despite the advance recently made by the law.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Thos. W. Ward, Standard Motor.

Prices, Year 1948 Jan. 1 to Nov. 10 High	Prices, Year 1948 Jan. 1 to Nov. 10 Low	Name of Security	Price, Nov. 3, 1948	Price, Nov. 10, 1948	Net Yield, Nov. 10, 1948 (n)	Gross Yield, Nov. 10, 1948
		British Funds			£ s. d.	£ s. d.
101⅜	100⅞	War Bonds 2½% August 1, 1949-51	100⅜	100⅜	...	1 3 8
101⅛	100⅜	Exchequer Bonds 1½% Feb. 15, 1950	100⅜	100⅜	0 3 3	1 1 10
102⅛	100⅜	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 4 4	1 8 5
103⅛	100	War Bonds 2½% March 1, 1952-54	102⅜	103⅛	0 10 5	1 14 0
104⅛	101⅜	War Loan 3½% (after Dec. 1, 1952)	103⅛xd	103⅛xd	1 1 11	2 12 5
103	99⅝	War Bonds 2½% Aug. 15, 1954-56	102⅛	103	0 18 0	2 1 1
103⅜	100⅛	Funding 2½% June 15, 1952-57	103⅛	102⅜xd	1 3 4	2 7 5
105⅛	100⅜	National Def. 3% July 15, 1954-58	105⅛	105⅛	1 2 7	2 9 10
106⅛	101⅛	War Loan 3% Oct. 15 1955-59	104⅛	105⅛	1 3 4	2 9 10
103⅜	100	Savings Bonds 3% Aug. 15, 1955-65	103⅛	103⅛	1 8 6	2 15 5
102⅞	96⅞	Funding 2½% April 15, 1956-61	101⅛	101⅛	1 4 8	2 7 1
103⅛	98⅛	Funding 3% April 15, 1959-69	103⅛	103⅛	1 9 4	2 15 11
114⅜	110⅛	Funding 4% May 1, 1960-90	113⅛	113⅛	0 19 6	2 13 2
102⅞	97⅞	Savings Bonds 3% Sept. 1, 1960-70	102⅛	102⅛	1 10 6	2 17 6
98⅜	92⅜	Savings Bonds 2½% May 1, 1964-67	97⅛	97⅛	1 10 3	2 13 2
119⅛	112⅛	Victory Bonds 4% Sept. 1, 1920-76	115⅛	115⅛	1 3 5	2 16 7
102⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	101⅛	101⅜	1 11 10	2 18 11
111	107⅛	Consols 4% (after Feb. 1, 1957)	110⅞	110⅞	0 18 8	2 14 0
106⅜	102⅛	Conversion 3½% (after Apr. 1, 1961)	105⅛	105⅛	1 8 7	2 19 6
85⅞	74⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	78⅛	78⅜	1 15 2	3 4 0
99	91⅛	Treas. Stk. 3% (after Apr. 5, 1966)	95⅛	96⅛	1 14 4	3 2 6
100⅜	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	99⅛	99⅞	1 13 3	3 0 6
83⅛	74	Consols 2½%	78⅛	78⅛	1 14 11	3 3 7
102⅛	96	Brit. Elec. 3% Gtd. April 1, 1968-73	101⅛	101⅛	1 11 6	2 18 5
100⅛	99⅜	Brit. Elec. 3% Gtd. Mar. 15, 1974-77	99⅞	100⅛	1 13 0	3 0 0
100⅜	97⅛	Brit. Trans. 3% Gtd. July 1, 1978-88	100⅛	100⅛	1 13 0	3 0 6
102⅛	95⅜	Brit. Trans. 3% Gtd. April 1, 1968-73	101⅛	101⅛	1 11 6	2 18 5

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked *c*), and those paying 3 per cent or less will be repaid at the latest date (marked *l*). (*n*) Net yields are calculated after allowing for tax at 9s. in the £. (*f*) Flat yield. * Assumed average life 15 years 6 months.

Prices, Year 1948 Jan. 1 to Nov. 10 High	Prices, Year 1948 Jan. 1 to Nov. 10 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Nov. 3, 1948	Price, Nov. 10, 1948	Yield, Nov. 10, 1948
					Other Securities			£ s. d.
105⅜	101⅛	% (d)	% (d)		Australia 3½% 1961-69	105	105	2 17 6
95	90	(d)	(d)	*a*	Birmingham 2½% 1966-71	94½	94½	2 16 6
87/6	69/-	10 *b*	5 *a*		Anglo-American Corp. 10s.	6⅛	6⅛	3 16 10
77/3	62/4	15 *c*	15 *c*		Anglo-Iranian Oil £1	81xd	81xd	3 8 6
87/6	69/-	10 *b*	5 *a*		Assoc. Electrical Ord £1	75/-	76/6	3 18 5
77/3	62/4	15 *c*	15 *c*		Assoc. Port. Cem. Ord. Stk. £1	75/6	76/6	3 18 5
58/6	29/6	40 *c*	40 *c*		Austin Motor 'A' Ord. Stk. 5s.	35/7½	35/7½	5 12 3
84/-	72/9	7 *b*	7 *a*		Barclays Bank Ord. 'B' £1	79/-	80/-	3 10 0
10⅜	8⅜	†20 *b*	†5 *a*		Bass Ratcliff Ord. £1	8⅜	8⅜	2 16 5†
105/-	85/-	12 *b*	8 *a*		British Oxygen Ord. £1	100/-	101/3	3 18 9
46/1½	36/-	2½ *a*	5 *b*		Courtaulds Ord. £1	39/6xd	39/6xd	3 15 11
32/6	25/1	20 *a*	7½ *b*		Distillers Co. Ord. 4s.	29/-	29/4½	3 14 11
34/10½	27/9	8 *c*	8 *c*		Dorman Long Ord. £1	33/-	33/9	4 14 10
79/9	68/-	15 *c*	15 *c*		Dunlop Rubber Ord. £1	74/-	75/-	4 0 0
53/-	43/7	7 *b*	3 *a*		Imp. Chem. Ind. Ord. Stk. £1	47/6	48/6	4 2 6
6⅞	4⅞	19½ *b*	13½ *a*		Imperial Tobacco £1	5⅞	5⅞	6 1 4
48/9	40/3	10 *c*	10 *c*		Lancs. Cotton Ord. Stk. £1	44/4½	45/-	4 8 11
56/6	43/9	10 *c*	10 *c*		Lever & Unilever Ord. £1	50/-	50/-	4 0 0
61/3	47/6	12½ *c*	10 *c*		London Brick Ord. Stk. £1	53/9	53/9	3 14 5
66/1½	47/-	25 *c*	31½ *m*		Pr'shin J'nson Ord. Stk. 10s.	55/6	57/-	4 7 9
63/4½	49/6	8 *b*	4 *a*		P. & O. Def. Stk. £1	55/-	55/-	5 6 8
35½	30½	†74½ *b*	†77½ *c*		Prudential 'A' £1	33	33	2 6 8†
59/9	49/9	12½ *c*	12½ *c*		Stewarts & Lloyds Def. £1	56/9	56/9	4 8 2
85/7½	71/6‡	12½ *a*	15 *b*		"Shell" Transpt. Ord Stk. £1	75/-	78/1½	1 18 5†
7⅞	5⅜	12½ *a*	12½ *b*		Tube Invst. Ord. Stk. £1	6⅜	6⅜	3 18 0
90/9	72/6	11½ *b*	3½ *a*		Turner & Newall Ord. Stk. £1	77/6	78/6	3 16 5
93/3	76/-	55 *b*	15 *a*		Woolworth (F. W.) Ord. 5s.	83/-	82/6	4 4 10

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly (*e*) To earliest redemption date. (*l*) To latest redemption date. (*m*) 15 months. Yield Basis 25%. † Free of tax.

Ready to look and to buy— the under 35's

Today's generation of under 35's is unique. These young veterans of the war years are old in experience yet still immature as consumers. Now, as a buyer's market returns, they are finding their first opportunity to form selective buying habits. Their tastes are unformed—they want news of worth-while products. The preferences they form now may last for life—and they have the longest buying lives ahead. Are you telling this vital third of our adult population about your product? The Daily Mirror is read by a million more men and women aged under 35 than any other daily paper. Advertisement space in the Daily Mirror carries your sales story to the generation which is only now learning the art of buying.

1,130,000 more adult readers under 35 than any other national daily paper (vide independent Hulton Survey)

Cost of advertisement space (per column inch per thousand readers) lower than any other national daily

Daily Mirror

THE NATIONAL DAILY WITH THE SECOND LARGEST SALE

FINANCIAL NEWS LIMITED

SUCCESS OF PUBLICATIONS

MR. BRENDAN BRACKEN'S SPEECH

The fifty-first ordinary general meeting of The Financial News, Limited, was held, on the 9th instant, at Winchester House, Old Broad Street, London, E.C., The Rt. Hon. Brendan Bracken, M.P. (chairman of the company), presiding.

The secretary (Mr A. E. Knock) having read the notice convening the meeting and the report of the auditors,

The chairman said: Despite the increase in production costs during the past financial year we have earned satisfactory profits. You will observe that no less than 52 per cent. of our earnings go to the tax gatherer.

The Chancellor of the Exchequer is given to sermonising industry on the necessity for ploughing back profits. It is difficult to reconcile his gratuitous advice with the Government's action in taking away more than 50 per cent. of the profits of companies. They are told to plough back what remains of their profits after the Chancellor scatters the biggest part.

THE FINANCIAL TIMES

As this company is the principal proprietor of *The Financial Times* you may like a report on the progress of that newspaper. It is now reaping the reward of years of strenuous efforts to increase the services it offers to readers. Great are the benefits that came from those efforts. Today *The Financial Times* is much more than a financial newspaper. Industrialists and traders now regard it as an essential paper. And it is read by many who are more interested in public affairs than in the technicalities of finance or industry.

The editorial staff of *The Financial Times* deserve praise for this remarkable achievement. Their colleagues on the management side have been no less enterprising. They are providing good profits for shareholders.

OTHER NEWSPAPER INTERESTS

The other newspapers which this company owns are no less rewarding to shareholders.

The Investors' Chronicle: The Investors' Chronicle is a rare blend of wisdom and liveliness. Shareholders have good reason to be pleased by its earnings.

The Practitioner: Twenty years have gone round since we purchased this great medical newspaper. Monotonous but very pleasant is its record of increasing circulation and profits.

The Banker: This paper is a credit to financial journalism. Its influence extends far beyond its necessarily restricted readership. It continues to earn a good dividend on a modest capital.

The Economist: In 1928 we acquired half of the ordinary share capital of this famous paper. Though we have benefited by the growth of its circulation and revenues, we must also acknowledge a greater debt to *The Economist*. It has provided us with the present editor of *The Financial Times*, Mr Hargreaves Parkinson, and other journalists who have played a great part in our affairs.

Printing interests: We are busily developing our printing interests. The St. Clements Press retains its leadership among City printers. W. Speaight and Sons is making satisfactory progress although handicapped by delays in the delivery of new plant. That company has handled a large quantity of printing work for the George Newnes Group who are partners with us in this company.

THE BALANCE SHEET

There are no significant changes in the balance sheet of The Financial News Limited. You will notice that our various reserves, including profit and loss account, are three times as large as our ordinary capital. Our investments are conservatively valued. All stand in our books at far below their value. Were it not for the singularly foolish bonus tax, your directors would bring the issued capital more in line with true asset values.

General Dawnay: Though I was a staunch Parliamentary supporter of the most of what is called the "Cohen" Act, I objected strongly to the provision that discouraged men who passed their seventieth birthday from acting as directors of public companies. Age is not always a good test of wisdom, endurance and enterprise. Those qualities will never be lacking in General Dawnay. Many were the responsibilities thrust upon him during the war. One of the most arduous was the chairmanship of this company. From my experience as his predecessor and successor I can claim some right to speak of his masterly handling of our affairs in years abounding in problems. He was the delight and ever-present helper of our depleted wartime staff. To his guiding hand we mainly owe the successful amalgamation of *The Financial Times* and *The Financial News*. Long may he continue to serve on this board!

The report and accounts were unanimously adopted and a final dividend of 35 per cent., less income tax, making 60 per cent. for the year on the ordinary shares, was approved.

The retiring director, Major-General Guy P. Dawnay, C.B., C.M.G., D.S.O., M.V.O., was re-elected; and the remuneration of the auditors, Messrs Price, Waterhouse and Company, having been fixed, the proceedings terminated with a vote of thanks to the chairman and directors.

BRAZILIAN WARRANT COMPANY, LIMITED

A DIFFICULT YEAR

The annual general meeting of the Brazilian Warrant Company, Limited, was held in London on the 9th instant, Mr A. K. Graham, the chairman, presiding.

The following is an extract from his circulated statement for the year 1947:

The year under review has been a very difficult one largely owing to the problem of exchanges and the inevitable rules and regulations imposed by the various Governments to enable them to create buying power in those countries that have and can supply their particular requirements and as aids to the solution of trade balances which, insofar as they require unrequited exports, are by no means the least difficult of the problems that will have to be solved before a free exchange of commodities can be hoped for throughout the world.

Some contraction in business was compensated for by the dividends declared and remitted by the Brazilian subsidiaries up to the limit permissible under the Brazilian regulations but still leaving substantial balances in their accounts to go forward to the current year. Out of the net earnings of the group of £186,999 there has been paid away or reserved for taxation £134,379 or 79 per cent., leaving available for dividend and carry-forward £36,981 or 21 per cent.

In the United States of America, after a dull period while surplus stocks were being absorbed, the market improved and our sales for the year were up to average. The demand for coffee in Europe is as great as ever. Our Santos warehouse business showed considerable activity. Perhaps the most interesting feature of the year has been the volume of Brazil's import and export trade, which must constitute a record at 44 million contos or approximately £585,000,000.

The report was adopted.

DALGETY AND COMPANY

A PROSPEROUS YEAR

The sixty-fourth annual general meeting of Dalgety and Company, Limited, will be held in London on the 2nd proximo.

The following is an extract from the review of the chairman (Mr D. Abel Smith), circulated with the report and accounts:—

I am pleased to report that the operations of the company for the year ended June 30, 1948, have been satisfactory. In all the countries in which we are engaged the company has enjoyed a prosperous year, and present indications point to another good season, but it is at all times dangerous to attempt to forecast the future, and doubly so with world affairs in the condition in which they are today. In these circumstances, it is obviously a wise policy to take advantage of a good year to build up our financial resources, and the balance sheet which you have before you bears out this prudent course of action.

OUTSTANDING WOOL RESULTS

Dealing now with wool, your company's main business, the results have been outstanding and far exceeded those for the previous season, which were exceptional. Values rose to new high levels, and wool growers in both Australia and New Zealand have reason to congratulate themselves on a record season from a financial point of view. It is gratifying also to report that Australian production has shown further recovery, and while the New Zealand clip did not quite reach last season's figures, the decline was comparatively small.

The company's own sales of wool were well maintained and, in fact, showed a satisfactory increase, taking into account additional wools handled in London. It is hardly necessary to add that the excellent results of the past season are fully reflected in our wool earnings.

MARKET OUTLOOK

It would be manifestly unwise to express any very definite opinion on the future course of the market—so much depends on events in the political field. Given reasonably stable world conditions one would expect a continuance of the present good demand, especially of the finer merinos which are in relatively short supply, production of these having seriously declined during recent years. Sooner or later, however, the price factor must operate and, while there still appears to be a shortage of wool textiles, particularly on this side of the world, the sellers' market is disappearing and, in addition to import restrictions in some countries, a good deal of sales resistance is being experienced both in the home and export markets to the current level of values. So far there is no evidence of any marked decline, and the new season's sales opened in Australia with a strong tone and some increase in prices for the better merino wools. Values fell subsequently, but the demand continues good, and recent sales have again shown a rising tendency.

In the profit and loss account you will observe that the profits for the year, after deducting expenses and provision for bad and doubtful debts, have risen to £1,005,056 compared with £789,786 for the previous year. We are recommending the payment of a final dividend of 5 per cent. on the ordinary shares, which, with the interim dividend of 3½ per cent. paid in May, represents a total distribution for the year at the rate of 8½ per cent. per annum. We are also recommending the payment of a bonus of 1 per cent. on the ordinary shares—the dividend and bonus distribution being similar to that of last year.

S. SCHNEIDERS AND SON, LIMITED

STRONG FINANCIAL POSITION

The thirteenth annual general meeting of this company was held, on the 5th instant, at Grosvenor House, London, W. Sir Harold Moore (chairman) presided.

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

Our capital and reserves amount to a total of £547,008 and our fixed assets only to £334,110, so there is a sum of £212,898 available as working capital. This is fully invested in current assets, and you will see that not only is our holding of manufacturing stocks greatly increased but we have also taken a substantial stake in a business manufacturing one of the products essential to our own production.

The volume of our trade during the year has been well maintained, and we are actively developing our export business. To further this, some of your directors and staff have, during the year, made visits to overseas territories.

The branded lines which we manufacture continue to be well received, and although in these days it would be unwise to attempt to predict what the future has in store for us, I can at least say that, so far as we can see, the results for the year now current will be entirely satisfactory.

During the year we have paid the dividend on the preference capital, absorbing a net sum of £6,187, and have distributed an interim dividend of 7½ per cent. to the ordinary shareholders amounting to £8,250. We now recommend a final dividend of 7½ per cent., making 15 per cent. for the year, absorbing a further £8,250. This will leave a sum of £22,287 to be carried forward.

The report and accounts were adopted.

At a subsequent extraordinary general meeting new articles of association were adopted.

ALLIED INDUSTRIAL SERVICES, LIMITED

HIGHER OUTPUT

The fourteenth annual ordinary general meeting of Allied Industrial Services, Limited, was held on the 5th instant at Bradford, Mr W. H. Rhodes, C.B.E. (chairman and managing director) presiding.

The following is an extract from his circulated review:—

The trading results show that the net profits for the year are materially the same as for 1947, and although output has been appreciably higher than in any previous year, increasing costs of operation by way of materials and wages have offset any benefits which might otherwise have accrued.

During the year we have again been able to install a certain amount of new machinery, and you will see by the note on the balance-sheet that expenditure of approximately £75,000 has been arranged to replace and augment existing buildings and plant.

After making proper provision for taxation, depreciation of the company's properties, plant, etc., and directors' remuneration, the net profit for the year (including dividends and transfer fees, etc. received) amounts to £127,904, and after bringing in the balance from last year, and an adjustment in respect of prior years, £167,658 is available for allocation. The directors have recommended the payment of a similar ordinary dividend to that paid during the last two years.

I wish to make a few remarks concerning the prospects. Earlier in my review I stated that materials are increasing in cost; they are also inadequate in quantity, and thus whilst every effort is again being made to increase our turnover, it is difficult to visualise how financial results can be quite as satisfactory as during the preceding year.

The report was adopted.

CONSOLIDATED MAIN REEF MINES AND ESTATE, LIMITED

(Incorporated in the Union of South Africa)

SHORTAGES AFFECT RESULTS

IMPORTANCE OF RESERVES

Mr W. M. FRAMES ON THE POSITION

The annual general meeting of Consolidated Main Reef Mines and Estate, Limited, was held in Johannesburg on the 9th instant.

Mr W. Frames, chairman, presided, and in moving the adoption of the report and accounts said operations had continued to be restricted by shortages of labour and materials. There had been, however, some improvement in the work accomplished both in stoping and in development. Ore milled compared with the previous year had decreased by 81,000 tons to 2,229,000 tons, which was considerably below the capacity of the plant. Working costs had increased by 1s. 7d. per ton milled but as the yield was higher by 0.227 dwt., equivalent to 1s. 11d. per ton milled, working profit for the year had risen by £27,012 to £272,383

PROFIT FOR THE YEAR

The profit carried to the appropriation account, after adding the difference of £4,414 between sundry items in the income and the expenditure account, was £276,797. There had been a withdrawal of £11,900 from the shareholders' contingency reserve and a credit on capital account of £15,102 representing the proceeds of freehold sold, less expenditure on equipment. Provisions in respect of silicosis outstanding liabilities had totalled £22,997 and provision for taxation had amounted to £2,833. There had been a refund of forfeited dividends of £11,904 and dividends had absorbed £249,520.

He would draw the attention of shareholders to certain alterations which had been made in the method of presenting the annual accounts. Those accounts, formally grouped under the heading of "Trade creditors, accrued liabilities, contingency and renewals and replacements reserves," were shown separately as shareholders' contingency reserve, creditors and provisions and abnormal costs reserve. To facilitate reference, comparative figures for the previous year were shown in the margins of the accounts.

FOOTAGE DEVELOPED

Compared with the previous year, footage developed at 97,086 feet had shown an increase of 6,890 feet. Although footage sampled had been 7,195 feet greater, that classed as payable had increased by only 365 feet. Payable ore developed amounting to 663,400 tons of an average value of 3.7 dwt. per ton had been 437,600 tons less than in the previous year, value being 0.1 dwt. per ton lower.

A few payable blocks of Main Reef Leader in the north-east corner of the property and of the Main Reef west of Bantjes Dyke had been developed, but in the lower levels results had been disappointing. Values on South Reef had been satisfactory in the north-western area. Development on Bird Reef had again disclosed appreciable tonnages of low-grade ore, mainly in the No. 10 shaft area. Kimberley Reef values had been generally poor, but development had not yet reached the area towards the eastern boundary where payable values had been intercepted in boreholes drilled from the surface.

ORE RESERVE

Available ore reserve had been recalculated as at June 30th, 1948 to be 4,199,000 tons averaging 3.7 dwt. over a stoping width of 55.2 inches. Compared with the previous year, that represented a decrease of 775,000 tons, the width being lower by 0.6 inch, and the value unaltered. Ore developed in recent years had been insufficient to replace ore mined from the payable reserve. The position had been further aggravated by the exclusion of marginal blocks which had been rendered unpayable by the increase in working costs. Prospects of an early improvement in the ore reserve were not good. The only undeveloped area of appreciable magnitude was towards the southern boundary where exploratory drives and winzes had not yet disclosed any considerable area of payable ore.

It was important that the existing ore reserve should be conserved as much as possible and in order to achieve that it might become necessary to reduce the percentage of ore mined from the reserve with the resultant lowering of the grade of ore sent to the mill. Shareholders would realise that the future of the mine depended, to a large extent, on the results of exploratory operations now being carried out from the lower levels towards the southern boundary of the property.

PRICE OF GOLD

The price of gold had remained unchanged throughout the year at 172s. 6d. per ounce fine. Fresh legislation had been enacted during the last session of Parliament, whereby alterations had been introduced in gold-mining taxation providing for a reduction in the formula tax, which was based on the ratio of profit to recovery, and for an increase in the redemption allowance in respect of capital expenditure to 27½ per cent. of the unredeemed balance at the end of each year. As the company did not at present incur any tax liability in respect of its gold-mining profits the changes did not affect it.

The report of proceedings at the meeting would be published in the press and shareholders could obtain copies from the head office in Johannesburg or from the London office.

The report and the accounts were adopted.

MODDERFONTEIN EAST, LIMITED

(Incorporated in the Union of South Africa)

LABOUR AND MATERIAL SHORTAGES

STRONG ORE RESERVES

MR P. H. ANDERSON'S SPEECH

The annual general meeting of Modderfontein East, Limited, was held in Johannesburg on the 9th instant.

Mr P. H. Anderson, chairman, presided and, in moving the adoption of the report and accounts, said that due largely to continued shortages of labour and materials, the mill was now operating at only 86 per cent. of its rated capacity. The yield per ton milled had decreased further by 0.136 dwt. to 2.8 dwt., and consequently revenue per ton milled had been lower by 1s. 2d.

Working costs remained unchanged at 18s. 7d. per ton milled, but working profit had decreased by £76,918 to £412,058 due to a lower yield. Total profit was £418,154. Provisions made in respect of silicosis outstanding liabilities had totalled £20,173, provision for taxation had accounted for £123,642, provision for lease consideration had amounted to £42,151 and dividends had absorbed £232,701.

FORM OF ACCOUNTS

Shareholders would have noticed that some alterations had been made in the form in which annual accounts were presented. That had been done with the object of giving shareholders a more easily comprehensible picture of the company's financial position.

In order to facilitate comparison, figures relating to the previous year were shown in the left-hand margin of the accounts.

Development accomplished during the year had totalled 12,107 feet an increase of 642 feet compared with the previous year's figure. The greater proportion of that development had been concentrated in the south-eastern corner of the mine. By the end of the current financial year, that area should be almost fully developed. Thereafter, the only remaining area of any promise lay in the most northerly portion of the property and even there prospects of opening up any material quantities of additional ore were not particularly encouraging. A certain amount of development had been done in that area during the past year but no payable ore had been disclosed.

That had not been entirely unexpected, as the area was known to have a low percentage payability and, in any case, operations had been directed more towards improving the ventilation and opening up the area than to proving the extension of payable patches of ore already exposed.

AN INTERESTING BOREHOLE

Over a number of years, prospecting by means of surface boreholes had been carried out on the neighbouring Holfontein property and on a portion of Farm Klipfontein number eleven lying between Holfontein and Modder East, commonly known as the "Klipfontein corridor." The results of those boreholes had been almost consistently disappointing, but one borehole was of particular interest. The borehole had been drilled some 1,800 feet from the point where the company's No. 11 drive reached the northern boundary of Modder East. The core assayed 10.25 dwt. over 16 inches, equivalent to 164 inch-dwt.

As that encouraged the hope that there existed a patch of payable ore in that portion of the "corridor," application for a lease of undermining rights in extent of approximately 735 claims had been submitted to the Mining Leases Board. Should application be granted, it was the intention to drive out on the 11th level to explore the area. He would warn shareholders, however, not to be too optimistic regarding developments in that direction as experience both at Modder East and other mines lying on the sub-outcrop of that portion of the Far East Rand basin had not been encouraging.

In addition, it should be borne in mind that the distance from the nearest main shaft, No. 2, would be an important factor in determining costs and, therefore, pay limit. Although prospects of opening up any material quantities of payable ore in that portion of the "Klipfontein corridor" were highly speculative and although progress would be slow while the shortage of labour persisted, it was, he thought, essential that the area should at least be explored by underground development.

PAYABLE ORE DEVELOPED

Payable ore developed during the year had totalled 486,000 tons which represented an increase of 1,000 tons over that opened up during the previous year, the value being the same, namely, 3.2 dwt. per ton.

At June 30, 1948, the available ore reserve had been estimated to be 4,555,000 tons, averaging 3.3 dwt. over a width of 43 inches. Compared with the estimate made a year previously, available ore reserve had decreased by 661,000 tons, the average value and stoping width being lower by 0.1 dwt. and 0.2 inch respectively.

NATURE OF ORE BODY

The nature of the ore body at Modder East was such that it was the practice to include in ore reserves only that ore which lay immediately ahead of the stope faces and only the narrow strip along payable exposures in reef drives, raises and winzes. The ore in that portion of the Rand was of a comparatively low grade and values were not persistent. It was not uncommon, therefore, to find stope faces becoming unpayable after a relatively small advance from the payable raise or from what had been previously a payable stope face.

The converse was also true. A conservative policy in regard to the estimation of ore reserves was consequently essential and while a whole block of developed ore might ultimately prove payable, it was the practice to include only the fringe of such blocks and await results of stoping to prove continuity of value. Should stoping operations prove continuity of value in a reef, then a further strip of ore in advance of the stope face was included when the annual re-estimation of reserves was made. In that way, ore was said to be developed by stoping. Only about 13½ per cent. of additions to reserves during the period had been derived directly from development operations the balance of additions being proved by stoping.

Thus, although the mine had now reached the stage where development operations were unlikely to open up any considerable quantities of additional ore for reserves, the quantity of ore remaining to be developed or proved by stoping operations was likely to be material.

FACTORS AFFECTING FUTURE

The latter would, however, show downward trend each year as blocks of ore already established became mined out. As the rate of mining from reserves was in excess of the rate of replacement of ore by development and stoping operations, shareholders must expect an annual decline in the quantity of the ore reserve. Reserves were, however, in a strong position, as it was estimated that the total reserve, including pillars but without making any allowance for the opening-up of further ore, amounted to 4,875,000 tons averaging 3.4 dwt.

In considering the future of the mine, another important factor was its ability to maintain its present position as the mine with the lowest working cost on the Witwatersrand. During the first nine months of 1948, working costs per ton milled had averaged 18s. 5d., which was an achievement of great credit to all concerned.

CHARGES IN TAXATION

During the recent session of Parliament, certain changes had been made in gold mining taxation with effect from January 1, 1948. There had been a downward adjustment on the tax formula with the result that given the same ratio of profit to recovery, the 1948 rate of tax was equivalent to 95.24 per cent. of that calculated under the 1947 formula. In addition, redemption allowance in respect of capital expenditure had been increased from 22½ per cent. to 27½ per cent. of the unredeemed balance at the end of each year.

Those alterations had been effected after the close of the financial year and there was therefore a credit adjustment of £6,458 to be made in respect of the amount provided in the accounts to meet taxation for the half-year ended June 30, 1948. Tax concessions were relatively small but were, nevertheless, welcome as further steps in the right direction. He would emphasise that notwithstanding that belief, the company was liable for mining taxation at an inordinately high level. On the revised basis the rate of taxation for the half-year ended June 30, 1948, was equivalent to no less than 7s. 8d. in the £. In addition, the company had to pay lease consideration in terms of its lease agreement with the Government.

A report of the proceedings at the meeting would be published in the press and shareholders could obtain copies on application to the secretaries in Johannesburg or London

The report and accounts were adopted.

NOTICES

ASSISTANT REGISTRAR OF STATISTICS, SINGAPORE

A vacancy exists in Singapore for an Assistant Registrar of Statistics. Applicants should possess an Economics degree (including Mathematics or Statistics) or a Bachelor of Commerce degree. Preference will be given to candidates with experience in statistical work. The duties of the post are to assist in the collection, collation and publication of Statistics and also in the analysis of statistics of trade, production, industry, prices, etc. Salary: $400 x $30—$900 per month (about £560—£1,260 per annum), plus cost of living and expatriation allowances amounting to a minimum combined total of $240 a month (£336 per annum) for a single man, $290 per month (£406 per annum) for a married man.

Point of entry on this scale would be according to qualifications and experience. Age limit 35, unless special qualifications and experience can be offered by an older candidate, aged between 35 and 45.—Write for application form, quoting this advertisement, to Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1, within two weeks of the appearance of this advertisement.

STOCKBROKERS of Moderate importance, but possessed of ample means and intending to expand, invite correspondence from fellow-members with connection or other sound attribute. Only those will be interested who believe in a scientific approach to the problems of our profession and who find in present difficulties the urge to improve their standard of efficiency in the interest of the investment clientele.—Write, Box 814, Reynell's, 44, Chancery Lane, W.C.2.

ABLE YOUNG MAN, economics, industrial and public relations, current affairs, negotiation, exceptional executive qualifications, seeks contact suitable firm or organisation.—Box 879.

SALES MANAGER, able to formulate tailor-made policy and carry it out; fully up to date on advertising, sales promotion, marketing; first-class education, war record, references; seeks change at four-figure level.—Box 877.

STATEMENT

An unfortunate mistake in Professor Ian Bowen's Book BRITAIN'S INDUSTRIAL SURVIVAL indicated that the prices of the Cold Rolled Brass and Copper Association were raised by 1s. 4d per lb. in 1937, when, in fact, they were reduced by 3d. per lb and the context where this statement was printed constituted an adverse reflection on the policy of the Association.

Professor Bowen is anxious to correct this misstatement and to apologise to the Association for the imputation. The book has been withdrawn and will be issued again with this passage amended.

(signed) IAN BOWEN, 10.10.48.

Witness: M. B. LAMACRAFT, Solicitor.

LATE IMPERIAL SERVICE OFFICER with excellent record (39), Public School, at present holding responsible executive post in Government department, desires permanent position in London area carrying responsibility and affording opportunities for the exercise of energy, keenness and initiative; has had considerable experience of buying, large-scale administration, contact and liaison work and handling men, and has studied the supply and distribution sides of the food system.—Box 881.

SENIOR ECONOMIST, good school and university education, some business experience, journalistic experience or drafting ability. Market survey and allied work.—Write, stating salary required, to O. W. Roskill, Industrial Consultants, 14 Great College Street, London, S.W.1.

SINGLE, Urdu speaking, English ex-Public School/Indian Army Staff Officer (25), requires early employment India (Calcutta)/Burma. Box 886.

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

Statistical Summary

GOVERNMENT RETURNS

For the week ended November 6, 1948, total ordinary revenue was £81,520,000, against ordinary expenditure of £50,353,000 and issues to sinking funds £1,070,000. Thus, including sinking fund allocations of £10,513,000, the surplus accrued since April 1st is £272,167,584 against £243,474,548 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand) April 1 to Nov. 8, 1947	April 1 to Nov. 6, 1948	Week ended Nov. 8, 1947	Week ended Nov. 6, 1948
ORDINARY REVENUE					
Income Tax	130915[0]	438,707	456,333	5,269	12,762
Sur-tax	90,000	21,905	28,150	450	600
Estate, etc., Duties	160,000	99,699	104,900	2,300	2,300
Stamps	55,000	30,380	33,513	800	800
Profits Tax	250,000	22,570	91,182	950	3,800
E.P.T.		159,309	64,200	7,292	1,500
Other Inland Rev.	1,000	115	105	...	...
Special Contributn.	50,000	...	19,650	...	1,050
Total Inland Rev.	1915150	772,685	801,033	17,061	22,812
Customs	820,600	480,496	491,495	22,265	27,087
Excise	726,550	375,400	466,500	25,853	32,300
Total Customs & Excise	1547150	855,896	957,995	48,118	54,387
Motor Duties	50,000	12,911	11,884	1,196	997
Surplus War Stores	102,000	125,877	70,136	156	1,679
Surplus Receipts from Trading	57,000	30,175	826	...	...
P.O. (Net Receipts)	...	2,580	...	1,800	...
Wireless Licences	11,000	5,170	5,360	...	...
Crown Lands	1,000	650	590	...	...
Receipts from Sundry Loans	14,000	18,861	10,323	1,156	1,181
Miscell. Receipts	68,000	188,435	93,081	462	464
Total Ord. Rev.	3765300	2013240	1951228	69,918	81,520
SELF-BALANCING					
Post Office	150,200	82,200	89,680	1,900	3,700
Income Tax on E.P.T. Refunds	16,000	14,349	4,729	332	193
Total	3931500	2109789	2045637	72,180	85,413

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Nov. 8, 1947	April 1 to Nov. 6, 1948	Week ended Nov. 8, 1947	Week ended Nov. 6, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	318,493	303,738	3,889	18,215
Payments to N. Ireland	26,000	13,110	13,991	704	938
Other Cons. Fund Services	8,600	3,761	3,798	2	...
Total	534,600	335,364	321,527	4,656	19,153
Supply Services	2442857	1424811	1347022	36,000	31,200
Total Ord. Expd.	2976657	1760175	1668548	40,656	50,353
Sinking Funds	...	...	10,513	...	1,070
SELF-BALANCING					
Post Office	150,200	82,200	89,680	1,900	3,700
Income Tax on E.P.T. Refunds	16,000	14,349	4,729	332	193
Total	3142857	1856724	1773470	42,888	55,316

After increasing Exchequer balances by £165,322 to £3,191,730, the other operations for the week decreased the gross National Debt by £21,869,605 to £25,705 million.

NET RECEIPTS (£ thousand)

Title Act, 1936, sec. 26	465
Housing (Temp. Accommodation) Act, 1944, sec. 8(3)	863
	1,328

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Acts, 1946 and 1948	425
E.P.T. Refund	237
Housing (Scot.) Act, 1944, sec. 4(2) and Housing (Gtn. Prov.) (Scot.), sec. 13(2)	345
Local Authorities Loans Act, 1945, sec. 3(1)	3,900
New Towns Act, 1946, sec. 12(3)	100
War Damage: War Damage Commission	4,000
Finance Acts, 1946 and 1947, Post-war Credits	382
	9,389

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
2½% Def. Bonds	367	Treasury Bills	29,810
Tax Reserve Certs.	7,277	Nat. Savings Certs.	700
Ways & Means Advances	6,195	3% Def. Bonds	*656
		3% Conv. Loan '48-53	50
		3% Tr. Annuities	1,290
		Other Debt:—	
		Internal	2,127
		Interest outside the permanent debt charge	1,075
	13,839		35,708

* Including £162,000 paid off on maturity.

FLOATING DEBT (£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Nov. 8	2250·0	2539·3	337·7	...	1252·5	6379·4
1948						
July 24	2210·0	2632·8	294·6	13·3	1429·5	6580·1
,, 31	2210·0	2620·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5
,, 14	2210·0	2355·6	287·0	...	1429·5	6282·0
,, 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
,, 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2422·0	294·2	...	1455·5	6351·8
,, 11	2210·0	2378·7	297·0	2·0	1460·5	6348·2
,, 18	2210·0	2399·7	300·5	18·8	1460·5	6389·4
,, 30		4637·3	256·5	...	1449·5	6345·3
Oct. 9	2220·0	2415·3	274·7	8·0	1452·0	6370·0
,, 16	2240·0	2416·7	277·5	5·5	1425·5	6395·3
,, 23	2250·0	2416·3	282·1	0·5	1438·0	6416·9
,, 30	2250·0	2424·6	278·5	...	1435·0	6388·1
Nov. 6	2250·0	2394·8	284·7	...	1435·0	6364·5

TREASURY BILLS (£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Nov. 7	170·0	285·4	170·0	10 1·49	45
1948					
July 30	170·0	291·8	170·0	10 1·34	42
Aug. 6	170·0	288·1	170·0	10 1·50	44
,, 13	170·0	269·1	170·0	10 1·91	53
,, 20	170·0	272·7	170·0	10 1·87	52
,, 27	170·0	268·1	170·0	10 3·05	53
Sept. 3	170·0	295·8	170·0	10 2·43	41
,, 10	170·0	284·6	170·0	10 2·84	48
,, 17	170·0	263·8	170·0	10 3·31	56
,, 24	170·0	275·5	170·0	10 3·14	52
Oct. 1	180·0	277·5	180·0	10 1·72	54
,, 8	190·0	269·2	190·0	10 1·90	62
,, 15	180·0	269·4	180·0	10 2·09	59
,, 22	170·0	285·2	170·0	10 1·57	48
,, 29	170·0	291·1	170·0	10 1·46	43
Nov. 5	170·0	291·9	170 0	10 1·58	44

On November 5th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 44 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for November 12th. For the week ended November 13th the Banks will not be asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Week Ended Nov. 1, 1947	Week Ended Oct. 30, 1948	Totals, Apr. 1 to Oct. 30, 1948
Savings Certificates:—			
Receipts	2,500	2,300	66,600
Repayments	2,300	2,300	75,950
Net Savings	200	...	*Dr 9,350*
Defence Bonds:—			
Receipts	800	655	23,415
Repayments	795	1,122	27,644
Net Savings	5	*Dr 467*	*Dr 4,229*
P.O. and Trustee Savings Banks:—			
Receipts	11,241	11,141	369,301
Repayments	9,873	10,272	362,448
Net Savings	1,368	869	2,816
Total Net Savings	1,573	402	*Dr 10,763*
Interest on certificates repaid	414	414	13,577
Interest accrued on savings remaining invested	2,262	2,332	70,150

On November 5th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 44 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for November 12th. For the week ended November 13th the Banks will not be asked for Treasury deposits.

BANK OF ENGLAND RETURNS

NOVEMBER 10, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1235,000,523	Other Govt. Securities	1288,164,547
In Bankg. Department	64,647,310	Other Secs.	868,517
		Coin (other than gold)	11,836
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	327,363,941
Rest	3,326,984	Other Secs.:—	49,416,379
Public Deps.:—	21,319,864	*Discounts and*	
*Public Accts.**	*14,037,619*	*Advances*	*22,377,845*
H.M. Treas.		*Securities*	*27,035,534*
Special Acct.	*7,282,254*		
		Notes	64,647,310
Other Deps.:—	405,159,135	Coin	2,931,353
Bankers	*312,085,966*		
Other Accts.	*93,073,169*		
	444,358,983		444,358,983

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

COMPARATIVE ANALYSIS (£ million)

	1947	1948		
	Nov. 12	Oct. 28	Nov. 4	Nov. 11
Issue Dept.:—				
Notes in circulation	1360·3	1230·8	1233·9	1235·6
Notes in banking department	90·0	69·5	66·3	64·6
Government debt and securities*	1449·3	1299·2	1299·2	1299·2
Other securities	0·7	0·8	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Value at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·7	13·1	16·7	14·0
Treasury Special Account	...	19·6	18·3	7·3
Bankers	297·7	307·5	304·1	312·1
Others	94·5	93·0	94·4	93·1
Total	405·9	433·2	433·5	426·5
Securities:—				
Government	304·1	322·3	325·2	327·4
Discounts, etc.	7·3	19·3	23·7	22·4
Other	20·6	37·4	33·4	27·0
Total	332·0	379·0	382·3	376·8
Banking dept. res.	91·8	72·1	69·1	64·6
	%	%	%	%
"Proportion"	22·6	16·6	15·9	15·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

1927=100	Nov. 4, 1947	Oct. 19, 1948	Nov. 2, 1948
Cereals	112·5	119·6	123·8
Other foods	138·7	138·8	138·8
Textiles	149·4	175·8	176·6
Minerals	232·9	264·0	264·0
Miscellaneous	153·1	155·2	154·3
	151·5	163·2	164·1
1913=100	*308·8*	*224·0*	*225·8*

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Nov. 4	45¼	74¼	176 4	113 12
,, 5	45¾	74¼	175 2	113 4
,, 6	Markets	Closed	175 2	113 4
,, 8	45¼	74¼	174 7	112 14
,, 9	45	74¼	175 0	113 0
,, 10	45	74¼	175 3	112 15



New Business Contacts

With its wide network of Branches, The Union Bank of Australia is able to give the fullest assistance to those seeking to establish new business relationships in Australasia. If desired, visitors so interested will be put in touch with importers and exporters of standing.

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Reserve Fund ...	$24,000,000
Total Assets over ...	$700,000,000

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RESERVE FUND & BALANCE carried forward	£2,768,759
DEPOSITS & CREDIT BALANCES as at 28th February, 1948	...£87,927,503

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ANNUAL INCOME EXCEEDS	£17,500,000
ASSETS EXCEED	£102,000,000
CLAIMS PAID EXCEED	£189,000,000
(1947 Accounts)	

UNIVERSITY OF CAMBRIDGE

The Faculty Board of Economics and Politics give notice that they intend to appoint a Faculty Assistant Lecturer in Statistics. The appointment will be for three years in the first instance, and will be subject to the Statutes and Ordinances of the University. Further particulars can be obtained from the Secretary to the Board, the Marshall Library, Downing Street, to whom applications should be sent so as to reach him not later than December 1, 1948. Four copies of the application should be sent, and should consist of a statement of the qualifications of the candidate for the appointment; testimonials should not be sent, but the names of not more than two persons to whom reference can be made may be given.

UNIVERSITY OF MELBOURNE

Applications are invited for the position of PROFESSOR OF POLITICAL SCIENCE. Salary £1,500 (Australian), plus £90 cost of living allowance per annum, subject to superannuation contributions.

Further particulars and information as to method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 32 Woburn Square, London, W.C.1. Closing date for the receipt of applications is January 1, 1949.

DEVELOPMENT DIRECTOR.—An important Company with rapidly expanding interests in fine chemical manufacture proposes to appoint a Director with full responsibility for chemical process development. Wide experience essential, together with proved capacity economically to develop pilot plant and full-scale production facilities from research laboratory results. Salary will be commensurate with the substantial responsibility involved and appropriate to the ability and experience required. Age preferably not exceeding 55. All applications will be treated as strictly confidential.—Box 874.

COMMERCIAL, industrial or legal-secretarial post sought by young lady, aged 28, just finished at University, B.Com. degree, 3 years' industrial experience, 5 years' medical administrative experience. Only responsible work considered. Knowledge of shorthand and typing, but prefers to restrict its use to essential minimum. Referees, personal, academic, and covering whole period of former employment, have undertaken to answer inquiries. Any part of country, or abroad considered. Salary £400-£500.—Reply, Box 869.

FOR SALE: ECONOMIST, January, 1917-July, 1948; ECONOMICA, Feb., 1945-May, 1948; Econ. Jour. June, 1915-March, 1948. Offers to Box 867.

UNIVERSITY OF LONDON

THE CREIGHTON LECTURE, entitled "The Cycle of War and Peace in Modern History," will be given by Dr. G. N. Clark (Provost of Oriel College, Oxford) at 5.30 p.m. on November 15th at University of London: Senate House (entrance from Russell Square or Malet Street, W.C.1). The Chair will be taken by the Vice-Chancellor of the University (Professor L. M. Penson).

ADMISSION FREE, WITHOUT TICKET.
JAMES HENDERSON, Academic Registrar.

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG, SOUTH AFRICA

Applications are invited for a SENIOR LECTURER IN COMMERCE. A knowledge of accounting would be desirable and business or teaching experience would be a strong recommendation.

Salary Scale, £800 x £25—£1,000, plus temporary cost of living allowance, which at present is £75 per annum in the case of a married man and £16 16s. in the case of a single officer. A higher initial salary may be paid on the grounds of special qualifications and experience.

Further particulars and information as to method of application can be obtained from the Secretary, Association of Universities of the British Commonwealth, 32 Woburn Square, London, W.C.1. The closing date for receipt of applications is December 1, 1948.

EDUCATED WOMEN, under 25 years of age, are required for posts as investigators in the Market Research Department of a large Company. The minimum educational standard is Higher School Certificate and preference is given to University Graduates, especially in statistics, mathematics, economics, modern languages, and the social sciences. Good health and the ability to make contacts easily with all kinds of people, are essential. Ability to drive a car is an advantage. On appointment investigators undergo a training period of four to eight months at the Company's Head Office in the North of England, and are subsequently expected to reside in London, but to be prepared to travel extensively in Great Britain. Replies to this advertisement should give very full personal details and be addressed to Box 880.

A YOUNG EXECUTIVE, aged 31 and married, with a good legal qualification and managerial experience, is looking for a job with a firm of repute. He is willing to work (and work hard) either at home or abroad. He has a successful post-war record in commerce—principally in organisation, selling and publicity, and staff relations—is able to negotiate successfully and to think logically. He has read Economics to degree standard and has travelled extensively abroad. He is accustomed to earn £1,200 a year; would accept less to begin with; but aims to reach a higher figure in due course. Replies, which should be addressed to Box 875, will be treated in strictest confidence.

COMPANY director, age 35, fully experienced in sole management of small food manufacturing Company, desires change of occupation. Experienced at all stages of production, including office management and secretarial department. Residence abroad is no deterrent. Salary, £1,200 to commence.—Box 858.

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MADRAS GOVERNMENT

The Economist

Established 1843

November 20, 1948 — One Shilling

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Second Reading

THE task of the Government speakers in the second reading debate on the Iron and Steel Bill, which has occupied three days in the House of Commons this week, was to convince the country that the scheme to nationalise the steel industry is both necessary and urgent. There is a large body of opinion still honestly perplexed, conscious that the existing organisation of the steel industry is not perfect, doubtful of the remedy proposed, but willing to be convinced by the force of argument. The Minister of Supply accepted the task in his opening sentences

> We are confident that, whatever public opinion may be before this Bill was published, as over the coming months the debate inside and outside of the House proceeds, so the great majority of the people will share the Government's view that, if our country is to prosper and our people to live a higher and a better standard of life, this Bill is essential. We base this belief, not on dogma or abstract theories but on the known facts and the conclusions to which they inevitably lead.

It was a brave beginning. But unfortunately neither Mr Strauss himself nor any of his colleagues lived up to it. There were, indeed, plenty of arguments, but every one of them, on close examination, turns out to be based, not on "known facts" but on assertions and assumptions that only convinced Socialists would accept. It may be that there is a wholly realistic, wholly factual, wholly non-ideological case for the public ownership of the iron and steel industry. But if so, it evidently escapes Ministers fully as much as the general public. Even those who have been most reluctant to believe that Ministers of the Crown would so far forget their responsibility as to monkey with a major industry for reasons of mere internal party manoeuvrings are now compelled to agree with Mr Churchill when he calls the Bill "a feature in party tactics intended to keep the Socialist left wing as far as possible in order, and the Government as long as possible in office."

The central issue round which any realistic argument ought to revolve is a very simple one indeed. Will the proposals of the Bill make the steel industry a better industry than it would otherwise be? And the definition of a "better" steel industry, in its turn, is a simple matter. Now and for the next year or two, the best steel industry would be that which produces the greatest quantity of steel. In the longer run, the best steel industry would be that which produces steel of good quality at the lowest cost. In the short run, the test is quantity; in the long run, cost. Beside these simple tests, nothing else matters very much. Yet it is astonishing how very little of their speeches Ministers addressed to these central issues. On the question of timing, Mr Strauss limited himself to the single remarkable—and wholly unsubstantiated—assertion that "the transfer of ownership . . . will plainly be less disturbing if it takes place now, when trade is good, than in a period of trade depression." But when Sir Andrew Duncan, on the third day, asserted that the Bill would endanger the industry's development plan, nobody contradicted him—indeed, nobody is in a position to do so. As for the effect of the Bill on costs of production, though he recognised the importance of

cheapness, the Minister did not even attempt to prove that nationalised steel would be any cheaper than private enterprise steel. Indeed, one part of his argument made it apparent—though he did not appear to realise it himself—that the opposite would be true. This was when he was arguing that, in deciding how much capacity the industry must have, "we cannot, we dare not, be as conservative and cautious as the steel industry has been and is bound to be." It is not clear that this is in fact the case, since Sir Andrew Duncan was again unchallenged when he asserted that there is no difference of view between the industry and the Government on the capacity to be aimed at. But if it is true that a nationalised steel industry would have larger capacity, relatively to the average demand, than the private industry would provide, then it must follow that its costs would be higher, since additional capacity is not costless—certainly not if it is provided today. Nor did Mr Strauss realise what nonsense this promise of greater capacity made of his statement that the nationalised industry "will offer greater security to those who work in it." The larger the capacity relatively to average demand, the larger over the years will be the average unemployment. It is the inability, or unwillingness, of Socialist Ministers to grasp simple logical propositions like this that creates such profound distrust in their general claims to be able to manage industry better than the industrialists.

*

If, then, they virtually ignored the simple main issue that the Bill raises—on which the public, if it is wise, will base its judgment—what were the subsidiary arguments which, in Ministers' own minds, seemed to justify such a gigantic undertaking? There were, of course, a great many hard words about the organisation and policies of the industry in the decade before the war. Many of those criticisms are most fully justified. But why do Ministers assume—it was an assumption, there was no attempt to argue it—that the structure they propose would be better? Most of the prewar critics of the steel industry attacked it because there was too much central organisation, not too little; because there was too little competition, not too much. On the face of things, the Bill would seem to be accepting all the main defects of the prewar industry and making them worse. Why do not Ministers deal with a point like this? Is it because they do not really care whether their arguments make sense or not?

Apart from criticisms of the past—and apart also from such distinct matters as the terms of compensation, with which Sir John Anderson dealt most forcefully—the ideas in Ministers' speeches consisted of a number of variations on two main themes. The first can be called the power theme. The Bill, said Mr Strauss, "transfers to Parliament and the community that power to dominate the economic life of this country which now resides with the steelmasters in Steel House"; "we have to decide," echoed Sir Stafford Cripps, "whether such a large measure of industrial control by private interests is consistent with present day democratic government." It can be asserted—justly in the opinion of this journal—that "the steelmasters of Steel House" mismanaged their industry before the war. But the charge goes far beyond the confines of the steel industry; it is that they exerted a baleful influence on the economic life and political sovereignty of the whole British democracy. This is the sort of bogy that constantly recurs in Socialist speeches. But it is difficult to recall that a single piece of evidence has ever been offered to substantiate it. When did the "masters" of the steel or any other industry in this country step outside the boundaries of their own concerns and deliberately exercise an improper influence on public affairs? Trade unions do so regularly, and perhaps, if there is anything at all in the argument, they ought to be the first to be brought to heel. But if far-reaching statutes are to be based on the allegation that there is some danger to democratic sovereignty, surely one or two pieces of evidence should be produced. It is really remarkable to what extent the Socialists allow themselves to be carried away by this myth of their own invention. Listen, for example, to Sir Stafford Cripps:—

> Is there some peculiar right in the owner of this class of property to have his property preserved and with it the power of control over the industrial life of the whole country? I answer that question without any hesitation by saying that, this challenge having been put forward by private interests, it is essential that democracy should assert its rights, as otherwise it must acknowledge for all time that it cannot touch these citadels of power, and that it is not the electorate but the owners of industrial property who shall determine the economic policies of the country.

If one interrupts the flow of eloquence to inquire when the private steel industry has "challenged" "democracy," the only answer that emerges from Sir Stafford's rhetoric is that it has done so merely by existing. And if one ventures to protest that what is now at issue is not the right or the power of Parliament to do anything it wants to the steel industry—nobody has "challenged" that—but the wisdom of the particular measures now proposed, no answer at all emerges. Sir Stafford Cripps is a high-minded and clear-headed man, who in the past twelve months has deserved well of the nation. It is a pitiful sight to see him stooping to demagogy.

The second main theme is what may be called the planning theme. "In our view" said Mr Strauss "it would be madness for the Government . . . to perpetuate in this basic industry a system in which serious clashes on matters of major policy between private and public interests are bound sooner or later to arise." It will be noticed that Mr Strauss was careful not to say that any disagreements on policy had in fact arisen between the Government and the industry. Sir Andrew Duncan asserted, without correction, that they had not. But even if the likelihood of such clashes is accepted, does it necessarily follow that the state must always be right and the industry wrong? This is another assumption that Socialists always take for granted. Most conflicts on matters of economic policy are of one of two kinds. They may be disagreements over the distribution of wealth, as between consumers and producers, or between employers and workers. In these disputes, the common interest must indeed be paramount; but it is far from apparent that a government department is always the best judge of the public's interest. Wherever possible, the public should be allowed to state its own interest by exercising freedom of choice—which is an argument for less control and monopoly, not for more. The second type of disagreement arises out of different guesses about the future. Can it really be held that Ministers are better guessers than business men? They are, in most cases, personally less well qualified; they are far more subject to pressure from the fashion of the moment; and they have far less to lose by being wrong.

The state is poorly equipped to run detailed business affairs. There are, indeed, certain things it must do, since nobody else can. It must concern itself with the general economic climate of the country, whether it is inflationary or deflationary; it must wield the powerful economic weapon of taxation; it must supervise the balance of payments; it must aim at a balance between thrift and capital creation. These things it must do—or so the great majority of people in the twentieth century would hold—but it has not yet learned how to do them very well, and it would be well advised to hold itself as far apart as it can from detailed decisions in specific industries. When it comes to the question of running the steel industry, it is overwhelmingly probable that the state would not be an improvement on the private owners. The existing cartel is not a good way of running the industry, but the path of wisdom for the state is not to take it over and run it still worse, but rather to consider how the "steel masters," in running their own affairs, can be induced to do so in a way that also serves the public interest in cheap steel.

Back to the Ruhr

THE Six Power Conference which is meeting in London to shape the proposed international control board for the Ruhr has assembled under the shadow of intense French displeasure. When the Powers met in London last June to discuss the future of the Ruhr, the French were unwillingly persuaded to give up their old contention that both the ownership and the management of the Ruhr should be international. The question of ownership was shelved and the French negotiators abandoned their insistence upon internationalised management in return for Anglo-American readiness to set up a control board drawn from France, Benelux, Britain and the United States to allocate Ruhr coal and steel between the home market and the export trade. This decision, however, did not prove final. The French National Assembly thereafter instructed their Government to reopen the question of management in the Ruhr and France's desire to strengthen the controls on German industry has steadily increased as, in the course of the autumn, German steel production has overtaken French levels of output.

Opinion in France on the eve of the conference was in any case somewhat suspicious and hesitant. The mood was then confirmed by the announcement of the American and British Governments that they were handing over the trusteeship of the coal and steel industry to the Germans and would be ready to leave the question of ultimate ownership to the decision of some future German Government. To the French, this appeared to be an entirely unjustified attempt to prejudge the issue both of management and ownership on the eve of an important conference which, they felt, should be concerned with both issues and M. Schuman, the French Foreign Secretary, instantly issued an official protest, which was reaffirmed in a statement made by M. Hervé Alphand at the opening of the London talks.

It can be argued, in a strictly technical sense, that the French complaints and protests are not altogether relevant. The conference on the Ruhr is not concerned with problems of ownership at all. The work of the proposed board of control will not be prejudiced by the Anglo-American desire to allow the Germans in the long run to decide whether heavy industry in the Ruhr should be under public or private control. The regrouping of the decartelised steel combines in smaller units—a step which has accompanied the transfer of trusteeship to Germans—does not decide the final settlement with the shareholders or prejudice the rights of the very considerable body of foreign owners.

Nor are changes in control either so revolutionary or so binding as the French protests might suggest. In effect, the British and the Americans have simply given the management of the coal industry and of the steel industry the same pattern. The steel industry, which formerly had a German trustee acting under British control, will now acquire an Anglo-American control body. The mines, which had British trustees under Anglo-American control, will now receive German trustees instead. Effective power rests with the Anglo-American control—which the French could join were they to complete the fusion of their Zone with Bizonia—and it is clear that neither the Americans nor the British are ready to relinquish it for the time being. Thus the actual situation in the Ruhr is not yet drastically changed.

However, whether or not the French protests strictly apply to the present conference on the Ruhr, they cannot obviously be dismissed on a mere technicality. What has happened in the Ruhr is undoubtedly part of a general process of restoring power and responsibility to the Germans and of giving them incentives to work and expand production. It is the whole movement, and not this or that particular phase of it, that the French resent and wish to arrest. It does not much matter whether their protests are relevant to the talks in London this week. The real issue is whether France can stomach the whole trend of Anglo-American policy.

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It has been argued again and again in these pages that on the general direction of policy, the British and the Americans are right and the French wrong. The essence of the argument is that there is in the long run no halfway house between complete and prolonged suppression on the one hand and, on the other, the granting to Germany of equality with its neighbours. Permanent suppression is beyond the desires and the capacities of the western Powers. It is, therefore, all the more important that the goal of building a responsible, equal, democratic Germany should be accepted and its attainment not impeded by attempts here and there to maintain galling and ultimately useless controls. Both in detail and in general, the French plan for an internationalised Ruhr would come within this definition. Detailed interference in German management by foreign technicians and managers would lead to strikes and boycotts by German management and labour and, in general, the imposition of a status on the Ruhr accepted by no other nation would make that status the object of angry German nationalism and revisionism. The only control that the western Powers can be relied on to maintain and which the Germans can hardly have the audacity to attack, is control on the production of actual weapons of war. In every other sphere, equality in status and



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opportunity must be the goal of the Allied Powers first for western Germany and ultimately for the whole country.

Yet having said so much, any student of the mood in Germany today and of the German record in the past cannot but be filled with uneasiness. However clear the general objective—the creation in the long run of a reasonably satisfied Germany—and whatever controls are established in the meantime, the ultimate transfer of the Ruhr to virtually unrestricted German authority raises a number of formidable difficulties. In the first place, the fear of German aggression felt in France and the Low Countries (and in even intenser form in eastern Europe) is a political factor at least as important as the discontent felt in Germany at the disadvantages inherent in losing wars. American officials, with their direct administrative and financial responsibility for a part of Germany, are particularly prone to appear more sensitive to German complaining than to European distrust. Already there is an arrogance in German reactions, particularly in the reactions of the business world, that creates small respect for Germany's sense of proportion and the gravest doubts for its future behaviour.

Nor are the problems raised by the re-establishment of single German control in the Ruhr simply political. At present the chief economic difficulty, both in the Ruhr and in western Europe generally, is likely to be the continuance of certain shortages. The earlier shortage of coal and coke has been to some extent overcome, but in part only, by pushing the difficulty back a stage and saving coke by increasing the amount of high-grade ore and scrap consumed. The more German steel-making capacity is brought back into operation, the more for the time being will be the pressure upon inadequate supplies of rich iron ore and scrap. But this situation is not likely to last. By the time sole German control has been re-established, the situation in the western European steel industry may be much closer to the conditions of over-production prevailing in the thirties. Moreover, since practically every one of the four year plans being prepared within the framework of the European Recovery Programme states each government's intention greatly to expand exports of heavy industrial products and at the same time to reduce imports, there is every chance that the western European industrial nations will find themselves involved in a violent competitive race to capture increasingly inadequate markets.

Such a development would almost certainly lead to a re-establishment of a European steel cartel of the most negative and restrictive kind. During and after the Great Depression, it was the Germans who took the lead in building up the old steel cartel which controlled in the greatest detail—through its various sales comptoirs—the export of every type of steel product, shared out markets and regulated prices. It need hardly be said that the return to such a system, once again very probably dominated by Germany as the largest producer, would be in every sense a retrograde step. To permit the "planning" of western European industry to take the most restrictive and unconstructive of all possible forms would be to defeat the whole purpose of the Recovery programme. Yet such a development seems inevitable if the result of Allied policy in the long run is to re-establish in the Ruhr the *status quo ante*; this, unfortunately, is the direction in which their policy is moving today.

There is, however, one obstacle to a complete return to the prewar situation, but this, far from easing the problem of the future status of the Ruhr, complicates it still further. It is now clear that the five nations of the Brussels Pact will have in the next decade to devote a proportion of their industrial resources to rearmament. It is equally clear that the one thing a German-controlled Ruhr could not be permitted to produce is weapons of war. The practical consequence of this ban would be that whereas Germany's competitors in their drive to secure industrial exports would be limited by the necessity of diverting some of their heavy industrial capacity to armament making, the Germans could devote all their production to serviceable and saleable products. The paradoxical position might then arise that Germany, by reason of the ban on German armaments, might find itself exceptionally favoured in the drive for exports which western Europe as a whole will have to carry on.

The political and economic arguments against the Allies' general policy in the Ruhr have thus more weight than British and American officials have seemed to allow in their discussions with the French. Yet the opposite difficulty remains that in the long run it will be dangerous and indeed impossible to impose upon Germany—save in the single instance of disarmament—a status different from and inferior to that enjoyed by its neighbours. An internationalised Ruhr as the solitary example of international control in an otherwise rigidly nationalist Europe would immediately become a powerful centre of discord and unrest. Is there then no way out of a deadlock in which an uncontrolled Ruhr is a menace and a controlled Ruhr an impossibility?

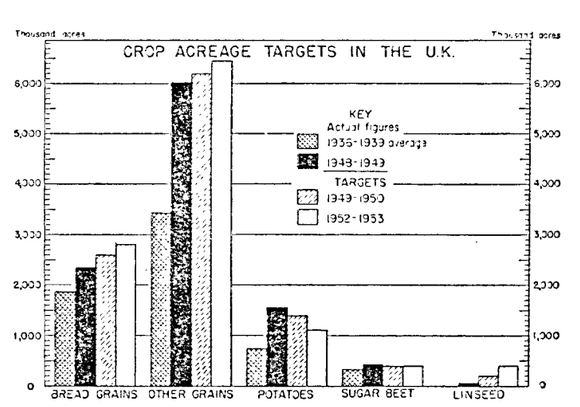
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There is one solution which has already made a brief appearance at the conference table and which could now be very usefully revived. At an earlier discussion of the Ruhr, the Americans proposed that the project of international control should be extended from the Ruhr to cover the industrial areas of Lorraine, Luxembourg and Belgium. The scheme might, as a starting point, take the industries included in the old *Entente Internationale de l'Acier*, but the new international authority would not be a restrictive body designed to maintain prices by restricting production to a limited demand. Its functions would rather be to control and plan investment, to encourage expansion and to allot different types of production to different industrial centres within a unified western European steel industry. The most practicable form of control might well be that of a holding company, entrusted with ultimate financial decisions and responsible to Governments as well as to the industry. To this body, the British steel industry could either adhere completely or belong in a less formal fashion, as it did at the time when the *Entente de l'Acier* was widened by the inclusion of Britain to become the European Steel Cartel. British adherence in some form or another would, however, be essential, since the role of British industry in Western Union rearmament is clearly crucial. The protection offered by the Channel makes Britain the most suitable centre for an expansion of armament making, yet the island could hardly make the sacrifice involved to its export trade, unless it were in a position to share in the gains of western Europe's other steel producers.

A project for the international control for the Ruhr can thus be envisaged once western Germany is treated not as a single German problem but as part of the wider issue of strengthening and integrating western Europe as a whole. There will, of course, be no easy acceptance of the solution. The French have already rejected it once. The Germans are developing a mood of such arrogance that they, too, may denounce a solution which a year ago would have satisfied their most Utopian dreams. The Allies are, however, still in a position to override German opposition if they have the will. The real obstacle is the attitude of nations of the Western Union and of France in the first place. If, however, the alternative to international control for the nations of western Europe—a control which, in a restrictive anti-social sense, they have been prepared to stomach in the past—is the re-emergence of a strong, ruthless, exceptionally well-placed German competitor, there can surely be no doubt where the balance of advantage lies. For a few months more, the international solution can still be imposed on Germany. The French, and indeed the British, will have bitter cause for regret if, to protect their own unimpaired national sovereignty, they finally return Germany to the unencumbered enjoyment of its own.

How Much Food Can Britain Grow?

EVER since discussion started about British postwar policy, it has been an accepted axiom that this country can and should grow more food than it was producing in 1938. The scope for agricultural expansion, however, has been very variously estimated by different authorities, and by the same authority at different times. Until last year, the Government assumed that crop production should gradually be allowed to drop to a level much closer to its prewar than to its wartime volume, but that livestock production should be expanded as quickly as possible to an appreciably higher level than before the war. The general pattern of British agriculture would thus be the same as of old, but its total size would be somewhat larger. It was expected, for instance, in the White Paper on "The Post-war Contribution of British Agriculture to the Saving of Foreign Exchange" (Cmd. 7072, 1947), that the prewar net agricultural output might eventually be exceeded by something like a third. This was a reasonable goal, which was certainly within the industry's capacity, given sufficient feeding stuffs and labour. The emphasis on livestock production meant that its attainment need not be unduly costly or repugnant to the farmers' natural inclination and would be in line with factors of soil and climate.



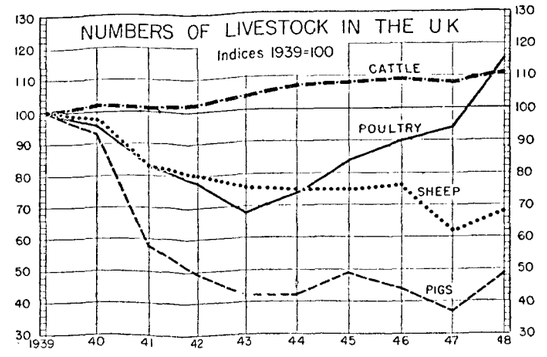
The Government's policy was drastically changed as a result of the dollar crisis of fifteen months ago, which made it cast around for any and every means of saving hard currencies quickly. The four-year plan of agricultural expansion, which it then instituted, envisaged that crop production as a whole (though the ratio between the different crops would be different) should by 1951-52 be raised to around its wartime peak and presumably kept there indefinitely. This heavy emphasis was placed on crops, partly in order to save on imported feeding stuffs, partly because it was here that expansion could be quickest, and the immediate saving of exchange therefore greatest. Livestock expansion is necessarily much slower, although here again the plan provided for a specially rapid increase in the output of the two easiest dollar-savers, eggs and pig meat. This autumn, some changes in the original plan have been submitted to the Organisation for European Economic Co-operation. The plan's original targets, as a percentage of prewar production, were 123 for milk, 110 for beef and veal, 77 for mutton and lamb, 92 for pigmeat, and 152 for eggs. The Government has now postponed by a year the date for realising the beef, mutton, and pigmeat targets. It has reduced the egg targets—partly because of the cost of feedingstuffs, partly as a concession to Danish plans—although the actual prospects for many more eggs soon are bright. The general objections, however, remain unaltered.

If the Government's plan is realised, net agricultural output in a few years' time will be about 50 per cent higher than before the war. This, however, would not be the limit of its expansion, since livestock production—especially of mutton and lamb—would still be disproportionately low in relation to crop production. There would still be scope for a further increase in livestock production, which might eventually produce a total agricultural output greater by two-thirds or even more than before the war. Considered purely from a technical standpoint, there is nothing inherently impossible about such an achievement. The crucial questions are whether the agricultural industry, as at present organised, is either able or willing to produce an output of such a size and character, and whether it can do so without incurring steeply rising costs.

The Government's programme involves a return to a highly artificial pattern of production, which was only secured during wartime by dint of detailed compulsion as well as of patriotic exhortation. The revised targets for 1952-53 require farmers to put four million more acres under cereal production than before the war—an enormous increase which would match the achievement of the best wartime year. There is also a rather preposterous demand for 400,000 acres of linseed. The assumption is made that the improved wartime yields will be maintained. There is, however, some danger of yields falling off through exhaustion of the soil caused by overcropping. On the other hand, there is still considerable scope for raising yields by an improved application of fertiliser. Indeed, it is likely that more can be gained in the long run from raising yields still further than from finding new land to plough, which is much easier to do on paper than in practice. Even so, to expect farmers to grow—and to keep on growing—450,000 acres more wheat and 400,000 acres more other grains than they did this year is highly optimistic. The appeal to the farmers' patriotism is anyhow much fainter in peacetime. Moreover, it is one thing to appeal for a special effort and quite another to expect that effort to be maintained indefinitely. The idea of using compulsion on a wartime scale, and for an indefinite period, has been expressly, and no doubt rightly, rejected by the Government as completely inimical to the willing co-operation on which it counts. There remains the appeal to the farmers' pocket, but the marginal costs of stimulating much further crop production by this means are so high as to deter any but the most imprudent disburser of tax receipts.

Although it is necessarily a slow process, livestock production is making better progress than crop production. To a certain extent, the two types of production are competitive with each other as well as being complementary. The maintenance of a higher acreage under crops reduces the amount of permanent grass available for supporting stock. However, this difficulty was partly overcome in wartime by a greater intensity of stocking, which increased the stock-carrying capacity of an acre of grass by as much as a third. The scope for still further improvement in grassland management is generally agreed to be enormous. It may be roughly estimated that a ley has one and a half times the productivity of permanent grass, and that the feeding value of silage is one third greater than that of hay. A considerable expansion of ley rotations and of ensilage could therefore, in theory, enable the same numbers of livestock to be supported on a still smaller acreage and thus free more land for crop production. Moreover, grassland improvement ought

not to add to the average costs of production; it has been argued, for instance, that it costs less to get a unit of protein from silage than from hay. But in practice the more profitable and acceptable contribution of improved management of grassland would be to enable farmers to carry higher numbers of cattle and other stock. The obstacles in the way are partly the conservatism of many farmers, and partly the lack of labour and of new machinery, which they cannot always afford. If it could be made administratively practicable, a subsidy for the good management of temporary grassland would yield worthwhile results.



Another point is that agricultural expansion can be carried out far more economically and efficiently if the pace is not too rapid. Mechanisation is still proceeding fast, and the agricultural machinery industry is being expanded to deal with an anticipated high flow of orders. This process is sound enough in principle. To substitute machine labour for hand labour wherever possible not only economises manpower, but has obvious attractions to an industry where wage rates have increased much more steeply than prices. Unfortunately, the average British farm is much too small in size to use many types of machinery to the best advantage. The Government's demand for quick returns, backed by fairly generous price incentives, together with the cost and scarcity of labour, is encouraging some farms to become overcapitalised in machinery in relation to their size. There is no simple way—short of revolutionary and unpopular changes in land tenure—to overcome this difficulty of size. Something can be achieved from the development of contract services for machinery. The efforts of the County Agricultural Committees in this direction have been singularly unsuccessful and may soon be discontinued, and the future probably rests with private contractors and local co-operative machinery pools. Much could certainly be gained from a more scientific use of labour on the farm, although this is less an alternative course to creating larger units than another argument for doing so.

The new capital and new techniques that are needed can only come into play gradually. The danger with the Government's rush tactics is that they may start expansion off on the wrong foot—on an uneconomic and superficial basis. The best form of state aid to agriculture would be subsidies for the improvement of fixed capital, the renovation of farm buildings, and the improvement of grass management, awarded on as selective a basis as possible. The concentration of economic aid to the industry in the form of price incentives is more likely to retard than to accelerate the necessary economic changes. It gives considerable security to the indifferent farmer, with the result that the differences between good and poor farmers—despite the activities of County Committees—may be widening. It risks encouraging farming for quick returns instead of for durable results. It helps to inflate the capital values of many farms, a circumstance which may one day leave them overcapitalised yet short of the means for making necessary improvements. British agriculture is certainly capable of an appreciable and reasonably economical expansion — so long as it is gradual and balanced. Even for livestock the possibilities are not, of course, unlimited. There would come a point when, on the basis of present farm organisation, difficulties would multiply and costs rise steeply, but—except perhaps in the case of milk production—it is still a long way off. By contrast, the prospects for raising crop production much above its present level are uncertain and the costs of doing so can already be seen to be great. Any forecast of conditions in the outside world is hazardous, but it can at least be said that a policy of emphasis on livestock would not contradict the indications of future prospects. It will take longer to restore the world's production of animal products to normal than its production of crops and the increased demand is also likely to be more permanent. The danger is that the natural limitations and genuine opportunities—both alike—of British agriculture will be forgotten by Government blueprints which seek a quick solution for pressing problems of foreign exchange. The urgent need for saving dollars certainly requires some special and early contribution from British agriculture. But this contributon will be far more effective if it is spread over a long period and brought about in an efficient and economical manner than if it is hastily improvised on shaky and expensive foundations.

The Trials of Tito

SIX months have passed since the Cominform denounced Tito. Jugoslav policy remains linked to that of the Soviet Union and Mr Bebler's speeches before the United Nations are no less obstructive and insulting to the western Powers than those of Mr Vyshinsky. Yet Moscow continues to condemn the Jugoslav regime, and in his speech on November 7th Mr Molotov again denounced the "treachery" of the "nationalistic Tito clique."

Jugoslavia's "popular democratic" neighbours have not confined themselves to words. The Rumanian government seems to have been implicated in the attempted escape of General Jovanovic in the summer, and has exerted pressure on Jugoslav diplomats in Bucarest and on the Jugoslav minority in Rumania to disown Tito. Those who have refused have, according to Belgrade, suffered persecution. The Hungarian government is reacting in the same way to Jugoslav diplomats in Budapest, and a major of the Hungarian political police stated that Jugoslavs "possess no diplomatic rights." In Bulgaria, agitation against Tito's rule in Macedonia is growing, and is becoming steadily less distinguishable from the "Great Bulgarian" propaganda of the prewar regime. In Albania the Communist Party has been purged, and Koci Xoxe, the former Minister of Interior and police chief, has lost his job and been disgraced for pro-Tito deviationism. These are signs that the Moscow-dictated hostility of the neighbour satellites is a serious matter for Tito. Perhaps even more serious are the admitted difficulties in obtaining vital imports from the more distant and more industrialised satellites, Czechoslovakia and Poland. In a speech this week Tito complained that the eastern states were treating Jugoslavia's "people's democracy" worse than they have treated the capitalist states.

It may be taken as certain that the Cominform's agents are doing their best to subvert the Tito regime from within. As long as Tito maintains an iron dictatorship based on the Soviet form of Marxist ideology, their task will be facilitated. They can count on the sympathy of the small number of veteran

Jugoslav Marxists and of all unprincipled careerists who have joined the party for personal gain. The latter, who have always been numerous in all Balkan states under all regimes, will no doubt go over to the big red battalions as soon as it seems safe. Tito's friend, Rankovic, firmly controls the secret police, but it cannot be easy for him to decide whom he can trust. It is in fact only too likely that in Tito's own entourage there is treason: it would be surprising, in view of the past history of Communism in general and of Serbia in particular, if there were not.

Meanwhile, material conditions are bound to deteriorate. The Five-Year Plan was too ambitious even for the most favourable circumstances. The results of "linked prices," by which peasants were to be supplied with manufactured goods, have been disappointing. The boycott of the satellites is turning into a blockade, and yet the Jugoslav government still refuses the minimum concessions required for trade with the west. If present trends continue, there is real danger of internal disintegration, leading through mutiny and treachery to civil war and enabling the Soviets or the neighbour satellites to intervene "to restore order."

Tito is too sharp a politician not to see these dangers, and though he has shown no sign that he wishes to be reconciled with the western Powers, it is improbable that he has not given the matter some thought. What in fact are the practical possibilities of a *rapprochement*? One possibility must be at least discussed before making an assessment of Tito's chances. If Moscow expected war, it might make temporary concessions. Tito on his side might for a brief period co-operate with the west solely in order to raise his own price. When the time came, Moscow, needing him for war, would accept him as an ally, and he would for the second time betray the west. Co-operation leading to this result would be a bad bargain for the western Powers—and for Tito. It would be a bad bargain for Tito because, once Soviet troops had entered Jugoslavia in the course of military operations, a way would be found to "liquidate" the Marshal. If, however, Moscow has no thought or expectation of war, Tito has only one thing to hope for from the Kremlin—and that is the acceptance of his complete capitulation. The consequences of such action must obviously be known to him. He would disappear from the political scene, and perhaps from this world. The history of Communism shows that such capitulations are possible. If it is proved expedient that one man should perish for the good of the Party, the one man may willingly accept his sentence. But Tito does not seem quite the type of Party fanatic who has been capable of such self-abnegation in the past.

There thus seem to be two alternatives before the Marshal. The first has already been discussed. It is to cling on to the present position while economic unrest and Communist treachery gradually lead to the crumbling of the regime. The second is to seek some sort of *rapprochement* with the west.

There should be no mistake about the amount of crow Tito would have to swallow to achieve even a minimum understanding with the western Powers. It may not seem that their terms are heavy. Indeed, they are not. Nevertheless, they demand some striking departures from current Jugoslav practice. In the economic field the British must demand the payment of reasonable compensation to nationalised British interests in Jugoslavia. This may stick in the throats of demagogues who for years past have demanded the expropriation of the "foreign capitalist plunderers," but surely British firms may ask for terms as favourable as have already been granted to Swedes and Swiss? This economic precondition of better relations is, however, relatively unimportant compared with the demands which must be put forward in relation to Tito's foreign policy. Jugoslavia would surely be required to cease all aid to the Markos rebels; to stop military threats to the frontier of Trieste and subversive activity within the city itself; and to show neutrality in the event that the western Powers should be obliged to take any action against Albania. It would probably be unwise to press the point further and to demand a more general detachment from Soviet diplomacy. But, in the Balkans, the western conditions are limited and specific and therefore stand a better chance of being the basis of a bargain.

The most delicate point of all, however, is the question of political freedom for the friends of the west inside Jugoslavia. Tito is a convinced Marxist, and does not intend to abandon his aim of transforming Jugoslavia into a state of the Soviet type. The western Powers on their side are not dictating the social system of Jugoslavia; they wish neither to overthrow nor to bolster up the Tito regime as such. They do object, however, to the persecution of Jugoslav subjects who have shown themselves their friends, simply and solely because they are their friends. But Tito no doubt fears that if he releases those unjustly imprisoned and relaxes police pressure on western sympathisers he will soon find himself dependent on the support of non-Communists. Then the dictatorship of the Communist Party will have to be modified, non-Marxist democrats will recover influence, and the achievement of Communism in Jugoslavia will be indefinitely postponed. This is the real dilemma facing Tito—to modify his programme of total Communism or to risk the total disappearance of his regime, to choose between a partial loss of power or a complete loss of power and possibly of life as well.

Tito is not, however, alone in facing this unpalatable choice. He must consider the men around him. He, trained in the Comintern, might prefer everything to "capitulation to the west." But what of his colleagues? The top ranks of the Jugoslav armed forces and bureaucracy are filled with men who have not long been—and some who are still not—members of the Communist Party. They joined or supported the Party during the war, because it stood for resistance to the Axis and a social revolution which they hoped would sweep away the rot of past regimes. These men have always been passionate nationalists. For them, the victory of the Partisans was to mean the regeneration and territorial expansion of Jugoslavia, which was to become a powerful state, "almost a Great Power." They favoured Russia because they thought it the generous "big brother" of all Slavs, both a mighty military force and a land of liberty and justice. But events are showing them that the threat to Jugoslavia's independence, let alone its future greatness, comes not from the west but from Russia. It is the Soviet Union that is the "imperialist Power."

It is with these men that the western Powers should seek in the first place to establish contact. If a reorientation is to be brought about in Tito's policy, it is most likely to come as a result of their pressure and influence. The methods whereby such contacts can best be made cannot usefully be canvassed in public. But there is one means which cannot and must not be overlooked—radio propaganda, or to use the more exact language of four years ago, political warfare. From Britain at least the Jugoslavs must hear, in their own language, an explanation of the real dangers, the similarity of the present situation with that of February and March, 1941; the imperialist nature of the Soviet policy; the friendly feelings of the western nations towards Jugoslavia and their desire for peace in the Balkans; the common interest of Jugoslavia with Greece in resisting Bulgarian and Albanian irredentism and in keeping the Balkans free from servitude to any Great Power. These are slogans which will find an echo among most Jugoslavs, including highly placed supporters of Tito, and which have the important advantage of being based on the truth. At the very least, propaganda on these lines will increase confusion and suspicion in the Soviet camp. At the best, it may hasten a welcome evolution of Jugoslav policy and benefit the west's most hard-pressed ally, Greece.

NOTES OF THE WEEK

Heir Male

A royal birth is, to quote Walter Bagehot's description of a princely marriage, "the brilliant edition of a universal fact, and, as such, it rivets mankind." Birth, marriage, and death, these are the universal human experiences, and the King's subjects who today are rejoicing over the birth of a son to Princess Elizabeth are also rejoicing over their own natural happiness in the first-born as much as in the assurance of the royal succession. The strength of the monarchy, even the present-day constitutional monarchy, does not rest wholly upon a utilitarian concept, but upon deep-felt instincts of community which it has the power to elicit. The role of the Royal Family—a desperately exacting one—is to live on behalf of their people, as their people feel that life should be lived, with dignity and gracefulness, with solid virtue and domestic discipline, with restraint and with charm.

But it is a dedicated calling and his destiny will mark the life of the new Prince from the day of his birth. In the natural course of events, he will have reached manhood before he becomes heir apparent, and half a century may well pass before he ascends the throne. One need not fear with Bagehot that a prince who comes to the throne old or middle-aged comes to it "unfit for work," for he will "have spent the whole of his youth and the first part of manhood in idleness." A twentieth-century prince is more likely to work too hard than to be too idle, and the greatest assistance his subjects can give their future king is not to expect too large a measure of public life from him and to give the greatest possible respect to his private life.

* * *

Should the Powers Negotiate?

Everybody in the western World wants peace and wants it passionately. If the journey of Mr Truman to Moscow would ensure general pacification, the plucky little President would go there on foot and no one would blame him. If an immediate calling of the Foreign Ministers Council could carry with it a guarantee of a settlement, the western Powers would summon it tomorrow. If Dr Evatt and Mr Lie could produce peace out of a United Nations document, they would be encouraged to write not one but fifty-six letters tomorrow morning.

The difficulty is not the desire for peaceful negotiation. The difficulty is the utterly unpromising course that negotiations have taken so far. Dr Evatt and Mr Lie, undoubtedly with the best intentions, have jumped into the middle of the endless disagreement between east and west and have simply treated the past as though it did not exist. In a sense, they say to the Powers: "Let us all begin here. This is a new page." The trouble is that it is not. The page is very old, very dirty and by now it is hardly possible to write on it another word.

When the Russians by isolating their zone economically and steamrollering it into the Soviet political mould, had made Potsdam a dead letter, the western Powers at last—in November, 1947—gave up the fruitless job of waiting for agreement and determined, reluctantly, to follow Russia's "unilateral" example. The Russians did not then plead for new negotiations. On the contrary, it was not long before they smashed across all negotiations with the violent coup at Berlin. Even so, the western Powers were ready to continue to negotiate. They waited for months on Soviet pleasure to see if important concessions on the issue of currency would lead to an end of violence—i.e., of the blockade. But the Russians simply let the western Powers talk and continued to reinforce their blockade. It was at this point that the issue was referred to the Security Council.

Talks began again in Paris and the western Powers, always ready to negotiate, approved a proposal evolved by Dr Bramuglia, President of the Security Council, so reasonable and conciliatory that every nation save the Russians accepted it. By them, it was vetoed. Almost on the same day, a new twist was given to the screw in Berlin. Is it really surprising, therefore, that the western Powers now regard yet another bout of negotiation as a waste of time and even resent the suggestion, latent in the Evatt-Lie letter, that there is in some way an equality of blame attaching to all the Great Powers over the issue of Berlin?

This is not to say that the western Powers will not resume negotiations. They will do so instantly if any action on Russia's part suggests that negotiations could at last lead to results. And the required action is obvious. It is to lift the blockade.

Party Divisions and Western Union

Ever since the project of a United Europe caught within its sails the following wind of Mr Churchill's enthusiasm, there has been trouble over the issue between the Government and the Opposition. Mr Churchill has consistently attempted to make the issue of closer unity in Europe an all-party affair and his first clash with Mr Attlee occurred early this year when the Labour Party officially discouraged its members from attending The Hague Conference. Since that time, the integration of at least western Europe has ceased to be a matter for private people and unofficial movements only. The persistent efforts of the French have raised it to the governmental level and at the latest meeting of the five signatories of the Western Union pact, it was agreed that a committee should be set up, representing the five governments, to discuss two proposals for achieving closer unity—the French proposal for a European assembly and Mr Bevin's suggestion of a European Council responsible to governments.

The selection of a British delegation to attend this meeting—which opens in Paris on November 20th—has now led to another clash between Mr Churchill and Mr Attlee. The Prime Minister has decided to make the delegation strictly a governmental one and has refused Mr Churchill's request that members of the Opposition should be included. To this Mr Churchill has angrily opposed his thesis that the unity of Europe—one of the greatest issues of foreign policy—should be above party.

What can be said of this running fight between the two leaders of the House? On the immediate issue of the delegation to the forthcoming committee, Mr Attlee cannot really be blamed for underlining its governmental character. If the Committee is to be something more than one more revival meeting to boost the ideal of unity, it must have delegations capable of reaching decisions and of committing governments to a line of policy. But on almost every other issue, it is impossible to congratulate the Government on its record. Even if enthusiasts for Western Union have gone too far with their paper plans and projected constitutions, there can be no doubt that Great Britain needs the closest possible relations with its neighbours and should be the first to encourage the genuine sentiment for unity and to direct it into useful and practicable channels. Instead, the record is one of a steady pouring of cold water.

Each advance has appeared to be wrung from a reluctant Cabinet and even now, when Mr Bevin's excellent proposal for a European Council has given European—and British—opinion the idea that perhaps a less half-hearted policy is on the way, the hopes can hardly fail to be dashed by the choice of Dr Dalton to head the British delegation. The peoples of western Europe have not forgotten the discouragement of the whole idea of closer union expressed by the Doctor at the Socialist Conference in Paris this spring. Yet it is this known opponent of the ideal of union that is chosen to go to Paris. Mr Attlee has really only himself to blame if, after this, the suspicion of British lukewarmness hardens to conviction.

* * *

Steel Debate

A Parliamentary correspondent writes:

The Debate in the House of Commons on the Second Reading of the Steel Bill began very lamely, but as the leaders on both sides warmed to their subjects it developed into an impressive display of Parliamentary debating. On Monday, Mr Strauss, Minister of Supply, opened the debate by merely intoning a bulky written brief, a habit that is becoming only too frequent among Ministers. Ministers are advocates of the Bills they present, and not BBC announcers. It is not surprising that the Steel Bill took third place in Tuesday's news to the weight and progress of the new Prince and to the unfolding of the evidence before the Tribunal of Enquiry.

But on Tuesday and Wednesday Mr Churchill and Sir Andrew Duncan succeeded in raising the debate to the level on which it belongs—as one of the most important of the session. Sir Andrew Duncan proved that, though he speaks seldom in the House and cultivates the deceptive appearance of a rugged and unsophisticated businessman, he is, in fact, a debater of a high order. His speech was an example of the Parliamentary system at its best, the spectacle of a man arguing coolly, logically and without tension against a policy which, although it affects his special interest, can also be demonstrably proved to be wrong.

Since steel will be one of the issues of the next election, it was not surprising that Mr Churchill and Sir Stafford Cripps should conjure up some of the arguments they used in 1945. Mr Churchill smelt a plot—not a Gestapo plot this time—but a conspiracy by the Government to paper over the cracks within its own ranks. Sir Stafford, by implication, admitted a grain of truth in this charge. He departed from his usual technique of economic realism sufficiently far to advance the thesis that the alternative to the peaceful penetration of the citadel of capitalism would be their violent overthrow. In other words, that if the Labour Party cannot pursue a sufficiently radical policy to keep control of the workers, the Communists will take over their leadership. This, in effect, cuts at the root of the whole of the Government's—and in particular Mr Morrison's and Mr Strauss's—preliminary build-up for the nationalisation of iron and steel, since it is now admitted that this is not primarily a technical, but a political, measure.

Apart from a few verbal rows, the debate did not produce the bitter and violent controversy that had been expected. This was partly a reflection of the serious mood of the House, which felt instinctively that this was a graver and more fundamental issue than any which it had faced in this Parliament, and one in which political philosophies rather than administrative techniques were being discussed. Consequently, it reflected the soul-searching which has taken place in all three parties. Those Ministers who had opposed the Bill in draft listened with wry faces as the Opposition stated many of their own arguments in public. Among the Conservatives, the Industrial Chartists carefully let it be known that they were not prepared to die upon the barricades of Steel House, and that Sir Andrew Duncan had been elected as a Nationalist. But the Liberal Party suffered the most severe internal hæmorrhage, for it had not clarified its views on steel in advance of the publication of the Bill, and had to cram into a hectic fortnight the formulation of a policy, and only at the last moment were its four dissident members persuaded to follow their leader into the Opposition lobby.

* * *

Undermining the Chancellor

The Parliamentary Labour Party's appeal to the Chancellor to "increase the purchasing power" of lower incomes has more political weight behind it than may appear. Although Sir Stafford Cripps replied, as he was bound to do, that he could not *anticipate his Budget, notice has been served upon him of a* demand for some further cushion between the masses and harsh economic reality. It is becoming fairly obvious even to the most orthodox that nationalisation, whatever its doctrinal merits, butters no parsnips; and it is butter on the parsnips—as the big fall in Labour's majority at the Edmonton by-election shows—which at the moment arouses the electorate's interest. Many Labour MPs are prepared to search with Mr Maurice Webb for a means of "easing the cost of living for the lower income groups without damaging the Government's general economic policy." Presumably, this will result, as the winter wears on, in pressure not only for lower beer and tobacco taxes and the abolition of purchase tax on articles of mass consumption, but for higher food subsidies.

Sir Stafford Cripps's policy of economic realism has been severely bitten into already, and he can be counted on to put up a stiff resistance to any further attempts to nibble at it. He knows, if others do not, how impossible it is to run the present volume of social services and the present administrative machine on the proceeds of taxes from the well-to-do. The confiscation of that dwindling minority's entire income would, indeed, fail to provide enough. The main source of public income on the present scale can only be the public at large—its earnings, its beer, tobacco, entertainments and miscellaneous purchases. It is, of course, both perfectly arguable and often argued that public spending and the taxes which sustain it are intolerably high, and that the former should be drastically cut in order to reduce the latter. To that proposition, family budgets are more relevant than many Labour MPs would probably care to admit. It is easy to win votes by a programme of social services or capital development to be paid for by an unpopular minority; it would not be so easy to get support for the same programme presented as an expense to be met by its beneficiaries. There springs eternal in the voter's breast the hope of something for nothing, the hope that by conjuring with figures it will somehow be possible to produce the irreducible, indefeasible birthright of a quart of good living out of an optional pint of production. There are always a dozen would-be Daltons to play upon that hope for every Cripps with the courage to dash it.

The Parliamentary Labour Party are quite naturally reflecting the anxieties of their constituents, but Members of Parliament are more than delegates, they are the link between the nation's leaders and the nation itself. Even from the standpoint of pure politics, they should remember that political courage in a party makes a more abiding impression upon the electorate than any attempts to create temporary palliatives for unpleasant truths.

* * *

Privilege for the Co-ops

The Minister of Food's decision to grant a preferential allocation of imported rabbits and poultry and of the extra sugar distributed for the manufacture of cakes and biscuits to the co-operative societies has caused a storm of protest only partially allayed by his subsequent promise to consider the claims of other traders. It is almost universally agreed that to continue to allocate supplies, whether of food or other goods, on the basis of the trade done in a given prewar period, causes injustice both to traders and their customers. The co-operative societies, whose registrations for rationed foods have increased by up to 10 per cent since the beginning of the war, have a legitimate grievance—and, more important, so have their customers. But what is justice when done to all at the same time becomes injustice when done to a few, and the relaxing of the prewar datum rule specifically in favour of the co-operatives, which, it hardly needs saying, have strong political ties with the Labour Party, cannot be condemned too strongly.

Bombarded by questions in the House of Commons on Monday, Dr Summerskill, Parliamentary Secretary to the Ministry of Food, stated that Mr Strachey was prepared to consider similar claims for increased allocations "from any other well-defined group of traders." Whether this definition will enable justice to be done to every small independent trader whose trade has increased since the war remains to be seen. What can be said now is that this afterthought, resulting from the widely voiced protests, does not undo the original injustice. The right course would have been to work out an allocation scheme based on registrations, or, if this is not possible, to have considered claims from all groups of traders before granting an increase to any. The worst possible course is to have shown what will be widely regarded as political favouritism.

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Israel in the Ascendant

Thanks largely to its own efforts, but partly to those of its friends, Israel is in the ascendant in three places at once. The first is in the Security Council. Here, on Tuesday, a majority of eight votes to one adopted a Canadian resolution calling on both sides for an immediate armistice in Palestine. The few voters who attach importance to the Council's survival as an instrument of consequence were to be seen deluding themselves into thinking that this new vote did not prejudice their "sanctions" resolution of November 4th. In fact it cannot fail to do so. For the Israelis accept the one and reject the other, and since no one seems ready to force them to accept anything distasteful, there is nothing to prevent them from calling the tune. A similar scene of triumph is taking place in the Political Committee. This, though it contains a safe majority for the Bernadotte plan, is even more lacking than the Council in the physical means to put its wishes into effect. The third site is in Palestine itself, where fresh small segments are daily being chipped off the remaining Arab areas. From now onwards, therefore, all further votes and deliberations in Paris are no more than futile delays in the way of a final settlement which Israel is in a position to dictate.

This situation, though so triumphant, is not one hundred per cent satisfactory to the Israeli delegation in Paris. Its members are worried at the extent of their dependence on the Soviet Union, to which they have had to turn for promises to kill the sanctions resolution with a veto in the Council if the unpredictable Americans now decide not to accept a situation in Palestine brought about by force. The Israelis relished and extracted all possible advantage from the Great Power line-up which until lately prevailed—that in which the USA and the USSR were for wholly different reasons on the same side and against Britain in backing partition and ignoring Arab rights and wishes. Now the Americans have seen a red light. Is it wise to throw to the winds the basic principles upon which Uno was founded? Or to drive the Arab states into passionate opposition to the west? For the moment, therefore, American and British policy is closer than it has ever been, and the juggling that is necessary to keep the USA and the USSR on the same tack at the same time is proving too much even for that unquestionably talented Israeli delegate, Mr Aubrey Eban.

* * *

The Battle for Suchow

The civil war in China is now centred on the struggle for the approaches to the capital and particularly for the railway junction of Suchow. A thick curtain of censorship at the front has prevented reliable information about the fighting from reaching the outside world, but it appears that the Nanking forces on this front are in somewhat better shape than the army which was destroyed in Manchuria and it is claimed in Nanking that the Chinese Air Force has blunted the Communists' offensive across open country east of Suchow. If Suchow is taken, a Communist advance on Nanking and Shanghai will presumably follow, but even a Communist capture of these cities would not necessarily end the war, as it is likely that the south would continue to resist and that the Chinese Government, whether in its present form or with changed personnel, would move to Canton, thus restoring the situation which existed before 1927, when Canton was the centre of Kuomintang power.

China since the war has been in effect divided into three zones according to the duration and intensity of Japanese occupation; in Manchuria it was longest and most complete, in the north-eastern provinces of China Proper shorter and less thorough, while in the west and south the Japanese only gained local footholds or did not penetrate at all. Japanese conquest meant that the local Chinese officials, army commanders and bourgeois families either collaborated or fled; if they collaborated, they became discredited and, if they fled, they lost their local roots. Thus the established social and political order was largely broken down, and the Communists, who almost alone operated by guerilla tactics behind the Japanese lines, were able to organise the leaderless population in their own political interest. But more than half of China has not undergone this process and the Communists, if they reach Nanking, may find postwar China as hard to unify as Chiang Kai-shek has already found it.

* * *

French Extremism and the Ruhr

One of the most sinister episodes in the whole sordid chain of events which brought Hitler to power was the temporary alliance in 1932 between the extremists of Left and Right to destroy the disturbed and vulnerable government of the Centre.

Something of the same kind is developing in France today, where the Republican régime in general and M. Queuille's Cabinet in particular is under heavy fire from both flanks. These attacks from Left and Right are proving all the more bitter because in the last two months the Government has succeeded in displaying a marked combination of firmness and moderation in dealing with the French industrial crisis and has thus begun to show a more hopeful capacity of survival.

The Communists, who may have decided that it is better to rally an anti-militarist, anti-clerical front against a Gaullist government rather than to risk the present continuous weakening of their position, are to launch a maritime strike next week to offset the breakdown of the strike in the mines, where about 75 per cent of the men have returned to work. But the Communists do not confine themselves to the industrial field. They are now launching a new attack upon the Government's "capitulation" to the Anglo-Saxons in the matter of the Ruhr.

It is at this point that General de Gaulle and the Communists make common cause. A large part of General de Gaulle's first press conference since his electoral victories a fortnight ago was devoted to an attack upon Anglo-American policy for the Ruhr and on the French Cabinet's cowardly acceptance of it. "If this is the price of the Marshall Plan, let us have no Marshall Plan." It is true that the General fears a united Reich because it may ally itself with Russia, and the Communists profess to fear it because it may, on the contrary, attack Russia. But, as on so many occasions, difference of ultimate objectives is less important than a coincidence of immediate aims. And they, on Right and Left, are quite simply to destroy the chances of moderate government in France.

* * *

The Corfu Case

The case of the mining of two British destroyers in the Corfu Strait in October, 1946, which has been brought by Britain before the International Court of Justice at The Hague, has now reached a stage at which evidence on the facts is being presented and learned counsel are hard at it on both sides. That two years have elapsed since the explosions, which cost the lives of 44 British sailors off the coast of a country with which Britain was not at war, is no fault of the International Court or of its rules of procedure; the delay has been due first to the prior appeal to the Security Council, which was prevented by the Russian veto from reaching any decision adverse to Albania, and then, after the dispute had been referred to the International Court, to Albanian objections to the Court's jurisdiction which involved a lengthy legal battle before the case itself could be heard. That it is now being heard is a fact worthy of notice in a world which is not otherwise marked by unity in support of a reign of law.

The Corfu case is the most serious which has ever been brought before a world court; the issue is an alleged act of violence involving three nations and having political implications even more far reaching. Questions such as that of the Austro-German Customs Union, which came before The Hague Court in 1932, have had considerable diplomatic importance, but they have turned on the interpretation of treaties, not on the sifting of evidence about deaths at sea. Witnesses are to be heard, and the lawsuit has all the dramatic quality of a trial for murder—which is what it really is. Blood has been shed—but by whom? This is what the Court has to decide. It is a Court of sixteen judges, including one appointed by Albania under a clause in the Court's rules which grants the right to any litigant nation which has not already a judge on the bench. The Court gives its verdict by a majority; there can be dissenting opinions, but no veto. Before the sixteen the case for Albania is being pleaded by M. Pierre Cot; the British case is being conducted by a team of eminent legal brains consisting of the Attorney-General (when he is not concerning himself with the affairs of Mr Sidney Stanley), Sir Eric Beckett of the Foreign Office, Professor Waldock and Mr R. O. Wilberforce. Britain is not pulling any punches in this matter; the Government has given it the importance it deserves, and its case is a very strong one. But, whatever the result, it is a fact of vast significance that an ugly international incident is being dealt with, not by the unilateral acts of a sovereign state, but by "due process of law."

* * *

Larger Papers—Larger Sales?

The Government have permitted themselves to be outmanœuvred on the question of newsprint. Mr Wilson has

allowed the hope of larger newspapers which he held out last week to become emasculated by a concession on circulation. Thus papers will, from January, 1949, be only a very little larger in size because more copies will be sold. No one can say that the British public is starved of newspapers: 60 per cent more copies of the London dailies and 70 per cent more copies of the national Sunday papers are sold than before the war. The trouble is that there is so little in them that the public cannot possibly be well-informed.

Additional newsprint—which is now in sight—can be used either for more copies of papers of the present size or for more pages with the present circulations. Of the two, the second is obviously preferable—indeed, it is on the need for this that the case for more newsprint has always been based. The Government should have insisted that every additional ton of newsprint should go into more space; it is not beyond the wit of man to devise a method of permitting competition for circulation without an increase in the total amount of copies. The whole of the balance would then be used for news, and would have provided larger papers at once. As it is, all the penny paper readers will get is an extra page every other day, which is what they got during the first part of 1947 before dollars expenditure on newsprint from Canada was cut.

As it is, they have compromised with the desire of several proprietors for still larger circulations and the readers of the penny dailies are to have six pages on only three days a week, instead of on four or five, or eventually six days a week that would otherwise have been possible.

The reason for the proprietors' insistence on circulation is financial. With newsprint at £42 a ton (compared to £10 a ton in 1937) a 25 per cent increase in newsprint consumption per copy is a serious matter which cannot necessarily be recouped by advertisement revenue from the extra pages—and a 50 per cent increase would be worse. The effect of the new concession falls differently on different papers according to their circulation and advertisement rates, but at least one of the papers with the larger circulations will be faced with diminished profits. There is thus a direct incentive to increase revenue by increasing the circulation at the expense of extra pages. What is remarkable is that this Government—of all Governments—should have swallowed the argument.

* * *

The Burden of Hospital Treatment

The latest and last statistical summary of King Edward's Hospital Fund for London records the work done by 159 voluntary hospitals in 1947, and their revenue and expenditure. From it some idea can be formed of the mounting burden of hospital treatment. It is interesting to note, first, that compared with 1938 fewer beds were open (17,893 against 18,651) and consequently there were fewer new in-patients (287,746 against 307,292). Yet the number of nurses, including midwives, working in hospitals in Great Britain had increased during the same period from an estimate of 114,300 to some 130,000. Thus, in the London voluntary hospitals at least, the increase in the supply of nurses has gone to shortening nurses' working hours rather than to opening more beds.

This increase in the number of nurses, together with the increase in their salaries, has naturally led to a huge increase in the maintenance cost of a patient. The average weekly cost of an occupied bed in the hospitals covered by King Edward's Fund has gone up from £3 19s. 7d. to £11 4s. 0d., which is largely accounted for by the increase in the item salaries and wages. Part, however, of the increase in this item can be attributed to the greater number of paid specialists working in hospitals since the war. This will also partly explain the rise in the cost per attendance of out-patients from 2s. in 1938 to 5s. 3d. in 1947.

But the rise in the cost of hospital treatment, whether out-patient or in-patient, is not only due to the higher salaries paid to the workers in hospitals. It is also due to the increasing amount of work done for each patient—more pathological and X-ray examinations, more blood counts, more physiotherapy, more occupational therapy, and so on—which means that in addition to the ordinary medical and nursing staff, itself much expanded since the war, there are a whole host of auxiliaries and technicians. The burden that this increasing amount of work done for each patient places on the hospital service, and ultimately on the country as a whole, has been discussed in the medical press and was commented upon in *The Economist* of April 24, 1948 (page 666). Can the country afford to allow the cost of its hospital services to increase indefinitely? The answer is obviously that it cannot, but who will be brave enough to impose a check?

Communists on Local Government

It is rarely that sound sense emanates from the propaganda of the Communist Party. Its document on the future of local government, however, correctly diagnoses the administrative and financial weaknesses of the present authorities, and deplores their loss of functions and independence and the emergence of new regional bodies of a non-elective character. It seeks a remedy in the creation of newly elected regional authorities, whose size would vary locally but would lie somewhere between that of a county and of a Civil Defence region. It recognises that the need for such authorities is most urgent and unmistakable in the large industrial conurbations, now administered by a medley of antiquated local units and intruding Government agencies. The plan would also refurbish and reorganise the minor authorities, so that they could take part—either directly or by way of delegation—in the administration of health and education. Some transferred functions, such as hospitals, would be handed back to the regional councils. Both regional and local authorities would be directly elected.

All of this is sound sense (with the possible exception of a proposal for regional income tax) and sound democracy. Why, then, is it said? The Communist Party is in the happy position of having few local councillors or established local interests whose susceptibilities it must respect. It is therefore nicely placed to take up the cudgels for local democracy against the increasing encroachments of the central Government. Anyone who thinks that the Party would have any respect for local democracy, if by mischance it ever came to power, is extremely simple. The theme is just a useful stick which has come conveniently to hand through the dilatoriness and timidity of the other political parties. Still, sense is sense—whoever states it—and those who have a greater claim to speak for local democracy would do well to study the document.

* * *

Separate Opinions in Tokyo

The long-postponed verdict in the Tokyo War Crimes trial, the "Far Eastern Nuremberg," has entirely lacked the dignity and impressiveness of its European prototype. After the general principles of juridical responsibility for the preparation and waging of aggressive war had been established at Nuremberg, there was never any reasonable doubt that the Japanese leaders who had promoted the attacks on China, Britain and the United States would be liable to the same conviction from an international court as had fallen upon the principal Nazis, and the known record of Japanese atrocities against prisoners of war and civilians was such as inevitably to involve the highest military authorities in responsibility for crimes against the laws of war. As far as General Tojo and his accomplices are concerned, the law has taken its expected course. But it was not expected either that the Indian member of the Court would enter a dissenting judgment totally repudiating the majority verdict and exonerating all the

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accused, or that the President of the Court would make a personal attack on the Emperor, who had not been before the Court, and, by hardly veiled implication, on General MacArthur for not having permitted him to be brought to trial. It might have been thought that the Japanese were already sufficiently aware of the dissensions among the victors of 1945 without this painful exhibition of fundamental disagreements. The disunity would be less deplorable if it consisted merely of differences of opinion between individual judges, but it is sufficiently well known that they reflect differences of attitude in their respective countries, for the position which the Indian Congress Party took up in 1942 precludes the view of Japan's record which is normal in Britain or the United States, while the demand for the trial of the Japanese Emperor has been a political speciality of Australia. The dramatic advertising of differences of Allied policy cannot fail to deprive the judgment of the impressiveness which it might otherwise have had in the eyes of the Japanese people.

* * *

More American Help for Japan?

After a trip to the Far East last spring, the US Army Under Secretary, Mr William Draper, recommended that Japan be given assistance along the lines of the European Recovery Programme, although on a less ambitious scale. His proposal was blocked by the economy-bent 80th Congress; but with the prospect of a new and more benevolent Congress, General Draper has returned to the fray. In an interview last week he pointed to the spectacular effect on the Western German economy of US aid and argued by analogy that what American money has done to revive Germany could be repeated in Japan. Because of ECA help and increased production Germany would need less direct aid next year, he said, and suggested that the saving be applied to the task of reconstruction in Japan.

These arguments may carry more conviction in Washington than in Europe. The Continental as well as the Lancashire textile industry is already aroused over what it regards as the menace of Japanese competition, and a fresh reminder of this view has now come from Belgian textile manufacturers. They note that under the new trade agreement between Japan and the sterling area, over half of the Japanese exports will consist of cotton goods, and they see in this a further threat to their own textile industry, already suffering from high costs and lack of orders.

At this stage General Draper is probably only kite flying, since Congressional consideration is unlikely before January at the very earliest. However, in the long run it is probable that no barrage of protests from the European textile industry will deter the Americans from earnest attempts to make Japan "pay its own way."

* * *

Unesco's Third Conference

It would almost seem that the United Nations Educational, Social, and Cultural Organisation, which began its third annual conference in Beirut last Wednesday, has during its short existence gone out of its way to lay itself open to adverse criticism and unkind mockery. It is only too easy both to criticise and to mock. There is no reason to suppose that the financial scandal, over which the British authorities made a well-meaning but misguided attempt to draw a veil, was anything but a misfortune such as might afflict even the most promising international organisation. But it is, to put it mildly, highly regrettable that when nearly as much as one-third of Unesco's budget is spent on official salaries and administrative expenses, there should still be as much administrative incompetence and laxity as there undoubtedly is.

It is also only too easy to judge Unesco by the most ridiculous and far-fetched of its projects. It is true that the scheme to compile a world philosophy has been quietly dropped, but in the present state of the world the proposed compilation of a catalogue of world music does not seem a matter of burning urgency. And last July it was reported that the group of social scientists (including a Brazilian sociologist, a Hungarian marxist, and a Norwegian philosopher) who were engaged on a study of "the causes of tensions which make for war" were about to issue an agreed statement which would define "a minimum area of working agreement between opposing ideologies." What practical use is this to anyone? Its futility is emphasised by the further statement that each of the scientists engaged on the "tension project" is also producing a separate statement on his own views which in each case is over four times as long as the agreed statement. If the organisation is determined to go on making itself ridiculous by attempting to run before it can walk, there may be something to be said for holding the present conference in the comparative obscurity of the Lebanon; in the long run, however, it can surely ill afford to lose the publicity and well-informed criticism which a meeting in Paris or London would bring it.

But it would perhaps be more constructive to judge Unesco by its better efforts, especially as there are indications that the organisation is now making a real effort to pull itself together. It should not be forgotten that it is responsible for the distribution of 500,000 books to libraries in countries devastated by the war, and that it has recently financed twenty-seven scholarships in the United Kingdom to provide training facilities for educationists dealing with problems of educational reconstruction in war-devastated countries. These are only two examples of the kind of practical, useful work, well within the scope of Unesco, which will do far more to realise its ideal of constructing the defences of peace in the minds of men, than any of its more grandiose projects. Unesco cannot survive unless it realises its own limitation. It cannot comprise within itself the chain of common educational, social, and cultural activities which, it is hoped, will gradually bind mankind together. It can only be a link in that chain, but it could be a strong and reliable one.

* * *

Moves in East-West Trade

After many months of negotiation and hopeful publicity, the project for a World Bank loan which would help to finance increased timber exports from eastern Europe in exchange for machinery from western Europe has moved a step nearer realisation. It is reported from Geneva that the World Bank has agreed in principle to such a loan as part of its general encouragement of multilateral trade. The scheme has been sponsored by the Economic Commission for Europe, which has long attempted to stimulate east-west trade in the interests of both parties.

The loan is for $8,000,000, and will be divided among the eastern timber-producing countries. The credits will enable these countries to start buying machinery for the timber industry, and their orders will be placed in those western European markets most anxious to increase their timber imports—Great Britain, France, Belgium, Denmark, the Netherlands and Italy. Once this equipment has been installed, the recipient countries hope by 1956 to raise their normal timber exports by $120 million. Out of this $120 million the eastern countries will repay their World Bank loan. The western importing countries will be expected to underwrite the Bank loan and to extend further credits in their own currencies to the eastern buyers of machinery.

During 1947 the western countries concerned obtained little more than half their prewar timber imports. If the new scheme is successful, then by 1950 imports from eastern Europe will have increased to a point where the western group is obtaining approximately their prewar imports. (It is assumed that there will be no fluctuation in timber supplies from other sources.)

On the face of it, and given the urgent need for timber in western Europe, it is certainly to be hoped that the proposed trade materialises, even if the returns on the original investment are slow. Before too much is made of the proposal, however, it should be remembered that this is a plan which can be carried out and a pattern which can be expanded only if the west is ready to provide credits for eastern reconstruction and to accept eastern assurances that the repayment goods will ultimately be forthcoming.

Simultaneously news has come from Warsaw of another agreement to expand east-west trade. Belgium and Poland have signed a trade agreement involving Polish exports of approximately £6,750,000. In return for Belgian chemicals, dyestuffs and machine tools, Poland is to supply coal, timber and foodstuffs. It is not yet known whether the foodstuffs category will include any grain. Since the end of the war Poland, in fact, has had a grain deficit which was made good by the Soviet Union and south-eastern Europe, but it hopes to have a small surplus for export in 1948-49. The trade each way is equal to about 6 per cent of Poland's annual exports and 1.5 per cent of Belgian exports. But until more information is available about the contents and quantities involved, it is impossible to assess the value to the two participants of the new agreement.

* * *

Two Colonial Development Areas

British Guiana has an area of 83,000 square miles, and British Honduras one of 8,900 square miles. Between them the two colonies have a population of less than 500,000. It is, therefore, not surprising that to the planners it seemed attractive to investi-



The fable of the well-dressed man

A Visitor from another land once exclaimed in admiration at the spartan way of life he found in a certain isle. 'Ah!' he cried, 'I fear you must despise the superior elegance of my attire!' His hosts discreetly forbore to point out that his suit had come from their own best tailors, his sword from their own armourers, his hat and boots from their native hatters and cordwainers. They wisely preferred things that way round.

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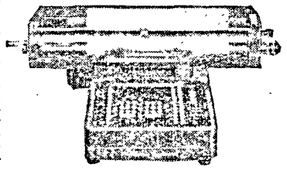
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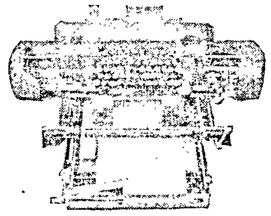
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gate whether the two colonies could be populated from the neighbouring British West Indian islands, which have a total area less than that of British Honduras alone but a total population of more than 2,250,000. And what more natural than to tack on to this the possibility of finding a home for displaced persons from Europe?

The results of the investigation have now been given in the report of the British Guiana and British Honduras Settlement Commission (Cmd. 7533), and they are not encouraging. There is hardly any scope for European settlement, which would have to be confined to skilled workers who would help in the development schemes proposed for the colonies. But the commission is also very cautious about the prospects of these schemes either for the successful development of British Guiana and British Honduras or for the transfer of the surplus population of the West Indian islands.

> It is unfortunately a fact that all of these schemes [for agricultural enterprises] . . . will to an unusual extent have to carry the capital and recurring cost of housing, sanitation and social services. . . . They will be launched at a time when the cost of capital equipment is at a peak, but their products when they mature may encounter falling prices. Finally, there is no escape from the difficulty . . . that settlers must be offered reasonably high material standards in their new surroundings, if any but the social dregs are to be persuaded to move. . . .

And on top of all this heavy initial expenditure is the burden of the very low productivity of West Indian labour.

The upshot of the commission's very justifiably cautious approach is a ten-year plan for the development of both colonies, costing at least £14 million and possibly £22 million, which would absorb 100,000 men, women and children from the islands. This plan could hardly fail to benefit the two colonies—their economies are so stagnant now that the influx of even a little capital should have some effect. It is much more doubtful whether Great Britain in the foreseeable future could carry out this new overseas investment. It is certain that the proposal to transfer 100,000 people from the West Indian islands, which represents the natural increase of only two years, would have no effect on their gross over-population. In short, one feels that the commission has made the very best of a very poor assignment.

* * *

Down with Homework

Delightful as it is to see preserves unrationed and the sugar ration increased by two ounces, these concessions do not compensate housewives who like to make their jam at home. Before August 15th they were able to draw a pound of sugar a head every month instead of the jam ration and thereby feed their households on real jam instead of the sweetish pink pulp which is all the manufacturers seem able to produce under the price ceiling. Their style has, of course, been considerably cramped since the days when, as the preserving season approached, grocers displayed sugar in fifty-pound bags, and Seville oranges stacked the fruiterers' shops. But this is the final blow; another creative skill has been sacrificed to maximum production for the undiscriminating.

This is a process by no means confined to jam. The home handyman who is hampered by lack of wood. The home dressmaker finds that the materials particularly suited to her needs have all been sent to the manufacturers. Schools, young people's clubs, and technical training centres are starved of materials; and it is almost an established rule (as anyone going round the Christmas shopping counters will speedily find) that of two toys or games that which presents a finished article, needing only to be used or admired, will be relatively plentiful, while that calling for constructive ability and the use of tools will be practically unobtainable. The small craftsman is hardly better placed than the school or home; and surviving workers in the crafts, driven out not by the competition of the machine-made article, but by the impossibility of obtaining materials, find no successors.

The utility schemes have brought great gains, improving both mass standards and mass design. Clothes and furniture have benefited. But along with much shoddy and pretentious merchandise there has vanished not merely the article *de grand luxe*, but the honest small-scale product, quantitatively unimportant no doubt, but constituting an invaluable leaven, a link with past traditions of craftsmanship, an inspiration for the development of secondary skills to mitigate the one-sidedness of a mechanised and specialised life. The controls of the planned economy are mopping up whatever pockets of individual artistry in work the Industrial Revolution left undisturbed; and that grand old Socialist William Morris must be revolving rapidly in his grave.

Shorter Notes

On page 786 of *The Economist* last week reference was made to part-time directors of British European Airways. There are no such persons in the Corporation. The reference should have been to British Overseas Airways.

*

In a leading article "The Enemy Within," which appeared in our issue of October 23rd, we said, "In building, the President of the union is a Communist." In the issue of November 6th we said that the union referred to in that article was the Amalgamated Union of Building Trade Operatives. We wish to make it clear that we were not referring to the Amalgamated Union of Building Trade Workers, of which Mr Harry Adams is President. We accept Mr Adams' assurance that he is not a Communist, and apologise to him for any inconvenience or distress which has been caused to him by our inaccurate statement.

*

British Jewry has some great gestures to its credit. Worthy to rank among them is its present appeal for £10,000 to pay for the despatch of a team of British Jewish workers, "together, if possible, with an Arab doctor resident here who desires to associate himself with us in our work" in order to work indiscriminately among Jews and Arabs. Their role will not be easy in a country as anti-British as Israel is at present. But they deserve great credit for setting the Israelis an example not only of tolerance but of maturity of mind. Their chairman is Professor Norman Bentwich and their president Rabbi Dr Leo Baeck.

*

The agreement between the British and American Governments on visas, which has been hailed as a triumph of enlightened co-operation, is, in fact, nothing of the sort. The British Government has agreed to regard the possession of a valid American passport as sufficient qualification to enter Britain. The American Government, on the other hand, using as an excuse the necessity of visas for the operation of its complicated immigration laws, has agreed to abolish only the fees hitherto charged for them. Therefore British visitors to the United States must still continue to be treated like potential anarchists, submitted to the indignity of messy fingerprints, and asked impertinent questions about their movements and their political beliefs. It is apparent that the privileged British diplomats who negotiated this one-sided bargain have never had to waste hours queueing in Grosvenor Street.

From *The Economist* of 1848

November 18, 1848

The peculiar circumstances which led to the extensive speculation in railways during the last four years are well worthy of being referred to, as having a most important bearing upon the future prospects of this species of property. Prior to the commencement of the recent railway mania in 1844 this species of property had acquired a reputation for security and profit greater than any other similar speculations which had preceded them: while nearly every other class of joint stock speculations, from 1824 downward, in which the accumulating capital of the country had been invested, had ended in ruin to the parties engaged, railways, as they then existed, appeared to promise a permanent security for very large dividends. Capitalists began to distinguish and recognise in railway investments a species of security which other undertakings do not offer. They saw that in the case of joint stock banks, which had been the favourite objects of investment in 1835 and 1836, and in all other similar undertakings in which the whole subscribed capital is dealt with by directors in a floating state, which involves extensive credits left to the entire discretion of directors, that not only is the whole paid-up capital always exposed to be lost, but that liabilities to an indefinite amount may be, and in many cases have been, entailed upon the companies, which ended in the entire ruin of whole classes of shareholders. In the case of railways they saw that the subscribed capital was actually invested in a *bona fide* property, which, be it a little more or a little less profitable at any particular time or under any particular management, still represented the subscribed capital entire, and that they could never be exposed to any liability beyond the actual amount of their shares. A consideration of these facts was mainly instrumental in giving so decided a bias in favour of railway undertakings in 1844, in preference to any other speculations, and the same must ever continue to form a marked distinction in their favour as safe permanent investments.

Letters to the Editor

Can Uno Survive Palestine?

SIR,—In your issue of November 13th, you call attention to the grave duty which now rests upon the United Nations to enforce its decisions concerning Palestine at the peril of committing suicide if it fails to do so. The responsibility and duty in this crucial test case are further accentuated by certain facts which do not seem to be recognised in England.

The general impression in the public mind is that the Arabs have lost the war in Palestine as a result of their incompetence and disunity. This attitude completely ignores the fundamental fact (attested by well-informed British observers of high authority) that the Arabs had fought well and successfully until the imposition of the first truce and that the military situation was developing in their favour when that truce was enforced. The situation was only reversed after the truce, and in large measure as a result of the truce, which the Arabs had been prevailed upon to accept under extreme moral pressure coupled with the threat of sanctions. Indeed in the case of the British Government certain sanctions were actually applied (namely the stoppage of arms supplies to the Arab States and the postponement of the payment of the instalment of Britain's subsidy to Transjordan which was then due).

Apart from coming at a moment when things were going reasonably well for the Arabs, the truce in its operation all along has played entirely into the hands of the Zionists, who with their powerful international ramifications are able to circumvent it and to go on importing large quantities of arms, ammunition and aircraft from many countries, notably from Czechoslovakia. These are no mere allegations, but facts, which have been boasted of by the Zionists themselves, which have been reported by the UN truce observers, and which have become the subject of official diplomatic protests by the United States Government to the Czechoslovak authorities. The Arabs on the other hand have been effectively hamstrung by the truce. Thus the United Nations have largely contributed to put the Arabs at a disadvantage, and if now Uno fails to enforce its decisions against Jewish aggression and defiance, it will have not only betrayed its own principles, but have committed a shocking injustice against the Arabs.—Yours faithfully,

EDWARD ATIYAH,
Secretary

The Arab Office,
92 Eaton Place, London, S.W.1

Rough Justice in Germany

SIR,—Though in substantial agreement with your correspondent's review of denazification (in *The Economist* of October 23rd), I am not satisfied that the concluding paragraph, in assuming National Socialism to be only an expression of political nationalism, is an adequate appreciation of the situation today.

The Nazi manifestation of nationalism will probably not recur as a dangerous force, if only because the social determinants, such as the Jewish influence, have largely disappeared. However, the legend that Nazis at least tried to defend western civilisation bolsters that supra-nationalism which equates one world with the final triumph of the west and sees in Britain the inevitable rival for American support. Anglo-American differences over dismantling policy and the "trade unionist" outlook of our own representatives foster this danger.

The widespread belief that the Nazis brought social unity through controlling organised capital—and organised labour—is a reminder that National Socialism was not only an exaggeration of nationalism but a perversion of socialism, born out of the insecurity of the German lower-middle class. Ironically, the international crisis has delayed the popular organisation of political authority while the economic crisis has been leading to the reconcentration of real wealth in the same hands. (Continued Military Government supervision of government in itself promotes the influence and prestige of outside "interests".) This time the middle class has not been ruined by inflation, but the circumstances of millions of refugees from the east have only been aggravated by the revival of prosperity since currency reform. There is, as yet, no mass unemployment, but thousands of young men from the middle class—ex-officers, former Nazis, graduates of the overcrowded universities—are professionally frustrated and socially insecure. They may not believe in Hitler, but they do see too many "Hitler-rejects" now in authority.

The gains of the Liberals from the CDU and SPD—parties which have become identified respectively with the industrialists and the unions, the sudden success of the youthful National Democratic Party at Wiesbaden, the recent "German Union" movement for an undoctrinaire political elite, should raise doubts whether the legal conception of rough justice was enough. Denazification was perhaps not in itself a mistake; the failure lies in taking it as an effective substitute for the creation of a new German society in the National Socialist aftermath.—Yours faithfully,

A. LIDDELL HART

Office of the Political Adviser,
HQ, CCG (BE), Berlin, BAOR 2

Hungary and Czechoslovakia

SIR,—I do not expect you to approve of everything done by the Hungarian or the Czechoslovak Government, but I am sorry that their brave and intelligent decision to eliminate the differences between their countries should be dismissed by you, in your issue of October 30th, as "a remarkable piece of demagogic dishonesty." This decision uproots Hungarian revisionism which has rightly been denounced by our neighbours as a threat to peace. It brings to an end the persecution of the Hungarian minority in Slovakia which has rightly been denounced by my countrymen as an infringement of human rights. In the meantime, it creates a basis for close economic co-operation between the two countries, a step constantly urged by Czechoslovaks like the late Thomas Masaryk, Hungarians like Michael Károlyi and some of the best British statesmen and scholars who have dealt with East-European affairs. It has, I think, also been urged in your columns until now. It was considered a noble aim yesterday. Should it be considered a crime today merely because the present governments are bringing it about?—Yours faithfully,

PAUL IGNOTUS,
Press Attaché

Hungarian Legation, S.W.1

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Distribution of Building Resources

SIR,—A note in your issue of November 6 purported "to make a rough estimate of the (building) resources devoted to new houses during 1947." The statistics, most of which have always been published in the Digest, as presented in the table support the arguments consistently put forward in *The Economist*, but unfortunately they are misleading. A comprehensive estimate is included in the table for expenditure on new housing, but the total of £554.6 million is not by any means the total value of building work, but only as correctly described at the head of the table, the value of work licensed or approved.

You should have been aware from the *Economic Survey for 1948* that the total expenditure on building in 1947 was estimated at £850 million. The discrepancy between this estimate and the total of £554.6 million arises from two causes: the value of unlicensed work under the old £10 ceiling and work "authorised" by Government Departments other than the Ministry of Works on public utility undertakings, transport undertakings, schools, other local authority premises and so on. The proportion of building resources devoted to new housing is not, therefore, the 36.8 per cent shown in the table but 25 per cent. This ratio is equally apparent from the building labour statistics. According to the latest issue of the Digest, of the total 1,024,000 operatives employed, some 229,000 were employed on the construction of new houses including site preparation, or 22 per cent. On similar definitions it has been estimated I think that in 1938 about 300,000 were so employed out of a total of some 950,000, or 32 per cent. Thus the total labour force at present employed on new housing is not only substantially less than before the war, but also forms a much smaller proportion of the total. Before, therefore, challenging the size of the housing programme and arguing that more resources should be devoted to industrial building, you should make clear that despite the acute housing shortage and the need to augment industrial mobility, many fewer building workers are employed on housing and many more on industrial building than in the years before the war.

To secure more industrial building and a smaller total building labour force, for which your note also pleads, implies either that new housing should be reduced not by a few thousand, but practically to zero, or that repair and maintenance work on housing should be drastically restricted. New factories or mines without adjacent houses for workers are useless. The building licence regulations attempt to curtail repair work on houses, but notoriously cannot properly be enforced. In view of the lack of maintenance over a period of at least six years, the wisdom of strict enforcement is indeed questionable.—Yours faithfully,

ARTIFEX.

[No figures have been published for the "discrepancies" the writer quotes. Nor can they be dug out of the Ministry of Works. Little confidence can be placed in Government estimates of this kind given in the *Economic Survey* when Sir Stafford Cripps in the figures he gave last week showed that the estimates for capital investment had not been fulfilled and that non-industrial constructional work had risen sharply.—EDITOR.]

Workers' Control

SIR,—I was considerably surprised to learn from *The Economist* of November 6, 1948, that the London Committee for Workers' Control has a minimum programme "aiming in the first instance at establishing the rule that workers should elect the controlling boards."

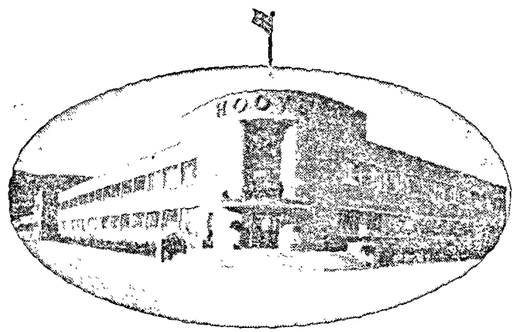
In point of fact, no hard and fast policy decisions of this kind have been taken by my committee, whose activity, for the time being at least, is limited to the calling of an exploratory conference for November 14th. The committee has been fortunate in securing for this conference the support of a wide range of opinion, varying from those who would indeed consider the election of boards by the workers of all grades as a minimum aim to those who consider that an extension of the present consultative methods would constitute a sufficient advance.

The only statement of aims which has been issued on behalf of the committee is that contained in its letter of invitation to the conference referred to above, which reads: ". . . aiming at the extension of the participation of the workers of all grades in the control of industry."—Yours faithfully,

W. J. TAYLOR

London Committee for Workers' Control,
12, High Street, London, N.W. 3

Hoover Limited open a new factory at Merthyr Tydfil



On October 12th the new Hoover factory at Merthyr Tydfil was officially opened. This is the third new Hoover factory to be opened since the end of the War — the others being at Cambuslang, Scotland, and at High Wycombe.

The Merthyr Tydfil factory has been built for the manufacture of electric washing machines and is the largest factory in the country to be devoted exclusively to this purpose.

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AMERICAN SURVEY

Democratic Control of Congress

(From Our US Editorial Staff)

THE capture of both houses of Congress by the Democrats was almost as unexpected and dramatic as Mr Truman's victory over Mr Dewey. The present Senate contains 51 Republicans and 45 Democrats. After January 3rd, the division will be 54 Democrats and 42 Republicans. In the House, there will be an even wider swing. The Eightieth Congress started with 246 Republicans, 187 Democrats, and two members of the American Labour Party. The Eighty-first Congress will start with 263 Democrats, 171 Republicans, and one representative of the ALP.

Because of the election to fill a seat vacated by death in Louisiana, there were 33, rather than the conventional 32, Senate contests this year. All but one of the newcomers have had political experience. Two of them have served in the Senate before: Mr Neely of West Virginia and Mr Gillette of Iowa, who in 1938 defied Mr Roosevelt's attempt to purge him as a conservative. Six more come to the Senate with experience of the House; five have been Governors; all the others have held local office, with the exception of Mr J. Allen Frear Jr, an unexpected winner in Delaware, who is a business man. Some of these gentlemen may have to rebut charges of having spent too much money on their campaigns, or of other irregularities, before they can take their seats.

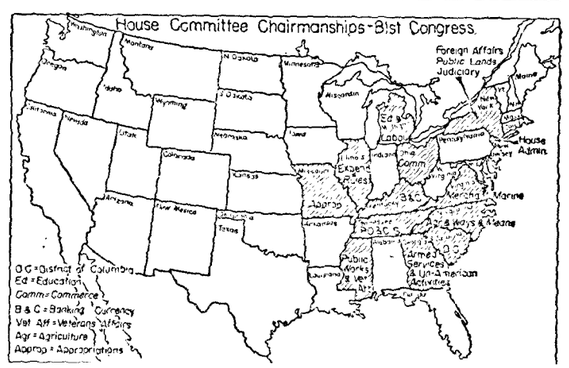
Much has been written about the effect of this new blood upon the temper of the Senate, and of the comparable effect of the new members in the House. It is at any rate safe to say that the relatively large number of new faces makes for flexibility; fewer Congressmen will be faced with the problem of reconciling their records with the country's new mood. It is also probable that there has been a shift in a liberal direction, though it is hazardous to generalise in view of the tendency of American elections to be decided by considerations that have little relation to clear-cut issues. Thus, of the 20 Senators who voted against the Marshall plan, 14 were not running this time, five were defeated, and one was re-elected. In the House, of the 79 who opposed the European recovery plan, eight did not seek re-election, 48 were returned, and 23 were defeated. Forty-nine Senators opposed Mr Barkley's amendment which would have extended the Reciprocal Trade Agreements Act for three years. Of these, 36 were not running, eight were defeated, and five were re-elected. Of the 227 members of the House who opposed the companion Doughton amendment, 16 did not offer themselves again, 148 were re-elected and 63 were defeated. But it would be risky to take these last figures as evidence of anything more than the Democrats' capacity to win in given districts.

Actually, the thesis for which the organisation of the new Congress will probably provide the most evidence is that American political parties are better organised to win elections than to govern once they have won. From the party divisions, it might appear that Mr Truman will have no trouble in securing Congressional assent for his programme. Certainly there will be a change from the strained relations which have existed since 1946 between the White House and the legislature. But these had touched an all-time low; in his more pugnacious moments, Mr Truman called the Eightieth Congress the worst in history; and in his more tolerant moods, the second worst. Party majorities make a great difference in the treatment of legislation which gets to the floor, and here Mr Truman is unquestionably on fairly firm ground. But the Committee structure through which Congress does its business determines to a very great extent which proposals reach the floor, how the final Bill is drafted, and under what sort of rule it shall be discussed. An analysis of the incoming Democratic chairmen tempers the view that a revised New Deal is going to have things pretty much its own way.

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At the time when the Congressional Reorganisation Act was in the making, there was much discussion of the custom of automatically allotting committee chairmanships according to length of service (the seniority rule) and many students of good government strongly urged its abolition. In the beginning, the Senate and House rules provided that each committee should elect its chairman. But it soon became customary for the party leadership to take the initiative in making appointments and in the Senate length of service hardened early into a major criterion. In the House, however, the hard and fast application of the seniority rule dates only from the revolt against Mr Cannon, the Speaker, staged in 1910 by a group of insurgent Republicans under Mr (later Senator) Norris with Democratic support. Before this Mr Cannon had served as chairman of the all-powerful Rules Committee, had enjoyed certain powers to recognise speakers on the floor, and had named all the committee chairmen. If his dictatorship was the frying pan, the fire of appointment by seniority may now prove equally intolerable.





The main issue at the Democratic convention this summer was the influence of the South on the party. At the election the Southern States' Rights ticket carried four of the traditionally Democratic states, with 38 electoral votes. The majority of Southern Democrats thus displayed a reluctant loyalty to Mr Truman, but many of them are as unenthusiastic about the campaign commitments that made his victory possible as they are about the President himself. Yet these are the very men who, thanks to the one-party system of the South, have been able to establish the longest records of service in Congress. If the seniority rule is rigidly observed, the bulk of the chairmanships in both the Senate and the House will go to the South. The opportunities this situation affords for the Republicans were hinted at by Senator Flanders of Vermont, a Republican, in a speech a few days after the election. He urged, as both desirable and practical, a working relationship with some of the "solid Democrats"; he may reasonably be interpretated as having meant solid (*i.e.*, anti-Truman) Southerners. Nearly a hundred Democrats in the new House of Representatives are Southerners, but only about a dozen of them have consistently liberal voting records.

The concentration of committee chairmanships in the South and East which will follow if seniority has its way is indicated by the maps. In neither house would there be any representatives, among the chairmen, of either New England or the West Coast. In the Senate the upper Mississippi valley and the whole Ohio basin is a blank expanse, and in the House there is but one chairmanship indicated for all the states west of the Mississippi. By way of contrast, eight of the fifteen Senate chairmanships and ten of the nineteen House chairmanships go to states in the South, five of them to South Carolina and Mississippi, the states which produced and supported the Dixiecrat candidates. How is this going to suit the Democrats in the states where the spectacular victories were won, either in the national or local contests, such as Ohio, Michigan, Indiana, Illinois, Minnesota and Iowa, or the Californians who took the Republican vice-presidential nominee's own state away from him?

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The situation on the House Rules Committee illustrates the power of the Southern conservatives. The party division on this committee will be eight Democrats to four Republicans. On the opposition side the outstanding legacies from the Eightieth Congress are Mr Allen of Illinois and Mr Brown of Ohio. Mr Halleck of Indiana and Mr Michener of Michigan, if he does not remain with the Judiciary Committee, are likely to take the other two Republican places. All are active conservatives. The Democratic chairman, according to seniority, would be the aged Mr Sabath of Illinois, a New Dealer at heart. But flanking him and working against him at every opportunity, though they belong to his own party, are Mr Cox of Georgia and Mr Howard Smith of Virginia. Even if the remaining places were filled by ardent supporters of the Administration, the voting records of these two would appear to insure a six-to-six tie on all liberal measures, enough to prevent a Bill reaching the floor.

The decision on whether to maintain the seniority rule intact, or to take into account certain other considerations (already used in connection with the appointment of all members except the chairmen)—such as regional origin, personal qualifications, personal preferences and party regularity—will be made in the Committee on Committees. The fact that Mr Doughton of North Carolina will become Chairman of the House Ways and Means Committee is particularly relevant, because the Democratic members of that committee serve as the Committee on Committees.

Whatever decision is taken, the probability of change during the life of the Eighty-first Congress is suggested by the ages of its committee chairmen and the certainty that they will be worked hard. Mr Sabath is 82, Mr Doughton is 85, Mr Bloom, the future chairman of the House Foreign Affairs Committee, is 78, 14 of the 19 House chairmen are over 60. In the Senate, Mr McKellar, of the Appropriations Committee, is 79, Mr Connally, Senator Vandenberg's successor, and Mr Hayden, of the Rules Committee, are 71. Ten of the 15 chairmen are over 60. One recalls the changes that occurred in another old Congress, that elected in 1931.

To suggestions of reprisals against the Dixiecrats, Mr Truman has repeatedly stated that he is not vindictive. But it could surely be regarded as effective leadership, rather than vindictiveness, if Mr Truman used his influence, and his freedom from political debts, to combat three dangers which threaten his legislative programme. One is the use of the filibuster in the Senate, the second the blockade in the House Rules Committee, the third a coalition on the floor between conservative Southerners and the Republicans. One approach to the problem would be to take full advantage of the Party Policy Committee instituted under the Reorganisation Act and used only desultorily by Mr Barkley in the past. And if the steering committees seriously worked out time-tables for the reporting out of Bills, the last-minute jams that occur every year could be mitigated and a more comprehensive approach achieved to the multitude of Bills faced by each session. An effort could also be made to revive the party caucus, or party meeting, and make its decisions binding on members.

Much will depend on the handling of the civil rights programme, to which both parties are committed. More than any other single issue, this will determine the relation of the ex-Dixiecrats and reluctant Southern Democrats to the party as a whole. Mr Truman's victory raises a fundamental question. In the past the Democratic Party has been held together only by the emergence of a dominant personality. Can the issues which divide it into factions today be solved, rather than sublimated? The Democrats are in control of the Presidency and both Houses of Congress. Can they also control their own members?

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

A Free and Responsible Press

[FROM OUR US EDITORIAL STAFF]

"DEWEY and Warren won a sweeping victory in the Presidential election yesterday," began the main story in an early edition of the *Chicago Tribune* of Wednesday, November 3rd, under the headline "Dewey Defeats Truman." The Republican ticket, the story went on, was leading Truman and Barkley "pretty consistently in northern and western States." This last statement was printed upside down, a hint, perhaps, from Colonel McCormick as to the real truth, but too subtle for the average reader to understand. In another column it was stated that "G. O. P. retention of control of the Senate seemed assured." (The G. O. P., or Grand Old Party, is an American synonym for the Republicans.)

In the next edition the headline had become "G. O. P. Wins White House!", Dewey and Warren had now "swept the country," "the Republican ticket had won by an overwhelming majority of electoral votes," President Truman "had gone down to defeat with few States outside the South"; in the House the Republicans were "promised a measure of control even greater than that they enjoyed in the Eightieth Congress," and Senator Brooks and Governor Green "were indicated winners" in Illinois. At that time, according to the latest figures (which were printed in an adjoining column for those who preferred fact to fancy), with barely one-fifth of the Chicago votes counted, the Democratic candidates for Governor and Senator were already leading, Mr Stevenson by 150,000 and Mr Douglas by 130,000. The only returns on the races for the House of Representatives showed (as was admitted on an inside page) that three Republican members were threatened in Chicago; a little thought might have suggested that what was happening in one city could also be happening in others. With less than one-third of the Presidential votes in Chicago reported, Mr Truman was 120,000 ahead. A simple calculation, on the basis of the last two elections, would have told anybody that such a lead at that stage meant a close race for the Presidency, with the odds slightly on Mr Truman, and that Senator Brooks and Governor Green were already not even "indicated," but almost certain, losers.

This was only the most flagrant example of what might be politely called the excessive optimism of the Republican press. Though few announced flatly, as did the *Chicago Tribune*, that Mr Dewey had won, "an overwhelming majority" maintained right up till the last moment that he was winning. No great harm, perhaps, was done by such representation after the polls had closed, but the persistence with which one and all blindly followed their own propaganda long after the figures had proved them wrong is a symptom of a disease which has been eating the moral fibre of the American press for some time.

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No newspaper need be ashamed of having made, as nearly everyone (including *The Economist*) did, an honest mistake and of having taken Mr Dewey's election for granted. Mr James Reston, who travelled all over the country for the *New York Times*, afterwards wrote that each reporter, including himself, "was carried away by facts he did not verify, by theories he did not fully examine, and by assumptions he did not or could not check." Just as Mr Dewey was wrong, he went on, because he was too isolated with other politicians, "so were we too isolated with other reporters, and we, too, were far too impressed by the tidy statistics of the polls."

It is not only on candidate's trains and during campaigns that reporters are too isolated with each other. The syndicated columnists, the coast-to-coast radio commentators, and the Washington correspondents of the leading newspapers all over the country lunch and dine with each other incessantly and produce much of their news by inbreeding. Although the majority are Democratic in their political sympathies, in their attempt at objectivity they remember that Washington, which is full of government employees, is not representative of the country and that they themselves are not representative of their own income group. When they go round the country they visit the influential men in each community and come away confirmed in their belief that the rest of the country is as stupid as they had always thought. They have no time, when trying to cover the whole of this continent, to find out what the people are thinking who have no influence, only votes. Even if they had, it would be courageous, if not presumptuous, to trust their own limited observation against that of the local experts. The parallel with 1945 in Britain is too obvious to be comfortable for the press of either country. Mr Reston recognises this when he says that "we were wrong, not only on the election, but what's worse, on the whole political direction of our time."

Granted the truth of this last remark, and its truth is undeniable, it is doubtful whether any amount of checking, examination and verification would have persuaded even the most diligent reporter that Iowa, Ohio and Wisconsin, which voted for Mr Dewey in 1944, were going to vote for Mr Truman in 1948, or that California, in the face of the Warren myth, would go Democratic again. And any reporter who had sensed the political direction of our time and foreseen a Democratic victory might well have lost his job before November 2nd arrived to vindicate him.

It is there that the real danger to the objectivity of the American press and radio lies. There are not many newspapers or networks whose proprietor consciously influences the news—though there are some, prominent among them being the *Chicago Tribune*—but there are any number whose staff, aware of the proprietor's political views, try to please by playing up whatever story will soothe him and hiding away in the back pages information which would upset his liver. As 65 per cent of the daily press, with 78 per cent of the circulation, was pro-Dewey, there was little that was favourable to Mr Truman on the front pages.

The wish, in this campaign, became father to the news; predictions were multiplied by propaganda to produce tainted news which, in turn, was used as the basis for further predictions. In the end the predictions became accepted as the fact and, on election day, were printed and sold as fact. It is a disaster which has been waiting for the American press for some time. The pressure of trying to get the news on the streets first has made them, in recent years, more and more organs of prophecy, until they are hardly newspapers at all. Only on the sports pages do they any longer wait for events to happen before reporting them.

Last among the causes of this year's blunder is one which, it is to be hoped, will not recur. For it the Republican candidate and his team of Svengalis must take the blame. It was well known that newspapers in New York State had been, since Mr Dewey became Governor, under continuous pressure to make their reporters at Albany toe the line and that some had even been removed at his "request." During the campaign the area of this pressure was widened and unsympathetic reporting by radio commentators and correspondents of national newspapers brought instant complaints to their employers. There was every reason to believe that, once in office, the new President would have been unforgiving and ruthless in his treatment of publishers who had failed to take the hint and rid themselves of such impediments to national unity. Not many would have given away to such blackmail, but it would hardly have been human for them not to hope, or even suggest, that their reporter's criticism might be toned down a little in future. There are, after all, many plums that can be fed to a good boy by the Administration in power.

Perhaps it is as well that the temptation has been so miraculously removed. With all its paper, the American daily press is still the best in the world. The danger that "responsible" may come to be defined as "amenable to pressure from the right quarter" and "free" as "taking out on the weak the irritation which it is impolitic to display against the strong" may be averted under a President who has learned, from long experience, to accept not only honest criticism but also insults and lies as part of the burden of office, and to remain unaffected by any of them.

American Notes

Maritime Blockade

Longshoremen along the east coast have now sealed up ports from Hampton Roads to Portland as effectively as Mr Bridges and his allies have blockaded the west coast since September 2nd. Only the Gulf ports maintain any sea contacts with the outside world. This is no concerted movement, but the result of two shipping strikes which, happening to coincide, have virtually paralysed shipping to and from the United States. All they have in common is that in both cases all the delaying devices of the Taft-Hartley Act have been exhausted, and the effect is to disrupt the flow of supplies on which the rest of the world is dependent.

Unlike the west coast maritime unions, the International Longshoremen's Union (American Federation of Labour) has an excellent record; this is the first coast-long strike it has ever called. The causes of such a drastic step are still obscure. As a Federal 80-day injunction came to an end last week, the union leaders approved a contract embodying many concessions by the employers, including a guarantee of four hours' pay for every work call. The wild-cat strike which followed eventually swept the leaders along, and Mr Ryan, the union president, under pressure, it is suspected, from a more radical rival for union favour, proclaimed the strike official. The union leaders who had approved the pay increase of 10 cents an hour granted in the contract are now demanding the 50 cents. rise originally requested.

In the west, the prospect is brighter; there are hopes that the strike may be settled by November 25th—appropriately Thanksgiving Day. The employers who loudly proclaimed they would negotiate with no union whose officers had not signed anti-Communist affidavits have hastily forgotten their fleeting resemblance to Generals Clay and Robertson. They have empowered to negotiate with Mr Bridges, the fellow-traveller *par*

excellence, the president of the Hawaiian Employers' Council, who has been successful in the past in concluding pineapple and sugar contracts with the Bridges' union. By far the most significant development has been the working out and signing of a formula for union and employer responsibility in labour relations. The national Congress of Industrial Organisations and the Employers Council of San Francisco are to underwrite any contract as a guarantee against local recklessness or bad faith. In future disputes it will be necessary, before the strike stage is reached, for the local union to consult the CIO and the employer to consult the Council.

The Taft-Hartley Act failed to prevent either of these crippling strikes; on the west coast, indeed, its ban on the union hiring-hall, and the anti-Communist affidavits it requires, were among the excuses for the stoppage. But it did postpone them. When Congress debates a substitute for the Taft-Hartley Act the effect of shipping strikes upon foreign policy will strengthen the hand of those who believe in the retention of devices to curb and delay strikes in essential industries.

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House-cleaning by the Rival Firm

Mr Truman, recovering in Florida from his triumph, is presumably making up his mind which of the resignations, which the members of his government will automatically tender to him by January 20th, will be accepted. The amount of help, both financial and otherwise, which he received from leading Democrats during the election campaign varied considerably, but only a very few of them gave him as much support as he had a right to expect. Mr Truman will therefore begin his new term remarkably free of commitments and also, for the first time, free of any legacy from his predecessor. His choice of Cabinet officers and advisers may provide the first indications of how he intends to use the new authority and prestige with which he returns to Washington.

If, however, Mr Truman were to embark upon any large-scale reorganisation of the government at the lower levels, he would need a ruthlessness which can hardly be expected of him, since it would involve the sacrifice of agencies which the Democrats themselves created and of individuals with whom they have worked for many years. Even Mr Dewey would have had difficulty with vested interests of this type if he had been given the chance to undertake the "house-cleaning" which he foretold when he came to Washington, and, although Mr Truman is probably as well aware of the need as was his rival, for him the task would be Herculean.

This is the main reason why Washington today discounts the possibility of any far-reaching action being taken on the report of the Commission on the Organisation of the Executive Branch of the Government (discussed in *The Economist* of October 16th), which is to be presented to Congress in January. In addition, notwithstanding its bipartisan membership, its meticulous avoidance of political influences and the support which Mr Truman has given to its work, the Commission has an unavoidably Republican flavour, since Mr Hoover is its chairman, since it was first proposed by the Republicans and since its inevitable criticism of many government practices must be unfavourable to the party which has been in power for so long.

But the report may at least give useful guidance to those government departments which are already preparing their own house-cleaning schemes to forestall the arrival of a strange charwoman. The Commission, in its first public statement, issued last week, tried to appeal to as many as possible of those who will be affected by its later suggestions, which will almost certainly be less palatable. The proposals which have so far been tentatively approved recommend higher Federal salaries, especially for officials earning over $5,000 a year, who were left out of the increases voted by the last Congress (an omission which a Senate Committee is already preparing to remedy), the decentralisation of Federal hiring, the abolition of Senate confirmation of postmasters—which allowed the Republican Senate to refuse to confirm over 700 appointees this year, so that they could be replaced after the Republican victory—and, finally, relief for the President from his burden of detailed work by the consolidation of budget, personnel, procurement and other agencies.

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The Chinese Dilemma

Washington, so long the proponent of the "open door" in China, is now desperately searching for some means to lock the Chinese door against the Communists. The defeated Republicans at least have the bleak satisfaction that the Administration can no longer ignore the impending Chinese catastrophe. It was the Sinophiles among the Republicans who insisted that, while American policy was barring and bolting the European entrance, it had left the backdoor in Asia wide open; it was a Republican Congress which, against Administration wishes, included in the Foreign Assistance Act $400 million for China, of which $125 million might be spent on the purchase of arms. It was Senator Bridges who sent Mr Bullitt—a Democrat who moved into the Dewey camp just before the election—to prepare the way for the aid a Republican Congress was pledged to grant.

The crisis in China is no longer under-estimated. Aid from funds of the Economic Co-operation Administration is continuing—on an "hour-to-hour basis," but discussions already are proceeding on ECA policy in the event that all of China may fall into Communist hands, that there may be a coalition government, or that China survive half Communist, half Nationalist. The National Security Council, on which the Services are all represented, has met to formulate recommendations on China. Shipments of arms bought out of China's ECA funds have been hastened, though without any certainty as to what forces will exist to use them. Most of these arms are still in the pipeline.

The situation is regarded as so desperate that many of those who in the past have strongly urged aid to China now feel that attempts to retrieve it would merely waste energy and resources. Senator Styles Bridges' demand for a special session of Congress to authorise more aid to China is not taken seriously. President Truman has made it clear he will not recall the old "do-nothing" Eightieth Congress for one last appearance before the Democrats take over in January; the Republican leaders who also have the right to reassemble Congress seem no more enthusiastic.

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Mr Marshall's hostility toward a positive policy in China can now be seen to have been shortsighted. But the Republicans have helped to make a bipartisan approach impossible by using China as a stick to beat the Administration and arousing the suspicion that they were less interested in China itself than in a means of setting up a rival to the Marshall plan for Europe. This suspicion persists. But the Republican *Herald-Tribune*, after listing the serious consequences of a Communist China, does not hesitate to declare that the loss of China would not compare in significance with the loss of the industrial and potential military resources of Europe, and to point out that if Europe is to have first call on American aid, no vast increase in aid for China is possible. Actual participation in the Chinese conflict is unthinkable.

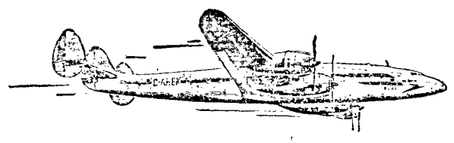
One expedient being discussed is that of by-passing Chiang Kai-shek—whose reputation has suffered a sad falling-off—and diverting military aid to those local commanders likely to make the best use of it. This would not make any more machine-guns available, nor would it eliminate the risk—felt to be very great—that in the end it would be the Communists who would profit; the Nationalists have been negligent about letting the Communists capture American arms. But in addition, the by-passing of Chiang Kai-shek would ensure the collapse of the central government; it would make it easier for the Communists to pick off their opponents one by one; and, a technical point, under the Foreign Assistance Act, aid may be sent only to qualified governments, not to individuals. The Chinese dilemma appears as a choice, not between two, but three or more evils.

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What Happened to California?

One of the myths on which the Republicans built their edifice of over-confidence was that, with Mr Warren as vice-presidential candidate, California was safely on their side. It was less mythical than most of their theories, since they only lost the State by about 30,000 votes and, if Mr Wallace's performance had been less disappointing, he might easily have been as helpful to them in California as he was in New York. The Republicans had some justification (in so far as any public opinion poll can now provide justification) for assuming that Mr Warren would bring into the national campaign the bipartisan support which had given him the Governorship in 1946. A west coast newspaper, which questioned voters on their vice-presidential choice alone, found that a big majority in both parties preferred Mr Warren to Mr Barkley.

But in the polling booth the candidates for the Presidency still completely overshadow their running mates; that was perhaps why the Republican belief that Mr Warren's reputation for progressiveness and humanity would make up for Mr Dewey's deficiencies proved false. Then, too, progressive Californians had



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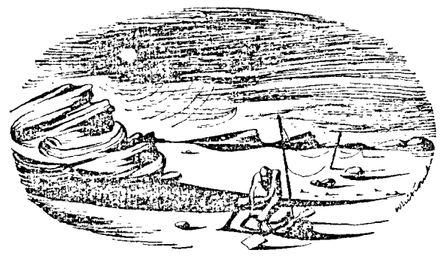
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good reason to feel that birds in the Democratic hand were worth more than those in the Republican bush. Republicans in the State Legislature have shown how easy it is to make difficulties for a liberal Governor and some at least of the Republicans in the Californian delegation at Washington (notably Representative Gearhart, who has now lost his seat) could have been counted on to follow this local example if Mr Dewey had been elected. Finally this year, unlike 1946 when Mr Warren's name appeared on both party tickets, Democrats would have had to desert their party in order to vote for him; the Republican statisticians, who were counting on the affection of the many newcomers to the State for the only Governor of California they had ever known, may have forgotten that a high proportion of them came from southern States where it is heresy to vote Republican—and from classes where it is rapidly becoming equally heretical.

Mr Warren's progressiveness was to some extent a liability to him in his own State, since many wealthy businessmen distrusted him so much that they sent their campaign contributions direct to Mr Dewey at national headquarters. As a result of this, and probably also of the Republican certainty of victory, money was short in California; Dewey buttons were almost unobtainable (and it was not because the demand had been so great) and the scarcity of party posters on the hoardings in Los Angeles and San Francisco was very noticeable in comparison with, say, Chicago. In part this was due to the fact that no Senatorial seat was at stake and that there was no Congressional fight in many districts; under the Californian system of cross-filing in primary elections (in which the parties choose their candidates), the same man can offer himself, and is often chosen, as the candidate for both parties in the primary, and the battle is over long before election day. But the lack of party posters was made up for by the number of billboards which argued for and against the numerous referenda which were also on the ballot. Many of these dealt with questions of close concern to the liquor, real estate and other business interests and absorbed not only the money but also the time of those who might otherwise have devoted more attention to the Republican cause.

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The Call of the South

With the end of the sellers' market in textiles the call of the South is once more being heard in New England. On the same day in September that the Textron Corporation announced its intention of shutting down two mills in Nashua, New Hampshire, it rubbed salt in the wound by revealing expansion plans, to cost $11 million, in Georgia, South Carolina and Puerto Rico. The decision was challenged by the textile workers' union, and invited investigation by a subcommittee of the Senate Commerce Committee under Senator Tobey (of New Hampshire). This case of industrial migration is hardly typical, for the Textron Corporation only acquired the Nashua mills in 1946 and apparently more for the contribution they could make to the financial structure of the parent company than with any permanent intention of turning out blankets at a profit. The corporation, as well as the union, has been dilatory and half-hearted about applying its "New Nashua Plan" for increasing production, cutting costs, and putting New England back on the textile map.

The Nashua mills employ 3,500 work-people, and the pressure of publicity has persuaded the company to make a new effort to keep certain operations going, as long as they are profitable, which will save 1,200 of these jobs. Other industries are also to be brought in. But to keep the Nashua mills fully employed in the face of weakening prices would, according to Mr Little, the president of Textron, have meant a loss in 1949 of from $1,000,000 to $3,000,000. Textile mills during the summer have been curtailing operations to keep pace with demand and avoid over-production.

In these circumstances the lower production costs of the south are again becoming as attractive as they were from 1914 to 1940, when the south's share of the national production of cotton cloth rose from 14 to 75 per cent. Wage differentials have narrowed; textile wages are only from 3 to 10 cents lower in the south then they are in New England. But the productivity of southern workers is higher; the unions are still much weaker, so that welfare and holiday costs are lower, and the south has a surplus of labour, which makes it possible to run three shifts a day instead of the single shift for which it is possible to find workers in New England. Relative power rates and transport costs are also important; in the south a textile mill may be situated in a cotton field and on top of a coal mine. Local taxes are very much smaller.

In addition, the industry-hungry cities of the south often offer sites and even plants free or at low rentals to migrating firms. They will, in some cases, even build a mill to the employer's specification and, if he buys it, offer ten years' tax exemption. But any new exodus can be only in the nature of a postscript; most of New England's textile industry has already moved. Of 18.3 million spindles in New England in 1925, less than 5,000,000 remained in 1945.

THE WORLD OVERSEAS

The End of "External Association"

(From Our Dublin Correspondent)

THE repeal of the External Relations Act, which is now certain to take place, represents a natural constitutional development. It should not surprise anyone who is conversant with modern Irish history. The Irish claim for national independence is based on the fact that Ireland is one of the oldest European nations, with clearly defined frontiers and a well marked and distinctive cultural heritage. The Home Rule Party was willing to accept a reasonably limited measure of autonomy, but ever since the rising of 1916 the full claim for an independent republic has never been abated. Dominion status was the formula used in the Treaty of 1921 to define Eire's position. Even those Irish statesmen who accepted the Treaty regarded Dominion status as a transitional phase—as "freedom to achieve freedom." A powerful minority, however, which became a majority in 1932, always agitated in favour of a departure from the far-sighted gradualism of the supporters of the Treaty in favour of the immediate loosening of the Commonwealth tie through an expedient described as "external association." This was obtained in 1936 by the External Relations Act which enables the head of the British Commonwealth for the time being to accredit diplomats on behalf of Eire. Internally Eire is a republic with a President. When the External Relations Act is repealed the King will disappear from the Irish Constitution, even as a symbol of Commonwealth association. Except for the solution of the Partition problem, the programme of Irish nationalism will be completely fulfilled.

The repeal of the Act will, however, sever the intimate relationships existing between Eire and the Commonwealth countries only in the unlikely event of any of those countries deciding on such a severance. It was understood by most of those who voted at the general election for the parties forming the present Government that it would foster good relations with Great Britain and it has in fact done so. The Trade Agreement concluded in June has greatly strengthened the economic connections between Great Britain and Ireland. Personal relations between Irish Ministers and the Ministers of the Commonwealth countries have been excellent. Constant meetings have taken place during the summer at which the utmost cordiality has prevailed. Several Irish Ministers have stated that the repeal of the Act is designed, not to weaken, but to strengthen the ties that bind Eire to Commonwealth countries, with which it shares so many common interests and ideals—"a common pattern of life." The link between the Commonwealth countries has not been weakened by the passage of the Statute of Westminster and, they argue, there is no reason why it should be weakened by this further step. The Crown is no longer the appropriate symbol of Irish association with these countries. It is distasteful to many Irish people with long historical memories. In future, co-operation must rest, not on formulas, but on the fact of mutual recognition of common interests.

The Status of Foreign Country

When the Act is repealed, Eire may be deemed to have left the Commonwealth and to have assumed, from the British standpoint, the status of a foreign country. Attempts have been made on

political platforms and in the British press to make the flesh of Irishmen creep with the thought of the unpleasant consequences that such a development would entail. It has been suggested that Irish labourers and professional men would no longer be able to seek employment in Commonwealth countries as freely as they can do so at present, and that the exclusion of Irish doctors from the Commonwealth Medical Registers would inflict a severe blow on the Irish Universities. These dangers are undoubtedly exaggerated. The position of Irish doctors and dentists is protected by statutes. In so far as any practical inconveniences may arise, there is no reason why they should not be resolved by mutual agreements based on the good will that certainly exists in Ireland and, it must be hoped, in the other countries concerned.

The suggestion has been made that Eire would no longer enjoy the benefits of imperial preference. Mr Costello emphasised at a recent press conference in Dublin that most of the existing mutual rights and preferences enjoyed throughout the Commonwealth arise from specific agreements and not from Eire's Commonwealth status, and that their abolition would prove injurious to Great Britain and other Commonwealth countries, as well as to Eire. The adverse balance of trade between Eire and the Sterling Area indicates the value to many Commonwealth countries of preferences in the Irish market. In trade relations material self-interest might take the place of political sympathy in enabling mutually satisfactory arrangements to be achieved.

From the standpoint of internal politics, the Government's decision to repeal the Act has strengthened its position in the country, which is more politically tranquil than it has been at any time since the Treaty. No symbol or formula is worth the price of internal dissension. Since the Treaty, Eire has incurred the evil of civil disturbance and strife for the purpose of preserving a symbol which has proved to be a stumbling block in the internal politics and has achieved nothing of value in its external relations. There is no foundation for the statement that the repeal is the price paid by Mr Costello for the support of Mr MacBride and his party. That allegation has been categorically denied both by Mr Costello and Mr MacBride. The members of all sections of the Government have always disliked the External Relations Act, and have regarded it as an ignoble compromise which condemns Eire to a constitutional status defying definition—a republic at home and a monarchy abroad. By deciding to repeal the Act, Mr Costello has taken the wind out of the sails of the opposition, who can hardly oppose the last step towards the establishment of the republic which has always been so dear to their hearts. Mr de Valera has been outwitted and outflanked.

The objection has been raised that the repeal of the Act will render the other great problem of Irish politics, partition, less easy of solution. The realistic answer to this suggestion is that partition is, for the present at least, insoluble on the basis of voluntary action on the part of Northern Ireland. The "die-hards" in the North will regard the new Eire after the repeal with no greater loathing and aversion than they regard it today with its "external association." Mr Costello put this point well at a recent public meeting in Dublin when he referred to the fruitless sacrifices of some, and the scorn and ridicule cast on many, "whose efforts were directed towards maintaining, in one form or another, the Commonwealth relation in the hope, now proved to be without foundation, that thereby the unity of our country might be achieved." If partition is ever solved it will be as the result of external pressure which will pay scant regard to the constitutional niceties involved in the operation.

[*The above article, like all contributions from our Correspondents in overseas countries, should not be taken as necessarily representing the views of* The Economist.]

After the Swedish Elections

[FROM OUR SWEDISH CORRESPONDENT]

AFTER a turbulent election campaign, which stimulated party politics and paralysed national policy, there are now some signs of a political relaxation in Sweden. The voices of gods and giants have sunk to a more usual and pleasant level. The Socialist Government has yawed to starboard a little, but whether enough to solve its economic problem is open to doubt. For the recently published five-year plan admits that the balancing of the country's trade and payments will be a difficult task for years to come.

In spite of the great gains of the liberal *Folkparti*, the Social Democrats kept their position remarkably well in the elections on September 19th, and Mr Erlander retained his office with a palm branch in his hand. After stressing this victory of defence and dropping the Minister of Trade, Mr Gjöres, who had maintained a good reputation in trade and industry, but was nevertheless unwilling to continue with a thankless job, the Prime Minister immediately approached the *Bondeförbund*, the Farmers' Party and one of the three Opposition groups to the right of the Social Democrats, and asked them to join the Government. The Farmers replied, very diplomatically, that they were in favour of a National Government, composed of all democratic parties, and, secondly, that they were ready to go on negotiating with Mr Erlander. When the Social Democrats declined the first alternative, they did, of course, accept the second. The ensuing discussions between the two parties, which lasted until the opening of the *Riksdag's* autumn session on October 18th, failed to convince the Farmers of their duty to help Mr Erlander. With a more cautious approach the Prime Minister might have avoided this new addition to his list of shipwrecks; he has not been lucky in his efforts to gain the other parties' support for the Government's anti-inflation policy. He had, however, something in his hands when he returned from the Farmers, although not the bird itself. The two parties had agreed not only to differ but also to agree on some questions which are as yet unknown but which should duly appear on the agenda of the *Riksdag*.

Cabinet Changes

Mr Erlander then reconstructed his Cabinet. Mr Sven Andersson, principal Secretary of the Socialist Party, and Mr Sköld, Minister of Agriculture, were made Ministers without portfolio. It is well known that the latter will act as an equivalent to Cripps-before-Dalton-resigned—as a Minister of Co-ordination in the economic field, but with the famous veteran, Mr Wigforss, still going strong as Minister for Finance. Mr Sköld is commonly looked upon as an obstinate and somewhat rude person. This is not expected to be too big a handicap for his new post provided he does not get wrong ideas in his head. As Mr Wigforss, who is quite as doctrinaire as Mr Dalton, has openly admitted that, for reasons of age, he belongs to those members of the Government who intend to resign at a suitable moment, Mr Sköld is very likely to be his successor.

The Prime Minister also launched an eight-point programme to promote disinflation and the export drive. In the *Riksdag* debate on November 3rd both the *Höger* (Conservatives) and the liberal People's Party (*Folkparti*) accused the Government of having stolen their clothes while they were bathing. This programme thus seems to be acceptable to the Opposition, including the industrialists. Mr Erlander's New Deal aims at creating conditions favourable to exporters. Home consumption has to be cut down in order to release goods for foreign markets. Credit will be restricted without, however, any increase of the interest rate. Wages and prices will be stabilised at their present level, The budget surplus should be kept at least as great as this year (540 million kronor), investments controls are to be continued and directed in favour of the more productive enterprises. Export firms will have priority when applying for building permits as well as for import licences, rationed materials and credits. Although this programme is not at all sensational in itself, it indicates that the Government has taken the export drive to heart.

The election, but still more the prospects and necessities of the five-year plan, have produced this changed attitude. The plan, which was handed over to the OEEC on October 21st, has been carefully prepared by a committee under Professor Svennilsson.

According to the plan, which is officially called "the long-term programme," this country will be able to pay its way in 1952-53, with a level of ordinary imports equivalent to that of 1947. This will require an increase in exports by 25 per cent of the 1947 volume. The present crisis of payments, with a total deficit last year equal to $400 million, depends not only on the well-known international difficulties and the occasional lack of balance in Sweden's own economy. As the report points out, the whole problem is aggravated by structural changes in industry. The native forests of Sweden have been overworked during the big expansion of the past, and the production of wood and wood manufactures, which used to dominate the export side of the country's trade, must not exceed the annual re-growth. Other export branches, therefore, will have to cover a proportionately larger part of the export drive.

Swedish industry increased its production by more than 50 per cent in the 30's and immediately after the war started a very ambitious investment programme. The five-year plan mainly

consists of a collection of these enterprises already begun. An increase of 10 per cent from 1947 to 1952-53 is expected from higher productivity.

The total harvest is also expected to rise by 8.5 per cent by 1952-53 without any enlargement of the cultivated area. Sweden will then be self-supporting in bread grain. The amount of electric power will be more than doubled during the period 1947-53. The iron and steel industry is already working on a great expansion scheme. Steel production will be 50 per cent larger in 1952-53; this means that 500,000 tons of steel will then be available for the needs of other countries. The engineering industry, finally, is faced with an important and difficult task. At present it does not export more than 20 per cent of its total production, compared with 37 per cent before the war. As manufactured goods must play an essential part in the export drive, the figures must be raised at least to the prewar level.

It is in the field of manufactured goods that the difficulties and uncertainties of the export programme can be clearly seen. Widely varied exports require a much more effective and widespread selling organisation than staple commodities. They are also particularly impeded by trade restrictions and do not easily find new markets. This is a considerable disadvantage in these times of bilateral trade when the direction of goods is decided on other grounds than those of ordinary business interest. It is also to be feared that Swedish exports will now meet less favourable conditions on several foreign markets than immediately after the war, and the question of prices is stressed by some critics. In this connection they believe that the five-year plan is too optimistic in forecasting an increase of income from shipping and shipbuilding by 30 million dollars at the end of the period. Another well-known obstacle is inflation and the demands of home consumption on goods which ought to be exported. Here the Government's remedies are not thought to be effective enough.

In these circumstances, therefore, the Conservatives renewed in the *Riksdag* debate their objections to the present policy of a fixed interest rate; and Professor Ohlin, the leader of the liberal People's Party, put forward a request for a depreciation of the krona to the same level as before the appreciation in 1946. The Prime Minister, however, immediately declined to change the Government's policy, arguing that higher interest and higher import prices would threaten the stability of costs and wages.

In this case it can hardly be doubted that the bulk of the controls and restrictions will still be needed in order to stop surplus purchasing power from doing evil things on the market, and the Opposition will probably try to keep their freedom of action and criticism as long as Mr Erlander's list of points seems in need of yet further additions.

Policing Singapore

[FROM A SPECIAL CORRESPONDENT]

SINGAPORE has hitherto been kept insulated with surprising skill from the Communist insurrection which has gripped the Peninsula. Life in Singapore is just as peaceful as it was before the trouble started. There are two main reasons for this, at first sight, puzzling phenomenon. First, although there are some wild and desolate parts on the island, especially in the west, there is not the same jungle that on the mainland permits the Communists to carry on their guerilla warfare. Second, the police have had good information, have acted with resolution, and have had the full backing of all the other authorities concerned.

In his recent budget speech to the legislative council the Governor, Sir Franklin Gimson, outlined some of the measures taken by the Government. The chain of events really started in January of this year when the Harbour Board took the bold decision to abolish the old system of contract labour and to substitute direct employment, a change which has since greatly increased output and reduced costs. The Singapore Federation of Trades Unions, the instrument which the Communists had created in order to gain control of the colony's labour, agreed to the change and, in return for some minor concessions, promised two months' industrial peace. They kept their promise, but used the time to prepare a large-scale strike which would bring the whole trade of Singapore to a standstill. On April 12th seditious leaflets and posters inciting the workers to violent action appeared in the Harbour Board area. Banishment warrants were promptly issued against the leaders of the Chinese section of the Communist-controlled Singapore Harbour Labour Union. Arrests were made and the Union's premises were raided. Here were found complete lists of the active members of the Singapore Workers' Protection Corps, which was really the strong-arm branch of the Singapore Communists. Since it had not been registered under the Societies' Ordinance, and was therefore an illegal organisation, the police had powers to arrest all active members without warrant. A number of arrests were made and the men convicted and sentenced. In spite of these arrests the SFTU continued its attempts, by violence and intimidation, to prevent the Harbour Board labourers from working. On April 26th and 27th hand grenades were thrown in the dock area. The police arrested more members of the Protection Corps, and the full list of members was produced in court. This finally caused the Corps to disintegrate, and those members still at large went underground or escaped.

Significant Communist Reverses

The SFTU had meanwhile asked the Government for permission to hold an assembly and procession on May Day. The Government gave permission for the assembly, but, in view of the hostile anti-Government character of last year's May Day celebrations, banned the procession. The SFTU replied saying that they proposed to hold the procession anyway. The Government promptly banned the assembly as well. On May Day itself all precautions were taken and the day passed off quietly. It was another significant reverse for the Communists.

Shortly afterwards there were some disturbances at local Chinese rubber factories such as preceded the outbreak up-country. One was burned down and a large sit-down strike was organised at another. Again the police acted firmly, turned up in great strength, arrested 140 men for criminal trespass, and sentenced 35 of the leaders to three months' imprisonment. Describing these various occurrences, the Governor said in his speech, "the government took the initiative at the psychological moment and maintained it." As soon as the emergency started up-country the police increased their road-blocks and intensified their searches. The Special Emergency Regulations came into force on June 24th. These gave the police power to arrest a man on suspicion and to detain him for 14 days. Within 14 days evidence has to be placed before the Colonial Secretary as to why he should be detained. If the Colonial Secretary thinks fit, he can be detained up to two years. Although there is no trial, he can "object" to his detention before a judge of the High Court. More than 1,000 men have been arrested under the emergency regulations, but most are released after screening; about 300 are now held. The day before the regulations came into force many of the Communist and labour leaders fled up-country or went underground. When the police raided the offices of the SFTU, the Malayan Communist Party and the New Democratic Youth League they found the premises deserted. Nevertheless, many important leaders have been picked up and arrests continue all the time. It is never difficult to obtain information about the doings of Chinese providing there is sufficient money with which to purchase it. Since the emergency began the officer strength of the police has been increased by 25 (only four from Palestine), the Special Branch by 50 more detectives, and the Special Constabulary has been raised from 444 to 644. The Government is hoping to be able to recruit Gurkhas for this special reserve force.

The effect of the emergency regulations in the sphere of ordinary crime has been to reduce it to a lower point than at any time since the war. Ordinary crime figures are almost back to prewar standards. There were only five armed robberies in September as against 52 for September, 1947. Equivalent figures for house-breakings were 72 and 126.

Similarly in the labour field there has been less industrial trouble since the emergency regulations than at any time since the end of the war, partly because many of the leaders have either been arrested or disappeared, partly because the rank and file have been nervous and somewhat frightened. Out of the 167 registered trade unions, 24 folded up in June owing to the disappearance of the leaders. No alternative or more moderate leadership took over these unions, which remained completely inoperative. But recently some officials have returned and letters addressed to the unions' offices are being answered, suggesting that the Communists have begun a re-infiltration into Singapore.

The ordinary resident of Singapore, European and Asiatic, after a brief period of anxiety in June, quickly regained his wonted calm. The top officials hope for the best but take a much more cautious and serious view of the situation. The Communists are tenacious, clever, ruthless, and will stage a comeback at the earliest opportunity. All south-east Asia is in a very disturbed condition at the present time. Only by unceasing vigilance and by using the same sort of prompt and determined tactics which they themselves would use can the enemies of the Government be kept in check, and order and prosperity maintained.



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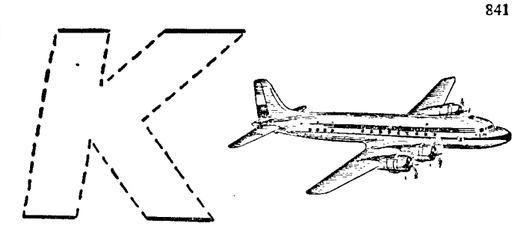
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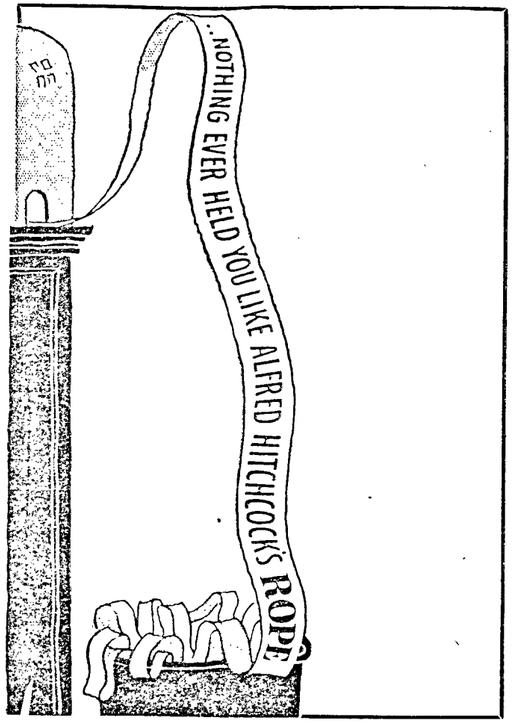


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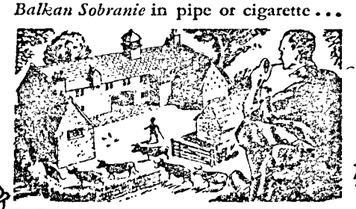
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THE BUSINESS WORLD

Public or Private Purchase?

THE recent relaxations of controls, discussed in these columns last week, involved only an insignificant contraction in the range of direct Government trading. This absence of any important change raises again the whole question of the scope and purpose of the system of bulk purchase. In the past, the Government's case for the continuance of state trading in food and raw materials has rested on the argument that in a period of world shortage centralised buying is the only method of ensuring a continuous supply. On a number of occasions both the Minister of Food and the Minister of Supply have defended their policies on these grounds. More recently, however, the Chancellor of the Exchequer and the President of the Board of Trade, while still couching their arguments in terms of world shortages, have revealed a change of front. Sir Stafford Cripps referred to ten-year contracts with colonial areas; Mr Harold Wilson spoke of "basic" controls to ensure "economic recovery, industrial efficiency or full employment." Neither statement gave any specific definition of policy in relation to state trading, but both left the same impression—that, despite the improvement in world supplies of certain foodstuffs and raw materials, Britain is apparently no nearer the resumption of private trading than it was in the middle of the war. Indeed, in many respects it is further away. New long-term contracts for seven years have been signed with Australia and New Zealand for dairy produce and meat; another contract is expected to be negotiated with Canada shortly, while the whole concept of the four-year plan for western Europe suggests that some measure of state control is expected to be maintained over trading in the future. Moreover, as new sources of supply are developed within the sterling area to replace those of the western hemisphere, the scope for governmental trading may tend to expand.

It is true that, since the end of the war, as noted last week, certain commodities have reverted from public to private purchase. Except for wool, manila and sisal, the list of relaxations mainly comprises relatively minor commodities; it includes cork, bristles, lemons, acetone, liquid rosin, oiticica oil, pyrethrum, japanese silk, sunn hemp, manila copal, cotton linters. Despite these releases, the Government still remains the sole importer of some thirty-six groups of foodstuffs and about the same number of raw materials. These together represented 57 per cent of Britain's total imports by value in 1947—a surprisingly large proportion, which gives a clear indication of the scope of governmental commodity trading. The scope of detailed control is, of course, much wider still, for most of those commodities which may now be privately purchased are still subject to import licensing. Admittedly, in many instances the Board of Trade issues "open general" licences, avoiding the need for separate licences for each particular importation; but for a very large number of goods individual applications for permission to import are still necessary. This system is maintained mainly, but not entirely, as a means of controlling the expenditure of scarce foreign exchange by discriminating between one source of supply and another.

The extent of the Government's present trading operations can be seen from the accompanying tables. Table I defines the whole range of goods of which the Government is the sole importer, while Table II shows the scope of purchases by the system of long-term contracts. Such contracts have been concluded with some twenty-six different countries, most of which are within the Commonwealth—and practically all the commodities are basic foods. The contracts are for a varying number of years, but most of the more recent agreements, it seems, guarantee the purchase of the export surplus for at least seven years. Indeed, the Chancellor of the Exchequer has expressed his willingness to conclude contracts for as long as ten years. Most of the contracts are for the entire exportable surplus or a large proportion of it; in only a few instances have fixed annual quantities been agreed to.

The method of the long-term contract, as distinct from mere centralisation of purchases, is undoubtedly an important instrument in policies of colonial development. It might be the only method available to encourage production in areas which are technically unsuitable for expansion, but which nevertheless appear to the Government as desirable sources from a currency standpoint; in such cases, the risk involved is likely to be too great to attract private enterprise. Even such contracts as these, however, could be operated in conjunction with private trading, subject to a government undertaking to purchase, at a predetermined basic price, such supplies as might fail to find a market. Such an arrangement would at least have the advantage of giving some measure of the cost of the subvention required in the interests—real or imaginary—of exchange economy. If, however, a government department is made solely responsible for such contracts, it will inevitably tend to control all purchases of like commodities. Moreover, even when used in such special cases, the long-term contract is still subject to the fundamental weakness that, while it gives some price stability to both producer and consumer, it is unable to guarantee a minimum quantity of output. By assuring producers of their markets for the next few years, the purchasing authority hopes to encourage an expansion in output; but it cannot do more than that.

The arguments for (and, for that matter, those against) the system of long-term contracts are not, in any case, necessarily relevant to the general question of centralised buying as such. Such contracts are a specific form of centralised purchase; and in fact by far the larger quantity of goods purchased centrally by the Government is acquired under short-term contracts (up to twelve months' duration) or by spot purchases in large or small amounts. The list of the commodities thus purchased (see Table I) is impressive, even when those commodities which are also bought under long-term contracts are excluded; as a comparison of the tables reveals, supplies of goods provided by such contracts are generally supplemented by spot purchases. Goods acquired only by the method of short-term contracts or spot purchase—that is, those covered by Table I which are not also listed in Table II—include the essential raw materials, such as cotton, non-ferrous metals and timber, and the less essential foodstuffs, such as canned fish, canned fruit and citrus fruit. These purchases follow no general pattern; they are made as and when opportunities arise. In certain instances they are made by private traders acting as agents for the government department; in others the department does its own buying; and sometimes both methods operate side by side. Obviously, centralised buying conducted by such spasmodic and variable

methods cannot be justified by the arguments advanced in support of the placing of long term contracts.

During the war, centralisation—even without the support of long-term agreements—was dictated by many converging factors. It helped to ensure smooth operation of the rationing and allocation systems, which often required not only a central supply policy but also control of the channels of distribution—and the case for each of these was reinforced by the policy of stabilising prices by means of subsidies. Moreover, in some commodities, the mechanics of Lend-Lease and Mutual Aid and, eventually, the machinery of the Combined Boards, left the Government no choice in the matter. In other instances, the dominant or decisive influences were the need to economise shipping space and sometimes to achieve this by extremely detailed systems of allocation; the recurrent losses of supplies through enemy action, necessitating sudden changes of policy; and the exigencies of economic warfare and pre-emption. In the aggregate, such considerations gave the Government an overwhelming case for centralisation in all or most of the commodities it eventually embraced.

There is no such indisputable general case now, however reasonable the case may be in certain instances. Necessarily, some of the wartime arguments still apply, though usually with greatly diminished force. There is still a shortage of shipping space. There is still world shortage of most industrial raw materials and foods—though this season the supply of grains, cotton and certain other agricultural products is expected to surpass the prewar level. There is still need to ensure smooth rationing, still a control of many channels of distribution, still a system of price-subsidisation, though its range is reduced. Instead of Lend-Lease and Mutual Aid, there are ECA and the associated central planning through the OEEC. There is a paramount need to ensure economy of dollars and other hard currencies, out of which have arisen the policies of switching purchases to soft currency areas and of bilateral trade agreements. There are, in short, many excuses for centralised buying, but only rarely do they add up to a case which is demonstrably sound; for many of these desiderata, considered separately, could be satisfied in other ways. Where formerly bulk purchase was inevitable, now its merits are a matter for argument and nice judgment. It is perhaps for that reason that a further argument is now much emphasised by the advocates of the system. They contend that it makes for cheapness of supply. By analogy with the economies secured by large-scale buying in private trade, it is argued that the Government, being potentially the biggest buyer of all, can reap an even richer harvest.

This contention merits more detailed and objective scrutiny than it has yet received—or, indeed, than is possible for the outside investigator to attempt, given the paucity of data released about the Government's buying technique. But empirical reasoning leaves the case at best not proven, with a strong presumption that it is untenable. Admittedly, it is arguable that in certain phases of the business cycle the organisation of Britain's import trade before the war did not always assure the smoothest possible flow of cheap supplies. Britain was then the dumping ground for food and, to a less extent, for some raw materials. In many commodities, the bulk of the supply reached Britain, not through the initiative of the British merchant in seeking overseas sources, but rather through the action of the overseas producers or shippers, who customarily shipped to this country and maintained their own selling agents here. When market conditions were easy, this virtually automatic practice of shipping surpluses to Britain probably gave British consumers a price advantage over overseas consumers. But the opposite condition tended to arise in times of stringency, because the initiative in diverting supplies away from the British market rested solely with the overseas shippers. The best chance of justifying the claim that centralised purchase provides cheaper supplies than private trade therefore arises during the sellers' market. So far, indeed, no attempt has been made to justify the system under any other conditions. But this is the very condition in which it is bound to be at a disadvantage—except, of course, where long term contracts happen to be negotiated just before an unexpectedly steep rise in prices. In the long run, there is certainly no reason to suppose that the foresight of the central buyer is likely to be greater than that of the seller or sellers, so that even this advantage is likely to be illusory.

But these possibilities of chance gains do not arise at all when the buying is by the predominant method of short-term contract or spot purchase. In times of shortage, a Governmental buyer always tends to be more or less at the mercy of the seller.

TABLE I

COMMODITIES FOR WHICH THE GOVERNMENT IS SOLE IMPORTER

Foodstuffs	Raw Materials
Cereals and flour	Raw cotton
Pulses	Cotton waste
Sugar	Flax
Oils and fats (excluding salad oils)	Raw jute and jute goods
Bacon and hams	True hemp
Carcase meat	Timber (excluding certain types)
Poultry	Kraft liner boards
Rabbits	Building boards
Canned corned meat	Pulpwood
Hen and Duck eggs	Woodpulp for papermaking
Dried egg	Esparto grass
Butter	Raw hides and calf skins
Cheese	Raw goatskins
Processed milk	East Indian tanned kips
Starch	Tanning materials (minor exceptions)
Tea	Sulphur
Coffee	Pyrites
Raw cocoa	Phosphate rock, etc.
Dried fruit (excluding African dates)	Molasses
Fruit pulp	Ethyl alcohol
Edible nut kernels	Acetic acid
Peels in brine	Acetic anhydride
Animal feeding stuffs	Butyl alcohol
Frozen white fish	Rosin
Canned fruit (excluding apples)	Turpentine
Oranges and grapefruit	Pine oil
Eating apples	Tung oil
Bananas	Caustic potash solid
Rice	Casein
Canned salmon, pilchards, sardines, crayfish, brisling, sild and crabs	Chrome ore
Ware potatoes	Lead
	Zinc
	Copper
	Virgin aluminium
	Pig iron
	Steel

TABLE II

BRITISH LONG-TERM COMMODITY CONTRACTS

Commodity	Country	Date of Expiry	Quantity
Wheat	Canada	July, 1950	Fixed annual quantities.
Copra and Coconut Oil	Ceylon	Dec., 1950	Fixed min. quantities.
	Zanzibar	Dec., 1950	Export surplus.
Palm Oil	Malaya	Dec., 1950	Export surplus.
Sugar	Australia, S. Africa, B.W.I., B. Guiana, Fiji, Brit. E. Africa, Mauritius	Dec., 1952	Export surplus.
Starch	Holland	Aug., 1949	Fixed annual quantities.
Meat	New Zealand	Sept., 1955	Export surplus*.
	Australia	Sept., 1950	Export surplus.
	Guatemala	July, 1950	Total output of undertakings concerned.
	Paraguay	Sept., 1950	Export surplus.
Bacon	Canada	Dec., 1948	Fixed annual quantities.
	Denmark	Sept., 1952	90% export surplus.
Butter	New Zealand	July, 1955	Export surplus†.
	Australia	June, 1955	Export surplus†.
Cheese	New Zealand	July, 1955	Export surplus†.
	Australia	June, 1955	Export surplus†.
	Canada	Mar., 1949	Fixed annual quantities.
Processed Milk	New Zealand	July, 1950	Fixed min. quantities.
Eggs	Australia	June, 1953	Export surplus.
	Canada	Jan., 1949	Fixed annual quantities.
	Eire	Jan., 1951	Export surplus.
	Denmark	Sept., 1950	Per cent of export surplus.
Dried Fruit	Australia	Dec., 1948	Maximum available.
Coffee	Kenya	June, 1952	Fixed annual quantities.
	Tanganyika	June, 1952	Total crop some varieties, fixed quantities of others.
	Uganda	June, 1952	
	Belgian Congo	June, 1952	Fixed max. quantities.
	Jamaica	Dec., 1952	Total crop.
	Gold Coast	Dec., 1952	Export surplus.
	Sierra Leone	Dec., 1952	Export surplus.
Bananas	Jamaica	Dec., 1948	Export surplus.
	Cameroons	Dec., 1948	Export surplus.

N.B.—In addition annual contracts for the current year exist with Poland, Holland and Hungary for bacon; South Africa, Holland and Poland for eggs.

* Except for pigmeat after September, 1952.

† Less agreed reservations for other destinations.

Although secrecy about the Government operations is undesirable in principle, administrative expediency and commercial tactics may make it appear necessary. But it is rarely sustainable in practice. Potential suppliers will always be able to discover the extent of Britain's total annual requirements for a given bulk-purchased commodity; and they will easily learn, too, when the Government is actually in the market. Only its initial purchases, if even these, will usually be made without forcing the market against it. And the hardening of the market against impending Government buying tends to be disproportionate, certainly more marked than it would be against a large private buyer whose operations can always be more effectively cloaked. The validity of this argument, and the extent of the risk which the Government runs, may perhaps be gauged by the dogged refusal of the Ministry of Food, despite repeated pressure in Parliament, to disclose the prices paid under particular contracts.

In principle—and ignoring the special consequences of the structure of Britain's prewar trade—it is arguable that in a buyers' market a Government organisation could wield much more power than a host of private traders could do. But it is inevitably fettered by political considerations. If the supplying country was a "friendly neighbour," it would have to be treated leniently. And if no such considerations were urged, the driving of what, in private commerce, would merely be a good bargain justified by the conditions of the moment, would quickly be denounced as harsh and unconscionable. Trade in such conditions becomes a political act.

What real economies can the system of bulk purchase yield? In principle, it may make possible certain administrative and marketing economies, though usually at the cost of a restriction of consumer choice. But the scope even for these economies would be greatest in a buyers' market, when the same political constraints would operate. In a sellers' market, even private concerns operating centralised buying systems have found that few economies can be achieved without assuming some form of control over the producers.

The experience of centralised buying to date has not, in any case, been very happy. Just over a year ago the Ministry of Food purchased large quantities of sugar from Cuba at what proved to be a peak price. The purchases of linseed and maize from Argentina and coarse grains from Russia have also been made at very high prices. Among other unfavourable examples are those of rubber and non-ferrous metals. On the other hand, there have been instances of favourable buying: dairy produce and meat from Australia and New Zealand, particularly during the war and, recently, wheat from Canada at the old contract price. But taking all in all, bulk purchase seems to have secured either an inadequate quantity of goods at reasonable prices or an adequate quantity at dear prices. It has apparently been the Government's policy to purchase food only at reasonable prices but to buy raw materials almost irrespective of cost, in order to ensure adequate supplies for industry.

The main argument in favour of state trading at the present time apparently rests on the shortage of foreign exchange. Even so, the advantages seem to be mainly ones of administrative convenience, considerations which arise also where the domestic prices are controlled or subsidised. It is contended, too, that central purchase is necessary to ensure a sufficient flow of raw materials to industry, because the alternative of import licensing, while effective as a means of restriction, does not guarantee the necessary imports. Here, perhaps, are more persuasive arguments than most of the others that have been urged. There is little doubt that the Government regards them as justifying maintenance of most of the present structure of centralised purchase—quite apart from the long-range buying which will presumably continue at least for the life of the contracts. But the case is still not proven, either in general or in particular. A policy of marginal relaxations, which is all that seems in prospect, ought not to be accepted as relieving the Government from the duty of demonstrating, by detailed and separate explanation in each major case, the justification for retaining the main structure.

Business Notes

Boomlet in Gilt-Edged

The boomlet in gilt edged goes merrily on, but remains as inexplicable as ever. It has this week carried 2½ per cent Consols to 80, the highest price since the early part of this year, and no less than 5½ points above the year's lowest. The advance has been spread throughout the gilt-edged list, but while the movement in Consols has attracted most attention, the gains have in fact been more marked in the medium and long dated securities than in the irredeemables As the accompanying table shows, since the morrow of the Budget, the redemption yield on 3 per cent Savings Bonds 1955-65 has been forced down from just over 3 per cent to a little under 2¾ per cent and that on the 1965-75 issue has fallen from £3 3s. 9d. to £2 18s. 2d. Over the same period, the flat yield on 2½ per cent Consols has dropped by a little over ¼ per cent to roughly 3⅛ per cent. Most of this striking recovery from the year's low points, of course, occurred during the summer, so that the recent gains have been relatively moderate; during the past fortnight, they have been of the order of a full point.

The striking feature of recent experience, however, is not the extent of the advance, but that it continues—and continues, moreover, despite the flow of new issues. A further trustee issue, £5,000,000 of Southern Rhodesia 3 per cent stock, 1971-73, to be offered at par, was announced just as *The Economist* went to press. The strength of the gilt-edged market began to attract attention precisely at the moment when the impairment of the disinflationary policy first became really apparent; and since then, despite the Chancellor's rather carefully phrased reassurances, the conviction has grown that the impairment may be greater than was at first supposed. It is hard to see, moreover, by what means the damage can be made good—unless, of course, the Government is prepared for reduction in expenditure on a scale which might threaten the bases of its policy and especially the maintenance of the structure of controls and rationing. It is difficult, in short, to explain the behaviour of gilt-edged on any grounds more rational than the market's empirical judgment that it reflects the weight of money—a phrase which conceals more than it reveals. Undoubtedly, there now seems a pressure to employ funds which were allowed to accumulate in idleness during the summer, but the very fact that these investable surpluses exist is presumptive evidence that

GROSS REDEMPTION YIELDS (Per Cent)

NOTE.—All yields to latest date except shorts for all dates and Middles, Medium Longs and Longs for November 14, 1946, which were taken to earliest date.

Stock and Redemption	Cheap Money Peak, Nov. 14, 1946	Dollar Crisis, Aug. 13, 1947	Transp't Stock Issued Jan. 7, 1948	Post Budget, Apr. 13, 1948	Nov. 5, 1948	Nov. 17, 1948
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Shorts						
2½% Nat. War Bds., 49/51	1 7 9	2 3 4	1 12 2	1 9 6	1 3 11	1 1 2
3½% War Loan, from 1952	2 1 0	3 4 8	2 18 1	3 3 6	2 12 3	2 10 5
Middles						
3% Nat. Defence, 54/58 ..	1 18 8	3 0 0	2 15 9	2 13 3	2 10 1	2 8 6
3% War Loan, 55/59	1 19 7	3 0 6	2 16 8	2 14 5	2 10 1	2 8 10
Medium Longs						
3½% Conversion, from 1961	2 5 8	3 5 11	3 1 10	3 5 0	2 19 8	2 18 5
3% Savings Bonds, 55/65 .	2 5 11	3 1 1	2 19 2	3 0 2	2 15 6	2 14 9
Longs						
2½% Savings Bonds, 64/67	2 3 8	2 19 0	2 17 4	3 0 0	2 13 1	2 12 2
3% Savings Bonds, 65/75 .	2 5 11	3 2 3	3 0 7	3 3 9	2 19 1	2 18 2
3% Brit. Trans. Stk., 78/88	...	...	3 1 10	3 5 9	3 0 6	3 0 1
Undated						
2½% Consols*	2 10 6	3 1 11	3 1 1	3 6 5	3 3 8	3 2 8
2½% Treas. Stk., from 75*	2 10 0	3 2 5	3 1 4	3 6 5	3 4 0	3 3 1

* Flat yields.

monetary policy is developing again on lines made familiar by Dr Dalton. If this is so, it is bound, sooner or later, to reinforce the influences which are obliterating the benefits of the disinflationary effort.

* * *

Chancellor on Steel Compensation

It was inevitable, no doubt, that the Chancellor of the Exchequer should take a large share of the unenviable responsibility for defending the steel compensation terms in this week's Debate. But to the many who have come to respect his qualities of objective reasoning and readiness to face all the facts, it seemed an unhappy role. True, the case was mustered with all his forensic skill, and was developed—as an apparently bewildered Mr Churchill put it—into a "very terse and clear-cut argument." But this display, impressively embellished with a new but unpublished share price index compiled by the Ministry of Supply ("far more accurate than that of the actuaries") still evaded the critical issues while appearing to tackle them.

The first question is whether a valuation by reference to Stock Exchange prices is fair in principle. The Government contends that it is, because these are the result of dealings in a free market between willing buyers and willing sellers. The flaw in this argument is that the commodity which can be bought in that market is not the commodity the Government wants to buy; it is only a tiny fraction of it. The price at any moment is determined merely by the marginal demand and the marginal supply at that moment. Buyers "for control" habitually negotiate outside the Stock Exchange; and, when the initiative comes from them, almost invariably have to pay substantially more than the market price. At that price an overwhelming proportion of holders are neither willing nor reluctant sellers; they are not sellers at all. And to deem them to be willing sellers at the price acceptable to the few who do sell at a particular moment is bound to be unfair. Sir Stafford was not so foolish as to ignore this critical point altogether. But he only purported to answer it—by making the fantastic assumption that all the holders were simultaneously anxious to sell, in which case, he said, they would get "an extremely bad deal."

Unless this question of principle can be satisfactorily answered, most of the other questions do not arise at all. But if it be assumed that a Stock Exchange basis is reasonable in principle, the question then is whether it is reasonable in these conditions and in this case. Here, too, the arguments to the contrary evoked no convincing answer. To show that equities have risen, or that steel equities have risen more than other equities, does nothing to rebut the contention that dividend limitation has affected their market value adversely or that steel shares have suffered additionally from the threat of nationalisation. Nor can the charge that dividend limitation has inequitable effects in this context be answered by the reminder that it is applicable generally. That does not alter the fact that the Government, having appealed for dividend restriction in the interests of disinflation, now seeks to reap an advantage as a buyer who can compel the sale. The case might be different if dividend limitation were a permanent and settled policy, firmly incorporated in effective legislation after democratic debate. But that, happily, is not the case; and Mr Strauss's example of the effects of the Rent Restriction Acts is irrelevant.

Europe's Long-Term Plans

The Organisation for European Economic Co-operation is considerably behind schedule in its presentation of the co-ordinated four-year plan for Marshall Europe which will show to the United States how the participating countries intend to secure their dollar self-sufficiency by 1952-53. The separate plans were due to be presented by October 1st, and integrated by November 15th. Only two, the British and Iceland documents, succeeded in making the first deadline. The final date for integrating these plans was then advanced to December 1st and even this has had to be abandoned. The latest information is that one important participant has still failed to put in its estimates. The plans that have arrived are an extraordinarily varied collection of documents, which it will be most difficult to combine into a single unified plan. The British plan, which will not be published until it has been presented with the others to ECA, is an extraordinarily painstaking and detailed document which has already spread some consternation both in American and European quarters which have had the privilege of studying it. The Americans have expressed their surprise at the severity of the proposed cuts in imports from dollar sources, and Europeans have exclaimed that the plan proves beyond all shadow of doubt that Britain has no intention of entering an integrated European economy and is putting all its money on the development of the sterling Commonwealth. No comment on these reactions can be made until the estimates are produced towards the end of the year; but the reactions are significant.

There has been far less diffidence about publishing the French plan, of which obviously authentic summaries have appeared in the press. The plan emerges from the same commission as drew up the earlier Monnet Plan, but differs substantially from that document. The emphasis of French economic development has now shifted from industrial to agricultural activity, and it is in the latter that France is apparently endeavouring to seek the solution of its balance of payments problem. Even so, the objectives of industrial development remain ambitious. Steel production is still put at 12,500,000 tons for the year 1952-53. This is substantially less than the figure in the Monnet Plan, but since it compares with an output of 6,500,000 tons in 1938 and a programme of 7,200,000 tons for 1948, even the reduced estimate may be regarded with some justifiable scepticism.

A number of the plans refuse to be drawn into detailed estimates. This is particularly true of the Swiss document, which refused to indulge in any estimates at all, and it is nearly true of the combined Belgian, Netherlands and Luxemburg plan which stresses that, in the free economy towards which these three countries are moving and in the setting of multilateral trade for which they hope, it is an unprofitable and indeed dangerous exercise to put down detailed estimates of what their external trade will be four years hence. The task of welding these various documents, realistic and unrealistic, detailed and highly generalised into one cohesive whole will present the OEEC experts with as tough a task as they have yet had to tackle.

* * *

Banks' Retort to the Stock Exchange

Some astonishment was caused among the members of the Stock Exchange on Thursday at the news of an exchange of letters on the commission-sharing question between the chairman of the Committee of the London Clearing Bankers and the Council

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of the Stock Exchange. In effect, the banks have stated—and quite bluntly—that if the new Agency rules come into force on January 1, 1949, the banks intend on that day to revise their charges for banking services to members in order to recoup the loss of rebate on commissions for stock exchange business introduced by the banks. The Stock Exchange responded to this unexpected move by inquiring whether the contemplated revision of charges would apply to the general public as well as to its own members, and by requesting a definition of the extent and nature of the proposed charges. A further letter from the banks has not provided these details, but states that they regard their charges to the Stock Exchange as of a special and particular nature, different from those to the general public.

In view of the meeting of stock exchange members to be held on November 25th to consider a resolution to defer the coming into force of the new agency rules, this action from the banks has introduced an unexpected element for the consideration of members. If nothing else, the move by the banks should ensure a heavy vote next Thursday. In the opinion of many members the proposed revision of bank charges has not come as a surprise. Even so, it may sway a number of waverers to vote for the resolution, which in any case is considered to have a good chance of adoption. If it is, then it is likely that a poll in which voting may be by proxy, with one vote for each member, will take place between eleven thirty and three thirty the following day.

* * *

The Fund and Devaluation

M. Camille Gutt, the Managing Director of the International Monetary Fund, who has been visiting Europe lately, has given some interviews in which he has commented on and given details of recent operations of the Fund. For the most part his remarks paraphrased the report of the executive directors presented to the meeting of Governors last September, but in his references to the European currency situation and to the problem of the dollar gap M. Gutt had some interesting points to make. He argued that a simultaneous and widespread devaluation of European currencies would not solve Europe's present dollar problem. That problem, he said, was the reflection of an abnormal need for real resources. Where the primary difficulty lay in the present limited export capacity of many European countries a devaluation of their currencies would not increase their foreign exchange receipts; it would merely strengthen the inflationary forces in those countries. M. Gutt said that it was not the present but the future balance of payments of Europe that might be brought into equilibrium through an adjustment of parities. He added that the Fund was willing to act promptly whenever a change in parities became necessary and as soon as an apparent over-valuation of a currency threatened the export trade of a country. He expected a position of this kind to emerge when export capacities of countries in Europe had increased and the present conditions of a sellers' market had turned into a buyers' market. But he stressed that if devaluation were to be really effective, it must be accompanied by appropriate anti-inflationary measures in the countries concerned; otherwise they would merely face the necessity of devaluing a second time.

* * *

Those Manpower Targets

The Ministry of Labour's latest manpower returns give an indication of the results attained in one year's operation of the Control of Engagement Order. Since the Order was made in October last year some 4,500,000 vacancies have been filled by Employment Exchanges; over 500,000 of these were in the "first preference" undermanned industries. The September figure of 53,000 placings in those industries represents 15.6 per cent of the total adult placings, and is the highest proportion yet achieved. The working population continues to rise—the rise in September is largely the result of the ending of the school year—and at the end of September more people were at work in civil employment than ever before. The number of women at work is greater than at any time since the end of the war.

But in spite of these improvements, there is no possibility that the year-end manpower targets will be reached in the three main undermanned industries of agriculture, textiles and coal mining. Agriculture, which recruited 4,000 workers during September, is nearest the mark. The textile industries, which also gained 4,000 recruits, need another 77,000 workers to reach their target. The number of men in the mines actually dropped; the specific manpower problem in coal is dealt with in another note. There was a seasonal fall in hotels, catering, entertainment and sport during September, but the numbers engaged in distribution continue to increase, while the building and civil engineering labour force is now considerably above its prewar size.

One allied problem to which both the TUC and the Ministry of Labour are beginning to turn their attention is that of labour wastage. The General Council has urged its affiliated unions to examine how this can be reduced, and the Ministry of Labour *Gazette* has started to publish regular statistics of the turnover of labour. The powers of the Ministry under the Control of Engagement Order are limited to "steering" workers into industries; its powers of direction have been sparingly used—in fact, only 29 workers have been directed under the Order. But except in mining and agriculture, it has no power to bind a worker to a particular job. The result is that, though the employment exchanges are placing an increasing number of workers, they have no authority to prevent them changing their jobs whenever they wish.

In the firms covered by the Ministry's survey, 2 per cent of the men and 3.5 per cent of the women left their jobs in the four weeks ended July 24th. The firms concerned recruited as many men as they lost, but the recruitment of women was not sufficient to cover the loss of 3.5 per cent. The problem is particularly serious among women in engineering and the radio and electrical industries. Some wastage is obviously inevitable through death, retirement, marriage and other natural causes. But the present rate seems unduly high. Should not the next step be to analyse its causes and devise measures to increase labour stability? This is a problem which Mr Isaacs's National Joint Advisory Council might well tackle.

* * *

September Retail Trade

The autumn shopping season did not open well in September for the retail trade. Sales recovered from the seasonal low level in August but, as the calculations below indicate, the percentage rise this year was smaller than in September, 1947. A comparison of clothing sales in the two years has to take into account two non-seasonal factors. September, 1947, was the last month of the clothing ration year; sales in September this year might have been expected to reflect the general easing of the clothes ration as well as the issue of new coupons in the summer. Yet sales of footwear, which are freed from all coupon restraints, have risen least of all kinds of clothing. Sales of women's wear were up by 27 per cent and of men's and boys' wear by 25 per cent on August. Experience in the different parts of the country varied widely. The London areas had the largest increases compared with August, ranging from 31 per cent to 40 per cent in clothing sales, while elsewhere the expansion varied between 10 per cent and (in Scotland) 31 per cent. General clothing stocks have risen moderately, but stocks of footwear fell by nearly 20 per cent from the exceptionally high level of recent months.

Nor can the retail trade derive great encouragement from the recovery in sales of household goods. The sales indices are up on August, but by a smaller percentage than the increase between August and September a year ago. In the first eight months of this year furniture sales have increased only 13 per cent over the equivalent period of 1947—an increase which is largely accounted for by the intervening rise in prices. Hardware sales have risen in the same period by merely 3 per cent. Stocks of furniture are 7 per cent higher and stocks of hardware 9 per cent higher than in September, 1947. This is a modest expansion and hardly bears out the prevalent impression that in the last twelve months shops and warehouses have become overloaded with goods of this type.

BOARD OF TRADE INDEX NUMBERS OF VALUES OF SALES PER WEEK
(Average of 1942=100)

	August		September		Percent. Increase Sept. over Aug.	
	1947	1948	1947	1948	1947	1948
Apparel	117	159	155	196	+32·4	+23·4
Household goods*	228	241	276	259	+21·2	+ 7·5
Non-food merchandise	155	164	172	193	+27·5	+17·7
Food	136	149	137	151	+ 0·7	+ 1·0
TOTAL	136	156	150	167	+10·4	+ 7·1

* Furniture, furnishings and hardware.

* * *

ICFC "Achieves Viability"

In his statement for the third annual meeting of the Industrial and Commercial Finance Corporation, Lord Piercy claims that "this new financial instrument" has accomplished its first stage —"the achievement of viability." Here is a case, perhaps, in which that now over-worked term is really apposite. The "small" finance corporation established at the close of the war has learnt to stand on its own feet—in the sense that it has not only earned a moderate profit but, if tax recoveries reach expectations, will shortly wipe out the accumulated debit on profit and loss account. The operating profit for the twelve months to end September was £219,834, which after crediting income received in respect of the previous year and tax definitely recoverable, just sufficed to provide a further £135,000 against bad debts and investments and to extinguish the debit brought in from 1946-47. Current taxation requires £114,000, but it is expected that this will be recoverable in whole or in part. The volume of new business, as was to be expected, was less than in the previous year, with applications running at about half the 1946-47 rate; but the expansion of total finance actually extended was a good deal more marked. Confirmed advances and investments rose from £10,501,000 to £13,648,000, compared with only £4,048,000 two years ago; and, despite £650,000 of repayments, the net advances and investments actually taken up rose from £5,716,000 to £10,771,000, in contrast with only £1,239,000 at the end of the first year. To meet these rising demands, further capital has been called up from the proprietary banks, the total amount paid being doubled at £6,000,000; the loan capital has also been increased.

A high proportion of the finance is still going to businesses of substantial size. Fully four-fifths of the transactions, by value, were for amounts of £50,000 or more; by number, the proportion was 44 per cent. Transactions between £5,000 and £10,000 accounted for 11½ per cent of the cases but only 1½ per cent of the money—which perhaps explains Lord Piercy's remark that "when opportunity offers, our facilities will be brought to the notice of small and medium sized manufacturers. . . ." Evidently, current conditions are not regarded as propitious for such a deliberate policy. Conditions during the past year are described as "uneasy," and one in every six of the corporation's customers experienced "setbacks or difficulties," giving the technical liaison staff "plenty to do." In the circumstances, the company has followed a selective policy and has evidently not hesitated to use orthodox aids to selectivity. As Lord Piercy discreetly puts it, "our rates for new business rose somewhat."

* * *

Film Production and Redundancy

If there is really, as the President of the Board of Trade claimed in the Commons debate on film production and costs last week, a carefully conceived plan for the British film industry, the industry must be strangely unresponsive. The return of production activity published by *Kinematograph Weekly* showed this week that 15 first features were in production in the British studios; a year ago, when the trade unions were calling the Government's attention to the inactive state of the industry, there were 20. The Warner Brothers studios at Teddington were added last week to the list of studios closed; this involved the dismissal of a staff of 120. A spokesman of the Motion Picture Association of America, defending the American companies against the implication that they are aggravating the slump, has explained that the Teddington studios, which were rebuilt and re-equipped after

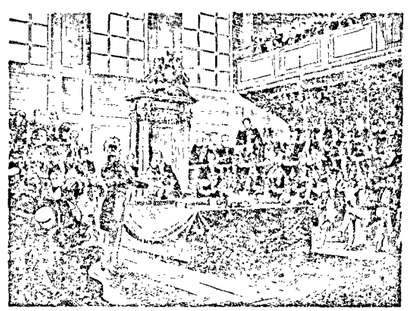
Note:

A year's subscription to The Economist would make an excellent Christmas or New Year gift: the cost, including surface mail postage to any part of the world, is £3.

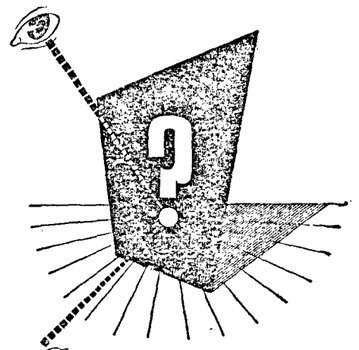
The Economist, 22 Ryder St., London, S.W.1

In 1831 The increasing wealth and trade of Liverpool created the necessity for greater banking facilities, and the Bank of Liverpool—Martins Bank, as it is known to-day—was founded in that year. The times were momentous; the Napoleonic wars were left well behind, we were on the threshold of those railway and great mechanical advances which were to lead in the proud progress of the Nineteenth Century, and in the House of Commons Sir Robert Peel was adding lustre to his name.

Over the course of the next fifty years the deposits of the new bank rose to £4,000,000, and to £110,000,000 within its centenary. The figure to-day is in the neighbourhood of £260,000,000, and branches number nearly six hundred.



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As a market for British manufactures and as a source of food and raw materials, Australia plays an important part in Britain's economy. Whether your interest is in imports or exports, the services of the Commonwealth Bank of Australia can be of considerable assistance. With over 400 Branches in the Commonwealth and New Guinea, and guaranteed by the Australian Government, the Bank can provide the British trader with up-to-date, authoritative information on every aspect of Australian commerce.



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their destruction during the war, had been kept open for many months in the hope that independent British producers would rent studio space; but that only two clients had been obtained, and the owners decided against bearing the further cost of keeping the studios open. The productive activities of Warner Brothers themselves in Britain are carried on at Elstree in partnership with Associated British Pictures. British feature studios not in use now amount to 13, with 26 sound stages and a floor area of 130,000 square feet.

This has aggravated the concern of the film trade unions over the growing unemployment among their members, and the prospects of an agreed policy on redundancy grow more remote. The dispute which arose at the Rank studios at Denham over the dismissal of 92 employees whom the company regarded as redundant has only temporarily been settled. The company has withdrawn 33 of the notices and has suspended four others; it is not willing to withdraw the remaining 55. The existence of restrictive trade union practices in the film studios, their tendency to keep in employment men who might rationally be thought redundant, and the effect of this situation in inflating film costs are fairly common knowledge. But the trade unions do not feel that they can afford to take an entirely enlightened attitude. The Association of Cine Technicians stated last week that it would refuse to recognise any more dismissals on grounds of redundancy without prior consultation through the trade union machinery. It explained:

> Redundancy in film production is not an isolated issue in itself but part of the wider problem of whether we should have an expanding British film production industry.

The question is expected to be discussed at the meeting of the National Film Production Council over which the President of the Board of Trade will preside on November 29th. The Council, which includes representatives of trade unions as well as the producers, has not met for some months. When it was appointed in the spring the intention was that it was to review production costs; redundancy is, therefore, a question that it can hardly evade. Before it meets, the membership of the Board of Trade committee on film distribution and exhibition is expected to be announced. Mr Wilson said in last week's debate that this committee would include the question of high studio rentals in its studios as part of the general economics of the film industry. The spheres of interest of these and other bodies which have been set up from time to time in the film industry tend to become more rather than less blurred; the carefully conceived plan of which Mr Wilson spoke is not yet evident.

* * *

The Mineworkers' Refusal

Mr Gaitskell, the Coal Board and the miners' executive have all suffered a definite rebuff in the refusal of the majority of the districts to accept the Joint Output Committee's plan for fining absentees. The proposal to set up joint attendance committees at every colliery, with power to fine persistent offenders, was a central feature (indeed, perhaps the only new one) of the Committee's plan for improving output. The only districts which have positively accepted the scheme are Northumberland, the East Midlands and North Wales. Durham and South Wales have yet to reply, but will probably cancel each other out; it now seems clear that the majority of the miners will have nothing to do with this particular scheme.

The most important reason is their reluctance to saddle their own officials with responsibility for disciplinary measures which are regarded as the function of management. It is an intelligible feeling; so is the fear, which has probably had some influence with the officials, of becoming unpopular with the men who elect them. There is also the rooted dislike among the miners of any kind of uniformity and the suspicion that this plan has been imposed on them from above. Finally, in the districts where Communist influence is strong, these natural objections have been exacerbated by political feeling to some extent, no doubt, artificially stirred up.

Faced with a situation which is clearly beyond its control, the Executive of the National Union of Mineworkers has decided to invite every district to submit alternative proposals for dealing with absenteeism. These will then be considered by the union and the Coal Board.

The miners' rejection of this particular disciplinary proposal does not mean that they have rejected the committee's entire report. Even those districts which are most strongly opposed to the plan have accepted many of its other proposals such as those dealing with upgrading, employment of EVWs and improved Saturday attendance. Some areas point out that they are already applying effective measures to deal with absenteeism and prefer to see recalcitrant miners demoted or discharged, rather than fined.

So long as the objective of the original scheme—the reduction in the rate of absenteeism—is realised, it does not really matter what method is adopted. But, although there has been a slight improvement in the last few weeks, the absenteeism rate is still nearly 2 per cent higher than it was a year ago, and twice as high as before the war. Too much time has already been lost, and it is essential that effective measures should be devised before the new year, when the post-holiday slump in production sets in.

* * *

Arabian Oil Finance

The announcement that Standard Oil Company (New Jersey) is to acquire a 30 per cent stock interest in Arabian-American Oil Company is a natural consequence of the settlement out of court of the legal actions between shareholders of the Iraq Petroleum Company. Standard (New Jersey) had already guaranteed bank borrowings by Arabian-American to the extent of $76 million. This loan is now converted into a participation, a logical operation which had been postponed until the continued validity of the 1928 "Red Line" agreement was decided. That agreement contained a restriction on separate activities within the "red line" area (which included Saudi Arabia and indeed most of the former Ottoman Empire) by companies participating in the Iraq Petroleum Company. The American participants, claiming that it no longer applied, desired release from the restriction in order that the extensive American development of Arabian oil might proceed unhampered. They obtained its removal in the recent settlement. Arabian-American Oil Company stock has previously been held on equal terms by the Standard of California and Texas companies; they are now joined by Standard (New Jersey). It is to be supposed that Socony Vacuum, which is also a guarantor of the Arabian-American company's finance, will similarly become a stockholder now that the "red line" issue is settled.

* * *

Australian Bank Case Appeal

The critical legal struggle between the Commonwealth Government on the one hand and the Australian banks and three states on the other, on the issue of bank nationalisation, reached a further stage last week. The Judicial Committee of the Privy Council, after four days' hearing, granted the Federal Government's petitions for special leave to appeal from the order of the Australian High Court restraining the Commonwealth Government from implementing the nationalisation Act. The order for the injunction was based, *inter alia*, on the High Court's declaration that Section 46 of the Act, which provides for the prohibition of private banks from carrying on banking business, was invalid under the terms of the Federal Constitution. It was on this particular point that the Federal Government's petitions were founded, and leave to appeal appears to be restricted accordingly. The hearing of the appeal will begin on March 14th.

The issue has assumed crucial importance for the Commonwealth Government, not only because of the intrinsic significance of the vexed question of bank nationalisation and the political consequences of its rejection, but also because of the risk that the latest interpretation of the Constitution might become a basis for challenge to the validity of social and economic legislation far beyond the sphere of banking. A decision by the Privy Council favourable to the Government's contention would, presumably, finally dispose of these risks, but would not of itself end the battle on the banking issue, because a new Bill would still be necessary to provide for other points in the High Court judgment. It has been reported from Canberra that, if the appeal fails, the Government will, even so, frame a new Bill in the hope of salvaging "what was left of the Nationalisation Act by the High Court's judgment."

* * *

China's Latest Devaluation

It has not taken long to reveal how sham was the glitter of the gold yuan. Little more than two months after it was introduced in China, the yuan was devalued last week to one-fifth of its previous value. The new official rate of exchange thus changed from 4 gold yuan to one US dollar to 20 gold yuan. The proclamation which announced this move also heralded the immediate free circulation of silver in China, though it maintained the ban on the circulation of foreign currencies and gold.



William Nicholson *turned to scientific research after a commercial career with the East India Company, and made the historic discovery that water could be decomposed by passing an electric current through it. This is an example of electrolysis which is the foundation of many important industrial and scientific operations. Working in company with another English chemist, Carlisle, in 1800, Nicholson constructed an electric battery (known at that time as a "Voltaic Pile"), from thirty-six half-crowns and a number of zinc discs and pieces of pasteboard. Though the current produced by this crude apparatus was so minute that only a few thimblefuls of gas were collected over a period of thirteen hours, Nicholson showed not only that water could be electrolysed, but that the two gases of which it is composed appear at different places, the oxygen being evolved where the electric current enters the water and hydrogen where it leaves.*

Nicholson, who was born in London in 1753, made many other scientific discoveries between his return from India in 1786 and his death in 1815. He invented a hydrometer, took out patents for textile printing machinery, planned and carried out a scheme for the water supply to Portsmouth. He was a scientific writer of great contemporary eminence and founded, and until his death edited, the "Journal of Natural Philosophy". But the electrolysis of water, a fundamental discovery of very great importance, remains this Englishman's real contribution to the world's total of scientific knowledge.

ICI

IF IT WERE NOT FOR THE GLAZE which covers its surface, the teacup you held in your hand this morning would be as porous as a flowerpot. The tea would ooze into its walls, leaving stains as it went. Finger prints and lipstick marks would defy all scouring. A thin film of glaze protects your cup from too close



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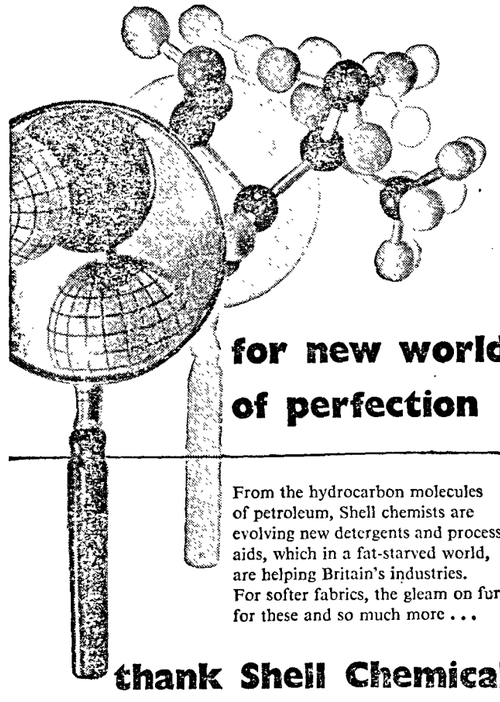


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Consent of His Majesty's Treasury has been obtained to this issue in compliance with the Order made under Section 1 of the Borrowing (Control and Guarantees) Act, 1946.

The List of Applications will be opened on Tuesday, the 23rd November, 1948, and closed on the same day.

GOVERNMENT OF SOUTHERN RHODESIA

3 PER CENT. STOCK, 1971-1973.

Interest will be payable half-yearly on the 1st March and the 1st September.
A first payment at the rate of 7s. 6d. per £100 Stock will be made on the 1st March, 1949.

ISSUE OF £5,000,000 STOCK

Under the General Loans Act (Chapter 123), the General Loans Amendment Act, 1939, and the Loan Appropriation Act, 1948, of Southern Rhodesia.

PRICE OF ISSUE £100 PER CENT.

PAYABLE AS FOLLOWS:

On Application	£10 per cent.
On Friday, the 3rd December, 1948	£40 "
On Monday, the 28th February, 1949	£50 "
	£100 per cent.

The Government of Southern Rhodesia have observed the conditions prescribed under the Colonial Stock Act, 1900, as notified in the London Gazette of the 14th December, 1900, and the Stock is, therefore, an investment authorised under the Trustee Act, 1925, and the Trusts (Scotland) Act, 1921.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive applications for the above issue of Stock.

The Stock is charged upon and payable out of the general revenues and assets of the Colony, and the Stock and the interest thereon in the ownership of persons or corporations neither ordinarily resident nor domiciled in the Colony will be exempted from liability for all taxation present and future payable or chargeable under any Law of the Colony.

The Revenues of the Colony of Southern Rhodesia alone are liable in respect of the Stock and the interest thereon, and the Consolidated Fund of the United Kingdom and the Commissioners of His Majesty's Treasury are not directly or indirectly liable or responsible for the payment of the Stock or of the interest thereon, or for any matter relating thereto.

Information regarding the public debt and assets of the Colony and the main development projects to which the proceeds of the issue will be applied is given in the appended Statement by the High Commissioner for Southern Rhodesia.

The Stock, if not previously redeemed, is to be repaid at par at the Bank of England on the 1st March, 1973, but the Government of the Colony reserve to themselves the right to redeem the Stock, in whole or in part, by drawings or otherwise, at par at the Bank of England on, or on any date after, the 1st March, 1971, on three months' previous notice being given by public advertisement, in which case the Stock to be redeemed will cease to bear interest on the date so fixed for redemption.

The General Loans Act (Chapter 123) and the General Loans Amendment Act, 1939, of Southern Rhodesia provide for the establishment, within two years from the issue of the Stock, of a special Sinking Fund for the redemption of the Stock by annual payments out of the Consolidated Revenue Fund equal to 1 per cent. of the nominal amount of the Stock originally issued together with a sum equal to the interest on any of the Stock redeemed or cancelled.

The Stock will be transferable by deed, in multiples of one penny, free of charge and stamp duty.

The Bank of England have been appointed Registrar of the Stock.

Interest will be payable half-yearly on the 1st March and the 1st September; the first payment, at the rate of 7*s.* 6*d.* per £100 Stock, will be made on the 1st March, 1949. The interest due on the 1st March, 1949, will be paid (less Income Tax) by coupon if the relative Scrip Certificate to Bearer has not been registered on or before the 1st February, 1949; in all other cases Interest Warrants will be transmitted by post and Income Tax will be deducted from payments of more than £5 per annum.

Applications, which must be accompanied by a deposit of £10 per cent., will be received at the Bank of England, Loans Office, London, E.C.2. In the case of partial allotment, the balance of the amount paid as deposit will be applied towards payment of the first instalment; should there be a surplus after making that payment, such surplus will be refunded by cheque.

Default in the payment of any instalment by its due date will render the deposit and any instalment previously paid liable to forfeiture and the allotment to cancellation. Instalments may be paid in full at any time after allotment but no discount will be allowed on such payments.

Applications must be for £100 Stock or a multiple thereof; no allotment will be made for a less amount than £100 Stock.

Scrip Certificates to Bearer, in denominations of £100, £500, £1,000 and £5,000, with coupons attached for the interest due on the 1st March, 1949, will be issued in exchange for Allotment Letters. Scrip Certificates must be surrendered for registration at the time when the final instalment is paid; in the case of registrations effected on or before the 1st February, 1949, the coupon for the interest due on the 1st March, 1949, must also be surrendered.

A commission of 5*s.* per £100 Stock will be paid to Bankers or Stockbrokers on allotments made in respect of applications bearing their stamp.

Prospectuses and Application Forms may be obtained at the Bank of England, Loans Office, London, E.C.2, or at any of the Branches of the Bank of England; at the Offices of the High Commissioner for Southern Rhodesia, 429, Strand, London, W.C.2; at the Standard Bank of South Africa Limited, 10, Clements Lane, London, E.C.4; from Messrs. Mullens & Co., 13, George Street, London, E.C.4; or at any Stock Exchange in the United Kingdom.

Copies of the authorising Acts may be inspected at the Bank of England, Loans Office, during business hours until the 4th December, 1948.

BANK OF ENGLAND,
LONDON, E.C.2.
18th November, 1948.

STATEMENT.

On the 31st March, 1948, the Public Debt of the Colony was £62,237,000, representing external debt of £42,267,000 and internal debt of £19,970,000, which includes Tax Reserve Certificates for £525,000, the proceeds of which will be used to liquidate the holders' Income Tax liabilities in due course. The total net expenditure from loan funds up to the 31st March, 1948, was approximately £66,000,000. The difference of £1,000,000 between this sum and the Public Debt is made up of £3,000,000 transferred to the credit of loan account from Revenue and £1,000,000 representing borrowings redeemed through sinking funds. In addition a sum of approximately £1,900,000 is held in sinking funds. During the current financial year (which commenced on the 1st April, 1948) £9,946,970 has been appropriated for loan expenditure and it is intended to appropriate a further £2,300,000 for additional loan expenditure during the same period.

£30,000,000 of the total expenditure of £66,000,000 was spent on the acquisition of and provision of additional capital for the Rhodesia Railways Limited, the Railways being responsible for interest and redemption in respect of this amount, and £12,000,000 on loans to Statutory Boards and Commissions which are also responsible for the interest and in some cases the redemption of the capital sum. Of the balance of £24,000,000 it may be said that £15,000,000 is fully represented by assets in the form of buildings, crown lands, roads, afforestation, water and soil conservation works, etc., and the purchase of the mineral rights of the Colony. The remaining £9,000,000 is accounted for by advances to government stores, trading and imprest accounts, loans to ex-Servicemen, loans to local authorities for housing and other schemes, and expenditure on agricultural, mining and miscellaneous development schemes.

The present loan supplemented by internal borrowing in Southern Rhodesia, is required to defray expenditure on development projects approved by Parliament, of which the following are the chief:—

Amount.	*Detail.*
£5,755,000	Further advances to Statutory Boards and Commissions. Of this sum £2,000,000 is required for advances to the National Building and Housing Board which was established to overcome the acute housing shortage throughout the Colony. This sum will enable the Board to build over 1,500 *pisé-de-terre* houses in addition to its other activities. £820,000 will be advanced to the Land and Agricultural Bank for loans to farmers and to assist in the acquisition of residential properties at reasonable rates of interest. £325,000 will be issued to the Rhodesia Iron and Steel Commission for the extension of the Que Que Steel Works and £520,000 to the Cotton Research and Industry Board for expansion of its spinning mills at Gatooma and to finance the purchase of seed cotton and cotton lint for spinning. £1,500,000 (to be appropriated by supplementary estimates) will be issued to the Electricity Supply Commission towards the present development plan which includes construction of a 40,000 kilowatt station at Umniati and the interconnection of the various power stations throughout the Colony. The balance of £590,000 is made up of advances to the Industrial Development Commission, the Cold Storage Commission, the Sugar Industry Board, and other Statutory Bodies for development and expansion purposes. All the above advances are interest bearing and therefore the burden of the interest charge on this portion of the loan will not fall upon the taxpayer.
£1,204,000	*Required for communications.* This sum includes £1,126,000 for expenditure on the road programmes for 1948-9, comprising over 300 miles of roads of various standards, including access roads to the Sabi Valley phosphate deposits, seven bridges, and £500,000 for road making plant and equipment. £77,000 is required for airport installations.
£1,170,000	Required for irrigation, water and soil conservation projects, etc., including £125,000 for the new Hunyani Poort Dam, the total cost of which, estimated at £1,000,000, will be divided between the Government and the Salisbury City Council, and a further £731,000 for earth moving equipment, boring machines, etc.
£240,000	Required for the newly established Central Mechanical Equipment Department for the purchase of motor vehicles.
£756,000	Required for telecommunications to extend the existing Government services by the purchase of telegraph, telephone and radio equipment.
£378,000	Required for the acquisition of land for Government purposes and for agricultural settlement.
£505,000	Loans to ex-Servicemen for mining and land settlement schemes.
£797,000	Will be spent on buildings and equipment mainly for health and educational purposes.
£500,000	Loans to local authorities for housing. These loans are also interest bearing.

Revenue from taxation and other sources during the year ending 31st March, 1949, is estimated at £13,900,000 and expenditure from revenue funds at £11,420,000. The accumulated surplus on revenue account at 31st March, 1948, was £1,691,000 of which it is intended to transfer £1,000,000 to loan account, leaving £691,000 to be applied to expenditure during the current year, so that at 31st March, 1949, there should still be a balance of accumulated surplus of revenue of approximately £171,000.

The cost of servicing the public debt, excluding that portion (£30,000,000) for which the Rhodesia Railways are responsible, is estimated for the year 1948-9 at £1,423,000 of which £1,127,000 represents interest, £291,000 sinking fund contributions and £5,000 miscellaneous charges. Interest payable to the Treasury during the year is estimated at £443,000.

18th November, 1948

It should be added that no sign of the new silver currency has yet appeared, and none is likely to make its way into general circulation while the present political and military chaos prevails in China. With the devaluation of the yuan, price controls in Shanghai and other centres were removed, and prices of commodities, and foodstuffs in particular, quickly bounded away from the controlled levels at which they had been precariously held. In Shanghai the rise in prices was soon followed by an inordinate scarcity of currency, since the normal mechanism for supplying additional currency has ceased to operate. As a result, astonishingly high interest rates came to be paid in the Shanghai money market, a figure equivalent to 500 per cent per annum being quoted last week for day-to-day money. Only scattered remnants remain of last August's programme of monetary reconstruction in China, and even these are now being swept away by the tide of military disasters and political uncertainty. Once again, therefore, the Chinese currency board is being swept clean for yet another reconstruction.

* * *

United Steel Companies and Nationalisation

Details of capital expenditure incurred by United Steel Companies over the past three years, outlined in the address of Sir Walter Benton Jones at the annual meeting of the company this week, should help to dispel any illusions that the steel industry under private enterprise has not responded to its heavy obligations in the task of reconstruction. The amount spent by the group on improvements and extensions has been at the rate of £3 million a year while, if investments and acquisition of properties are included, total capital expenditure during the past three years has amounted to £10,709,000. Only £1,869,000 of this amount has been financed by new money, since £3,615,000 of the new preference capital raised in the period was used for the redemption of prior charges. A further £1,380,000 has accrued from compensation for vested coal and railway assets. The remainder, no less than £7,460,000, or an amount equivalent nearly to half the issued share capital, has been found from the internal resources of the group.

Sir Walter's address has an Olympian ring about it, so numerous are the records which the modernisation and extensions to the various plants have enabled the group to achieve in the past year. Sir Walter declared that nationalisation would result in higher costs "which could only be met by higher prices for users or higher taxation for the community at large." He also had something to say on the silent encroachment of nationalisation in the coke-oven industry. If the Steel Bill goes through, only 10 per cent of coal carbonisation will be left to private enterprise. Already the state has taken over 50 per cent of this field by the nationalisation of the gas industry and a further 20 per cent by way of coal nationalisation. The steel industry accounts for another 20 per cent. By this means the state will have gained virtual control of the production of the many valuable products of coal carbonisation such as coke, coal gas, fertilisers, benzole, tar and other chemical products.

* * *

Towards the Export Targets

The export drive has gathered its momentum again after the interruption of the summer holidays; the provisional figure for the value of exports in October was announced last week as £140 million. This shows an increase of £9,000,000 on September, but it is still nearly £6,000,000 below the peak attained in July. October had one less working day, so that its daily rate was, in fact, equal to that of July. But the volume last month is thought to be only slightly more than 140 per cent of the 1938 level. This is an improvement on the September figure of 132 per cent and the August figure of 133 per cent, but it is still somewhat below the July figure of 149 per cent.

The changes in export prices play an important part in the achievement of the end-of-year targets, which were fixed last April on the assumption that export prices would rise by 5 per cent during 1948. This increase was applied generally to all categories, though it was realised at the time that prices would not move uniformly. The Board of Trade has recently calculated the changes in export prices for the different groups from the movements of the appropriate index numbers of average values of exports, and from these it is possible to make a more precise evaluation of the progress made towards the individual export targets.

For some groups the export price has not risen as much as 5 per cent—in certain instances it has even fallen—while for others the increase has been much greater. The following table shows the main items in each of these two categories. The individual deviations from the standard of 5 per cent have obviously affected the different industries' export progress. Where the export price has fallen during the year, the industry's performance looks poor in relation to its target, although it may be exporting the volume planned. And the reverse is true for those groups whose export prices have risen appreciably more than 5 per cent.

Main groups where export price has fallen since beginning of year	Per cent change	Main groups where export price has increased by over 10 per cent since beginning of year	Per cent change
Cutlery, implements, etc.	— 2	Coal	+37
Silk & rayon goods ...	— 4	Iron and steel	+11
Miscellaneous textile manufactures	— 4	Machinery	+11
Leather goods	— 3	Cotton goods	+14
Rubber manufactures ..	— 5	Oils, fats and resins	+17
		Paper & manufactures ..	+11

The progress made by the different industrial groups can be seen from the table following. Coal is already above its end-of-year target on a value basis, but its export price has risen by 37 per cent. Machinery exports are running close to their target and they have been helped by an 11 per cent increase in export values. Vehicle exports, however, are above their target rate although their average export price has not increased by as much as 10 per cent. Exports of iron and steel are also well above target but this is not so much due to the increase in price as to the fact that their export target did not allow for shipments agreed to under bilateral treaties. Cotton goods have shown great improvement during the third quarter of the year, but they, too, have been helped by higher prices. Exports of wool goods, on the other hand, although increasing, have still a long way to go to reach their objective by the end of the year. Cutlery exports would in all probability have reached their export target by now, had not their average price declined. But in silk and rayon goods,

This Form may be used.

The List of Applications will be opened on Tuesday, the 23rd November, 1948, and closed on the same day.

FORM OF APPLICATION

GOVERNMENT OF SOUTHERN RHODESIA

3 per Cent. STOCK, 1971-1973.

ISSUE OF £5,000,000 AT £100 PER CENT.

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND, E.C.2.

I/We request you to allot to me/us in accordance with the terms of the Prospectus dated 18th November, 1948, £.....

say,.....pounds of the above-named Stock, and I/we hereby engage to pay the Instalments as they shall become due on any allotment that may be made in respect of this application, as provided by the said Prospectus.

The sum of £....., being the amount of the required deposit (namely, £10 for every £100 of Stock applied for), is enclosed.

* I/We declare that the applicant(s) is/are not resident outside the Scheduled Territories† and that the security is not being acquired by me/us as the nominee(s)§ of any person(s) resident outside those Territories.

Signature .....

Name in full.....
(BLOCK LETTERS) (State Title, if any, or whether Mr., Mrs. or Miss.)

Address .....

.....

Date....., 1948.

* If this declaration cannot be made it should be deleted and a Form D (obtainable from a Banker or Stockbroker) completed as to Declaration 2A and the Certificate appended thereto should accompany this application.

† The Scheduled Territories. The British Empire (except Canada and Newfoundland), British Mandated Territories, British Protectorates and Protected States, Burma, Iraq and Iceland.

§ The definition of "nominee" is given in the Bank of England's Notice E.C. (Securities) 1.

Applications must be for £100 or for multiples of £100, and should be forwarded to the Loans Office, Bank of England, London, E.C.2.
Cheques should be made payable to "Bearer" and crossed thus :—

Bank of England,
a/c Southern Rhodesia Loan.

miscellaneous textiles, leather goods and rubber goods, the fall in price has only accentuated the gap between performance and

PROGRESS TOWARDS EXPORT TARGETS
(£ Million—Monthly Rates)

	First Quarter, 1948	Second Quarter, 1948	Third Quarter, 1948	Target, End 1948
Food, drink and tobacco	7·62	8·21	7·21	8·35
Raw materials	3·87	5·93	6·13	6·00
Of which :— Coal	1·25	3·46	4·09	3·90
Manufactures	102·58	112·43	119·01	132·65
Of which :— Iron and steel	7·88	8·50	8·72	8·10
Non-ferrous metals	4·78	3·72	4·34	4·55
Cutlery, etc.	3·34	3·61	3·56	3·77
Electrical goods	5·51	6·21	6·17	7·07
Machinery	18·83	20·89	21·80	22·06
Vehicles	18·53	20·11	21·17	21·10
Cotton goods	8·56	9·87	12·22	13·00
Wool goods	7·00	7·81	8·34	12·40
Silk and rayon	2·89	3·28	3·59	4·40
Other textiles	2·20	2·45	2·19	3·40
Chemicals	6·37	7·00	7·37	8·05
Pottery, glass, etc.	3·57	3·86	3·72	4·25
Paper and manufactures	1·72	1·68	1·81	2·20
Others	11·60	13·44	14·01	18·30
TOTAL*	114·07	126·57	132·38	147·00

* Excludes animals not for food and parcel post.

target. Yet it would be wrong to judge an industry by its export achievement unless all the different targets were devised in the same manner. This, of course, was not done, and some were clearly more difficult to fulfil than others.

* * *

New Issues Activity

The recent issue of £100,000 3 per cent British Electricity Authority stock has narrowed the gap between the cumulative total of capital issues in 1948 and the corresponding figure for last year. Total new issues, excluding conversions, have increased from £223,886,858 on October 23, 1948, to £343,118,233 this week; the increase between corresponding dates last year was from £440,370,564 to £455,714,824. In 1947 the remaining six weeks of the year produced an additional £70,901,923 of new borrowings. These were widely dispersed over the industrial field, but included the issue of nearly £29 million for Shell Transport and Trading. In that period the industrial share market provided a favourable background to new issue activity on account of switching from railway stocks into industrial shares before the vesting date of the railways.

While the number of Government and industrial applicants for new issues is at present undoubtedly large, the call of £40 million on the BEA loan due on January 3rd makes it doubtful whether the coming weeks will see an unusual rush of new issues before Christmas. It must be conceded, however, that the heavy institutional stagging of the 3 per cent Trinidad loan last week points perhaps the other way, and this evidence of the volume of money awaiting suitable investment opportunities is supported by the new high level of deposits shown in the latest clearing bank returns. In any case, the market has enough to occupy its attention at the moment with applications from a catholic selection of interests. On Thursday underwriting was proceeding in the City for a new £5,000,000 loan of the Government of Southern Rhodesia. Lists also opened and closed this week for two important industrial debentures, the £1,000,000 English Sewing Cotton 3½ per cent first mortgage debenture, 1969-74, issued at 101 per cent, and the same amount of British Aluminium 3 per cent mortgage debenture stock at 95 per cent.

The reasons given for the English Sewing Cotton issue follow the now familiar pattern of industrial financial requirements—the shortage of working capital to finance stocks and debtors, the repayment of temporary bank advances, the expansion of production facilities and the maintenance of machinery and equipment. British Aluminium requires new money to supplement existing resources to finance its £2,315,000 development project at Falkirk, and a debenture issue seems well justified. This is more open to doubt in the case of the English Sewing Cotton issue, and ordinary shareholders may have a grievance at the prospect of a further prior charge. Among other new issues which are expected, Hector Whaling is applying for permission to make a public issue of £1,000,000 preferred ordinary shares, the proceeds to be largely used for the construction of two tankers. Austin Motor has also announced the first step to be taken in issuing some 2,500,000 5s. unissued shares.

Manpower Needs of the Mines

The mining manpower target of 750,000, originally set in the Economic Survey for 1948, has now been dropped as unrealistic by mutual consent. Even the National Union of Mineworkers (the vice-president of which, Mr James Bowman, had been specifically charged with responsibility for recruitment) agrees that this target is now academic, though it feels that there has been confusion and delay on the part of the Government in making its intentions clear and that the problems of accommodation and training have not been tackled energetically enough.

The report of the Coal Board and the NUM's joint output committee, now published in full, stresses that the main need is for a rapid increase in the proportion of face-workers in the industry. It estimates that the total manpower will be 727,000 by the end of this year, rising to 736,000 by the end of 1949. The programme for 1949 is an increase of more than 13,000 face-workers to bring the total number to 310,000. This means that the rate of increase will have to be more than doubled next year, compared with the 21 months since vesting day, an objective which can be reached only if there is a rapid development in face-room and if both sides accept an agreed procedure for upgrading. At the same time the report urges that training facilities should be speeded up and calls on all miners' lodges to accept the employment of EVWs.

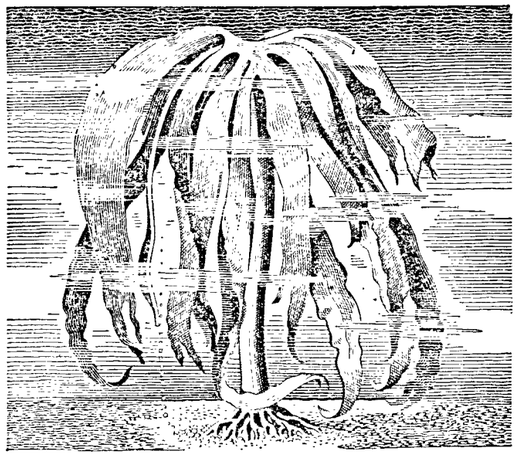
Figures just published in the Ministry of Fuel's statistical review for 1946 and 1947 underline the gravity of the manpower problem. The average age of the men in the industry was 39 at the end of 1947, compared with 36 in 1937, and the recruitment of young men has been less than it was before the war. The total number of men under 20 in the industry in 1947 was 56,600 out of a total labour force of 711,400—compared with 109,900, out of a total manpower of 781,700, in 1938. There are still 20,000 men in the age group 65 and over, and this includes some who are in their seventies and even their eighties. Clearly an efficient mining industry will require not only a sufficiently large labour force but also a balanced one, with the right age composition, and the right proportion of faceworkers to total manpower.

* * *

Trends in Life Assurance

It was hardly to be expected that all life offices would find it as easy in 1948 as in the previous two years to acquire new business in the ordinary life branch. Yet a number of important life offices are able to forecast confidently—with only six weeks left before the financial year of most insurance companies closes—that in their experience new business written in 1948 will be higher than in the previous year. This favourable experience is, however, by no means uniformly shared. Fairly generally, life offices are finding that the normal seasonal pattern has been exaggerated in the current year. The year opened very favourably in most instances, with new business running at a higher rate than in 1947. But by May and June, when sales resistance was increasing in other spheres also—in many consumers' goods and in national savings—the seasonal drop in new life business tended to be far more than seasonal. After, by postwar standards, unusually little activity during the summer months, in the past few weeks life offices have found demand recovering more sharply than usual. It must be borne in mind, though, that this recent experience has not been uniform; some offices expect their 1948 figures of new business to be a little below the record levels of 1947, despite the flying start made in the early months of the year. As a portent for 1949, it is hopeful that a number of offices have completed more new business in September and October, 1948, than in the same two months of last year. These tendencies are of some immediate national importance. Unless the poor performance of national savings is being balanced by a bigger flow through other channels of saving, the volume of personal saving upon which the Chancellor can count in the reckoning which he must soon make, may be so meagre as to have material effect upon the coming Budget.

Yet all offices, irrespective of their anticipated final results, are now finding life assurance harder to sell. The demand for annuities has fallen off generally, as was to be expected in a year when capital gains have been rare. Few premium rates have changed this year after the widespread adjustments made two years ago. Yields obtainable on new investments have become a little more satisfactory, and life offices are continuing to benefit from improved mortality. When turnover slows down, it may be found that the expense loading in premiums may need to be raised. An increase has been avoided so far, because in most insurance departments a rather smaller staff is handling a greatly increased volume of business.



LAMINARIA

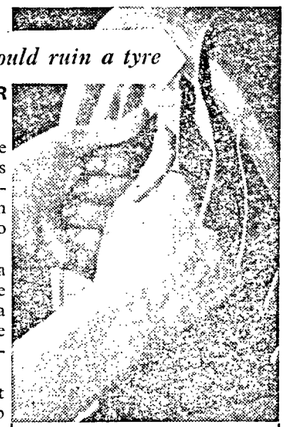
Laminaria cloustoni is a seaweed found on the Scottish coasts. From it are produced Alginates used to form gels and viscous solutions of value in many industrial processes, pharmaceuticals and foodstuffs.

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ALGINATES

INCENTIVE MEANS BETTER TYRES

A wrinkle like this could ruin a tyre

BUT A KEEN WORKER WON'T ALLOW IT



QUALITY lies in the balance at each of the numerous hand processes in tyre building. Above all it depends on how keen the workers are to do a first class job.

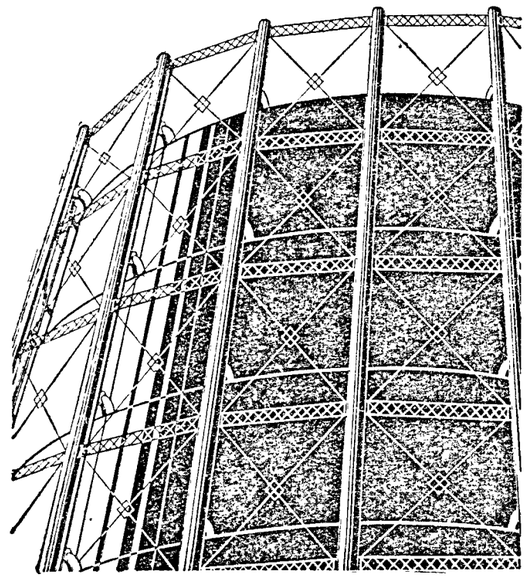
Henley's have started a sound commonsense scheme to make good workers extra keen. Under a co-operative award system as work improves pay rises.

Now output, pay and most important, quality, are all up higher than ever before.

Extra incentive means finer workmanship. Finer workmanship makes Henley Tyres better than the good tyres they have always been.

WRINKLES: A wrinkle overlooked in any one of the fabric layers of a tyre means a poor finished article. Only when attention wanders can wrinkles creep in. Workers who are on top of the job never permit them. One reason why keenness is everything.

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A GROUP OF COMPANIES SERVING THE FUNDAMENTAL NEEDS OF CIVILISATION

Cotton Supply and Demand

The prospects of a sharp increase in the world production of raw cotton are being fulfilled. The latest estimates put the world crop at 29½ million bales which is nearly 4½ million bales larger than last season. But in spite of the heavier production, total available supplies are less than 2 per cent above last season's level. The US Department of Agriculture has estimated that world cotton stocks declined by 3,600,000 bales to 13.7 million bales at the commencement of the new season (August 1st), which means a total supply of 43.2 million bales or only 800,000 bales heavier than a year ago. The two most important factors on the supply side are the large American crop of 15,026,000 bales or over 3,000,000 bales more than last season, and the increased output in Egypt estimated at 1,600,000 bales against 1,320,000 bales a year ago. These have already induced lower prices both in New York and in Alexandria but there is as yet no sign of a "break" on the market.

Mill consumption in some of the chief cotton consuming countries is still below its prewar level. Consumption in the US during 1948-49 is expected to be smaller than last season when it totalled 9,300,000 bales but it will still be more than before the war. In Europe generally, consumption appears to have stabilised itself at up to 85 per cent of its prewar level although activity in Belgium and the Netherlands is reported at about prewar rate. Latterly, however, there has been some curtailment of activity in Belgium, Italy and France. In the United Kingdom the general trend in consumption is still upward. While it is possible that total world consumption may equal or even be a little higher than last season's figure of 28.6 million bales, it is generally expected to be less than current production. This season, therefore, should see a net addition to world cotton stocks for the first time since the end of the war.

The US market will be of particular interest during the coming months because of the relatively limited export opportunities and the more or less stable domestic consumption. The dollar shortage will continue to restrict foreign demand for US cotton, although for western Europe ECA funds will be available. Yet it is precisely in these countries that there is little scope for any large-scale expansion in cotton consumption owing to the lack of modern textile machinery, the shortage of labour and the competition of synthetic fibres. ECA shipments are expected to total 2,500,000 bales and this will be the mainstay of America's cotton export. There are, of course, other export programmes; the 60 million dollar credit from the Import-Export Bank to Japan and the special 150 million dollar credit made by the US Government to revive the textile industries of occupied areas—but not all of this latter sum will be available to purchase cotton. There is also the Cotton Sales for the Export Programme which will in effect grant an export subsidy of 10 cents per bale and which is applicable to cotton purchased with foreign aid funds. But despite these artificial aids to the market, with the loan rate of ⅞ inch middling cotton fixed at 30.74 cents a lb. for the current season, the US Government is likely to become heavily involved in cotton. The US Secretary of Agriculture has not, however, proclaimed cotton to be in "surplus supply" so that marketing quotas will not apply for 1949-50.

Shorter Notes

Peruvian Corporation First Mortgage debenture holders are asked for consent to prolong the existing moratorium by a further year from January 1, 1949, with powers for the debenture holders' committee to extend the moratorium for additional periods from the end of 1949 but not beyond December 31, 1953. After the scheme had been prepared, but shortly before the particulars were circulated to debenture holders, Peruvian Corporation was informed that the Peruvian Government is claiming £255,000 taxation on interest paid by the Corporation in the past ten years. Peruvian Corporation is preparing to contest the claim on the strength of the Corporation's special taxation privileges in Peru. This latest occurrence provides renewed proof of the difficult circumstances under which the Corporation is operating the railways of Peru, the main source of its revenue.

★

It was agreed in Washington to continue the international allocation of grains, rice, nitrogenous fertilisers and fats and oils through the coming winter. America, Canada and Australia considered it unnecessary to maintain controls on cereals in view of the greatly improved supply position, but the majority of member nations wished to retain them for the immediate future. Grain supplies will be plentiful, and the oils and fats situation is expected to be easier, but both rice and nitrogenous fertilisers will continue to be in short supply.

★

The reductions in the prices of fuel oils announced this week by Shell-Mex and B.P., Limited, are the first price changes to the consumer since the Government fixed prices of petroleum products were replaced by maximum prices at the beginning of this month. Fuel oil was reduced from 10d. to 9¾d a gallon, and heavy fuel oil from 9¾d. to 9½d. a gallon. These are the first reductions below the permitted maximum prices.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Austin Motor; Wall Paper Manufacturers; Birmingham Small Arms; United British Steamship.

Prices, Year 1948 Jan. 1 to Nov. 17 High	Prices, Year 1948 Jan. 1 to Nov. 17 Low	Name of Security	Price, Nov. 10, 1948	Price, Nov. 17, 1948	Net Yield, Nov. 17, 1948 (a) £ s. d.	Gross Yield, Nov. 17, 1948 £ s. d.
		British Funds				
101⅛	100⅞	War Bonds 2½% August 1, 1949-51	100⅛	101		1 1 2..
101¼	100⅝	Exchequer Bonds 1½% Feb. 15, 1950	100⅛	100⅛	0 2 9	1 1 8
102⅜	100⅝	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 2 11	1 7 2e
103¼	100	War Bonds 2½% March 1, 1952-54	103⅛	103⅛	0 10 6	1 14 2e
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	103⅝xd	103⅝xd	0 19 10	2 10 5
103¼	99½	War Bonds 2½% Aug. 15, 1954-56	103¼	103¼	0 17 2	2 0 4e
103⅛	100¼	Funding 2½% June 15, 1952-57	102⅞xd	102⅞xd	1 3 3	2 7 5f
105⅛	100⅛	National Def. 3% July 15, 1954-58	105⅛	105⅛	1 2 3	2 8 6f
105⅝	101¼	War Loan 3% Oct. 15, 1955-59	105⅝	105⅝	1 2 4	2 8 10f
104½	100	Savings Bonds 3% Aug. 15, 1955-65	103⅞	104¼	1 7 10	2 14 9f
102⅝	96⅜	Funding 2½% April 15, 1956-61	101¼	101¼	1 4 8	2 7 2f
104	98⅛	Funding 3% April 15, 1959-69	103⅜	103⅛	1 9 0	2 15 7f
114⅜	110⅛	Funding 4% May 1, 1960-90	113⅝	113⅝	0 19 0	2 12 8e
103¼	97⅛	Savings Bonds 3% Sept. 1, 1960-70	103⅛	103⅛	1 9 11	2 16 10f
98⅞	92⅜	Savings Bonds 2½% May 1, 1964-67	97⅛	98⅜	1 9 5	2 12 2f
115¼	112⅛	Victory Bonds 4% Sept. 1, 1920-76	115¼	115¼	1 2 10	2 15 11*
102⅛	96⅜	Savings Bonds 3% Aug. 15, 1965-75	101⅛	102⅜	1 11 2	2 18 2f
111	107¼	Consols 4% (after Feb. 1, 1957)	110⅜	110⅛	0 17 11	2 13 4f
106¼	102½	Conversion 3½% (after April 1, 1961)	105⅛	106⅜	1 7 7	2 18 5f
83½	74⅛	Treas. Stk. 2½% (after April 1, 1975)	78⅛	79⅜	1 14 8	3 3 1f
99	91⅛	Treas. Stk. 3% (after April 5, 1966)	98⅛	98⅛	1 14 2	3 2 3f
109⅜	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	99⅜	100	1 13 2	3 0 4f
85¼	74⅛	Consols 2½%	78⅛	80⅛	1 14 5	3 2 8
102⅛	96	Brit. Elec. 3% Gtd. April 1, 1968-73	101¼	102⅛	1 10 9	2 17 7f
100⅛	99⅛	Brit. Elec. 3% Gtd. Mar. 15, 1974-77	100⅛	100⅛	1 12 2	2 19 1f
101¼	93⅞	Brit. Trans. 3% Gtd. July 1, 1978-88	100⅜	101⅛	1 12 8	3 0 1f
102⅛	95⅛	Brit. Trans. 3% Gtd. April 1, 1968-73	101⅛	102⅛	1 10 9	2 17 7f

Prices, Year 1948 Jan. 1 to Nov. 17 High	Prices, Year 1948 Jan. 1 to Nov. 17 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Nov. 10, 1948	Price, Nov. 17, 1948	Yield, Nov. 17, 1948 £ s. d.
					Other Securities			
106	101¼	% (d)	% (d)		Australia 3½% 1965 69	105	106	3 17 0
96	90	(d)	(d)		Birmingham 2¾% 1966-71	94½	95¼	3 15 3
50	c	50	c		Anglo-American Corp. 10s.	6⅜	6½	3 16 5
25	b	5	a		Anglo-Iranian Oil £1	8⅞xd	8⅞	3 8 6
10⅞	7⅞	10	b		Assoc. Electrical Ord. £1	76/6	78/-	3 16 11
87/6	69/-	15	c		Assoc. Port. Cem. Ord. Stk. £1	75/6	76/6	3 18 5
77/3	62/4	40	c		Austin Motor 'A' Ord. Stk. 5s.	35/7½	32/6xd	6 3 1
38/6	29/6	7	b		Barclays Bank Ord. 'B' £1	86/-	80/-	3 10 0
84/-	72/9	†20	b		Bass Ratcliff Ord. £1	8⅞	8⅞	3 16 2
105/-	85/-	12	b		British Oxygen Ord. £1	101/3	101/3	3 18 9
46/11½	38/-	5	b		Courtaulds Ord. £1	39/6xd	39/6	3 15 11
32/6	25/1	20	a		Distillers Co. Ord. 4s.	29/4½	29/6	3 14 7
34/10½	27/9	8	c		Dorman Long Ord. £1	33/9	33/9	4 15 10
79/9	68/-	15	c		Dunlop Rubber Ord. £1	75/-	75/9	3 19 5
53/-	43/7	7	b		Emp. Chem. Ind. Ord. Stk. £1	48/6	48/9	4 2 1
19½	13½	1	a		Imperial Tobacco £1	5⅞	5⅞	5 15 1
48/9	40/3	10	c		Lancs. Cotton Ord. Stk. £1	45/-	46/-	4 6 11
56/6	45/9	10	c		Lever & Unilever Ord. £1	50/-	51/3	3 18 1
61/9	47/6	12½	c		London Brick Ord. Stk. £1	53/9	53/9	3 14 5
25	c	3½	m		Pchin Fuson Ord. Stk. 10s.	57/-	57/-	4 7 9
63/4½	49/6	8	b		P. & O. Def. Stk. £1	55/-	55/-	5 6 8
35½	30½	†7½	c		Prudential 'A' £1	33	33	2 6 6
59/9	49/9	12½	c		Stewarts & Lloyds Def. £1	56/9	56/6	4 8 1
85/7½	71/6½	†2½	a		"Shell" Transpt. Ord. Stk. £1	78/14	78/9	3 18 7
7⅞	5⅞	12½	a		Tube Invst. Ord. Stk. £1	6⅞	6⅞xd	3 16 6
90/9	72/6	11½	b		Turner & Newall Ord. Stk. £1	78/6	78/9	3 16 ..
93/3	76/-	55	b		Woolworth (F. W.) Ord. 5s.	82/6	82/6	4 4 10

*Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'c'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (a) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.*

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) To latest redemption date. (m) 15 months. Yield basis 25%. † Free of tax.

COMPANY MEETINGS

THE UNITED STEEL COMPANIES, LIMITED

RECORD PRODUCTION FIGURES

NATIONALISATION MEANS HIGHER PRICES

THREAT TO FREEDOM AND ENTERPRISE

COMPENSATION ARBITRARY AND UNFAIR

SIR WALTER BENTON JONES ON THE POSITION

The annual general meeting of The United Steel Companies, Limited, was held, on the 17th instant, at the London Office of the Company, 8, Grosvenor Gardens, London, S.W., Sir Walter Benton Jones, Bt., Chairman and Joint Managing Director, presiding.

The secretary (Mr Ronald Peddie, C.A.) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement which had been circulated to the stockholders:

In these times of vast experiment at home, and great uncertainty and danger in world affairs, there is little general information which the chairman of an undertaking can give to his fellow-proprietors that is not already widely known. I propose, therefore, to confine my address to the affairs of our own company, and I have divided it into five parts, viz.: Nationalisation, Production, Progress in Development, Employees and Accounts.

NATIONALISATION

All those who like us have invested part of their savings in what is popularly called the steel industry, and all those for whom it is a means of livelihood, are greatly concerned about the outcome of the political controversy over the proposal to nationalise it.

An outstanding feature about this controversy is that those who own the industry, those who manage it and those who work for it, alike without distraction, have pursued a straight and even course in operation, administration and development, doing their best in a national emergency to give their country maximum production and to close up the hiatus in improvement and expansion caused by the stringency of war and its aftermath. For this we claim no peculiar credit. For us the industry is not only our means of livelihood, it is our own special walk in life, we are proud of it and if left alone we shall not let it down.

THOUSANDS AFFECTED

Those who urge the nationalisation of this industry appear to imagine it as a single thing. In reality nothing could be more false. The steel industry, so-called, comprises a very large number of industrial and commercial undertakings making thousands of things for thousands of purposes at home and abroad. The nationalisation of the steel industry, so-called, means expropriation of the property of thousands of persons and disturbance in the lives of thousands of operators. The object is obscure. The motive is compliance with theories propounded by a German school of theorists more than a century ago. The economic effect, it can be safely predicted, would be to raise costs which could only be met by higher prices for the users, or higher taxation for the community at large.

I could comment on the arguments used so widely by the advocates of nationalisation in this controversy; I could also recall the complete co-operation between successive governments and the industry which has persisted since the introduction of import duties in 1932, and I could ask what greater good could nationalisation bring to the community.

THE REAL ISSUE

But the nationalisation of our industry does not stand by itself, it is not really a single issue. The real issue is whether the industries of Great Britain are to be nationalised one after another, beginning with the iron and steel industry and finishing nobody knows where. In other words, whether Great Britain is to be cast into the mould of a state in which freedom will be chained and reward for enterprise and endeavour will disappear, or whether Great Britain is to remain the home of freedom in industry for individual initiative and enterprise. Let us hope when next the electors cast their votes they will see clearly to which of these alternatives their choice will lead.

PRODUCTION

Our production of steel ingots in the twelve months ended June 30, 1948, was 1,896,229 tons. This was 11 per cent. higher than in the previous year and was an all-time record. The steel production of the United Kingdom in the same twelve months was the highest ever recorded, viz.: 14,307,500 tons, compared with the highest prewar production for twelve months viz.: 12,984,000 tons in the calendar year 1937. The contribution made to this record by our company was equivalent to 13¼ per cent.

Our greater production has been facilitated by additional and improved plant installed in recent years. It has been especially facilitated by the operation of our steel melting furnaces continuously, instead of stopping and allowing them to cool at each week-end. This continuous working has been adopted throughout the country by agreement between employers and employees.

AIM TO BREAK RECORDS

There were record productions of plates and sections at Appleby-Frodingham, of billets at Steel, Peech and Tozer, of railway and engineering material at Steel, Peech and Tozer and at Workington. There were also record productions in many of the finishing processes at each of the works. The aim of all our operators has been to break records and they are proud of their achievements.

There is no reason why these rates of production should not continue, and even increase, provided adequate supplies of suitable coking coal and scrap are available.

I shall ask you later if you will pass a resolution expressing our appreciation and thanks to the operators, a word which I use to mean all those who serve the company at all levels.

PROGRESS AND DEVELOPMENT

I had intended to confine this part of my address to an account of expenditure on developments in the current year, but in view of the introduction of the Iron and Steel Bill I have extended it so as to give you a general description of the company's properties.

It may help you to form an appreciation of the company's assets if I give some information about the amount spent on them in the last three years.

The amount spent on improvements and extensions, including the establishment and equipment of the Distington Engineering Company, has been £9,011,000. The amount spent on investments and acquisitions of properties, including iron ore, has been £1,698,000, making a total of £10,709,000.

New capital issued in the same period, which was all in preference stock, produced £5,484,000, against which has to be set the redemption of debentures and the repayment of notes which together absorbed £3,615,000, leaving £1,869,000 of new money.

Compensation received up to date on assets which have passed to the nationalised railways and coal mines, amounts to £1,380,000. The new money and compensation, therefore, provided £3,249,000 towards the £10,709,000 spent. The balance of £7,460,000 has come out of the reserves and provisions made and approved by the stockholders. It is perhaps interesting to note that this is equivalent to nearly half the amount of our issued ordinary and preference stock.

APPLEBY-FRODINGHAM STEEL COMPANY

The Appleby-Frodingham Branch of the company is the largest iron and steel works in the country and is highly integrated. It is based exclusively on home ore which comes from adjacent quarries at Frodingham and quarries in south Lincolnshire and Northamptonshire, all of which are owned and worked by the company. The works comprise coke ovens and by-products plants; the most complete ore preparation plant in the country, which is about to be extended still farther; blast furnaces, including two very large modern units which came into operation in 1939; two large melting shops, one of which replaced the old shop at Frodingham and came into commission at the end of 1947, and is the last word in modern melting shop design; a plate mill; a heavy section mill, which is in course of complete replacement on the existing site, and lighter mills.

At the Appleby blast furnaces we have found after lengthy research and experiment that if the ore we use is treated and prepared in special plants before loading into the blast furnaces the productive capacity of the blast furnaces is increased by not less than 20 per cent. We are, therefore, giving first priority to this part of our blast furnace programme.

A large engineering workshop has recently been put into commission in order to concentrate maintenance in a central department and to cope with the increasing volume of this kind of work which a modern steel works demands.

There is a large constructional department in which plates and sections are assembled for structural purposes. Important by-products in addition to the customary recovery of sulphate of ammonia, benzol and tar, are tarred slag for road making, foamed slag for light weight concrete and basic slag fertiliser.

STEEL, PEECH AND TOZER

Steel, Peech & Tozer is another very large steel works in which ingots are produced from cold pig iron and scrap, and rolled into billets, bars and strip. The melting shops have been adapted for liquid firing since the war, and out of a total of twenty-one open-hearth furnaces eight are now being fired with oil and two with base tar. The production of ingots is only a little less than at Appleby-Frodingham. The cogging mill is believed to have the highest capacity in the

country and was installed in 1944. The finishing mills are all of the continuous type and are constantly being brought up-to-date.

There is also a heavy forge, a railway tyre mill, a new railway wheel mill, a new cold rolled strip department, and a modern plant for making laminated railway springs.

As part of the drive for fuel economy, waste-heat boilers have been installed in connection with open-hearth furnaces both at this branch and elsewhere within the company.

Both Steel, Peech & Tozer and Samuel Fox & Company draw gas from the company's coke ovens at Orgreave. The gas is carried to Stocksbridge through 14 miles of pipe line.

Except in the case of the wheel, cold rolling and spring departments, new construction at Steel, Peech & Tozer has not been of the same magnitude as at Appleby-Frodingham. Heavy and continuous expenditure has, however, been incurred in modernising existing departments and overtaking arrears of large scale maintenance left by the war.

SAMUEL FOX AND COMPANY, LIMITED

It is difficult to give a concise description of this plant because it covers so many products. Steel is made here in open-hearth, high frequency and arc electric furnaces and a high proportion of the output is of alloy and stainless steel. It is, in fact, the largest producer of alloy steel in the country.

The works are equipped with billet, bar and rod mills for the hot rolling of steel, and the numerous finishing departments include large sections producing special qualities of cold rolled strip and wire.

Production of stainless steel sheets began shortly before the war, and since demand already exceeds the capacity of the original plant we are co-operating with Messrs Firth-Vickers Stainless Steels, Limited, in establishing a new works in Sheffield, in which each company will produce stainless sheets from its own steel by the most modern continuous methods.

In addition to those already enumerated, Samuel Fox & Company produce a wide range of products ranging from forging ingots to the finest wire. We have developed the production of hardened and tempered strip, both for sale and for internal use in the manufacture of clock springs to serve the new low-priced clock industry in this country and avoid the necessity of imports. A large proportion of the cold rolled strip for razor blades made in this country is produced at these works, together with such diverse products as resistance wire for electrical apparatus, springs for heavy road vehicles, light coil springs, umbrella frames, and tennis racquets.

WORKINGTON IRON AND STEEL COMPANY

Our properties at Workington consist of hematite ore mines, limestone quarries, and at the iron and steel works, coke ovens with by-products plant, blast furnaces, acid bessemer converters and electric furnace plant, together with mills for rolling heavy and light railway rails and fish-plates, and presses for making railway sleepers. The works have private access to the Workington Dock in which imported ore is discharged and in which exports are loaded. We now own all the capital stock of the Workington Harbour and Dock Board. Through the medium of the Distington Engineering Company (a wholly owned subsidiary), we have established since the war a large engineering works consisting of an ingot mould foundry, a general iron foundry, a steel foundry and machine and assembly shop for the large-scale manufacture of underground mining equipment and general engineering. The size of the Distington undertaking may be judged by the fact that today we employ 1,100 men in its works and when they are working at full capacity the number will be increased to 1,700.

We have nursed this iron and steel works for nearly thirty years through times when we might well have given it up. We have now established a self-contained undertaking in which all its activities have been centralised and modernised: there remain only the installation of a modern cogging mill, now in progress, the increase of facilities for storing, inspection and loading of railway material and the completion of a boiler plant which are also in course of installation. The only coal used, apart from that needed for locomotives and steam cranes, is the coal for coke making, the gas from which, together with the gas from the blast furnaces, not only supplies all the works requirements but leaves a supply of coke oven gas for use in the district.

UNITED COKE AND CHEMICALS COMPANY

The United Coke and Chemicals Company, a wholly owned subsidiary, was formed more than twenty years ago to build and operate a tar distillery at Lowca near Workington, and for other purposes in Cumberland.

Since the vesting of the coal mines in the National Coal Board the coke ovens and the Orgreave tar distillery of the Rother Vale Collieries Branch and the Sheffield Coal Company, all near Sheffield, have been transferred to the United Coke and Chemicals Company.

The tar distillery at Orgreave distils all the tar made at the company's coke ovens, except the tar from Workington, which is distilled at Lowca. This is one of the most modern tar distillation plants in the country. The recovery of finer chemical products in the distillation of tar, the treatment of benzol and extraction of products from coke oven gas are in the course of development.

"SILENTLY NATIONALISED"

While I am talking about coke oven works and the carbonising of coal it will interest you to be informed of the extent to which in addition to coal gas the other products of coal carbonisation are being silently nationalised. In round figures forty million tons of coal are carbonised annually in the United Kingdom, of which the nationalised gas industry carbonises rather more than 50 per cent., and the nationalised coal mining industry carbonises about 20 per cent., leaving about 30 per cent. in the hands of free enterprise of which the iron and steel industry carbonises more than 20 per cent. If the iron and steel industry were to be nationalised something less than 10 per cent. would be left under free enterprise and nationalised industries would have in their own hands nearly the whole of the products of coal carbonisation, that is the coke, coal gas, fertilisers, motor spirit, tar and many finer chemical products, including bases of dyes and plastics.

The object of the Act to nationalise coal was to own and control the production and sale of coal, and the object of the Act to nationalise gas was to control the making and distribution of gas. In both cases the legislation had the effect of gathering in a part of the coal carbonising industry in addition to accomplishing its specific object. If the iron and steel industry were to be nationalised, among other effects it would complete the side line nationalisation of the coal carbonisation industry to the extent of 90 per cent., and this effect might again pass unnoticed.

There is perhaps no branch of applied science in which the triumph of free enterprise has been more signal than the products of coal carbonisation.

RESEARCH AND DEVELOPMENT DEPARTMENT

Research, and the application of knowledge gained from research, is of considerable importance to an enterprise such as ours and the original central research organisation, which was established in 1932 to supplement the activities of the individual branches, has been doubled since the war to form what is now know as the Research and Development Department of the company. The enlarged department has a staff of 150 people, of whom more than one-third are fully qualified scientists or engineers, capable of applying their knowledge to a wide range of problems covering raw materials, refractories, metallurgical plant and processes, and the development of improved steels to meet the special requirements of the engineering industry.

YORKSHIRE ENGINE COMPANY

We bought this company three years ago. It was our intention to use it to build and rebuild our own locomotives, of which we have 163, to act as a machine shop for Steel, Peech and Tozer's forgings, for which it had acted for a number of years, and to assist in repairs and maintenance for the Sheffield works. We have modernised the works but we have been compelled to change our plans about locomotive building to some extent because of the great demand for locomotives. We are continuing to build industrial locomotives for other industrial undertakings and we have a contract to build locomotives for one of the railways.

Markets.—The products of our branches have many and varied markets of their own, and in addition, either directly or indirectly, they enter into the economy of almost every branch of the industries of this country, whether these industries serve markets at home or abroad.

EMPLOYEES

It is my belief that society cannot progress but will go backwards unless it recognises the individuality of men and families of men and, by analogy, the personal communities into which for convenience and constructive co-operation men form themselves, and unless it retains for them the greatest possible liberty. Industrial units are personal communities composed of proprietors and operators engaged in constructive co-operation.

Fundamentally, initiative and energy are personal, not collective forces. If therefore initiative and energy are to be applied effectively in an industrial unit there must be friendly and intimate co-operation among its members, and the unit should be as far as possible self-contained. No mechanical connection, no books or figures, can take the place of this intimacy for the simple reason that man was not made to be the servant of arithmetic, but to be its master. Even so it may well be that there are limits to the size of units in which this essential intimacy can be maintained and in fact we have found it so.

Each of our main branches has its own works, bearing a distinctive and time-honoured name. These works and these names are the real ties and we have found it necessary to keep them separate, they have facilities for meeting one another and making friends, but each retains and is jealous of its own individuality.

Within each branch for a long time we have been engaged in building up the conditions of life which engender and retain the intimate co-operation which appears to us the mainstay of industrial efficiency, and we are still building. For this purpose we have a complete personnel organisation which is charged with promoting and guarding the welfare in the literal sense of the word, of all operators. I had intended to give you a short account of this organisation and I had asked our chief personnel officers to give me a memorandum from which I could make a precis, but I found the notes so comprehensive and so clear that I felt some proprietors would like to read them as they were presented to me, and so instead of telling you more myself, I have arranged to attach them to the copy of my address.

ACCOUNTS

The accounts including the consolidated balance sheet and consolidated profit and loss account have been prepared in accordance with the Companies Act, 1948. This has required a certain number of changes in the form of presentation on the face of the accounts, and comparative figures for the previous year have been shown in the same form.

There is very little of an abnormal character in the year's accounts apart from technical adjustments brought about by the Act, and the changes which have arisen from the nationalisation of the coal mining and transport industries.

The provision for depreciation must now be deducted from the fixed assets, and it seemed a convenient opportunity to apply at the same time the provision under shares in and amounts owing from subsidiary companies to the advances to which it referred. Under trade investments in and advances to associated companies the amounts advanced less written off appearing last year at £247,991 have been converted into an investment and there are now no advances.

COMPENSATION FOR WAGES

Compensation has been received for railway wagons which have passed to the Transport Commission, in the form of Transport Stock, and this stock has been converted into cash. Payments in cash on account of part of the stocks and stores at coal mines on January 1, 1947, when they vested in the National Coal Board have been received from the Ministry of Fuel and Power. A substantial portion of the company's assets remains sterilised in the form of compensation not yet ascertained, and no indication can be given as to when they will be freed.

The compensation to be received for these assets is to be assessed in two different ways. The compensation for what may be described as the coal mines themselves, is to be arrived at by carving up the global sum of £164,660,000, which is the total amount of compensation to be divided among all mines. The compensation for other assets is to be separately assessed in the case of each colliery undertaking by district valuation boards. The procedure for making these valuations is lengthy, and although some progress in presentation of cases and arguments has taken place no decisions have yet been made which can be any guide to individual colliery undertakings.

ASSETS VESTED IN COAL BOARD

The assets of our company and its subsidiaries which are vested in the National Coal Board and for which compensation has yet to be assessed stand in the consolidated balance sheet at £3,840,419. The only thing that can be said about this figure is that the directors will be disappointed if the compensation is assessed at less than this amount.

The larger amount of advances to subsidiary companies is a reflection of the amounts lent to finance capital expenditure and the rising value of stocks.

It has been the company's practice to value what is regarded as a basic quantity of stocks of raw materials at the prices ruling in 1934. The volume of such materials carried at any time is large, and in the event of a fall in price, losses on the stock might be incurred. This policy provides insurance against such an eventuality and it will be a matter of interest and satisfaction to you to be informed of this arrangement.

The increase in creditors, bills payable and provisions arises from higher prices and a greater volume of purchases, including coal, of which a large quantity which at one time was raised in the company's own mines must now be purchased.

BALANCE OF TRADING PROFIT

On the consolidated profit and loss account you will see that the balance of trading profit, including income from investments, is £4,291,202, compared with £3,713,476. From this has to be deducted the items shown on the account, leaving a balance available for appropriation of £888,847.

The remuneration of directors, now shown in accordance with the Companies Act, includes remuneration of the seven directors who hold executive office under the company and its subsidiaries.

It will be remembered that last year £1,500,000 provision for taxation no longer required was brought into account, one-half of which was applied to general reserve and the other half, namely, £750,000, was applied as additional provision for depreciation.

The amounts by which tax liability has been reduced by the initial allowances on capital expenditure has again been treated as additional depreciation.

You will notice particularly the large amount, namely, £467,000 payable as profits tax, which with income tax amounts to no less a sum than £1,769,000. This is a heavy drain on our liquid resources on which we depend to finance the regular and continuous process of keeping up to date.

Of the balance available for appropriation it is recommended that £307,372 be appropriated to general reserve.

DEPRECIATION

Over a number of years we have built up what has been called a central reserve for obsolescence until it amounted to £2,375,000, but now that the provision for depreciation is dealt with as a deduction from fixed assets, which appear in the balance sheet at a net figure, it appears confusing to have a specific reserve for obsolescence. Your directors have thought it well therefore to merge the general and obsolescence reserves, which, if the recommendation is adopted, will then stand at £5,850,000. In order to reconcile this figure with the sum of the two reserves shown in the balance sheet of last year, it is necessary to read Note 2 on the balance sheet, which informs you that premiums on the shares, formerly included in the general reserve, amounting to £532,372, now appear in the account called premium on shares.

The dividend recommended is the same as last year. The amount to be carried forward is £613,485, compared with £606,696.

In response to a general appeal made by the Government in its executive capacity, your directors undertook in March last not to recommend to their stockholders an increase in the rate of dividend to be paid in the current year. This appeal it will be remembered was not confined to the declaration of dividends. It was part of an appeal to manufacturers and traders and to wage earners to assist in arresting inflation. Accordingly your directors undertook not to recommend an increase in the rate of dividend, a course which they believed the stockholders would approve.

DIVIDEND POLICY

In this connection I should like to refer to the policy of your directors in recommending dividends during the period of emergency through which the country has been passing since the outbreak of the war. At the outbreak of the war the uncertainty made it advisable to conserve the company's finances and the dividend was reduced from 10 per cent. to 8 per cent. From then onwards the need to conserve financial resources has remained, and has been accentuated by high taxation and inflation and the danger of still further inflation. For these reasons your directors, after very careful consideration especially in recent years, have concluded that the best interests of the company as a whole would be served by refraining from increasing the rate of dividend.

So far as your directors can judge this policy has met with the approval of the stockholders. It is true that from time to time one or two stockholders have written to me or to the secretary suggesting that the rate of dividend should be increased, and some of them have pointed out that the rate of dividend affects the market price of shares: but these expressions of opinion have been few and far between and the directors have believed, and still believe, that they have rightly interpreted the wishes of the large body of stockholders in shaping a dividend policy aimed at conserving the resources of the Company, which is an important factor in maintaining its manufacturing efficiency and the value of its assets and in addition has regard to general financial stability.

A year ago I gave details of the way in which the Company's gross income was disposed of and I now repeat this information.

	1947/48 Total Amount £	Equivalent Proportions per cent
Gross Income received	43,927,120	100
Amounts expended on:—		
Raw materials, fuel and services	25,963,662	59·2
Wages, salaries and state insurance	10,889,333	25·8
Holidays with pay	320,066	
Pensions for staff and workmen	140,000	
Rents, rates, insurance, stationery and general trade expenses	777,659	1·8
Delivery charges	1,813,570	4·1
Taxation	1,769,000	4·0
Dividends to stockholders	574,686	1·3
Retained in the business for depreciation of plant and machinery and other purposes	1,678,844	3·8
	£43,927,120	100·0

Number of employees ..... 32,056 Number of stockholders 26,750

In the previous year the trading of the collieries was included for half a year. In this year they no longer appear in our accounts. The consequences are that more is expended on raw materials because we have to buy more coal, and the wages bill is less because there are no coal miners' wages to pay.

There is a large increase in the amount of taxation and the equivalent percentage of taxation is approximately one-third higher.

THE BILL

Since I prepared this address the Iron and Steel Bill has been published and is now before Parliament. The Bill is to bring under public ownership the main producing undertakings in certain sections of the iron and steel industry. It differs in principle from previous nationalisation measures, which applied to a clearly defined class of enterprises. This nationalisation measure expropriates certain specified companies and firms engaged in all kinds of activities if at the same time they are engaged in the manufacture of iron and steel in quantities exceeding a specified datum output. Previous nationalisation schemes have applied to what may be called services.

The Iron and Steel Bill is the first nationalisation scheme designed to acquire what, so far as it can be defined, may be regarded as a single industry. It is also the first scheme which has for its object the expropriation of selected companies or firms. For these two reasons, if for no other, the Bill should be strenuously opposed

by all who are concerned to maintain industry in the hands of free enterprise and to defeat any attempt by the state to select and expropriate selected firms or companies.

If you have followed what I have said already you will see not only that the nationalisation of our Company would bring the state into competition with a great range of free enterprises, but that we are doing as much as the state itself could do in production and in modernisation and extension. You will see also that our conception of the relationship of employer and employee is essentially personal and inconsistent with the conception of state ownership.

Your directors are opposed to nationalisation and will assume that in this attitude they have the full support of all the stockholders. At the same time they would like to point out that if, as appears, the proposed nationalisation of our industry arises from political motives, the proprietors of the companies selected for expropriation can, and should, every one, assist in making their views known to the legislature and to the public in every way open to them.

The purpose of the Iron and Steel Bill is to acquire compulsorily the shares or stock of the companies named therein, of which The United Steel Companies Limited is one. This would mean that if the Bill were to become law, all the stock of this Company would pass to a proposed Iron and Steel Corporation of Great Britain which would thereby step into the shoes of the present stockholders. None of the Company's assets of any description would be saved and none can now be sold for the stockholders' benefit unless and until the Bill is rejected or withdrawn.

EFFECT ON STOCKHOLDERS

Shortly if it becomes law, the effect of the Bill on the stockholders of this Company, as such, would be:

(1) They would be compelled to transfer their stock to the Iron and Steel Corporation of Great Britain.

(2) The date of the transfer would be the 1st of May, 1950, or some later date which would not be more than eighteen months from the passing of the Bill into law.

(3) The compensation to be paid would be 22s. 10d. for each £1 preference stock and 30s. 4d. for each £1 ordinary stock.

(4) The compensation would not be paid in cash but in British Iron and Steel stock which would in effect be a Government stock like the transport and electricity stock carrying a similar rate of fixed interest, and until the forced sale takes place, or the Bill fails to pass, the stockholders may not declare a dividend exceeding 8 per cent.

The fixing of the rate of compensation by reference to stock exchange quotations on certain dates, repeats the method of fixing compensation in the case of transport and electricity. This is arbitrary and unfair. The stock exchange quotations are the records of prices paid to willing sellers of stock who from day to day wish for personal reasons to liquidate their holdings. The amount of stock which is sold in this way is relatively small and cannot be regarded as a fair measure of compensation for expropriated stockholders.

The fact that the British Iron and Steel Corporation might keep in being the companies they would acquire, may suggest at first sight that the Bill is not a nationalisation measure, but this is an illusion. Those who support the Socialist creed are carrying into effect the nationalisation of British industry, and if this Bill becomes law it is just another step along a road which may have no end. Those who hold the view that nationalisation is bad for British industry must oppose the Iron and Steel Bill.

EMPLOYEE SERVICES

We have always held the view that those responsible for the well-being of any industrial organisation must not confine themselves merely to ensuring that their employees are able to do their work under the best possible conditions. They have a wider obligation to see that the individual employee is encouraged to take his proper place in the life of the community of which he forms part.

After the insurance of safe working conditions, we believe that the efficiency of an industrial undertaking is the first and most important part of a sound plan for welfare. By no other means can the greatest human requirement, that of constant and purposeful employment, be satisfied. We, therefore, direct our resources first to the ancient and honourable task of trading successfully, for upon this alone depends the ability of the industry to support other benefits, however desirable they may be. Moreover, that which advances the well-being of the nation or the community is also that which provides for the greatest health and happiness of the individual. Just as the first call upon the nation today is to produce economically and abundantly so also must it be of each industrial unit.

ENCOURAGING THE BEST

It is not enough in modern civilised society to prop up its weakest and most helpless members, and such an aim by itself can only lead to deterioration of our strength and to disaster. We have also to encourage the best and most gifted men so as to make them of the greatest service to industry and thus to their fellow men.

This realist conception of welfare in no way detracts from the importance of good working conditions or of improved social standards. It does in fact bring us nearer to the achievement of these things. It brings the vast sea of social and industrial reform within limits that can be charted and it allows freer development for those schemes that are considered most necessary for the promotion of human happiness.

In following out this policy we have introduced improvements over a large number of years, and in such a way that they now form part of the background against which the company's manufacturing processes are carried on. They are an integral part of our organisation and not, as is sometimes the case, an imposed and artificial adjunct to the whole.

It is, therefore, necessary from time to time to detach these from their surroundings in order to review the position reached so that the progress made over the whole field of employee relationships is not obscured by the attention given to particular aspects at particular times.

CANTEENS

Starting with the more concrete amenities provided, we have at each works one or more fully equipped canteens which compare most favourably, both in design and quality of service, with those of other industrial concerns. Good quality meals can be enjoyed in these congenial and clean surroundings both during the day and during the night. A three-course dinner costs 1s. and a cup of tea 1d. The costs are, of course, subsidised by us, and similar facilities outside the works would cost three or four times as much as our workpeople pay. We subsidise still further the meals for juveniles and as far as possible we ensure that boys and girls have a good dinner whilst at work.

The management of the canteens varies from plant to plant in accordance with local requirements. In some cases the fully equipped buildings have been handed over to the employees, who run them themselves with clerical assistance from the company, in others they are run by the company, and yet others are run by contractors. In all cases, however, there exists a committee of employees who watch the interests of the canteen users and help us by their close knowledge of plant conditions to provide services of the type desired.

AMENITY BUILDINGS

Since the end of the war we have been rebuilding and extending our amenity buildings, in which locker accommodation, washing facilities, shower baths, clothes drying, etc., are provided. A certain amount of this work is necessary under the Factories Act, but the standards at which we are aiming are much higher than the bare legal requirements. The present stringency of building restrictions has so far prevented the completion of many of our schemes and progress in this work is somewhat uneven. We still have some of the old types of cabins in our works, often alongside a fine modern building for the same purpose. Eventually if our plans are not interrupted by circumstances over which we have no control we shall be equipped with buildings and services that cannot be surpassed in this type of works.

ARCHITECTURAL ENVIRONMENT

In the field of general architectural improvements we have also made satisfactory progress. Good roads and pathways are replacing the muddy or dusty tracks of the past. Roofing, heating and lighting are improving and attention is being given to cover over places where men have to stand, such as pay windows and bus stops. Lawns and gardens in the works have been laid out where practical. Colour schemes have been adopted in workshops. In this connection the new melting shop at Appleby-Frodingham is widely recognised as a fine example of modern industrial design. These things would have been considered entirely unnecessary and extravagant fifty or a hundred years ago, but we think differently today. We believe that improved environment can contribute to the well being of the people and we shall continue to experiment in this direction in order to mollify, if not finally to overcome, the inevitable dirt and ugliness of some parts of a steel plant.

CLUBS AND PLAYING FIELDS

At each of the works the company has provided and encouraged the formation of social clubs and recreational facilities. These are organised under their own elected committees, though the company takes a continuous interest in their activities. There are splendid playing fields and clubrooms in existence or planned at our main branches and these have proved great social assets to the districts in which they are situated.

ACCIDENT PREVENTION

Although for many years we have had our accident prevention committees, comprising representatives of management and workpeople who met monthly to discuss matters relating to safety, in 1941 it was felt that more positive action should be taken, and we added to our staff an industrial consultant to advise on reducing the risks in our works and the promotion of a planned system of accident prevention.

Propaganda was instituted with the object of getting our men to co-operate in the movement and at each of our main branches a man of the right type, combining tact with knowledge of the plant processes and personnel, was appointed to act as a full-time accident prevention officer. His duties comprise the investigation of all accidents with a view to preventing recurrence, inspection of the works to make suggestions for decreasing the risks, maintaining liaison with the Inspector of Factories and the Royal Society for the Prevention of Accidents to ensure that statutory and other requirements concerning safety are complied with in the best possible manner, and organising the distribution of necessary special clothing and equipment.

The result has been that whereas in the year 1942 there were 2,441 accidents, causing absence from work for at least one day this number has progressively decreased to 1,428 in 1947, the total personnel remaining practically constant. When it is remembered on the one hand that ours is a heavy industry, and on the other hand that many of these accidents are minor mishaps, such as foreign bodies in the eye, this reduction of about 40 per cent. is most gratifying.

MEDICAL SERVICES

At each of our main branches we have a full-time medical officer. His work is closely associated with safety and is preventive rather than merely curative.

He is responsible for the running of the medical department, where injuries and indispositions are treated by qualified nurses, of whom we have about 50. This prompt treatment tends to lessen the severity of accidents or illnesses. He also supervises the work of our voluntary ambulance brigades.

The medical officer gives special study to particular health risks arising from processes in the works and advises generally on all matters of hygiene and sanitation.

The examination of all new starters, youths and adults, before commencing work so as to grade them for the most appropriate class of employment is also one of his functions.

At one branch we have established a physiotherapy department where skilled treatment is given free, and this is so much appreciated by our employees that about 50 patients are dealt with each month. It is hoped to set up similar departments at the other branches in the near future.

PERSONAL SERVICES

One of our aims is to adjust the individual to his work and his environment. Various procedures are used for selection, training, elimination of fatigue, removal of hazards, frictions and personal anxieties and for the improvement of working conditions of all kinds, but these would be insufficient without some provision for a personal approach to individual problems

Welfare departments are organised to represent the difficulties of workers to the management and to give assistance and advice where necessary. They deal with every type of individual and group problem that affects the workmen's health, happiness and efficiency. There can be no hard and fast rules to govern such work, since every case presents a different problem and requires separate treatment. This personal service can only be judged by its quality and would never receive any serious recognition from an impersonal bureaucratic control. Nevertheless, there are many in our organisation who have benefited by it and there are many of those, least able to express themselves, who would bear testimony to the help we are able to afford them through these channels.

PENSIONS

In 1935 the company instituted contributory pension schemes for all staff and employees and at the same time made provision for the older employees who, owing to the date of their retirement, were unable to acquire adequate contributory pensions. By this scheme the company bears a very large part of the cost and, in addition, provides free life insurance cover for all contributors. Our expenditure last year in this respect was approximately £140,000.

We are glad to state that the introduction of the National Insurance Act has not produced a shortsighted desire to withdraw from the scheme and those employed on a permanent basis are all covered in this way.

EDUCATION AND TRAINING

Before the 1944 Education Act was placed on the Statute Book we had established the practice of releasing from work for part-time education many of our young employees, on the basis of one day a week for attendance at technical college or day continuation school. Our steadfast aim is to make the conditions of employment of all young people in our works such as to be of training value to them and complementary to the technical and general education which the local technical colleges and day continuation schools associated with our works respectively provide. In this way the young employees' whole industrial experience can be of practical educational value, and in this connection we welcome therefore the Employment and Training Act recently passed by Parliament, which seeks to encourage the establishment throughout industry of such conditions of employment for all young people. To carry out the provisions of our education and training policy and to ensure a sympathetic supervision of all our young employees, education officers with assistant staff have been appointed at all our main works and general supervision is maintained by a Chief Education Officer for the company as a whole.

The training arrangements include not only provision for craft and technical apprentices and the young operatives, but for student and graduate apprentices and training courses for foremen and junior executive staff.

Scholarships are awarded to exceptional apprentices to enable them to take full time university courses and nine young men are at present benefiting by such awards from the company. Furthermore, in addition, fifteen other young men employed by the company are at present studying full time at universities, having won scholarships awarded by education authorities on the results of their technical college examinations. Other forms of reward include sending selected boys to attend courses at the Outward Bound Sea School and other similar centres for training in self-reliance and enterprise. Indeed, the fostering of enterprise and self-reliance, in addition to technical efficiency, may be said to be the central aim of our educational policy.

JOINT CONSULTATION

In this much discussed sphere of joint consultation we have long recognised the necessity and the value of discussion with our workpeople of all aspects of industrial life. There is today a great deal of misconception in the public mind of the meaning of this hackneyed phrase, joint consultation. It is not something that can be called into being by Act of Parliament or even by the Board of the Company which has an intimate knowledge of the industry. It is a form of social structure that has to grow naturally from the works community itself.

The formal joint consultative scheme was started in this organisation in 1928 and we are not at all dispirited by the progress which has been made in this important and difficult art of management. We are, however, continually seeking new methods to encourage its development and to make it a more integral part of the managerial system. One of the greatest problems we have to overcome is that of breaking down out of date suspicions and of conveying true information to the workpeople.

In all this we have received valuable help from the Trade Union officials and if the Unions will approach the matter with more singleness of purpose we may look for a steady advancement in this direction. There is any amount of goodwill on both sides in this industry and every day our common purpose emerges more and more clearly. We must always remember, however, that short of training him to be a fully qualified technician, the average workman is not competent to advise management on many aspects of the industry. Where his experience and training do so qualify him, his advice is always acceptable.

WORKS MAGAZINES

We are continually striving by different procedures to supply to all those in the industry current and accurate information about our work and our plans. Each of our branches has its own periodical which publishes information of works interest at regular intervals. By this means we are able to show achievements in production, target requirements, as well as trade reports, schemes for development and other matters affecting the lives of the people. Employees are encouraged to contribute articles and a number of stimulating controversies on works affairs have appeared during the past year.

SUGGESTIONS

Suggestions are at all times welcomed. We have formal schemes for their encouragement and reward which are administered by joint committees. Many useful ideas have come forward in this way and through the normal daily contacts between management and men. We wish for more of this sort of co-operation but it must be stressed that the process cannot be hurried. We have to build up attitudes of confidence and to educate opinion before a full state of co-operation can be achieved.

LABOUR TURNOVER

Investigations have been made into the percentage turnover of the company's labour force. The results give some indication of the stability of employment with our company and are thought to be a pointer to the effectiveness of its welfare policy and to its standard of management in general.

Over the year ending in June, 1948, the number of employees leaving the four main branches was 3,464, of which 2,498 were men, the remainder women and juveniles. This figure of 2,498 men included 1,020 who for one reason or another stayed with us for less than one year. The remainder, 1,478, who left after more than one year of employment represent 7.9 per cent. of the adult male labour force. We believe that this figure which includes those who left because of death, disablement or retirement represents a considerable degree of stability amongst our employees.

It is thought that many of those who left did so for reasons which would not obtain if circumstances were normal: some of them were brought to leave by housing difficulties, others were temporary employees engaged on new work. These tend to inflate the annual leaving rates and it seems probable that under more settled civil conditions these rates would be appreciably lower than they are at present. Even as they stand they are satisfactorily low, but every aspect of the question is being carefully studied to discover methods by which they can be diminished.

It is only possible to indicate here some of the main headings under which our employee services operate. There are, of course, many others in existence or being planned and there is an inter-relationship between them all and the work of production.

We want to make it clear that we are continually advancing in this difficult work of improving industrial life and of achieving human satisfactions. There is no royal road to success. Only patient and painstaking effort will bring about the results that we all desire.

The report was adopted.

KEYSTONE KNITTING MILLS (1928), LIMITED

CONTINUED INCREASE IN SALES

The twentieth ordinary general meeting of the Keystone Knitting Mills (1928), Limited, was held, on the 17th instant, at Elstree.

Mr H. N. Lewis, chairman and managing director, in the course of his speech, said: It is with much pleasure that I can report to you today a continuance of the good progress to which I referred last year. Sales for the year have increased by over 30 per cent. on the preceding year's total. This considerable increase has been brought about despite the continued difficulties under which we are operating.

The raw materials necessary for our commodities are still controlled and our output is limited by the quantity made available to us. Our allocations of pure silk yarn (of which 50 per cent. has to be exported) have made it possible for us to revert to some of the types of hosiery in which we specialised in the prewar periods. Our nylon hosiery production is increasing, but at the present time all of it is being exported. We hope, however, that next year we will be in a position to offer some nylon stockings to our home trade customers.

During the year the labour position has materially improved and it has become possible for us to increase the company's labour force to deal with increased production.

In spite of the difficulty of obtaining new plant, your directors have faced the problem of modernising certain portions of the company's plant, and a small portion of the items ordered were delivered before June 30, 1948. Many more items have been delivered subsequent to that date and, in fact, the capital commitments for plant ordered and not delivered at June for about £50,000, represented plant which has now been delivered and paid for.

Keystone products, both in the hosiery and the lingerie ranges, continue to enjoy the great popularity which they deserve. In fact, the increasing demand is a sure sign of this, and this demand is still far in excess of the quantity we are permitted to manufacture.

PROFIT AND DISTRIBUTION

The profit on trading amounted to £131,394. The net profit for the year is £25,211, which compares with £6,157; for comparative purposes, however, a figure of £15,867 should be taken, for in arriving at the former figure the taxation charge brought in was greater than the amount due on the year's profit

Funding Certificate interest has been paid for the six months to June 30th last, and a dividend of 2½ per cent., less income tax, has also been paid to the preferred ordinary shareholders for this same period. The further dividends which are proposed are 2½ per cent. to the deferred ordinary shareholders, and then a further 2.06875 per cent. to the preferred ordinary shareholders and 7½ per cent. to the deferred ordinary shareholders.

The balance sheet at June 30, 1948, discloses an extremely satisfactory position. It will be observed that the fixed assets stand in the company's books at £136,321, but that the total original cost was no less than £312,704, the total amounts written off being £176,383.

I can inform you that sales have continued their upward tendency and that the total for the period subsequent to June 30th last shows a substantial increase on the figures for the same period in the previous year. While one is always very diffident in making prophecies, and the present unsettled state of the world makes one even more reluctant to do so, I am confident that in the present year the results which were achieved during the year to June, 1948, will be maintained.

The report was adopted.

NOURSE MINES, LIMITED

(Incorporated in the Union of South Africa)

AMALGAMATION WITH CITY DEEP

EXPECTED BENEFITS

MR P. H. ANDERSON'S SPEECH

The annual general meeting of Nourse Mines, Limited, was held in Johannesburg, on the 12th instant.

Mr P. H. Anderson, the chairman, who presided, said that the shortage of both European and native labour, which the company had experienced during the past few years, continued throughout last year. As a result, development operations had to be restricted still further and ore milled at 846,000 tons had been only 7,000 tons higher than that of the previous year, when operations had been seriously curtailed by a strike of European miners.

THE PROFIT

Total profit was £57,881. That amount, together with the balance of £181,145 unappropriated at the beginning of the year and £700 withdrawn from shareholders' contingency reserve, had given a total of £239,728, which had been dealt with as follows: Net expenditure on capital account, £10,119; provisions in respect of silicosis outstanding liabilities, £11,445; and provision for taxation, £1,581. There had been a refund of forfeited dividends of £682 and dividends had absorbed £58,775, leaving to be carried forward an unappropriated balance of £157,126.

Shareholders would have noticed that some alterations had been made in the form in which the annual accounts were presented. That had been done with the object of giving shareholders a more easily comprehensible picture of the company's financial position. In order to facilitate comparison, figures relating to the previous year were shown in the left-hand margin of the accounts. More detailed information was given regarding creditors and reserves, abnormal costs reserve (previously known as renewals and replacements reserve), creditors and provisions and shareholders' contingency reserve now being shown under three separate headings.

DEVELOPMENT LIMITED

Development operations had been limited by an inadequate labour force. Total footage accomplished at 19,374 had been 1,704 feet less than the figure for the previous year and had been insufficient to maintain the ore reserve. Of that footage, 12,120 feet had been sampled and 6,220 had exposed payable values. Good values had continued to be disclosed on the Main Reef Leader in the lower levels of the mine. Drilling to test the South Reef had been continued on levels 47 to 51 but the results had been disappointing, with occasional exposures of payable reef at irregular intervals. Prospects of some payable tonnage on the main reef in the area to the west of 3 D incline had been disclosed by drilling on levels 48 to 51. On the pyritic quartzite zone in the upper portion of the mine disclosures had continued to be patchy, but satisfactory values had been disclosed in certain areas and a small amount of stoping had taken place on that horizon.

The construction of the main pumping station of the 48th level and the sinking of No. 3 D incline had also been held up by the shortage of labour. However, the pumping station was now practically completed and work on the incline had been resumed in April after a stoppage of six months. During the year, the shaft had been sunk 212 feet to within 39 feet of the 53rd level and at the end of June it had reached a depth of 4,255 feet below the collar. Since the close of the year, a further 115 feet had been sunk and work had commenced on the cutting of 53 level station.

ORE RESERVE

Payable ore developed during the year had amounted to 338,000 tons, averaging 4.4 dwt. per ton, which was 195,900 less in tonnage and 1.1 dwt. less in value than that opened up during the previous year. At June 30, 1948, the available ore reserve had been estimated to be 2,269,000 tons averaging 4.7 dwt. over a width of 46 inches.

Compared with the previous year, the available ore reserve had decreased by 120,600 tons and the average value by 0.2 dwt. per ton, while the width had remained unaltered. It was encouraging that ore developed on the Main Reef Leader during the year in the lower levels at 3 D incline had continued to be above the average value of the total ore reserve.

A TAXATION CHANGE

In his budget statement in August, the Minister of Finance had announced certain changes in gold mining taxation. With effect from January 1, 1948, the Formula Tax, which was based on a ratio of profit to recovery, had been reduced and the redemption allowance in respect of capital expenditure had been increased from 22½ per cent. of 27½ per cent. of the unredeemed balance at the end of each year. Those changes had no effect on the tax liability of the company in respect of the year under review, as the ratio to recovery had been less than 6 per cent.

The review that he had just given shareholders of the company's operations, and information given in recent years, indicated in respect of the company's mine serious consequences of progressive deterioration of the economic position of the gold mining industry of the Witwatersrand. The Nourse Mines mill was now operating at only 79 per cent. of its capacity. During the past seven years, working costs had increased by 5s. 7d. per ton and profits had decreased by 7s. 1d. to 1s. 4d. per ton milled. Consequently, dividends had been reduced by two-thirds and had totalled £58,775 in respect of the year ended June 30, 1948. In addition, net earnings for the past financial year had contributed only £34,755 to that dividend distribution, the remaining £24,020 representing a further reduction in the unappropriated balance.

BENEFITS OF AMALGAMATION

After a careful consideration of the position at the mine and on the recommendation of the company's technical advisers, the board had decided to enter into a provisional agreement with the board of City Deep Limited, whereby Nourse Mines and City Deep properties would amalgamate. On September 17, 1948, circulars had been issued to shareholders of both companies, setting out the position very fully and detailing the proposed terms of amalgamation.

Generally speaking, the shortages of labour and materials and the steady increase in working costs had resulted in both mines milling very much below capacity and at very reduced margins of profit. It was confidently expected that by amalgamating the two companies it would be possible to use the available labour force to better advantage, to achieve certain savings in overhead costs and to win gold more economically, particularly from the deep levels of Nourse Mines. Profits which would be earned by the amalgamated company would therefore be greater than the combined profits that could be earned by the two mines working separately.

The proposed terms of amalgamation provided that the company would receive for its undertaking 391,832 shares in City Deep, Limited, and, if after handing over possession of its business shareholders decided to place the company in voluntary liquidation, Nourse Mines' shareholders would be enabled to receive one City Deep share for every two Nourse Mines shares. That would give shareholders an opportunity to participate on a favourable basis in the increased profits which it was expected would be derived from the amalgamated property and, in addition, give them an interest in a mine having a very much longer life.

The directors, therefore, had no hesitation in recommending the acceptance of the proposals which would be submitted for approval at today's extraordinary general meeting.

A report of the proceedings at the meeting would be published in the press and copies could be obtained on application to the secretaries in Johannesburg or in London.

The report and accounts were adopted.

EXTRAORDINARY GENERAL MEETING

At the conclusion of the annual general meeting, an extraordinary general meeting was held during which the resolution was passed ratifying the provisional agreement entered into by the directors of the company and City Deep with reference to the amalgamation of the two companies as set out in the notice to shareholders dated September 17, 1948.

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

(Incorporated in the Union of South Africa)

PROGRESS DESPITE DELAYS

NET PROFIT EXCEEDS £2,486,000

MR W. M. FRAMES'S ADDRESS

The annual general meeting of the Blyvooruitzicht Gold Mining Company, Limited, was held in Johannesburg on the 12th instant.

Mr W. M. Frames, the chairman, who presided, said that operations during the year had been seriously handicapped by delays in delivery of plant and equipment and by shortages of essential materials and of European and native labour. Nevertheless, in so far as conditions had permitted, satisfactory progress had been made in equipping the mine and in expanding the scale of operations. Net profit amounted to £2,486,519. Dividends had absorbed £1,423,750, provision for taxation had amounted to £873,416, provision for mineral lease consideration had accounted for £174,524, and amounts set aside in respect of silicosis outstanding liabilities had totalled £3,974.

Shareholders would notice that the form of the company's accounts had been altered to show as separate amounts two items which in previous balance sheets had been grouped under a general heading. Those items were creditors and provisions and abnormal costs reserve (formerly shown as renewals and replacements reserve). In addition, comparative figures for the previous year were shown in the margins of the accounts.

INCREASE OF CAPITAL

At the extraordinary general meeting held in January last, the company's authorised capital had been increased to £3,300,000 and to finance the company's capital requirements a share issue had been made in March, the proceeds of which had amounted to £4,575,000. Issued capital now stood at £3,000,000. Expenditure charged to capital account during the year had amounted to £975,426.

Major items had been in connection with additional housing accommodation for European employees, sinking and equipping No. 3 circular shaft, hoisting equipment, a native hospital and compound and extensions to increase the milling capacity of the reduction plant. The balance of working capital on hand at June 30, 1948, had been £4,215,295, and it was estimated that capital expenditure during the current financial year would amount to £1,164,000. It would be incurred principally in respect of housing for Europeans, extensions to reduction works, workshops and equipment, pump chambers and equipment, power supply and distribution and the installation of winding equipment.

DEVELOPMENT FIGURES

Development accomplished during the year had totalled 31,943 feet, which represented an increase of 4,971 feet compared with the previous year's figure. Of the total footage developed, 12,577 feet had been in country rock, and vertical and incline shaft sinking had accounted for 2,122 feet. Footage sampled on the carbon leader had amounted to 13,850 feet, all of which had been classed as payable, the average value being 60.3 dwt. per ton over a channel width of eleven inches; equal to 663 inch-dwt. In the area to the west of the slightly lower grade zone between Nos. 1 and 2 shafts improved values had been maintained. Further west in the immediate vicinity of No. 2 shaft, the average value of 3,455 feet of reef development had been 497 inch-dwt.

Payable ore developed during the year had totalled 818,700 tons of an average value of 10.8 dwt. per ton, which was an increase of 188,700 in tonnage and 0.9 dwt. in value when compared with the previous year's figures.

ORE RESERVE

The available ore reserve as re-estimated at June 30, 1948, had been 6,043,000 tons, averaging 13.8 dwt. per ton over a stoping width of 45 inches. That represented an increase of 190,000 tons on last year's figure. The assumed stoping width remained unchanged, but the average value was lower by 0.4 dwt. Developments and stoping operations had been retarded by an increase in the number of water-bearing fissures which it had been necessary to seal off by cementation.

No. 3 circular shaft which was to serve as the main ventilation upcast for mine workings had been sunk to a depth of 3,949 feet below the collar by the end of June, 1948. Since that date, the shaft had been sunk to its final depth of 3,984 feet and connected with No. 1 level. It had been stripped and the headgear was being dismantled. When that work had been completed, the main fans would be installed and the shaft would be brought into commission.

REDUCTION PLANT

Extensions to the reduction plant to enable it to handle 80,000 tons per month had been completed and the number of stope faces available for current production would permit the mine to build up to that tonnage when an eight-ton winder at No. 1 shaft had been installed. Despite every effort to expedite delivery from overseas, the company still awaited certain essential items required to complete the installation of that winder, which had been ordered early in 1945 for delivery in January, 1946. The non-delivery of that ancillary equipment for the hoist was a serious handicap to the company, as until that winder was actually in operation there could be no material increase in tonnage milled since the existing hoisting facilities at the shafts were already working to capacity.

Work had commenced on an extension of the reduction plant to a capacity of 120,000 tons per month, but shareholders should bear in mind that some years must elapse before it would be possible to attain that output as it would first be necessary to sink and equip sub-vertical and sub-incline shafts and to carry out a large development programme; to install additional hoisting equipment at No. 2 shaft: and to provide more accommodation for Europeans and natives.

TAXATION BENEFIT

In August, 1948, the Minister of Finance had announced certain proposals relating to gold mining taxation which provided for a reduction of 4.76 per cent. in the Formula Tax with effect from January 1, 1948, and also for an increase in the redemption allowance in respect of capital expenditure from 22½ per cent. to 27½ per cent. of the unredeemed balance at the end of each year. The company would thus benefit to the extent of £65,948 for income tax and £14,365 for lease consideration in respect of the half-year ended June 30, 1948.

Those concessions were welcome but once again he must draw the shareholders' attention to the fact that although the increased redemption allowance would result for a period in lower tax payments by the company, the time must be reached eventually when capital expenditure would to a large extent be redeemed and liabilities for lease consideration and taxation would then be greater.

DEEP BOREHOLES

During the year, work had been commenced on two deep boreholes—B.2 and B.3 — which were being drilled on joint account by Western Ultra Deep Levels Limited in order to test the reef some 2,800 feet to the south of the southern boundary of the company's property.

Borehole B.2 had intersected the Ventersdorp contact reef at 5,479 feet, assaying 7.57 dwt. over a borehole width of 46 inches, equivalent to 348.22 inch dwt. Provided the present rate of progress in drilling was maintained, the boreholes should intersect the carbon leader very shortly between 8,600 feet and 9,000 feet below the surface.

During the first three months of the current financial year, total working profit had amounted to £695,473. Development footage had been 8,448, and 4,540 feet had been sampled, all of which had been classed as payable, averaging 49.8 dwt. over a channel width of eleven inches.

A report of the proceedings at the meeting would be published in the Press and copies could be obtained by shareholders on application to the Head Office in Johannesburg or to the London Secretaries.

The report and accounts were adopted.

EXTRAORDINARY GENERAL MEETING

At the conclusion of the ordinary general meeting, an extraordinary general meeting was held, which passed a resolution subdividing the company's existing shares of 10s. each into shares of 2s. 6d. each, as set out in the notice to shareholders dated September 24, 1948.

NEEPSEND STEEL AND TOOL

MR S. C. GOODWIN'S REVIEW

Mr S. C. Goodwin, J.P. (chairman), presided at the twenty-eighth annual general meeting of the Neepsend Steel and Tool Corporation, Limited, held on the 16th instant at the registered office, Neepsend, Sheffield. In his review he stated the results achieved showed an improvement over those of the previous year. Surplus and reserves of the parent company totalled £461,255, compared with £429,876 the previous year. Current assets totalled £774,231, against current liabilities and provisions £378,109, an excess of current assets of almost £400,000, thus placing the company in a very satisfactory position.

Net revenue from dividends, interest, etc., after deduction of taxation, amounted to £111,855, the figure being very similar to that of the previous year. The consolidated surplus and reserves amounted to £922,427, compared with £769,485. Current assets of the whole group amounted to £1,498,776 against current liabilities and provisions of £565,728 showing an assets excess of £933,048. It would be seen that the Neepsend group of companies was in a very sound position financially.

The consolidated profit and loss account showed trading profits before taxation, £459,430, against £314,724 in the previous year. The burden of taxation had also increased to £235,498, from £148,651 in the previous year. After providing for transfers to reserve and for the proposed dividends and bonus the carry forward was £396,703, against £264,434 brought forward.

Their factories had worked at full pressure throughout last year and the prospects for the present year were satisfactory. Shortage of trainees to replace older skilled workmen caused grave alarm for the future of their industry

The report was adopted.

JOHN I. THORNYCROFT AND COMPANY, LIMITED

SHIPBUILDING COSTS

The forty-seventh annual general meeting of John I. Thornycroft and Company, Limited, was held, on the 17th instant, in London.

Sir John E. Thornycroft, K.B.E., (Governing director and chairman) in the course of his speech, said: The overhead costs imposed by national legislation and the trade demarcation regulations and restrictions imposed on the use of labour-saving equipment, continues to increase costs of shipbuilding and repairing. Unless this is quickly appreciated by our shipyard workers, it will be found that British shipowners will be looking abroad for their new ships and maintenance, and foreign owners will not place contracts in this country.

To combine intermittent repair work with new construction successfully necessitates a new outlook from the trade unions and the different trades within the same union. The apprenticeship of the members of the boilermakers' union covers training in all branches of their trade, and if they were freely available for transfer, there would not be the anomalous position which arises when platers, riveters, and caulkers may be surplus, and welders not available. This would contribute materially to the efficiency of the yard, and great benefits would accrue, not only to the men but also to the company and the nation in enabling work to be done more quickly with an overall limited labour force. I most strongly urge that there should be a general overhaul of all the prewar demarcation regulations and restrictive practices.

The report was adopted and at a subsequent extraordinary general meeting a resolution was passed increasing the authorised capital of the company to £1,050,000 by the creation of 300,000 new ordinary shares of £1 each.

DEBENHAMS LIMITED

SIR FREDERICK RICHMOND'S STATEMENT

The annual general meeting of Debenhams Limited will be held, on the 9th proximo, at the Wigmore Hall, London.

The following are extracts from the statement of the chairman (Sir Frederick Richmond, Bt.) circulated with the report and accounts:—

The balance of the profit and loss account for the year amounts to £1,309,331, and after deducting debenture interest, trustees' fees and directors' fees the net figure is £1,228,776. This compares with £1,285,953 last year, a decrease of £57,177.

After adding £357,999, the amount brought forward from last year, there is available £1,586,775, which, after payment of the preference dividends, the interim dividend of 4d on the ordinary shares paid in May and the proposed final dividend of 11d. on the ordinary shares, amounting in all to £555,200, leaves £1,034,575. From this sum £434,870 has been provided for current taxation, £180,000 reserved for future taxation, a total of £614,870, and the usual allocation of £50,000 to reserve fund, leaving £369,705 to be carried forward, an increase of £11,706 over the amount brought in.

It will be noted that we have shown all dividends net, that is after deduction of income tax, which, of course, has entailed making a corresponding adjustment in the provision for taxation.

In view of the expressed wish of the Chancellor of the Exchequer that dividends should not exceed the amount distributed last year, I have very little doubt that the maintenance of our dividend at 1s. 3d. per share is in accordance with general expectation.

BURDEN OF TAXATION

Taxation, as usual, has taken a heavy toll of our profits. You will observe that the sum of £614,870 provided is shown in compliance with the Companies Act as £434,870 for current taxation and £180,000 for future taxation. Current taxation, again, is divided into two categories, income tax (£163,870) and profits tax (£271,000)

With regard to the profits tax (formerly known as N.D.C.), I think a few words of comment are called for. This tax, originally 5 per cent. on company profits, was raised in April last year to 12½ per cent. on distributed profits, the rate on undistributed profits remaining at 5 per cent. In the autumn Budget these rates were doubled, viz., to 25 per cent. and 10 per cent. respectively, and, moreover, the increase was made retrospective to January 1, 1947. After allowing for the fact that the tax is deductible from profits in the computation of income tax, the two taxes together are equivalent to 11s. 9d. in the £ on distributed profits and 10s. 1d. on undistributed.

As preference dividends are not allowed to be deducted from the company's profits in calculating income tax, the whole burden of the profits tax falls upon the ordinary shareholder. This appears to me to offend against one of the cardinal principles of taxation, equality of sacrifice. It is hardly necessary to point out that it operates with peculiar hardship in the case of our company with its highly geared capitalisation and owning, as it does, the equity shares in a large number of subsidiaries, most of which have their own preference shareholders.

The main influences affecting our trading activities during the period under review have been very much the same as in the preceding year. Like other distributing businesses, we have again experienced a further expansion in turnover; indeed, had it been otherwise it is safe to say that our results would have been much less satisfactory than they are, because the profit margins imposed by the Board of Trade have been lower and expenses have continued to rise appreciably in nearly every direction.

CONFUSION CAUSED BY PURCHASE TAX

I have just referred to the purchase tax and feel I must point out that a considerable amount of confusion and loss is caused when alterations are made in the rates of this tax. As you know, the retailer has to pay tax when he purchases the goods and he is not allowed to make any profit on that particular item. Nevertheless, if the tax is reduced or if and when the time comes for its repeal, he stands to make a serious loss on his tax-paid stocks. At present there is no way open to him of recovering the tax he has paid, and the uncertainty with regard to it is a constant source of anxiety. His position is rendered still worse when, as in the past year, we have had two National Budgets involving two sets of changes in the rates of purchase tax.

The subsidiary businesses in the provinces and suburbs again record substantial increases in their turnover, the trading year in their cases ending round about January 31, 1948. As was to be expected, the increase is most noticeable in the more popular-price businesses. As I have frequently pointed out, diversification of our interests is always a source of stability and strength to our organisation, and while our high-class businesses have felt the impact of the low profit margins and the price ceilings imposed by the various Control Orders, those specialising in popular-priced goods have been able to trade successfully at very low rates of profit.

The upward movement of expenses to which I called attention last year has, I regret to say, shown no sign of slackening. This, I understand, is a feature common to all competing businesses and constitutes one of our most difficult problems. I am afraid any improvement next year must be entirely dependent on an increase in the volume of business.

WHOLESALE BUSINESS

Our wholesale business, catering as it does mainly for the top end of the trade, has been affected substantially by the same influences as the higher-class retail. In view of the uncertainty with regard to purchase tax changes, the tendency of retail houses has been to restrict their commitments, which has not helped to lessen the difficulties of this particular section. In all the circumstances I feel that we have no reason to be dissatisfied with the results.

Our shipments abroad, I am pleased to say, again show a fair increase over the previous year.

THE FUTURE

At our annual meetings I have always endeavoured to indicate in general terms what I considered to be the prospects for the following year. Today the international and internal conditions are so unprecedented and the future so unpredictable that any forecast I might venture to make must be of little value. I can, however, tell you that the volume of trade for the current year to date is well in excess of last year, but price margins are so low and expenses so difficult to control that it would not be prudent to conclude that the continued increase in sales will be reflected, as it normally would, in increased profit. I would also point out that as heretofore the profits made by the subsidiary companies for the first half of their financial year have not been included in the holding company's profits.

Statistical Summary

GOVERNMENT RETURNS

For the week ended November 13, 1948, total ordinary revenue was £48,128,000, against ordinary expenditure of £31,553,000 and issues to sinking funds £60,000. Thus, including sinking fund allocations of £10,573,000, the surplus accrued since April 1st is £288,682,272 against £247,256,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948–49	Receipts into the Exchequer (£ thousand) April 1 to Nov. 15, 1947	April 1 to Nov 13, 1948	Week ended Nov. 15, 1947	Week ended Nov. 13, 1948
ORDINARY REVENUE					
Income Tax	1309150	443,915	461,471	5,208	5,138
Sur-tax	90,000	22,405	28,556	500	400
Estate, etc., Duties	160,000	102,449	107,400	2,750	2,500
Stamps	55,000	31,630	34,313	1,250	800
Profits Tax / E.P.T.	250,000	23 070	101 431	500	7,249
		163,909	64,400	4,600	200
Other Inland Rev.	1,000	120	105	5	...
Special Contributn.	50,000	...	20,900	...	1,250
Total Inland Rev.	1915150	787,498	818,576	14,813	17,537
Customs	820,600	498,213	510,416	17,717	18,921
Excise	726,550	382,200	476,800	6,800	10,300
Total Customs & Excise	1547150	880,413	987,216	24,517	29,221
Motor Duties	50,000	13,053	12,053	142	169
Surplus War Stores	102,000	126,835	70,138	958	2
Surplus Receipts from Trading	57,000	30,175	826	...	...
P.O. (Net Receipts)	...	4,330	...	1,750	...
Wireless Licences	11,000	5,170	5,360	...	...
Crown Lands	1,000	650	590	...	...
Receipts from Sundry Loans	14,000	18,863	10,596	2	273
Miscell. Receipts	68,000	188,724	94,008	289	926
Total Ord. Rev.	3765300	2055710	1999356	42,470	48,128
SELF-BALANCING					
Post Office	150,200	84,050	93,830	1,850	4,150
Income Tax on E.P.T. Refunds	16,000	14,676	4,950	327	221
Total	3931500	2154436	2098136	44,647	52,499

Expenditure	Estimate, 1948–49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Nov. 15, 1947	April 1 to Nov. 13, 1948	Week ended Nov. 15, 1947	Week ended Nov. 13, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	318,776	304,141	283	403
Payments to N. Ireland	26,000	13,110	13,991	...	...
Other Cons. Fund Services	8,000	3,856	3,798	95	...
Total	534,000	335,742	321,929	378	403
Supply Services	2442657	1462811	1378172	38,000	31,150
Total Ord. Expd.	2976657	1798553	1700101	38,378	31,553
Sinking Funds	...	...	10,573	...	60
SELF-BALANCING					
Post Office	150,200	84,050	93,830	1,850	4,150
Income Tax on E.P.T. Refunds	16,000	14,676	4,950	327	221
Total	3142857	1897279	1809454	40,555	35,984

After decreasing Exchequer balances by £77,270 to £3,114,460, the other operations for the week decreased the gross National Debt by £25,182,209 to £25,680 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	12
Housing (Temp. Accommodation) Act, 1944, sec. 8(3)	3,451
Cotton (Centralised Buying) Act, 1947, sec. 21(3)	4,500
Under Art. 4(6) Economic Co-operation Agreement	16,100
	24,063

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Acts, 1946 and 1948	425
E.P.T. Refund	270
Overseas Trade Guarantees Act, 1939, sec. 4(1)	248
Local Authorities Loans Act, 1945, sec. 3(1)	4,150
New Towns Act, 1946, sec. 12(3)	60
Cotton (Centralised Buying) Act, 1947, sec. 21(1)	8,000
War Damage: War Damage Commission	2,000
Finance Acts, 1946 and 1947, Post-war Credits	320
	15,473

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	7,674	Nat. Savings Certs.	400
2½% Def. Bonds	145	3% Def. Bonds	525
		Tax Reserve Certs.	1,551
		Other Debt:—	
		Internal	10,931
		External	2,604
		Ways & Means Advances	990
		Treasury Deposits.	16,000
	7,819		33,001

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Nov. 15	2250·0	2527·5	346·7	13·5	1292·5	6430·2
1948						
July 31	2210·0	2620·3	301·2	...	1429·5	6561·0
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5
„ 14	2210·0	2355·6	287·0	...	1429·5	6282·0
„ 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
„ 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
„ 11	2210·0	2378·7	297·0	2·0	1460·5	6348·2
„ 18	2210·0	2399·7	300·5	18·8	1460·5	6389·4
„ 30	4637·3		256·5	...	1449·5	6343·3
Oct. 9	2220·0	2415·3	274·7	8·0	1452·0	6370·0
„ 16	2240·0	2446·7	277·5	5·5	1425·5	6395·3
„ 23	2250·0	2446·3	282·1	0·5	1438·0	6416·9
„ 30	2250·0	2424·6	278·5	...	1435·0	6388·1
Nov. 6	2250·0	2394·8	284·7	...	1435·0	6364·5
„ 13	2250·0	2402·5	278·0	5·8	1419·0	6355·2

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Nov. 14	170·0	270·1	170·0	10 1·85	53
1948					
Aug. 6	170·0	288·1	170·0	10 1·50	44
„ 13	170·0	269·1	170·0	10 1·91	53
„ 20	170·0	272·7	170·0	10 1·87	52
„ 27	170·0	268·1	170·0	10 3·05	53
Sept. 3	170·0	295·8	170·0	10 2·43	41
„ 10	170·0	284·6	170·0	10 2·84	48
„ 17	170·0	263·8	170·0	10 3·31	56
„ 24	170·0	273·5	170·0	10 3·14	52
Oct. 1	180·0	277·5	180·0	10 1·72	54
„ 8	190·0	269·2	190·0	10 1·90	62
„ 15	180·0	269·4	180·0	10 2·09	59
„ 22	170·0	285·2	170·0	10 1·57	48
„ 29	170·0	291·1	170·0	10 1·46	43
Nov. 5	170·0	291·9	170·0	10 1·58	44
„ 12	170·0	272·9	170·0	10 1·97	53

On November 12th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 53 per cent of the amount applied for at £99 17s. 8d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for November 19th. For the week ended November 20th the Banks will be asked for Treasury deposits to the amount of £70 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended Nov. 8, 1947	Week Ended Nov. 6, 1948	Totals, Apr. 1 to Nov. 6, 1948
Savings Certificates:—			
Receipts	3,500	2,100	68,700
Repayments	2,350	2,800	78,750
Net Savings	1,150	*Dr 700*	*Dr10,050*
Defence Bonds:—			
Receipts	1,005	840	24,255
Repayments	905	967	28,611
Net Savings	100	*Dr 127*	*Dr 4,356*
P.O. and Trustee Savings Banks:—			
Receipts	14,287	13,062	378,326
Repayments	11,757	10,168	372,616
Net Savings	2,530	2,894	5,710
Total Net Savings	3,780	2,067	*Dr 8,696*
Interest on certificates repaid	423	504	14,081
Interest accrued on savings remaining invested	2,235	2,332	72,482

BANK OF ENGLAND RETURNS

NOVEMBER 17, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1233,950,482	Other Govt. Securities	1288,166,220
In Bankg. Department	66,297,351	Other Secs.	808,517
		Coin (other than gold)	10,163
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	331,038,941
Rest	3,360,709	Other Secs.:—	51,498,669
Public Deps.:—	28,688,620	*Discounts and*	
*Public Accts.**	*15,254,358*	*Advances*	*26,862,471*
H.M. Treas.		*Securities*	*24,636.198*
Special Acct.	*12,834,262*		
		Notes	66,297,351
Other Deps.:—	405,870,971	Coin	3,038,339
Bankers	*313,435,735*		
Other Accts.	*92,435,236*		
	451,873,300		451,873,300

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

COMPARATIVE ANALYSIS

(£ million)

	1947	1948		
	Nov. 19	Nov. 4	Nov. 11	Nov. 18
Issue Dept.:—				
Notes in circulation	1348·1	1233·9	1235·6	1234·0
Notes in banking department	102·1	66·3	64·6	66·3
Government debt and securities*	1449·3	1299·2	1299·2	1299·2
Other securities	0·6	0·8	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	11·0	16·7	14·0	15·3
Treasury Special Account	...	18·3	7·3	12·8
Bankers	309·0	304·1	312·1	313·4
Others	91·8	94·4	93·1	92·4
Total	411·8	433·5	426·5	433·9
Securities:—				
Government	301·3	325·2	327·4	331·0
Discounts, etc.	5·2	23·7	22·4	26·9
Other	19·4	33·4	27·0	24·6
Total	325·9	382·3	376·8	382·5
Banking dept. res.	103·8	69·1	64·6	69·3
	%	%	%	%
"Proportion"	25·2	15·9	15·8	15·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Nov. 11	45	Closed	176 0	113 4
„ 12	45	74½	Market	Closed
„ 13	Markets	Closed	177 6	113 12
„ 15	45	74½	176 4	113 13
„ 16	45	74½	175 14	113 10
„ 17	45	74½	175 2	113 5

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(1947 Accounts)

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Applications are invited for Staff Tutorships in Philosophy, Psychology, Economics, and Political Science, from men and women of high academic standing, and with experience in conducting Tutorial Classes. Salary £600-£25-£850 (*also Family Allowances*). Particulars and application forms from Director of the Department of Extra-Mural Studies, Senate House, W.C.1. Completed application forms should be submitted before December 15th.

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Applications are invited for the post of Research Assistant in the Department of Economics. The appointment will be temporary for one or two years, salary £300-£450 per annum according to qualifications. Further particulars may be obtained from the Registrar to whom applications should be sent not later than November 27, 1948.

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The Governors invite applications for the following vacancies in the AGRICULTURAL ECONOMICS DEPARTMENT from graduates in *agriculture or agricultural economics, or from graduates in economics* or commerce with a knowledge of agriculture.

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Particulars of, and application forms for, the above posts are obtainable from the undersigned with whom applications must be lodged not later than November 30, 1948.

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Application forms may be obtained from the Secretary of the Trust at 6, Stanhope Gardens, Highgate, London, N.6, and should be returned to him by December 31st.

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Prospectus from Dept. P17, WOLSEY HALL, OXFORD

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AVELING-BARFORD, LIMITED

At a Meeting of the Board of Directors held on Wednesday, November 10th, the following Resolution was passed:

That Dividends be paid on January 1, 1949, on the £250,000 5½ per cent Cumulative Preference Stock at the rate of 5½ per cent per annum for the six months from July 1, 1948, to December 31, 1948, and that the Preference Stock Transfer Books of the Company be closed from December 4th to December 18, 1948, inclusive.

By Order of the Board,
H. C. RYAN, Secretary.

Grantham, November 10, 1948.

CITY OF BLOEMFONTEIN

FOUR PER CENT INSCRIBED STOCK 1954

CITY OF JOHANNESBURG

THREE-AND-A-HALF PER CENT INSCRIBED STOCK 1953/63

CITY OF PRETORIA

THREE-AND-A-HALF PER CENT INSCRIBED STOCK 1953/63

NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for Interest due January 1, 1949 the BALANCES of the several Accounts in the above-mentioned *Stocks* will be STRUCK on the night of December 1st next, and that on and after December 2nd the Stocks will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas)
(London Registrars of the above Stocks),
ROWLAND SMITH, Manager.

Circus Place, London Wall, E.C.2. November 6, 1948.

CITY OF BLOEMFONTEIN

FIVE PER CENT INSCRIBED STOCK 1960

NOTICE IS HEREBY GIVEN that in order to prepare the Warrants for Interest due December 31, 1948, the BALANCES of the several Accounts in the above-mentioned Stock will be STRUCK on the night of November 30th and that on and after December 1st, the Stock will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas)
(London Registrars of the above Stocks),
ROWLAND SMITH, Manager.

Circus Place, London Wall, E.C.2. November 6, 1948.

THE Colonial Development Corporation invites applications from persons with proved commercial administrative ability, a thorough knowledge of world markets, commodity survey methods and sales organisation. The successful applicant will be based in London and will be required to organise the marketing of the Corporation's product (mainly agricultural and food); age limits 35-50. Commencing salary £1,750-£2,500 p.a. according to qualifications. A *Superannuation Scheme* will be available. Applications will be treated in strict confidence until applicant agrees taking up references. State age, education, qualifications and experience chronologically. Closing date November 30, 1948. Apply:—The Personnel Manager, Colonial Development Corporation, 33, Dover Street, London, W.1.

CHARTERED ACCOUNTANT required for position which, among other duties, would involve responsibility of management of investment portfolios and investigations and analysis work prior to purchase. Investment Trust, Finance Trust or Issuing House experience an advantage. Age 30-40; salary, which will be not less than £1,000 p.a. to suitable man, will be according to qualifications.—Write, giving full particulars, to Box 686, Dorland Advertising, 18-20, Regent Street, S.W.1.

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AMBITIOUS young man (28), graduate in Economics and Law (B.A. Cantab. Hons. Econs., with 1st Class LL.B.) seeks business post offering scope for advancement through hard work and ability; widely travelled, accomplished sportsman, excellent background.—Box 884.

ECONOMIST, M.A. of Cambridge University, formerly on the staff of "The Economist" and University of Cambridge, seeks executive position in industry, where there is scope for his interest in productive efficiency and international trade. Willing to go abroad. Salary £900.—Box 900.

YOUNG man, at present assistant to Company Chairman and Secretary, seeks similar position of greater scope and responsibility.—Box 883.

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November 27, 1948 One Shilling

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British Austerity and Europe

THE British Four-Year Plan, kept secret by His Majesty's Government, but now published (as was sooner or later inevitable) in an American newspaper issued in Paris, is the British answer to the American request to be shown just how it is proposed to make the pound independent of the dollar by the end of the European Recovery Programme. The outlines of the Plan, particularly as it affects the internal economy of this country, are discussed in another article on page 889. But there is one large issue of principle and of international concern which needs to be treated separately. This is the accusation—of which much is being heard on the Continent, and especially in France—that the British plan of recovery has been drafted at the expense of the other nations of western Europe, that Britain, so far from assisting its fellow beneficiaries of the Marshall Plan, is deliberately making their plight worse.

It is easy to show how this impression has arisen on the Continent. For the purpose of analysing British trade, the world can be divided into four areas. The first is the western hemisphere, which is virtually co-terminous with the dollar area. With these countries, the British plan envisages that there will still be, in 1952, a deficit of $291 million. The second group of countries consists of the sterling area, where a credit of $816 million is foreseen. The third group is the Marshall countries of western Europe, where a surplus of $49 million is expected. And finally there are the countries that are neither in the dollar area, nor in the sterling area, nor yet Marshall Plan beneficiaries. With them, there will be a deficit of $174 million. (All these figures include "invisible" trade.) In short, Great Britain expects, by 1952, to earn enough from its trade with the sterling area and western Europe to cover its deficits on trading with the dollar area and the fourth miscellaneous group and to leave a final credit balance of $400 million. This is the Plan, and though it cannot be certain whether the figures will be even approximately achieved—since they are based upon a number of very debatable assumptions about the increase in British production and about the relationship of prices in Britain and elsewhere—the document does make it quite clear in which direction the British Government is working.

The sense of outrage with which these figures have been greeted in some Continental circles can be explained by the pattern of prewar trade. Before the war, Europe sold on an average about $600 million more to Britain than Britain exported in return. The countries of western Europe were largely responsible for the size of this balance, and it was made possible by Britain's earnings in other parts of the world, which included a large income from investments. The sterling earned in this way was as much a pivot of multilateral trade as were, say, the dollars that accrued to Britain through Malaya's exports to the United States.

The war has shattered the old balance of European trade. It did so in the short run by depriving Europe of the means to export at a time of phenomenal dependence upon American supplies. The result of these exceptional circumstances was the dollar deficit of some $7 billion incurred in 1947 (of which Britain's share was nearly $3 billion). But even if production and export had been promptly resumed in 1945, the

war would still have undermined the old balance of trade in Europe. The Economic Commission for Europe has estimated that the disappearance of overseas investment income and the falling off of all other sorts of invisible income has reduced Europe's prewar earnings by about $2,000 million. The largest part of this loss has fallen on Britain—partly, it is true, because Britain had more than most to lose, but also because the course the war took laid unusually heavy financial sacrifices on this country. It surely was unrealistic to suppose that the whole of the burden of adjustment should rest where it first lighted. Sooner or later, with or without the Marshall Plan, the problem was bound to arise whether Britain, faced by a gap in its accounts measured in billions of dollars, could afford to carry the $600 million of net deficit to Europe, which was formerly covered among other things, by now non-existent investment income. As the Economic Commission put it:

> The part of the adjustment required to make up for the decrease in invisible receipts falls . . . primarily upon the United Kingdom. To the extent, however, that the United Kingdom endeavours to solve its own balance-of-payments problem by expanding its exports or contracting its imports with Continental European Countries, the overseas adjustment problem is spread all over Europe. . . .

This is in fact what has occurred. The British Four-Year Plan makes it clear that Britain intends to eliminate entirely its old import surplus with Europe. In the long-term adjustment of Europe's trade, the countries of Europe, and of western Europe particularly, are to accept the fact that their share of the general problem of balancing European trade is to be increased by between $600 and $700 million. It is this realisation that has led to the protests in Paris. It is easy to understand the sense of shock with which some of the Continental countries contemplate the British figures and how natural it seems to them that anything that increases the difficulties of the other participants in the Marshall Plan must be contrary to the Marshall principles.

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Yet the basic obligations that the beneficiaries of American assistance undertook was surely to put their houses in order and to be in a position to pay their way by 1952. The obligation to achieve solvency surely takes precedence over all others, and the British are entitled to say that they have done more than their neighbours to attack the problem of balancing their foreign trade. Alone among the western European nations, they have achieved a phenomenal increase in exports. Alone in Europe, they have drastically cut out of their import programmes all that is not strictly necessary. Again, they are virtually the only western European nation to attempt seriously to invade the American market and the reason that they have achieved some success lies in the fact that they have not allowed inflation at home to make the cost of British goods prohibitive and that they have succeeded in maintaining a stable value for sterling. All this has been achieved at a cost, a heavy cost, to ordinary men and women in Britain. Even if Britain's partners in western Europe protest, they cannot say that Britain is seeking an easy way out at their expense.

If it were possible for Britain to achieve a balancing of its books without cutting down its imports from western Europe—if, instead, imports from other parts of the world could be reduced even more drastically than is proposed—then that would, of course, be the right thing to do. But it is not possible. It happens, unfortunately, to be broadly the case that Britain's essential imports do not come and—as things are—cannot come from Europe. A block of imports cannot be simply switched from non-European to European sources. If more were imported from Europe—again, as things now are—it would not be possible to import less from other parts of the world, and the effect would simply be to destroy the equilibrium of the whole British balance of payments—and, incidentally, make it certain that the western European countries would not be able to convert the sterling they earned in Britain.

The British Plan is not imposing a fresh difficulty on western Europe; it is calling attention to an existing, and serious, difficulty which has existed all along, but which the doctrinal development of the European Recovery Programme has hitherto tended to obscure. At first, the duty of the participating nations was to make a joint estimate of the amount of American help they would need. It was then very sensibly agreed that where European supplies could be used, American equivalents should be dispensed with. But there now seems some danger of slipping into the idea that western Europe's needs can be satisfied by western European supplies, that the 1952 target is to achieve a sort of autarkic western Europe. But Europe has always depended largely on imports from all over the world and since the great majority of the nations are highly industrialised, their needs—for raw materials and to some extent for food—are competitive, not complementary. If Britain were to permit Europe to earn a net balance of sterling and present it for conversion, Britain itself would have not merely to make the gigantic exporting effort already called for in the Plan, but to earn still more dollars to redeem the pledge of convertibility. It simply cannot be done.

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It is quite true that, if the problem of western Europe is ever to be solved, somebody, somewhere in the world, must be prepared to act as a creditor should do. It cannot be necessary for every nation to increase its exports relatively to its imports; there must be some doing the opposite. If the war has affected the European nations adversely, it must have affected the trade balances of some other countries favourably. But because somebody will have to act as a creditor, it does not in the least follow that Britain, which is now a debtor, should go on pretending that it is a creditor. Perhaps the real moral is that the problem—if it can be solved at all by planning and statistical estimating—cannot be solved until the planning is done on a world-wide basis, until it can be discovered who the creditors of 1952 will be and what they are proposing to do about it.

The truth must be faced by everybody that Britain is a debtor country. The end of ERP will not by magic restore Britain to its old creditor position. On the contrary, the struggle to balance its payments will be all the more intense and if co-operation with Europe is presented to it as a clear alternative to solvency—if the choice is between maintaining sterling by balancing the books and risking insolvency to retain Europe's markets in this country—it is difficult to see how Britain can fail to opt for a sound currency and a functioning sterling area.

But is this the real alternative? Has the British Government in fact made a real effort to assess the effects of such a drastic change in this country's trade relations with Europe? Has there been any consideration of the psychological effect of making such proposals without consultation at a time when, on political and strategic grounds, Britain is becoming more and more closely concerned with the welfare of its neighbours? When critics in Paris complain that Britain is saving itself at their expense, they are less than fair. But they would be on stronger ground if they said that Britain had made no special effort to concert with them the consequences of reversing a trading partnership which existed up to the eve of war.

The answer to this is, presumably, that the British plan is only a first draft, intended for discussion and amendment in Paris. It is not a complete answer, for the main outlines of the Plan cannot be greatly altered, for all the reasons already given. But it can still be modified in detail and, in the process, there may be opportunities for softening the original blow. There is one obvious possibility that should be explored, though possibly it exists only in a run longer than four years. The British objection to taking more imports from western Europe is that, as things are now, they would be non-essential imports. But there would be no objection if western Europe could supply essential goods and raw materials, which would take the place of goods that now have to be paid for in hard currency. Has Britain seriously attempted to expand its future purchases from western Europe and western Europe's colonial dependencies? For some reason, there has been a sort of veto on the discussion of commodities at Paris, yet it is hard to see how Britain's trade figures can be modified without a serious study of available sources of supply and of how they could, with some forethought and some fresh investment, be further expanded.

The investment is probably more necessary than the forethought. Britain intends to undertake about a billion of sterling investment overseas. Most of it is earmarked for the colonies, particularly for the expansion of food supplies. Has the question been asked whether a portion of that investment might be spent in consultation with the countries of western Europe and whether a diversion of it to other areas might not have speedier and richer results? If, as a result of British outlay on agricultural implements and fertiliser, France was in a position to export grain by 1952, the result might be more valuable than problematical groundnuts. Such efforts might, moreover, be expanded in such a way that a group of industrialised nations in western Europe could join in a joint project for the development of non-dollar sources of supply—a development in whose results they would all share. Incidentally, if the Ruhr is to be devoted to the machines of peace while Britain shoulders a measure of rearmament, it is particularly necessary that there should be some pooling of the profits earned by the export of heavy machinery.

Above all, Britain must avoid giving the impression that it is indifferent to the problems it has created by ceasing to be the balancing factor in western Europe's trade. Part of the bitterness in Paris springs from the conviction that Britain really cares very little indeed for the safety and stability of western Europe and is not prepared to modify in any degree plans drawn up on the basis of strict national interest. Has there been an official attempt to say "We see your difficulties and, while we hope you will understand ours, let us attempt to mitigate the effects of our common economic plight"? Negotiations in this spirit will not smooth away all the difficulties, but they can at least remove some of their sting.

Left or Right

MEMBERS of Parliament report that the Steel Bill is not exciting very much interest in the country. Such manifestations of opinion as can be detected are more against it than for it; but the public is much more interested in such things as food and clothes—indeed, there are some who report that these are the only subjects on which the interest of a meeting can be aroused. This is a sad reflection on democracy; but it is not as sad as might appear, because the mechanism of British politics, particularly in its present posture, is admirably designed to put the ultimate power in the hands of a relatively small minority of thinking people, in whose minds the Steel Bill probably occupies a major place.

It is perhaps necessary to recall the evidence for the statement that the political situation in this country is very delicately balanced. That was certainly true at the general election of 1945. The Labour Party and its allies secured just less than 49 per cent of the total votes cast and the parties that are now in Opposition just more than 51 per cent. Labour had what the Americans call a plurality, but not a majority. Even their decisive majority in the House of Commons is more precarious than it looks. Of their 400-odd seats, about 100 are seats they had never won before 1945 and which must therefore rest under the suspicion of being only accidentally theirs now; and there are another 60 or so seats which they hold with majorities of less than 5,000. Every seat lost counts two on a division and a loss of 80 seats would put them into Opposition. It would be reasonable to suppose that since 1945 the trend of opinion has been away from Labour. This is the usual fate of parties in office; general observation would suggest that several types of people who voted Labour in 1945 would not do so now; and, indeed, the Labour tacticians themselves would not deny that they have lost some ground in three years. The question is exactly how much ground they have lost and whether it is enough to make the Conservatives once again the largest party.

It is difficult even to hazard an answer to this question. The visible evidence would suggest the possibility of a Conservative victory at the next general election. The Conservative popular vote in 1945 was ten million to the Labour twelve. It is common knowledge that a great many people who are not natural Labour voters voted Labour in 1945 either out of a sense of irritation with what had been the dominant party or in an excess of postwar enthusiasm for what sounded like new policies. For many of them these emotions, both the negative and the positive, have now faded. How many of them would now return to their more normal Tory allegiance? An estimate of one Labour voter in twelve going over to the enemy in this way would hardly strike the impartial observer as exaggerated; but it would be enough to bring the two large parties level. The long run of Labour successes in the by-elections gives great cheer to the party leaders; and it is, indeed, impressive. But though it is the result of a by-election that gets into the headlines, it is the voting to which the careful student of politics will turn his attention.

In the twelve months after the general election of July, 1945, fifteen seats fell vacant, and at the by-elections the Government actually succeeded in increasing its share of the total vote, which in these seats had been 39.9 per cent at the general election, to 44.9 per cent. It is true that, owing to the dropping out of third parties, the Conservative share of the total vote also increased, but not nearly as much. In the first year, the tide was still clearly flowing in the Government's favour. In the second year, from July, 1946, to June, 1947, there were eleven by-elections. In these the voting shows a significant change. The Labour share of the total vote, which had been 67.1 per cent at the general election, fell to 61.8 per cent at the by-elections, while the Conservative vote rose from 30.0 per cent to 32.9 per cent. What matters is not, of course, the absolute size of these percentages. The fact that the Labour percentage was in the sixties both times and the Conservative figure in the thirties merely shows that these eleven constituencies happened to be natural Labour seats. What is significant is that one percentage was falling and the other rising, though even so the changes were perhaps too small to be clearly significant.

But in the third year (extending it to the present) the shift-over is more pronounced. Since July 1, 1947, there have been 16 by-elections. In these seats the Labour vote had been 55.2 per cent of the total at the general election, and it was only 48 per cent in the third year of the Labour Government. The Conservative vote rose from 38 per cent to 46 per cent. In view of these figures it is very difficult to deny that there is a significant swing away from the Labour Party, and, moreover, that the Conservatives are gaining votes not merely from Labour but also from the other parties. If anything like the voting pattern of the last year were reproduced in the next general

election, Labour's 12 million votes would fall to about 10½ million and the Conservatives' 10 million would rise to 12 million.

But a general election is never a reproduction of the preceding by-elections. It is conducted in an atmosphere that is all its own and a Government in office, which always loses votes at the by-elections, can often rally support when the fight is engaged on the whole front. Moreover, there may be—there probably still is—a year and a half to go before the election, and in that time anything may happen. At the moment, it looks as if a slow improvement in economic conditions might be expected, which would work in Labour's favour. But the postwar depression may arrive, or Marshall aid may be cut off, after two years instead of four. And nobody can tell what Mr Stalin may do.

The only safe conclusion that can be reached at the moment is that the next general election will be, like the Battle of Waterloo, a devilish close-run thing. It does not at present look as if it will be decided by a mass movement of opinion either to one side or to the other but by small margins and close shaves. If that is so, the immediate future of Britain depends upon a small minority, perhaps of no more than four or five voters out of every hundred, or a million in all. The floating vote, in any country at any time, tends, almost by definition, to include a high proportion of independently thinking men and women. But in this country at this time, it is probable that there is an even higher coincidence between the floating vote and the professional and intellectual élite. Every thinking person, not already committed to a party, must already be turning over in his mind which way he will cast his vote, and his sense of responsibility to his country must be enhanced by the knowledge that, so far as can be foreseen, his vote may be decisive.

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What does the country need in the next few years, a government of the Left or of the Right? It has always been held in these columns that the Labour Party's programme of nationalisation is an irritating irrelevance, with very little bearing either for good or for evil on the real issues of the day. Persistence in irrelevance certainly does Labour no good with the floating vote, but it may be that, up to the present, it has not done them any decisive harm. On the nationalisation schemes already enacted, the judgment would probably be the negative one that they have not—or at least not yet—been disastrous. Even the Iron and Steel Bill, to which there is much more opposition on its merits than to any of its predecessors, is widely regarded as less important for itself than for the evidence it provides of the Labour Party's general approach to the problems of the country.

The real issue before the country is not one of the structures and organisations through which the Government shall act, but of the basic objectives of its policy. For a generation or so, Britain has been moving away from the old acquisitive, economic society towards the welfare state. This change can be seen in a number of ways. It can be seen in the great growth of Social Security, not merely in the enactment of ever more costly schemes of endowment for the individual, but in the growth of the belief in all parties that the object of industry is not to create wealth but to provide jobs, that the aim of public policy should not be efficiency for the community but security and protection for the individual. It can be seen in the enormous growth of the influence of the state—not perhaps, until the last three years, in state ownership, but in state control and state financing. (Before the first war, barely 10 per cent of the national income passed through the hands of central and local government; now it is 40 per cent). It can be seen in the steady neglect of capital creation—both of the thrift that creates savings and of the enterprise that uses them—and in the progressive engrossment of ever larger proportions of the national income in one form or another of current consumption. These ideas have captured all parties in the last generation. The parties have not disputed whether they are right or wrong, but only whether they should be applied relatively fast or relatively slowly. The great issue that faces this country is whether these ideas shall be carried further in the next decade or two, or whether it shall be decided to call a halt and to resuscitate their opposites, to put the emphasis on efficiency rather than on security, on acquisition rather than on equality, on economy rather than on expenditure, on capital rather than on consumption, on thrift rather than on luxury, on the standard of production rather than on the standard of living.

These antitheses can be collected into one generalisation. The policies that have held sway for a generation, whatever the party colour of the Government, are those of the Left. The alternatives are those of the Right. What does Britain need in the next few years? More of the Left? Or a move back to the Right? And when that question is answered, there is another to be asked. Since the issues here under discussion far transcend the doctrines of the parties, which party will best apply the chosen policy?

(To be continued)

German Recovery at Stake

ON November 17th General Robertson warned the German authorities in Frankfurt that German recovery was gravely endangered and implied that the future of the D-mark was a matter for considerable alarm. It is difficult to understand why the General should have been permitted by his advisers to make so serious a psychological blunder. A currency without backing clearly rests on public confidence. Moreover, the whole economic situation in western Germany stands today at a crucial point between conflicting inflationary and deflationary influences. To inject a strong note of pessimism into political and industrial circles at this moment can threaten the whole of west German recovery.

The chief anxiety is caused by the rise in prices. It may be said in passing that the scale of the rise is still a matter of fierce dispute. Compared with the fictitious pegged prices of 1936 which prevailed until the currency reform, prices have risen. But compared with the old black market prices which in fact ruled the market, many prices have fallen. But the trend is upward and it is this that causes concern. It may be asked how prices can rise when the purchasing power has been cut in the ratio of 15.38 to 1? The note circulation is now about 6 billion D-marks, for a population of 45 million. With current accounts, the total ready cash is 11 billion. It does not appear dangerously excessive; nevertheless it is. The reason for the rise in prices is, in the first place, that German industrialists and merchants have entirely failed to play a responsible part. Dr Erhard's hope that the removal of price controls would permit a normal competitive price structure to be formed has been brought to nothing by the activities of the business people in whom he put his confidence. Rather than face price competition, they have banded together to enforce "price discipline"—in other words, to ensure that profits are not reduced by outsiders who cut production costs. The result is that in many sectors which most directly affect the man in the street—for instance, textiles and footwear—there have been exorbitant increases.

There are other reasons for the new threat of inflation. Money is circulating rapidly, through "black" channels, out of reach of the banks. The proportion of notes to current accounts is completely distorted in favour of notes. The banks are therefore unable to squeeze unsound business out by use of the weapon of high interest rates. Individuals are granting each other credits, or demanding payment in suitcases full of cash. The banks themselves are granting short-term credits too freely and budget deficits add to the money available.

The money now circulating is regarded by its owners as a gift for spending or speculation. This is because it resulted from the so-called quotas per head distributed in the course of currency reform, and from the proceeds of the vast stocks of hoarded goods which were put on the market in June. A further injection of purchasing power was made in October, against the sound advice of the German bankers when 20 per cent of the remaining blocked accounts was freed. This lamentable decision, which was made on the insistence of the French Military Governor, was not only inflationary, but dealt a severe blow to confidence. Although the public had been led to believe that the cancellation of accounts was at an end, 70 per cent of the accounts which remained blocked after the first cancellation in June were wiped out. Only 10 per cent were blocked for use in long-term credits to industry, which is starved of capital. The French, it may be noted, are also to blame for another danger to the D-mark. A lively trade in D-marks and smuggled German goods goes on between the French zone and Switzerland.

A result of the new fear of inflation is inevitably the diversion of purchasing power into hoarded goods and diamonds. A new currency reform is expected. It may only take the form of an exchange of notes at par; but it would catch the black marketeer who keeps his gains in cash. Rumours of a new reform have been spread by speculators and Communists ever since the first took place, and have increased lately. At the same time, the so-called *Lastenausgleich*, or capital levy for the purpose of equalising war losses, hangs over the community, and encourages dishonest bookkeeping. All parties are pledged to this scheme, and nobody dares to admit that it is folly. General Robertson has, in fact, once again urged the Frankfurt administration to hurry. But the crying need is to drop it, with all the other illusions that have blocked recovery. The only practical and harmless way of achieving any equalisation is by way of income tax, and then only after the community has begun again to reveal incomes and to pay taxes.

Evasion of taxes is the third reason why goods are being hoarded and books faked. Since money became of value again, only a small proportion of taxes has been collected. This situation in turn is related to the question of occupation costs. Ever since the currency reform gave them a firm base from which to conduct their sorties, the German politicians and press have pressed a furious campaign against the payment of occupation costs, which has convinced every German that he is chiefly asked to pay income tax to keep a foreigner in luxury on his soil. For their part, the State Administrations have an interest in showing Budget deficits with which to confront Military Government. As General Robertson pointed out, some of the states give a picture of imminent bankruptcy. There is no doubt that the occupation costs have been swollen by too carefree military authorities. British troops, for example, receive as much of their pay as they like in German currency, and this portion is then charged to the German budgets. In all, estimates of the total costs at present being borne by the Germans varies between 3½ billion and 5 billion D-marks a year. Either figure represents too high a charge. This is admitted, and the forthcoming Occupation Statute will impose an outside limit.

At the moment, the German authorities appear to pin their hopes for avoiding inflation upon the reduction of occupation costs. They also advocate the handing over of foreign trade, now in the hands of the Joint Export-Import Agency, in the hopes that Germans will buy enough food and consumer goods to saturate the market. General Robertson has, however, declared that no further imports than those already provided for will be forthcoming, and the Agency (though it is handing over exports to the Germans) is retaining control of imports. However, a very generous programme of imports is provided, including ready-made clothing; and the flow of ERP goods has not yet begun. Added to constantly increasing internal production, which officially stands at over 70 per cent of the 1936 figure and is probably higher, these imports should exercise a deflationary effect.

It is typical of the attitude of the Frankfurt authorities that they should pin their chief hopes for combating inflation upon two changes in Allied policy, not on new policies of their own. They appear to watch the struggle between inflation and deflation as spectators while the real decisions are taken by the industrialists and merchants on to whose necks the rein has been thrown. There are, however, signs that another force in modern industrial democracy is prepared to take a hand.

In the present uncertainty, the German working man, and, still more, the pensioners and refugees, see little beyond the fact that they can hardly make ends meet. They have almost forgotten that before currency reform, though they had plenty of money, there were practically no goods to buy at the "legal" prices. All they can grasp is that prices have risen, but not wages. To a people used for decades to the system of "buying permits" and coupons, it seems plain that the state which provides the goods must give the money to buy them.

It is not at all obvious to the German public that the destruction of wealth in Germany means that wages and salaries should lag behind prices. On the other hand, this argument has gone too far in the other direction. Manufacturers, intent on

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an easy way of cutting costs, and the Anglo-American controllers anxious to preserve stability, are obsessed with the nightmare phrase "wage-price spiral." In fact, there is no valid reason why a spiral should start if wages were raised to a limited extent above their present level, which is hardly above that of 1938, as part of the general adjustment to the world level. The rise should keep well behind that of prices, but some increase is justified. But so strong is the power of greed and the catch-phrase, any rise now would undoubtedly be seized upon as a reason for a further increase in profits. The German worker, it appears, will continue to have to pay half a week's wage for a shirt. He will also have to bear the fact that in one way the return to a money economy has lowered his income, since the practice of adding goods to the money wage has now almost been abandoned.

The first rumblings of a storm have, however, been heard. The 24-hour general strike which took place last week was a portent. Its real significance has been obscured by the Union's demand for fresh controls to be imposed on prices. In fact, though the demonstration was not, as the Communist Trade Union Federation in Berlin immediately proclaimed, directed against the Marshall Plan, it was largely political. With the strike, the organisers actually launched a campaign to force Military Government to drop its veto on participation of trades unions and works councils in policy-making and management. General Robertson has now proposed that an advisory council of employers and trade unionists should be formed, but this will not satisfy the Union leaders. Lack of funds makes them unable to win victories in the field of wages. They are all the more determined to gain a foothold in the conduct of the German economy.

It is very doubtful whether all the well-known objections to granting these rights to the unions and works councils hold good in the German situation. One may say that they have not been elected by the people. But the German Government is itself a very unrepresentative body, and is moreover handing over real economic power to the industrial associations. A law setting up industrial committees to handle foreign trade and allocate materials was first urged on Frankfurt by Military Government, and then shelved because it provided for 50 per cent trades union representation. This was certainly too great a proportion, but there is no excuse for refusing the unions any voice in shaping policies which affect the workers. Yet the American authorities have created the impression that this is precisely what they intend to do.

This senseless snubbing of responsible trade union leadership cannot fail to be a major factor in the battle against inflation. If the average trade unionist has to bear both economic hardship and reduction in industrial status, he may lose what is today western Germany's most valuable asset —the almost unquenchable desire of the German workman to work. The astonishing rises in production that have occurred in recent months can hardly be maintained if disillusion and disgust spread to the ranks of the workers. The comment has already been made in these columns that two things above all can threaten the stabilisation of Germany's recovery. One is to relax the grip on the volume of money—an error of which there have been some signs. The other is to refuse the moderate wishes of organised labour. The danger signals are out in western Germany. One or two more major mistakes in policy may bring the fine hopes of revival to an end.

The Irish Republic

THE country which, under the name of the Irish Free State, came into being as a British Dominion almost exactly twenty-seven years ago set in motion this week the formal machinery by which to re-constitute itself as an independent republic. The ties linking Eire to the British Crown have been almost invisible for a decade past; but such as they are, they are to be severed. The process of transformation has been protracted. Ever since Mr De Valera's revision of the constitution was promulgated in 1937 and the Irish Free State was renamed Eire, the country has been, in fact though not in name, a republic externally associated with the Commonwealth. It is true that it was not specifically so designated in the Constitution, and it is true also that the External Relations Act—which is now in process of repeal—recognised the existence of the Crown for the sole purpose of accrediting diplomats to foreign capitals. But Mr De Valera, the ingenious architect of the new state, affirmed categorically that it was a republic.

What the British public finds difficult to understand is that it is not Mr De Valera, but the combined Opposition parties who contrived to defeat him at the last election who are now finally cutting the painter. Fine Gael, the strongest partner in the present coalition, is the descendant of the party of Arthur Griffith, of Michael Collins and of William Cosgrave, the party that has always stood for closer relations with the Commonwealth. This apparent paradox has led many people, in Ireland as well as in England, to represent the decision to repeal the External Relations Act as a mere insincere political manœuvre designed to steal Mr De Valera's clothes. There is, indeed, a great deal of Irish internal politics in it. The present coalition is so heterogeneous that Mr Costello must feel himself under great pressure to bring forward the one measure on which all his supporters will be united and which gives Mr De Valera no opening for damaging criticism. But the essential point is that the proclamation of an undoubted republic is supported by all parties. Even as long ago as 1921, when the Free State was set up, the party that supported it did so not as a final solution but as giving "freedom to achieve freedom." And in their decade and a half of opposition, Fine Gael allowed their pro-treaty views to be overshadowed by the necessity to find points of attack on Mr De Valera. They have bitterly attacked the External Relations Act ever since it was enacted. The President was described by Mr McGilligan, now Minister for Finance, not as the head of a state but as "an internal growth and a foreign body." Mr James Dillon, now Minister for Agriculture, said recently that the country had been "living a lie." The advocates of closer relations with the Commonwealth have been the fiercest critics of the continuance of even the most tenuous and symbolic link between Eire and the Commonwealth. When they now say that the repeal of the External Relations Act is a step towards closer friendship between Ireland and Great Britain, the logic of their position may not be apparent, but the sincerity is undoubted.

The time has long since passed when anything that the Irish chose to do in Ireland could awaken any emotion in British public opinion, least of all the emotion of surprise. Most Englishmen will feel a faint twinge of regret that one more strand of union is parted, but it will not be enough to disturb the tolerant indifference with which Irish affairs are now generally regarded in John Bull's own island. Save among a tiny handful of fanatics there will be no desire at all in Great Britain to recriminate with the Irish for their action; neither country will treat the other's citizens as foreigners. So far as the matter lies wholly within British decision, everything will go on as before. This policy of passive indifference has, however, another aspect. The Irish have been plentifully warned that if their persistence in declaring themselves a country only externally associated with the Commonwealth gets them into trouble through the action of other foreign countries, they cannot expect Great Britain or the other Dominions to put themselves to any effort to rescue them. The system of imperial preference rests upon the doctrine that the members of the British Commonwealth, through their common allegiance to the Crown, are not foreign countries to each other. It is only for this reason that foreign countries having most-favoured-nation treaties with the United Kingdom are unable to claim the preferential rates of duty on their goods. If at some future date, say, Denmark claims to be treated on the same footing as Eire, then there can be no doubt at all which alternative will be chosen in London: it will not be to admit Denmark and every other foreign country to the circle of imperial preference but to expel Eire from it. It should be very clearly understood that any harm the Irish may do to themselves in this way is neither the wish nor the responsibility of Great Britain.

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Mr Costello has declared that the repeal of the External Relations Act will remove a barrier to co-operation. Since it will change nothing on the British side, the evidence of closer co-operation will have to be sought on the Irish side. It would be unrealistic to expect it in the field of Commonwealth relations *per se*, but western Union and European economic co-operation hold out greater possibilities. The Irish have long been attracted towards a more intimate association with their European neighbours; they have a traditional link with the United States; they are fundamentally anti-Communist in outlook; and there is little doubt of their desire for practical co-operation with the peoples of the Commonwealth for particular common purposes. Irish participation in the European Recovery Programme has been whole-hearted and fruitful, and a gradual extension of their co-operation from the economic to the political field would seem to be logical.

But logic breaks in vain against the obstacle of Partition and spokesmen for Eire have made it plain that very little political collaboration, and none at all in the field of strategy (where Ireland has most to offer to western Europe), will be forthcoming so long as the Six Counties remain part of the United Kingdom. Beside this, all other matters are, to them, minor; and this is the reason why, to Englishmen, the friendlier practical relations of recent years have seemed to repose entirely on British tolerance and complaisance and not at all on any softening of the rigid Irish stand. So long as Northern Ireland remains part of the United Kingdom, the Southern Irish will remain dissatisfied and will set limits to their co-operation.

This passion for unity is unquestionably strong and sincere and shared by the overwhelming majority in Eire. But what the Irish fail to realise is how gravely they have prejudiced their chances of putting an end to Partition. They recognise themselves that the only way in which Ireland can be united is by Great Britain being willing to put pressure on the Protestants in Ulster. Until 1939 there was a respectable body of opinion in Great Britain, particularly in the Liberal and Labour Parties, which sympathised with the object of Irish reunion and might conceivably have been stimulated into doing something about it. But if Mr Attlee refrained from making it quite clear that the Partition issue is now utterly dead in Great Britain it was presumably only out of politeness to Dublin.

It is not the constitutional agilities of the Irish that have produced this change, but the neutrality of Eire during the war. The Irish may still feel—as they undoubtedly do—that they were justified in their neutrality. But they ought to realise that, in British eyes, it has wiped quite clean the slate of the centuries. Over and over again, the Irish have been able to get what they want by making a substantial part of the British public feel slightly ashamed of themselves, or at least of their forefathers. That feeling is now dead; in British eyes, Ireland is now a heavy moral debtor. Not only is this so, there are new ties of loyalty and comradeship linking Great Britain and Northern Ireland, and there were the practical demonstrations during the war of the vital strategic necessity of a foothold for British air and sea power on the other side of the Irish Sea. The more foreign and neutral Eire becomes, the more vital to Great Britain is Northern Ireland.

These facts—for so we take them to be—are not, however, recorded in any spirit of recrimination. There is no hostility to Ireland in Great Britain and no sense of grievance against the Irish, however foreign they may wish to become. No limits will be imposed from this side on the development of the closest friendship and collaboration in all fields, political and economic, and the tone both of Mr Attlee's and of Mr Costello's speeches encourage real hope that the relations between Ireland and Britain will indeed be much closer than is usual between "foreign" countries. Whether these hopes will be realised is for the Irish to say. For what is new in Anglo-Irish relations is that it now rests entirely with one party, and not with both, whether energies shall be concentrated on practical possibilities or wasted on sterile grievances.

NOTES OF THE WEEK

Longer Service—

The decision of the Government to make the period of military service, which takes effect at the beginning of next year, eighteen months and not twelve, reflects a change in the purposes for which conscription in peacetime is being instituted. Mr A. V. Alexander, in the embarrassed speech he had to make in May, 1947, announcing the Government's retreat from the eighteen to the twelve month period, averred that the main reason for peacetime conscription was to provide an adequate trained reserve for the future. To boost the size of the forces for the purpose of meeting current defence commitments was regarded as secondary. The new National Service Bill will bring about a change in emphasis between these two aspects of the scheme.

The increased period of service could bring a further 85,000 men under arms each year than would have been in the ranks had the twelve month period been in force. The Services (which means the Army and the RAF) do not, in fact, need all these extra men. What they want is not so much extra men under arms as men under arms for longer periods. For it is clearly impractical to use a man who is called up only for twelve months on duties at any real distance from this country. To do so would mean that a great part of his service was spent in a troopship coming or going. In practice, the Army and RAF did not expect to be able to use any of the twelve month servicemen east of the Central Mediterranean. This meant that all the increased work in the Far East and the still considerable duties in the Middle East would have to be discharged by Regulars, whose service would be in any case heavily in demand to deal with training new conscripts. An increase in the number of men training would cause further strain on training establishments and a further diversion of Regulars from garrison to training duties. For this reason at one time a ballot system was considered somewhat on the lines of American selective service methods. But this is much too chancy a method for an army, and to a greater extent an air force, which needs skilled men, besides having obvious political disadvantages. So recourse is likely to be had to a scheme of much stiffer medical tests, together with a systematic delay in the call up. This, of course, will attenuate the principle of social equity which was one of the original justifications of conscription.

The Government will always, therefore, have to show very clear reasons why it should be continued and in particular if they decide to continue the Act beyond its life of four years. That the Services find it convenient is not a sufficient argument.

The raising of the period of national service to eighteen months represents, in fact, a gamble which the Government has lost. In the spring of 1947, faced not only with the revolt within the Labour Party, but also by the rapidly worsening economic situation of the country, they gambled that increased recruitment at home and improved conditions abroad enabled the shorter period to operate. This gamble they have lost. The sluggishness in recruiting may be partly their fault, in view of their optimistic estimates of the possibilities, and their failure to bring home to the nation the seriousness of the situation, but the worsening of the international situation has been largely outside their control.

There are few signs that the Minister of Defence will have any real back bench opposition to trouble him. The revolt of eighteen months ago was at bottom against the Government's foreign policy. Mr Crossman and the other rebels opposed conscription because they opposed Mr Bevin and because they thought an arrangement could still be made with Russia. This they no longer believe, and so they will presumably keep silent in the debate (which will be punishment indeed for some of them) or else switch their attack to the need for greater economies of man-power within the Services.

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—And More Pay

The increase in the pay of the Forces, announced by Mr Alexander on Wednesday, is a measure, long overdue, to offset the long term necessity for a period of eighteen months conscription, by stimulating recruiting for the regular forces. The increases are designed to place a premium on technical skill and military efficiency for they do not apply to the recruit for his first six months nor to the private soldier. For other ranks of higher qualifications, military or technical, there will be increases in basic pay of between 3s. 6d. and 10s. 6d. a week. For other ranks the marriage allowance will be increased from a range of 35s. to 45s. a week to 42s. to 56s. a week. National Servicemen will receive no increases of pay for their first year's service, although they can qualify for the equivalent of a war service grant. Officers do not get an increase in their basic pay, but only an increase, and quite a generous one, in the marriage allowance. This takes account of the fact that it is the junior married officers who have really been feeling the pinch of the rising cost of living.

These increases are fully justified, although they will cost the Exchequer an extra £10,500,000 at a time when the Budget surplus is being steadily eaten into, by the need to increase the rate of recruiting. They are not, however, justified on the grounds put forward by Mr Alexander that there had been an increase in industrial wages since the pay schedules were drawn up in 1946. That form of reasoning simply leaves the way open for another round of increases in industrial and more particularly clerical wages. The argument for increasing the pay of the forces is to increase their numbers, not to give them some mythical form of parity with other workers. But even more than in other industries, it is not pay alone which determines its attractiveness but also the environment and the prestige attaching to the job. If the nation's leaders would give the nation a clearer idea of the vital importance at this moment of strong and efficient army, navy and air forces, they might get a readier response. This is a task which the Prime Minister and his colleagues cannot delegate to posters and PROs.

As the debate on air power in the House of Lords demonstrated, there would be greater satisfaction at the recent decision of the Government if there was any confidence that in questions of defence the Government were not living from hand to mouth. The climate of opinion in the country has altered considerably over the past year and the nation is prepared to approve any necessary measure to secure the defence of western Europe. But there is little evidence that the Government has a comprehensive defence plan, or, if it has, that the Ministry of Defence knows how to impose upon the three services. Mr A. V. Alexander, who displayed considerable qualities as Mr Churchill's representative at the Admiralty, has as Minister of Defence yet to prove that he can improve upon the record of Sir Thomas Inskip in the years before the war.

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Strait-Jacket for Steel

Once the Government had decided to force the Steel Bill through this Parliament at all costs, it was no doubt inevitable, if regrettable, that they should decide to use the guillotine both in Committee and in the remaining stages in the Commons. In order to ensure that the Lords cannot complain of lack of time to consider the Bill, the Government leaders in the Lower House would in any case have had to work to a fixed schedule, and it is probably as well that the Government's intentions should be known in advance. These have been set out in the guillotine resolution moved in the Commons this week by Mr Morrison. It provides that the Committee stage shall be completed by March 17th, that the Report stage should be limited to four days and the third reading to one day. This will give some 11 or 12 weeks in Committee, which means between 100 and 110 hours for consideration of the Bill's fifty-eight clauses and its eight schedules.

Whether this is adequate or not is primarily of importance to the Government, for the Opposition are so strongly opposed to the Bill in principle that there are few if any amendments they would want to make which would be amendments of detail. Clearly all they can do in Committee is to propose the alteration of the whole by a steady alteration of the parts—a procedure the Government is bound to resist. This is not the first time the Government has used this technique of the guillotine. They used it in Committee on both the Transport Bill and the Town and Country Planning Bill last year. But in the case of steel the Government has a great concern to see that the Bill is dealt with thoroughly and in detail in Committee and in its remaining stages, for they will, in this case, have little chance of later revision. Under the Parliament Act, if the Lords reject the Bill on second reading and it has to be forced through against the Lords' veto, it can only become law in the form in which it was first rejected by the Lords. No amendments can be inserted during the subsequent passages through the Commons. This means that the Government cannot rely on the Lords to make amendments as they frequently did in the earlier years of this Parliament, when some 1,000 Government amendments alone were inserted during the discussion of measures in the Lords.

If this timetable is adhered to, the Bill should go to the Lords at Easter. That will give them three months before the summer recess in which to grapple with it. It is, of course, by no means clear yet whether the Conservatives in the Lords will reject the Bill on second reading, or will give it that reading and then change its nature completely in Committee. Either course is open to them, and Lord Salisbury is too wise a political strategist to disclose his hand before he has to. But the immediate fact which emerges is that the Government certainly cannot rely on the Lords to knit up the loose ends for them. When the Bill leaves the Commons at the end of March every clause in it must be technically foolproof. Having challenged the suspensory power of the House of Lords they have deprived themselves of its service as a revising chamber.

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The Ruhr Talks

Since the beginning of the present talks on the Ruhr, three separate points have been at issue. The first is the question of the eventual ownership of heavy industry in the Ruhr, the second and third are concerned with the area and authority of the International Board that is to control the Ruhr in the Allied interest. Strictly speaking, the first point is not on the agenda of the London talks, but it has overshadowed them since few issues have so stirred French opinion and on so united a front.

From left to right, French opinion will not tolerate a decision made at this stage which appears to hand over to some future German government "powers which even Hitler did not enjoy." Above all, the French are indignant that the dictum of two local Military Governors should be held to determine an issue which is essentially a matter for the final peace treaty. Their irritation on this point is all the stronger in that they have long resented the Czar-like attitude of General Clay in all things German and have long suspected that underneath his determination to build up Germany lies a hidden belief that the Germans are a "bastion" against Soviet Russia.

The strength of the French protest has impressed the British and American Governments and it seems likely that while they may not actually rescind their belief that the Germans themselves must ultimately decide questions of ownership, they will not regard the statement of the two Military Governors as binding in eventual negotiations for a peace treaty.

The practical issue of the Ruhr Control Board—which is the real subject of the London talks—is also likely to run into the rough waters of French-American disagreement. The area the Board is to control should not be difficult to determine since the differences of opinion are largely technical. The real problem is the fact that the French wish its powers to go far beyond the simple distribution of German output between home and foreign consumption. They wish the board to control capital investment, development plans, volume of production and other matters essentially the concern of detailed management. The Americans regard this as an impossible degree of interference from without and incompatible with what General Marshall has reaffirmed to be the first aim of American policy—to restore European prosperity by restoring the Ruhr.

In this dispute, both sides appear partially correct. French fears of German industrial domination are legitimate, American apprehension of managerial control from without equally so. It is to be hoped that the British will press the Americans to return to the one really constructive alternative—an international organisation which stretches beyond the Ruhr to include Lorraine and Luxemburg as well.

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Palestine in Committee

The American delegates concerned with the Palestine issue in Paris, are in a very uncomfortable position. They see—as do the British, Canadian, Australian and other western-minded delegates—that a prime factor, now, in the Palestine situation is how to give the Arabs some settlement that they can take home without setting loose a wave of ministerial downfalls, rioting, wrecking and other unwanted crises at least in Syria, Egypt and Iraq. Yet they are receiving, almost daily, instructions from the White House to give the Jews not less than the best they were offered in all past plans, and to leave the situation as fluid as possible.

In the debate to decide what should happen next, which has run for a week in the Assembly's political committee, the Eastern bloc has therefore been able to sit upon the touchline and pleasurably watch the British and American delegations doing their best to paper over two fundamental splits in their policy. The first concerns the actual partition line to be recommended. The British favour the Bernadotte plan, with its compact blocks of territory, and would compensate the Arabs for Jewish gains in Galilee by leaving them the Negeb. The Americans, while paying lip service to Count Bernadotte's "basic premises," prefer the November, 1947, plan which gives the Jews the Negeb. They have not said what they think should happen to the bit of Galilee then offered to the Arabs but since conquered by Israel.

The Second Anglo-American split is over the instructions to be given to the United Nations Conciliation Commission towards the appointment of which most delegations are moving. The Americans want to leave it a free hand. The British think that it should be fortified with knowledge of the Assembly's wishes about the partition line to aim at, that to give it anything less is "lazy optimism" and is causing the Arabs to negotiate under duress. The Israelis, needless to say, agree with the Americans. In any discussion between themselves, the Arabs and a team of Uno "conciliators," they are indubitably the strongest element and they wish for terms of reference that are as fluid as possible.

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The Clark Report on China

The report presented to the Senate Appropriations Committee by ex-Senator Clark, who was sent to China as consultant for the Committee, has come at a moment when the Chinese Government is fighting to hold its capital and both the Government and public opinion of the United States have to make a decision whether to abandon China to the Communists or to give effective aid to the forces resisting them. One thing is made clear by the Clark Report, that American aid to China on the scale and in the manner so far provided have merely given the United States the reputation of intervention in China's affairs—which the Communists exploit to the utmost in their propaganda—without producing any substantial result. "Piecemeal aid," the Report declares, "will no longer save China from falling to Communism. It is now an all-out programme or none."

The Clark Report is highly critical of the Chinese Government's military leadership and administration, and boldly proposes direct American advisory aid to the armed forces at both strategical and tactical levels and a loan to be used under American supervision for currency stabilisation. There is now no doubt that, if aid to the Chinese Government is increased, or even continued at present figures, it will have to be made conditional on increased American supervision over its use, if only to meet objections from the American public that the nation's money is simply being poured down the drain. The propaganda in favour of the Chinese Communists is no longer as influential in America as it was two years ago, but as their armies advance there is a strong impulse to "get out from under," and any further measures to bolster up the present Chinese Government—or any other Government opposed to the Communists—will have to show a convincing prospect of success if they are to obtain approval.

Meanwhile, the crucial battle for the Chinese capital continues to be waged in the neighbourhood of Suchow, the junction on the railway from Nanking to Tientsin; after some initial success, the Government army is reported to have had its front broken by Communists who have encircled a large force to the east of the town. Nanking itself lies on the south side of the Yangtse and might be defended along the line of the river if a few light naval craft were available to prevent the Communists from crossing in force; it cannot, however, be assumed that even the most elementary precautions have been taken. From Manchuria, where the Communists are in complete control, some units are reported to have landed in Shantung from the sea to reinforce the Communist army before Suchow, while another force is advancing on Peiping, where the regional Government commander, General Fu Tso-yi, has proclaimed martial law. At present the Communists appear to be concentrating their efforts on breaking through to Nanking, but the conquest of the Peiping-Tientsin area is also an important objective for them, for without it they lack railway communication between Manchuria and their main forces in North China.

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Royal Commission on the Death Penalty

In the House of Commons last week, the Home Secretary announced the appointment of a Royal Commission to determine whether it would be practicable to limit or modify the death penalty for murder. This announcement fulfils the Government's undertaking to give further consideration to the death penalty after the House of Lords had rejected its compromise clause in the Criminal Justice Bill last July. It also very skilfully prevents the matter being reopened in Parliament this session through the introduction of a private member's Bill to abolish the death penalty altogether.

Yet it is neither desirable nor necessary that the limitation of the death penalty should await the mature deliberations of a Royal Commission. It is a matter for profound concern that the first two executions since the *de facto* suspension of capital punishment last February should have been of the type of murderer for whom, it is safe to assert, the death penalty never acts as a deterrent—the one, a case of frenzied passion followed immediately by remorse; the other, a case in which there was strong presumption of mental illness. The concern is intensified by the subsequent remarks of the Home Secretary at South Shields. During the passage of the Criminal Justice Bill he said that the death penalty ought not to be abolished now because of the increase in crimes of violence and of the inability of an undermanned police force to deal with them, which is a tenable point of view. Last weekend, however, he is reported as having said that the death penalty could not be abolished until the prison system had been reorganised, because it was difficult for life sentences to be served in existing conditions. In other words, murderers must be hanged, not as a deterrent, but because there is nothing else to do with them. If this is really Mr Chuter Ede's view, it gives added force to the contention that the ultimate responsibility for reprieving a murderer or not should not rest on him alone.

It is not necessary for the limitation of the death penalty to wait for the findings of the Royal Commission because this could be done by a revision of the McNaghten Rules. These rules, which in effect determine whether a defence can be established on the ground of insanity, were laid down by the judges in 1843, and they allow no half-way house between complete responsibility and complete irresponsibility for a criminal action. They have long been criticised as being based on obsolete theories of mental abnormality, and in Scots law they have been modified to the extent of admitting the doctrine of partial responsibility which, if accepted by a jury, reduces the act of murder to culpable homicide. In view of the strong public wish to limit the death penalty, if not to abolish it altogether, is there not a case for a similar modification of the McNaghten Rules by the English judges?

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The Two Faces of Trade Unionism

Virtual unanimity marked last week's conference of Trades Union executives, which adopted the General Council's Report on Productivity and resolved to make a practical investigation—

getting down, in Mr Will Lawther's words, to brass tacks—of the productivity and manpower problems of the industries concerned. This is excellent news, for the Report was an enlightened and realistic piece of work, and if the spirit informing it were to become genuinely characteristic of the trade union movement as a whole, a salutary revolution would have been begun. Especially promising is the more positive side of the TUC programme; the training of shop stewards and potential managers, the practical study of redeployment, the spreading of education "on the floor of the workshop." This goes far beyond the highly necessary, but essentially negative or rubbish-removing job of doing away with restrictive practices. It foreshadows a genuine partnership in industry, which could transform the nature of industrial society out of all recognition and make the socialisation of nationalised industry a practical possibility.

Such, evidently, is Mr Herbert Morrison's hope, expressed at the end of his cautious defence of the principles of nationalisation. Such, too, is the constantly reiterated aim of Sir Stafford Cripps—who once brought an avalanche of condemnation down upon his head by saying that trade unionists were not ripe for managerial responsibility, and who with characteristic directness has gone on saying the same thing ever since. Speaking at Manchester last Saturday, he returned to the attack with what must have been a gratifying sense of support from the trade union leadership. Exclusiveness and refusal to learn, pursuit of sectional interests without regard to the public need, slackness and sheer stupidity, might be fatal to democracy's prospects of survival. Absenteeism was equivalent to pilfering. More trained and intelligent trade unionists were needed; and the whole movement must realise the need for a change of outlook and effort. One can but applaud; but there might be less need for Sir Stafford's admirable sermons now had he and his fellow-leaders of the Labour movement had a different outlook, and directed their efforts otherwise, in years gone by. Trade unionism, forged for class war, cannot change its spirit overnight. There could hardly be found in the story of industrial relations a more abject piece of idiocy than the Cunard strike; a strike lacking the justification of even the slightest grievance. The principle inspiring it seems to be that, whenever any organised workers anywhere on the globe see fit to strike, all other workers even remotely connected with the industry concerned should throw themselves into a cataleptic trance until it is over. This nobly nitwitted impulse may, of course, have been reinforced for the crew of the *Queen Elizabeth* by apprehensions of an impolite reception from the New York longshoremen, but in view of the surprise with which the latter greeted the crew's decision it seems to have been unfounded. It might have been better had Sir Stafford changed the venue of his address from Manchester to Southampton.

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Poor Man, Assisted Man

The "poor person" has been translated into the "assisted person." The poor man's lawyer will now serve those whose income may be up to say £12 a week and who may be a small capitalist owning his own house or shop. On the other hand, all but the very poor will have to contribute fairly heavily in proportion to their income to the cost of legal proceedings. Such will be the effect of the two new Bills, one for England and Wales and one for Scotland, to provide legal advice and aid to those who cannot afford to pay the costs themselves. The Bills are the direct, though belated, offspring of the Rushcliffe report which was published in 1945.

The new scheme, strange to relate, will not add to the numbers of civil servants. The circumgyrations of Whitehall will not increase the circumlocutions of the law. The Law Society and the Bar Council are to be left alone to run the new scheme with local committees and panels of barristers and solicitors, subject to reasonable financial safeguards for the control of public money. This was proposed in the Rushcliffe report and has been wisely followed.

The right to free or subsidised legal advice and aid depends on important definitions of "disposable" income and capital. The Assistance Board's rules will apply and disposable income will therefore exclude dependants' allowances, loan interest, income tax, rates and rent over 15s. a week; disposable capital will exclude the value of the applicant's house and furniture. If on these definitions the applicant's disposable income is under £156 per annum and his disposable capital is under £75, he will get legal aid free. If they are above £420 a year and £500 respectively he will be outside the scheme altogether. Between these upper and lower levels he will have to contribute half his disposable income over £156 per annum and all his disposable capital over £75. On this basis litigation is not likely to become an attractive proposition except to the genuinely aggrieved. And a yet further safeguard has been set up making it necessary for an applicant to provide reasonable grounds for taking part in proceedings before the local area committee will grant a "civil aid certificate."

Experience of the National Health Service makes anyone chary of taking estimates of this very limited National Legal Service very seriously, and from the explanatory memoranda it is clear that the Government is nervous of the situation getting out of hand. In the short-term, time within the Courts would prevent an excessive number of cases being taken. But this may not sufficiently dam up demand; and there might be strong pressure for more courts. Meanwhile it is estimated that, apart from certain divorce cases for the very poor, 100,000 cases will be dealt with in a year in England and Wales at a cost of £4.37 million, of which £2 million will be recoverable from contributions and costs of opponents, and that in Scotland the cost will be £250,000. For the redress of genuine wrongs this does not seem excessive.

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New Negotiations in Indonesia?

The news that the Dutch Government has decided to send a new official delegation to Indonesia is a reminder that the crisis created by the proclamation of the Indonesian Republic just after Japan's surrender in 1945 still drags on. The Uno Three-Power Commission of Good Offices has so far little to show for its prolonged endeavours to mediate between the Dutch and the Republic. The Dutch have never really receded from their original refusal to recognise the Republic as an independent state entitled to negotiate for a treaty on equal terms, and they have been particularly irritated by the Republic's development of direct diplomatic relations with foreign countries, Pakistan and Burma being the latest states to seek to establish diplomatic missions in Jogjakarta. The Dutch scheme has been to create a federal United States of Indonesia (USI), which would alone have sovereign rights in the military and diplomatic spheres, and of which the existing Republic would be only one of several constituents; by this means the revolutionary Republic would be put in its place and formal recognition of it as an independent state would be avoided, while concessions would be made to Indonesian nationalism which the Dutch hope would be sufficient to preserve a substantial political link between the USI and the Kingdom of the Netherlands. Behind the rival projects and demands of the two sides is the basic military fact that Dutch troops are in occupation of a great part of Indonesia, including sections of Java and Sumatra, while the troops of the Republic control the parts of the two islands which lie outside the Dutch military zones; yet renewed action to eliminate the Republic by force is forbidden by the Uno-imposed truce. The bargaining is thus between two parties, each with its own area of actual power; the problem is to get an agreed settlement for the whole of Indonesia instead of the present division.

The Indonesian leaders of territories outside the area under Republican rule are generally in favour of a federal system for the country and opposed to the claims of the Jogjakarta Government to represent all Indonesians, but they regard the adherence of the Republic as essential to the success of any federation, and this gives the Republic a good bargaining position. The Hatta Cabinet has emerged morally strengthened from the ordeal of the recent Communist revolt, though materially its position has been made worse by the destruction involved, and Communist guerilla action is still going on. The circumstances seem to be favourable for a fresh effort to reach a settlement, and the fact that both the Foreign Minister and the Minister for Overseas Territories in the present Dutch Government are members of the new delegation, suggests that the prospect of agreement is taken seriously at The Hague.

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Will Sweden Stay Neutral?

The regular meetings of the Northern Military Co-operation Committee inevitably arouse speculation on the prospects of the Scandinavian countries becoming members of the projected Atlantic Union. After the plenary conference in Stockholm last week of the representatives of Norway, Denmark and Sweden, together with their expert advisers, more rumours of vital decisions, more hints of crucial Cabinet changes are current. Certain facts, however, should be borne firmly in mind in considering the probability that Sweden will join the Atlantic Union—for that is what all the discussion amounts to.

The first is that the work of this Co-operation Committee is purely exploratory. It has to report not later than February on the possibility, not the desirability, of military collaboration between the Scandinavian states. It cannot reasonably be expected, therefore, to make any vital decisions on policy. The execution of any measures it recommends will depend on whether, either before or after the Committee makes its report, Sweden decides to move away from its traditional neutrality. Of this there are no signs; and the elections in September can only be interpreted, in their relation to foreign affairs, as a vote of confidence in continued neutrality.

It is perfectly true, of course, as a Swedish Government paper remarked last week, that certain forms of military co-operation in the North could be envisaged, even if Sweden remained neutrally aloof from pledges and alliances. But what value would such a limited effort have? Exceedingly little—according to the Norwegian Government or, at any rate, the main Labour newspaper in Norway, *Arbeiderbladet*. Sweden's adherence to a pledge of continued neutrality by all three countries as the condition of support for a Scandinavian alliance is quite unacceptable to Norway. Norway relies too much on prepared and organised help from the west to agree to any limitation on its freedom to negotiate for it. To a lesser extent this is true also of Denmark; and it should not be overlooked that, while the Co-operation Committee was sitting, the Danes announced that the calibres of their guns would in future be standardised with those of United States weapons. These are different from Swedish calibres.

Sweden nevertheless is too strong materially and geographically to be lightly left out of the reckoning. Not only are Norway and Denmark by comparison weak in *matériel*, but they depend to a far larger degree on outside supplies. Except for fuel and, perhaps, the exposed position of the main iron mines near the Finnish frontier, Sweden possesses considerable strength. And the fact that the Swedes were able to preserve their neutrality in the recent war has confirmed them in the belief that this is still possible. At any rate, they are most unlikely to commit themselves to any departure from this old policy until they have cast-iron guarantees of the success of the new; nor will they do so a day sooner than is absolutely necessary. Nor should the effect of Russia's good behaviour in Finland on people seeking evidence to justify the prolongation of the present situation be in any way underestimated. Meanwhile, Norway and Denmark may be expected to work hard to evolve some formula which would enable them to get help from Sweden while retaining their freedom of action towards the west. It will be a difficult task.

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Jugoslavia and Greece Threatened

A further stage was reached in the anti-Jugoslav campaign conducted from Bulgaria when the "Provincial Committee of the Macedonian Association of Cultural Societies in Bulgaria" recently published a manifesto to Macedonian emigrés living in that country. It accused the leaders of the Macedonian Republic (which is one of the six constituent republics of Tito's Jugoslavia and has a regional government in Skoplje), of "extreme nationalism," which "serves the interests of the Titoist rulers of Belgrade, who are trying to establish the hegemony of Greater Jugoslavia in the Balkans." The "correct and democratic solution" of the Macedonian problem can only be found, the manifesto claims, in a "federation of south Slavs in which Macedonia is a member with equal rights."

As in the past, both Belgrade and Sofia claim to have at heart the interests of the Macedonians, and profess faith in south Slav "brotherhood" or even federation. But, as in the past, these notions are differently interpreted in the two capitals. For Tito, Macedonia is a part of a Jugoslav state, which may or may not later federate with the other Balkan states—Albania, Bulgaria and Greece. For the Macedonian emigrés in Bulgaria—who since Tito became a heretic have been given free rein by Dimitrov's government—Macedonia should be a separate state, equal in status to Jugoslavia and Bulgaria, with which it would ultimately federate on equal terms. This point of view has been supported in the past by Bulgarian governments when they felt too weak to claim what they really desire—incorporation of all Macedonia in Bulgaria. This at least does not appear to have changed just because Bulgaria has become a "people's democracy."

Bulgarian encouragement for the idea of a Macedonian state is important not only to Jugoslavia but to Greece. If there is to be a Macedonian state, it must clearly include also "Aegean" (Greek) Macedonia. As the Sofia Government is now less likely than ever to adopt a new attitude in a controversial matter of foreign policy without Moscow's knowledge, it is safe to assume that the Kremlin is at least toying with the idea of a Macedonian state.

If Tito were not blinded by Marxist dogma and by a sentimental loyalty to false protectors who have nothing but hatred and contempt for him, he would draw the logical conclusions and come to terms with Greece. Whenever Serbia and Greece have been threatened by Bulgarian imperialism, they have stood together, and this solidarity has always benefited both. Instead, Tito joins his Albanian and Bulgarian enemies in building up Markos to destroy Jugoslavia's natural ally. *Quem deus vult perdere. . . .*

* * *

Communist Tactics and Nationalism

The Bulgarian Government's sudden switch from friendship with Jugoslavia to intense hostility resembles a similar switch in the opposite direction which has recently been commented upon in this paper—the sudden swing of the Slovak Communists from hostility to professed friendship with the Hungarians. Real friendship between Czechoslovakia and Hungary is desirable in the interests of the Central European peoples, whatever their regime, but this is a bogus friendship, introduced by Slovak Communists who deliberately for three years incited their people to persecute the Hungarians, far surpassing in their lying propaganda the Fascist Slovaks of Tito. All this occurred because it was Moscow's tactical aim to keep Czechoslovakia and Hungary (two countries with strong "western bourgeois influences") hostile to each other, in order to weaken the resistance of both to sovietisation. When, however, it became convenient to Moscow that Hungary and Czechoslovakia, both sufficiently sovietised, should be brought together, the word was given, and honeyed words were exchanged from Bratislava, Budapest and Prague. Similarly in the Balkans, when it became inconvenient that Serbs and Bulgars should fraternise, again Moscow gave the word and insults were hurled from Sofia at Belgrade and Skoplje. And doubtless, should it ever be convenient in the future, Moscow would give similar orders to disrupt the idyllic friendship which now appears to prevail between Rumania and Hungary.

To ordinary Slovaks, Hungarians, Macedonians and Bulgars, Moscow's sudden changes must be confusing. To democrats who have worked for years for friendship between the nations of eastern Europe they are heartbreaking. The Communist leaders have stolen their programmes, turned them into dishonest slogans to mislead their peoples and impose their own yoke. Their nationality policy is insincere and empty because the only national feeling of which they themselves are capable is "transferred nationalism" for the Soviet Union. Marx once said that the workers have no fatherland. Today it is more true that Cominform agents have one, the same for all.

* * *

Safer Milk—

The Milk (Special Designations) Bill, which was introduced in the House of Lords this week, fulfils a long-standing intention of the Government—not only of this Government but of the Coalition Government as well—to improve the quality of all milk sold for liquid consumption. It also goes some way to meet the even longer-standing demands of the medical profession, justifiably shocked by the 2,000 preventable deaths, mainly of children, from bovine tuberculosis each year and an unknown amount of illness and disablement.

In areas to be specified by the Minister of Food all milk to

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be supplied retail will have to be tuberculin-tested (TT), or accredited milk from a single herd, or pasteurised. The shortage of pasteurising plant will prevent these provisions from coming into force immediately, and it is likely to be at least five years before all the areas required to be specified can be. This shortage of plant is also the reason why accredited milk is allowed as a designated milk for the time being. Accredited milk is milk from a herd that undergoes a regular veterinary inspection but not a test for tuberculosis. It may, therefore, be anything but safe milk, and after five years it will no longer be recognised as a designated milk.

The extension of pasteurisation is sometimes objected to because, for one thing, it may discourage attempts to wipe out tuberculosis in dairy herds. But this objection cannot be sustained. First, it will probably take at least twenty years to free all herds of cows that react to the tuberculin test. Secondly, the elimination of bovine tuberculosis should go on in the interests, not only of safer milk, but also of obtaining a larger yield from the country's dairy herds. Thirdly, the milk from tuberculin-tested herds, though free from the bacillus of bovine tuberculosis, may easily be contaminated by other organisms before it reaches the consumer. It is a defect of the new Bill that it does not provide for the eventual pasteurisation of tuberculin-tested milk.

* * *

—And Food?

Another piece of preventive medicine started by the Government is the setting up of a working party to make recommendations for securing "the observance of sanitary and cleanly conditions in the catering trade." The number of cases of food poisoning in England and Wales went up from 83 in 1939 to 598 in 1946; in fact, with the exception of 1945, there was a steady rise from 1940 onwards. Part of this increase can be attributed to the shortage of food and the consequent tendency to eat and supply food of doubtful freshness and wholesomeness; but it is widely held that it is also associated with the increase in communal feeding in restaurants and canteens.

Last week's debate in the House of Commons on clean catering was chiefly concerned with washing up, and it is true that the methods of washing up in the average eating place are totally inadequate. The *British Medical Journal* of January 25, 1947, contained an account of a survey made of the washing up equipment in various kitchens supplying communal meals, from which it was found that most of the dishes were being washed in water that bacteriologically was equivalent to sewage, and that pathogenic organisms could be isolated from the eating utensils. But probably most food poisoning arises from direct infection by people concerned with the handling of food. The working party will have to find out whether it is possible to place a greater check on the cleanliness and freedom from infection of all persons preparing and serving food for public consumption.

* * *

Right of Entry

The Englishman's home may be his castle, but the number of people who already have the right to force their way into it would amount to a sizeable army. The latest recruit to their ranks, if the Wireless Telegraphy Bill becomes law, will be the Post Office official looking for defective electrical apparatus—a case of interference breeding interference.

In point of fact, neither the land nor the dwelling of the private individual has ever been sacrosanct. From earliest times some people have had a right to enter it, free from any liability for trespass. The sheriff in search of a debtor's goods to seize for debt may not break into the debtor's own house simply to seize them, but he may break in to rescue his own officer if he is detained there, and, once inside, he may break open any locked door. But it was not until the last century that the official inspector appeared on the scene in any large numbers. The food inspectors can inspect food exposed for sale; they acquired that right under the Public Health Act of 1875. The health officials of local authorities can be given the right to enter any premises where there are infectious diseases, or to abate a nuisance on the premises, or to protect the interests of children under the Children and Young Persons Act of 1933. Similarly, officials of the Metropolitan Water Board were first given a right of access to inspect water apparatus, even in a private house, as early as 1871. The electricity supply companies acquired their rights in 1909. Under the prewar Unemployment Acts, a Ministry inspector can go anywhere where people are employed. Even a railway company has the right of access to any property adjoining a railway line when an accident has occurred or movements of land are threatening the permanent way.

From the citizen's point of view, it is equally important how these rights are enforced. In some cases it is necessary for the official who wants to enter private property to persuade a magistrate to give him a search warrant. In others, notably under the public health laws, it is sufficient for a local authority to authorise its own officers to enter. Under the Wireless Telegraphy Bill, Clause 14, the Post Office official who wishes to search for the cause of radio interference must first obtain a magistrate's warrant giving him the right to demand entry. Yet, under the Prevention of Damage by Pests Bill, Clause 24, also introduced this session, any person may be authorised by a local authority to enter any lands or buildings to inspect the precautions against pest infestation or to see whether any regulations that the Minister of Agriculture may choose to make under the powers given in the Bill are being carried out. He can also enter land which is not itself infested, or suspected of being infested. He can enter if the land has recently harboured a vehicle or aircraft which was infested. And all that by note of hand alone, and the penalty for resistance is a fine of £5. Yet it seems likely that, so far at least, there are quite as many houses with mice in them as there are with electric irons installed. There is a strong case for saying that these powers are too freely given by Parliament. There is also a strong case for saying that protests against them would have greater weight if they attained greater consistency.

* * *

A Communist for the Cape

The lesson which Dr Malan should learn from the election of a Communist as one of the natives' three representatives in the South African House of Assembly is so obvious as barely to need stating. Mr Sam Kahn, the successful candidate, routed his rivals to the extent of causing both of them to lose their deposits. He has been an active Communist in the Cape since 1932, but only now has he achieved the goal of becoming the first Communist member in the South African Parliament. He has set himself up as a European protagonist of non-European interests, and his election at a time when the Nationalist Government are preparing the preliminary moves for bringing into force their policy of *apartheid* is particularly significant.

However deplorable Communism may appear in western eyes, its appeal to the backward peoples of the world is undoubtedly strong. The easy promises of wealth and plenty which are held out as a reward for the revolutionaries are accepted at their face value. In South Africa, where the extremes of wealth and poverty exist side by side, the Communists can put forward a particularly strong case. And when, to the promise of material advantage, they add the fact of racial oppression, their case is almost unanswerable. Hitherto, Communist activity in South Africa has been slight. The Bantu are a conservative race who do not readily accept revolutionary ideas, but the old tribal system has disappeared in large areas as a result of the drift to the mines and cities during the past thirty years. In its place is a mass of undisciplined, impoverished people, ready for any demagogue who pretends to point the way out of their squalor.

In such circumstances, what can be said of Dr Malan's proposals to hold the natives down even more firmly? Such proposals are not only inherently unjust. They provide fuel for the Communists, whose intentions in Africa are not very different from those already realised in Asia. There is no easy solution to South Africa's racial problem, but one thing at least is certain—that oppression will make it even more intractable. Dr Malan may not be disturbed by the presence of a single Communist in a Parliament which, however else it is divided, is solidly anti-Communist. But this particular swallow, even if he cannot make a summer, is still a warning of particularly unpleasant summers that may come.

Shorter Note

The number of recruits who have come forward for service in the Territorial Army during October, the first month of the intensive recruiting campaign, is only 7,355, or considerably less than half the monthly figure needed to be reached of 100,000 recruits in six months. However, reports from commanding officers indicate that the quality of both men and women is high, and in particular that the experienced young non-commissioned officers are beginning to return to the colours.



Producers and manufacturers of every nation are invited to show their products at the new world market-place — the Canadian International Trade Fair — to be sponsored again in Toronto by the Canadian Government, from May 30 to June 10, 1949.

Exhibitors' applications should be received before January, 1949, in order to permit the most equitable allocation of available space. Later applicants will risk disappointment.

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Letters to the Editor

The Cost of Justice

SIR,—In 1946, MGM Pictures Ltd. wrote to the Talks Director of the B.B.C. alleging that I was "out of touch with the tastes of the millions of cinema-goers who are also radio listeners," and that my criticisms were "unnecessarily harmful to the industry as a whole." Believing that it was in the interests of all those to whose way of life freedom of speech is essential, to limit interference with the critic's expression of opinion, I sued them for libel, as the only legal redress open to me, and won, with £1,500 damages. The reversal of this judgment, in the Court of Appeal, has left me with the costs for both hearings to pay—for the case I won as well as the case I lost. They amount to about £5,000.

Fellow critics rallied to help me, issuing an appeal to other members of the Critics' Circle for aid to take this case higher, where, if I lost, it would cost me approximately another £2,500. Last week MGM's solicitors wrote threatening action for libel against all five signatories of the letter in which this appeal was made—Miss Dilys Powell of the *Sunday Times*, Mr Richard Winnington of the *News Chronicle*, Mr A. V. Cookman of *The Times*, Mr Stephen Watts of the *Sunday Express*, and Mr Milton Deans, hon. secretary of the Critics' Circle Film Section.

There are means by which technically "poor persons" in Britain can afford justice. What chance has the individual up against great wealth, when he or she is not officially a poor person, but is merely ruined by previous hearings, of getting a case like this decided in the Lords, however desirable it may be?—Yours faithfully, E. ARNOT ROBERTSON

Guyon House, 98 Heath Street, N.W.3

Votes and Votaries

SIR,—Your leading article of November 13th criticises the comparison of British and American politics made by "certain enthusiastic journalists of the left wing" since the Presidential election. Obviously there is no analogy between the particular issues at stake in the two countries. But there is an analogy—which you do not mention—between the Republicans, who accepted the Democratic programme, campaigning for the New Deal without the New Dealers and Marshall Aid without Marshall, and the Conservatives, who are at present no nearer to evolving a policy of their own.—Yours faithfully, D. V. DONNISON

Magdalen College, Oxford

British Farming

Sir,—I am a tenant farmer with over 500 acres, and have been considering how I could increase my efficiency, and have arrived at the following conclusions:—

(1) If my landlord would and could afford to build me two modern cottages and modernise my existing ones, I could increase my production 15 per cent.

(2) If a pool of sufficient labour was available for seasonal work, I could increase my production a further 7½ per cent.

(3) If there were a co-operative grass drying plant available, I could increase my milk by 5 to 7½ per cent.

As to subsidies, good potato land needs no subsidy, but good potato land would only provide for 15 per cent of the country's requirements.

I think I am efficient. I am mechanised as far as possible, but here again, given two further cottages, I could contribute to the efficiency of my neighbours by hiring machinery to their benefit and my own.

What can I do to be saved?—Yours faithfully,

"A BERKSHIRE FARMER"

Public Opinion Polls

SIR,—Most of the articles and letters on this subject that have been published since the American Presidential election seem to miss the main point. Even some of the defenders of opinion research appear to accept the verdict that on this occasion the opinion polls were wrong. This is highly questionable. The fact is that the sounding of public opinion on political preference is one thing, the use of the results to predict an election result is quite a separate issue. The former is quite feasible, and, in this sense, the poll results may easily be a more accurate reflection of American political sentiment than the election results themselves. The latter is, at the best, extremely difficult and probably impossible, at any rate by sample research techniques, particularly in America. The reasons for this are:—

1. The pollers interrogate a representative cross-section of the population, but they cannot guarantee that a representative cross-section will vote. Nor can they even discover which members of their own cross-section will, in fact, vote.

2. The publicity given to the very consistent findings of all the polls over a period of months, and to the corroborative views of independent political commentators, is itself capable of influencing the extent to which people bother to record their vote. It may operate to reduce the likelihood that a representative cross-section will vote.

3. There is a space of time, possibly only a matter of hours, between the last opinion poll and the recording of a vote in which a voting intention may change.

The public opinion experts are open to criticism, not because their research techniques produce false results, but because, knowing better than most that the further act of prediction is so hazardous, they still so gaily don the prophet's mantle.

In any case, it is quite absurd that the techniques of sample research, which can claim such solid and incontrovertible achievement in the fields of sociology, public administration and marketing, should be called in question for sins they have not even committed in one of their most questionable applications.—Yours faithfully, A. G. JONES

BETRO, 48, Dover Street, London, W.1

Contractional Engineering

SIR,—Some little time ago I did a small service for an official body. I have now had a letter enclosing my modest fee, for which I am duly grateful. The letter finishes with the sentence: "Our contractional letter dated the 15th November refers." Should I contact Sir Ernest Gowers to obtain a construction of this contraction?—Yours faithfully, ASTRA

From *The Economist* of 1848

November 25th, 1848

MARY BARTON*: *A Manchester Tale.* Chapman and Hall, Strand.

In this work the reader is presented with a most melancholy, nay, an appalling picture of the lives of the operatives in Manchester, and we fear in other manufacturing cities. The impress of truth is not to be mistaken, and, therefore, the perusal of the book has a most depressing influence, and we must overcome our own feelings ere we can form a judgment on Mary Barton. The task of depicting not only the condition of the operatives in the different phases of their existence, but of tracing that condition to its causes and ultimate results, has evidently not been lightly undertaken. Mary Barton has *not*, we believe, flowed from the pen of a noble author; it is *not* a love story, although, as a true picture of life, that master passion plays its part; it is *not* a fashionable novel; but it is an attempt, and we should say a successful one, to create in the reading public an interest for the miserable operatives, by showing their domestic virtues, their industry, their unwearied but too generally ineffective struggles against the fate which, sooner or later, overtakes them. It is not our duty, nor is this the place to inquire into the sources of the social anomaly presented, by a large body of men, industrious, prudent, saving, and virtuous, being reduced by no fault of their own to the most abject want, and but too often driven to crime. The moral philosopher, the political economist must solve this knotty point; we only draw the attention of our readers to the striking peculiarities of Mary Barton, hoping that its pages may inspire them with the wish to contribute their mite towards the lasting relief of the class depicted there. We fear the author has but little hope of a speedy realisation of that object, for he has not been able to find any other means for securing the happiness of his hero and heroine, than that of sending them to Canada, into voluntary banishment. . . .

The book is intensely and painfully interesting, and will be, we have no doubt, the parent of many similar works.

* Mrs. Gaskell's first novel.

Books and Publications

The Law and the Prophet

"The New Economics. Keynes's Influence on Theory and Policy." *Edited by Seymour E. Harris.* Dobson. 686 pages. 30s.

"THIS volume," says the editor in his introductory chapter, "was conceived as a tribute to the man and to the economist. But it is more than that. We intend to appraise Keynes's contributions to economics; to add up the gains and explore the weaknesses." A formidable, fascinating and beautifully handled job. This encyclopaedic volume contains key writings by Keynes himself, contributions to controversy by his disciples and opponents, a carefully chosen anthology, that is to say, of original documents; these take up sixteen of the forty-seven chapters. The remainder is new material, appraisals in the light of subsequent events and developments of theory, offering contrasting views by Keynesians and non-Keynesians, expanding special points regarding technique or application, relating various aspects of the master's work not hitherto adequately linked.

It is not, of course, merely a pious elaboration of variations on the Keynesian theme. If Mr R. F. Harrod and Mrs Joan Robinson are there, so are Professors Schumpeter and Sweezy, one attacking from the Right, the other from the Left. Professor Seymour Harris himself keeps his treatment of his hero well on this side of idolatry; his economics emerges warts and all. An authoritative full-length biography of Keynes, when it comes, will cast more light on the influences which led him to leave some ideas partly developed, to contradict in 1936, wholly in appearance and partly in reality, the conclusions stated in 1930; to swing from internationalism to something perilously near autarky and back again. Never did a theoretician live less in an ivory tower, or draw more fully upon the current preoccupations of his time; Keynes the economist reflected Keynes the administrator, the business man, the adviser of statesmen, the diplomat. His achievement, partly for that reason, lacks the consistency and majestic unity of his master, Alfred Marshall. There is all the more need for such a book as this, in which the student can both trace the development of particular interests—in money, in the savings-investment relation, in the foreign exchanges, in public finance—and find an opportunity of constructing, however tentatively, a synthesis which Keynes himself never conclusively provided.

Pride and Prejudice

"Prejudice and Judgment." By Sir James Grigg. Jonathan Cape. 447 pages. 16s.

SIR JAMES GRIGG is commonly remembered as the Permanent Under-Secretary of State for War whom Mr Churchill converted into the Secretary of State for War in 1942. Such summaries are rarely just and still less rarely kind, yet this much of it is true. Sir James was a permanent civil servant and it is doubtful if anyone but Mr Churchill would have thought of translating him directly into the Cabinet, even in 1942.

An autobiography always has two major interests; the things seen and done by the man who writes it and the picture of the author himself that the reader distils from its pages. On the first, Sir James is disappointing. He has fallen between two stools. His book is neither a frank account of what he knows to have happened (perhaps no civil servant could be so indiscreet) nor is it a documented history. What gives the book life—and its life is mainly confined to these sections—are the chapters dealing with Mr Snowden, for whom he had a profound admiration, and Mr Churchill, for whom he has a profound affection and respect.

And what of the author himself? No man can be discreet enough to hide himself completely when he writes his autobiography. Sir James is clearly an exceptional man. With the minimum of financial aid from his father, he made his way from a secondary school in Bournemouth to Cambridge, passed first in the Civil Service Examinations for 1913, and made his way through the Treasury to the summit of his profession. He is the perfect civil servant—probably no one realised this better than Mr Churchill when he made him his War Minister, for that was the kind of man Mr Churchill wanted in that office. No one interested in public affairs could fail to be interested by this record. No one interested in people could fail to like Sir James, for he is honest, tenacious, clear-sighted, obtuse and irritating.

A Massive Record

"The Memoirs of Cordell Hull." Hodder and Stoughton. 2 Vols. 1804 pages. 50s.

MR CORDELL HULL, as Secretary of State from the beginning of Roosevelt's Presidency until nearly the end of the third term, held that office longer than any of his predecessors. The account of his stewardship is correspondingly massive and with the exception of the chapters on his early political life hardly belongs to the category of memoirs at all. What we have instead is a detailed account of the conduct of American foreign policy from 1933 to 1944, authenticated by quotations (more frequently by paraphrases) from the records of Mr Hull's official conversations and from the relevant documents.

For those concerned with current problems, rather than with history, the main interest of the memoirs lies in their relevation of the basic ideas and prejudices which underlay Mr Hull's policy, and which may well underlie that of his successors. There was the insistence that nothing justified interfering with the sacred principle of non-discrimination and the complete inability to understand or make allowances for Britain's economic position; there is the absolute hostility to the idea of empire without attention to the need of substituting some other form of power if Soviet communism is not to benefit by its collapse; there is the assumption of the inherent wickedness of all spheres of influence without an examination of how, when dealing with countries as different in their approach as the Soviet Union, joint action can be possible; there is the refusal to become involved in territorial issues between foreign Governments without a realisation of their importance in the establishment of peace. Nor does Mr Hull always see that the exceptions he claims from his rules of conduct in the name of the overriding demands of the allied war-effort were equally applicable to other cases. Thus his laboured defence of the "Vichy" policy—much more convincing than the later American policy on France, which seems to have been largely the product of Roosevelt's dislike of de Gaulle—only stands up according to premises equally applicable to Britain's closure of the Burma road, and appeasement of Argentina and Spain—policies Hull regarded as inexcusable. For all their over-elaboration and tediousness, the Hull memoirs are compulsory reading for students of American and international affairs.

The New India

"The New India." By Sir Atul Chatterjee. Allen and Unwin. 201 pages. 8s. 6d.

OVER thirty-five years ago the late Sir Thomas Holderness wrote for the Home University Library a little book, entitled "Peoples and Problems of India." Since that time the political face of India has been completely transformed. A new book was called for, and Sir Atul Chatterjee has produced it, and presented within reasonable compass an admirable picture of India at the time of the transfer of power. His book will meet the needs of many in this country who wish for an experienced guide to help them to realise the complexities of the Indian scene.

The book falls broadly into two sections. The first covers the religious, literary, social and ethnographical aspects of Indian life. These are largely outside the influence of politics and will continue dominant for many years. The story has often been told before, but it may be doubted whether so much knowledge has been previously stored in so few pages. The latter part of the book deals largely with administration in its broadest sense. Here the future is likely to witness rapid changes, and Sir Atul has points to make on the line they may take. All the leading questions of the day are covered in chapters dealing with agriculture, industry, defence, health and the other fields of state action. On all these matters the book states the position at the time of the transfer of power, and thus provides the background from which future progress must be judged after the close of the British epoch. It may be hoped that when a new edition of the book appears Sir Atul Chatterjee will be able to add a fresh chapter showing how the problems he has so lucidly set forth have been tackled by the new Indian and Pakistan Governments.

American Banking System

"American Banking System." By R. S. Sayers. Oxford University Press. 130 pages. 7s. 6d.

THE appearance of yet another book on American banking to swell still further what is probably the most swollen bibliography on any banking subject is bound to arouse suspicion and cynicism. These reactions quickly disappear on reading Professor Sayers' book. The author describes it as "a sketch" and this is what it is. It says nothing new but it reflects knowledge distilled from what has obviously been a painstaking study of the literature on American banking and from an almost non-academic interest in its most recent evolutions. The book is designed to provide an account of its subject within the compass of an evening's reading. It succeeds in doing so and—an even greater achievement—it succeeds without in any way distorting the perspective. As an introduction to its subject this little book will take a great deal of beating. Professor Sayers, in these 130 pages, has done more than merely distil and summarise. In a last reflective chapter he ruminates on some of the implications of the dynamic sequence of events and evolution he has described. He asks himself whether 1933, with its thousands of bank failures and its virtual paralysis of the whole mechanism of banking in the United States, can come again. His answer is reassuring. He still detects traces of weakness in the multiplicity of small unit banks. But the development of deposit insurance, the greater elasticity of the facilities offered by the Federal Reserve banks, and last but not least, the revolution in the distribution of banking assets, convince him that American commercial banking is in a much stronger position than it was twenty years ago.

World Air Picture

"World Aviation Annual, 1948." Published by the Aviation Research Institute, Washington, D.C., and the James Jackson Cabot Professorship of Air Transportation of Norwich University, Northfield, Vermont. London, Faber and Faber. 544 pages. 84s.

THIS encyclopaedic handbook, edited by a former Director of Aviation Research at the Brookings Institution, surveys by countries the civil aviation and aircraft manufacture of the world and gives much information about the world's principal military air forces. Particulars of air engine and air frame manufacturers and their main products are remarkably full; all scheduled air lines in the world—some 250 in number—are listed; the organisation, equipment and routes of the major air carriers in all countries are individually described.

Especially interesting is the section on the USSR. "Even by American standards," states the *Annual*, "the Soviet aircraft industry is large and modern." In 1948 competent authorities estimate that its production, though smaller than the wartime peak of 40,000, should include about 1,000 B-29 type bombers (Superfortresses) and about 200 jet planes a month. European Russia is believed still to contain most Soviet air engine and air frame plants. The Soviet Air Force today is said to comprise about 400,000 men and 14,000 first-line planes, and—as during the war—to be primarily trained and equipped for co-operation with land armies.

Propaganda for Uno

"Australia." Edited by C. Hartley Grattan. 444 pages. 27s. 6d
"New Zealand." Edited by Horace Belshaw. 329 pages. 27s. 6d.
"Brazil." Edited by Lawrence F. Hill. 394 pages. 27s. 6d.
All published by the University of California Press, and the Cambridge University Press, London.

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AMERICAN SURVEY

Trade and the Marshall Plan

(From Our US Editorial Staff)

DURING the past few weeks there have been several developments in Washington which have shown how necessary it is that agreement should be reached on the principles to be followed in making arrangements concerning foreign trade, not only with the western European countries, but between the numerous Government departments which are dealing with this problem. On November 5th it was announced that the United States would participate in the negotiations for reciprocal reduction of tariffs and other trade barriers with eleven countries—Denmark, the Dominican Republic, El Salvador, Finland, Greece, Haiti, Italy, Nicaragua, Peru, Sweden and Uruguay—in connection with the accession of those countries to the general agreement on tariffs and trade which was concluded last year. The new negotiations will begin at Geneva in April and the American announcement contained a list of the imports on which the United States is proposing to discuss tariff changes. During the next few months the US Tariff Commission and the interdepartmental Committee for Reciprocity Information will hold the hearings now required under the Reciprocal Trade Agreements Act, at which producers likely to be affected by such changes can present their evidence.

The outcome of the election makes it unlikely that these negotiations will proceed under the sword of Damocles which the Republicans had apparently been prepared to dangle when the Act came up for renewal next year. But the clash between general policy and special interest groups will be as sharp as ever, and the Californian walnut growers who, finding Italy on the list of prospective bargainers, are prepared to see disaster in a nutshell, will not be alone in pressing their claims upon the negotiators. While some special interests oppose any reductions in the prices of some imports, others—or in some cases even the same ones—will press vigorously for greater favours for US exports than the representatives of some of the eleven will feel is warranted by their dollar position.

Almost simultaneously, the current confusion of US policy and the contribution which special interests make to that confusion were illustrated at the Washington meeting of the Food and Agriculture Organisation. There was a sharp exchange when Mr Loveland, the Under Secretary of Agriculture, made a case against bilateral agreements covering long-term bulk purchases of foodstuffs such as those of Britain with the Dominions, and heard in return the case of the nations who signed last year's multilateral Wheat Agreement, only to have it wither on the vine of a Senate Foreign Relations Subcommittee until the time limit for approval had passed. It is in agriculture that the pressure of the transition from a sellers' to a buyers' market is most clear. Mr Loveland was just back from a visit to his own Iowa farm where some of the neighbours had offered him cash corn for 70 cents a bushel, less than half the official support price. Stabilisation is more and more pressingly desired by the farmer and by those who are aware of the perils of depression. It is a less pressing matter to the grain trade, for which fluctuations are no great disadvantage. The grain trade and some of the railroads, with the able assistance of Mr Slaughter, a former Congressman who is now under indictment for failing to register as a lobbyist, are credited with writing the clause in the new charter of the Commodity Credit Corporation which forbade it to acquire more storage space and forced many farmers to move corn for cash this autumn. The same interests are believed to have had influence in keeping the Wheat Agreement from coming to a vote until the date for effective action was passed.

Grains are the problem now, but sugar, cotton and wool are accumulating. It is not easy to choose a satisfactory stabilisation policy: a single price system for those farm commodities which are likely to be in surplus very soon, if fixed at a level low enough to enable them to compete unassisted in the world market, would seriously depress the agricultural segment of the American economy and would therefore threaten internal stability. A two-price system, with subsidies for commodities being sold abroad, unless accompanied by strict controls of production at home, would merely encourage the export of fertility at a rate which troubles thoughtful farmers. One group of farm economists has suggested that farmers who sell abroad at world prices should be compensated by payments which bring their incomes up to those of farmers who sell at home at domestic prices, but this alternative has little political appeal. When the Wheat Agreement was discussed by the Senate Foreign Relations Committee during the special session of Congress after having been favourably, if also retroactively, reported out, Senator Vandenberg suggested that it was a worth-while programme of a sort the United States was likely to approve. This comment may indicate the direction in which opinion is moving.

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The immediate pressures now evident in the agricultural segment of US trade perhaps give a preview of a more far-reaching development, to which the questions recently addressed to the US Government through the Organisation for European Economic Co-operation are pertinent. These questions dealt with probable American markets for the goods and services of the European countries which are participating in the Marshall plan; they dealt with the ability of such countries to sell their goods in the United States, with whether the more saleable categories of goods would be traditional exports or new types of commodities, manufactures or raw materials, with the extent to which a US tourist trade could be relied upon, the degree of subsidised competition which must be anticipated from the US merchant marine, the amount of US capital likely to be invested abroad, the probable routeing of trade, whether direct or triangular. These are all factors of primary importance in the European national programmes now being planned for the next four years at the request of the United States, since one of the purposes of those programmes is to restore a viable system of international exchange and thus to overcome the present dollar deficits.

The reply to these European questions was consistent with American multilateral theory. It included forecasts of the total size of the US market at the close of the Marshall plan period and the probable levels of employment, production and prices at that date. From those overall figures, estimates of imports were deduced by major classes and by specific items in the case of a number of basic commodities; figures were suggested with regard to tourists and their expenditures, vessels under subsidy, and investments likely to be made abroad. But along with

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these estimates went a warning that such trade was on a come-and-get-it basis: that the aggressiveness of European sales policy, the extent to which styling is undertaken for the US market, and other factors, including prices, would count heavily in determining the actual results. The total sales, in other words, would be determined by market action, not government commitment.

Such a reply is disconcerting to planners. It is all very well to demonstrate statistically that increasing production means rising prosperity, and rising prosperity means rising world trade; to say that if production can be greatly expanded in Europe and sustained in the United States, the volume of exports will be large everywhere. But such a statement cannot be reduced easily to specific cases and specific amounts, to estimates of the extent to which the British motor car industry, or the Italian shipbuilding industry, can find markets if enlarged. Yet if the answer is inadequate, what better one, short of omniscience, can be produced? Actually, most of the long-term plans currently in circulation among the participating countries are fairly open-ended when it comes to 1952, and perhaps in being so they avoid the over-optimism of Italy with its assumption that the national product can be raised from 5½ to 12½ billion lire during the next four years. But the questions now being raised in Washington and in western European capitals must receive answers, at least to some extent; very large amounts of money are going to be spent on the answers given and the questions are likely to become more and more pointed.

To what extent is the planning now going on in Europe, in an effort to correct the exchange situation, planning in which each country is anticipating enormous exports and minimal imports? Is the autarchy of the nineteen-thirties becoming visible again in the European effort to surpass 1938 and in the British austerity which is causing so much Beneluxurious anxiety at the moment? If the capacity of the US market to absorb imports proves to be less than is needed, where can the vastly increased European exports go? Will the competition for markets by 1952 be so great that the very premise of the European recovery programme is seriously to be doubted? These questions were put in Congress fairly quietly but with some persistence early this year. They may be revived more vocally and more persistently in 1949 as constituents ask Congressmen about the extent to which American production can be sold abroad, and the extent to which American producers are to be subjected to foreign competition, and as members of the House and Senate pass these questions on to the official advocates of international programmes.

American Notes

Mr Truman's New Deal

The appointment of the Republican expert on foreign affairs, Mr John Foster Dulles, to lead the American delegation to the United Nations Assembly during Mr Marshall's absence from Paris has allayed the apprehensions of those who feared that Mr Truman, overflushed with victory, might decide that Republican co-operation was a liability abroad as well as at home. However, the President's press conference before returning to Washington did not allay the apprehensions of those who fear that his promised New Deal will take as drastic a form on Congressional floors as it has on political platforms. Mr Truman made it plain that he shares the faith of the American voters in the programme which he has offered without success to Congress ever since he succeeded to the Presidency, and that he sees no reason to abandon it now that there is at last a prospect of putting it into practice. But now that the prospect is so good, there will be a need for more precision and consistency in the programme than has sometimes been apparent in the past.

Mr Truman said that his proposals would be based on his first Message to Congress in September, 1945, and on the pledges in this year's Democratic platform. But the Message is now out of date, although its declaration of governmental responsibility for the national prosperity is not, and the platform is as vague as tradition requires. Forecasts of the Messages which Mr Truman will send to Congress in January can therefore more usefully be founded on his requests to the special session of Congress, at which he opened his election campaign in July.

The most pressing of these requests dealt with inflationary controls, which are nearly as urgent now as they were then, although no more easily translated into effective legislation. This applies especially to price controls for scarce commodities, particularly hard to implement since Mr Truman's present obligation to the labour movement makes wage control even less politically expedient than usual. In the end the Administration may ask only for "stand-by" powers and for a voluntary scheme of price controls, similar to that which was not altogether unsuccessful in 1941. Much of the present despondency in the business world arises from the belief that the President will insist on an excess profits tax, although it will meet with as cool a reception from the conservative Democrats, who now control the Congressional finance committees, as it did from their Republican predecessors. Other controls, about which there may be less dispute, are the regulation of the commodity exchanges, the strengthening of rent controls, the allocation of scarce industrial commodities and "stand-by" rationing authority for certain consumer goods. Mr Truman has also attached great importance to assistance for the construction of low-cost housing. More will also certainly be heard of federal aid to education, a comprehensive national health programme, increases in minimum wages, pensions and federal salaries, and the development of electric power.

*

The election campaign, and even more the debt which Mr Truman and his liberal supporters in Congress owe to labour and Negro voters, make it almost certain that priority will be given to two measures on which there is great danger of bitter controversy—civil rights for Negroes and the repeal of the Taft-Hartley Labour Act. In both cases, however, the danger may possibly be avoided by private discussions resulting in a compromise and the presentation of agreed legislation. If not, the question of civil rights may be left until late in the session, in order to avoid the delays which would be caused by the inevitable filibuster.

On civil rights, as on much of his social programme, Mr Truman can expect some Republican support. But he cannot count on this when it comes to repeal of the Taft-Hartley Act, and here he will also have to contend with the opposition of those Democrats whose votes ensured the original passage of the Act. Labour leaders apparently accept the Administration's view that labour cannot hope to resume the privileged position which it was given by the old Wagner Act, which must be amended if Mr Truman's promise to establish a sound system of labour-management relations, fair to both sides and to the public, is to be carried out. The unions, however, want the Taft-Hartley Act repealed at once and the Wagner Act reinstated, while new legislation is worked out at leisure. This would leave the President during the interim period without any of the powers to deal with strikes affecting the national welfare which he has used so frequently during the past year. The Administration is already drafting a new law which it proposes to ask Congress to pass at the same time as the Taft-Hartley Act is repealed. Even if labour is induced to agree to this procedure for repeal, it is by no means certain that all the provisions of the new law will be welcomed by union leaders.

* * *

Labour Tackles its Communists

About one-fifth of the members of the Congress of Industrial Organisations belong to unions headed either by Communists or fellow travellers, though actual carriers of the party card number only about 30,000. These leaders have defied official CIO policy by criticising the Marshall plan at every turn and working for Mr Wallace. With the Truman victory and the Wallace fiasco the CIO has speeded up the house-cleaning which has been proceeding in the individual unions, sometimes to the extreme discomfort of the ordinary citizen, compelled to walk home during a bus strike or cross picket lines before the big New York stores.

The executive board of the CIO has voted, by 38 to 5, to revoke the charter of the Greater New York City CIO Council, for its "slavish adherence to the Communist Party line." The council, like some others, had come under the control of such left-wing unions as the United Electrical Workers, the Public Workers, the Office Workers, and the Fur and Leather Workers. This boarding of the Communists in their stronghold, New York City, is taken as a sign of CIO policy elsewhere, though the west coast shipping unions, under Mr Harry Bridges, may prove harder to discipline. The fact that the decision is not to be appealed to the CIO convention now meeting in Portland, Oregon, suggests that the Communists may decide to go peaceably along, rather than risk secession. In its convention the American Federation of Labour also has started a drive against Communists in its Canadian affiliates.

The struggle to clean out the New York City Council was led by two labour leaders who until very recently had not seen the light themselves, Mr Quill, president of the Transport Workers' Union, and Mr Curran, who, unlike Mr Quill, has already succeeded in ridding his organisation (the National Maritime Union) of its leftish tinge. The Transport Workers are still embattled, but a final decision may be reached at their convention in December. It is significant that Mr Quill has been "pushed, prodded, and encouraged" in his fight by a rallying of Catholic trade unionists inside the TWU.

*

Another CIO union rent by the Communist issue is the Retail, Wholesale, and Department Store Union. Eight left-wing unions covering New York stores, with 30,000 members, seceded this summer from the international to avoid being taken over after the failure of their officers to sign anti-Communist affidavits had led to the loss of contracts. In one important case an AFL union won the ensuing election. Mr Wolchok, the president of the international, is trying desperately to regain his lost flock (without its black, or rather red, sheep) while defending himself against charges—chiefly from Catholic members—of having been too easy with the Communists.

The requirement that union officers must sign an anti-Communist affidavit before their union may avail itself of the services of the Labour Board has struck heavy blows at the left-wing unions. Not only have employers used the failure to sign as an excuse for failing to renew contracts with these unions, but locals have seceded to secure the advantages of compliance, and unions like Mr Reuther's Automobile Workers have welcomed the fugitives. This "cannibalism"—a sin against union ethics—will be brought up on the convention floor, but Mr Murray, the president of the CIO, has already declared that the raided unions have only their own undemocratic practices to blame. The bulk of organised labour may even be willing to retain the anti-Communist affidavit out of the wreckage of the Taft-Hartley Act if some face-saving device can be found, such as Mr Tobin's ingenious suggestion that employers also be required to sign.

At Portland, Mr Murray called the Communists filthy and vicious. But no purge—beyond a flood of words—seems imminent. There is no desire to make martyrs out of the Communists, or take the risk, like Mr Wolchok, of losing unions whose leaders, but not their members, are Communists. Nor is the CIO altogether indifferent to the charge of "company unionism—1948 style." Thus the national body has joined in the $1,000,000 suit brought by the United Electrical Workers against the Atomic Energy Commission. This follows the Commission's order to the General Electric Company to withdraw recognition from the UEW both in new and established laboratories for atomic research. The union protests that all workers actually employed have already met loyalty tests. But the Commission insists that officers, who exercise control over union members, must also be above suspicion and the officers of the electrical union have refused to sign the anti-Communist affidavits. But in this case they enjoy CIO support on the grounds that the directive goes beyond the requirements of security and establishes a dangerous precedent.

* * *

The Republican Inquest

The preliminary verdict at the inquest on the Republican Party places the blame for the disaster on the party's leadership—or lack of it—and Mr Dewey has anticipated the inevitable sentence by announcing that he will not stand for the Presidency again. The jury also agrees that the party must find new blood and a common purpose behind which it can rally, but the attempts that have so far been made to define that purpose have illustrated only too clearly the complete lack of cohesion which the disaster left behind it. Lack of cohesion has been a regular concomitant of the equally regular defeats which the party has suffered during the last twenty years, and there is as yet no reason to suppose that in four years' time it will fail to find that semblance of unity which it has always managed to maintain during the actual election campaigns.

But just as the defeat this year was more bitter than usual, so the divisions within the party are more extreme than usual.

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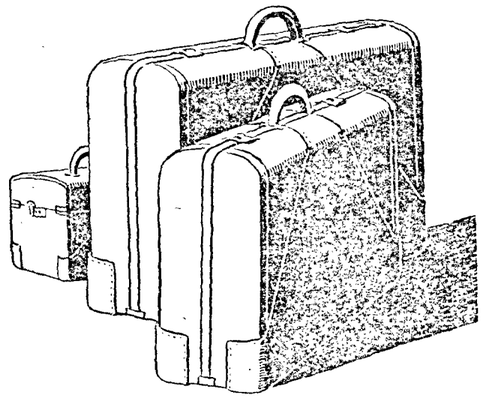
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therefore reckon with very *ill-informed public opinion*, labouring under the delusion that, if only taxes were abolished and controls relaxed, France could slide back to the good old days. It will take a long time to eradicate this misconception for which the French press must take a substantial share of the blame. Meanwhile French ignorance of the economic facts of life is illustrated in the Communist success in presenting the Marshall Plan as "a burden" on France and in an unchallenged remark recently made by General de Gaulle, that France managed very well for centuries without American aid. The present government is giving a lead, but it cannot afford to race altogether out of sight.

Besides the weight of public ignorance the government has another cross to bear in the form of an ill organised, inefficient, frequently corrupt and too frequently purged civil service. There is, therefore, no reason to suppose that inflation can be suppressed overnight, or that order will emerge from chaos at the touch of a socialist or any other wand. Yet it is reasonable to point to progress already attained, to evidence of vitality and energy, and to signs that responsible leaders know what the trouble is and are preparing to take every politically practicable measure to meet it This being so, it is not altogether far-fetched to deduce that the magnificent recovery which marked the end of the war will continue and expand towards, if not up to, the targets laid out in France's long term plan.

But France's unquestionable possibilities as a partner in European recovery are the answer to only one aspect of the British dilemma: it can still be asked whether the country is a reliable ally in the event of war.

New Spirit in the Army

The French army—in reliable French opinion—is at present under-equipped and too small to resist a full scale onslaught. On the other hand, adequately provided with heavy armour and fully supported in the air, these same experts believe it could be quickly transformed into the best land force at the disposal of the Atlantic Union. French conscripts are now training in modern warfare in the new de Lattre de Tassigny camps, from which they emerge after a few months in high spirits and fine physical form. Contrary to earlier fears, recent evidence suggests high morale and undivided loyalty even when the troops were sent to operate against Communist compatriots pleading bread-and-butter arguments for strikes and sabotage. No incident of mutiny and sedition has been reported despite intensive propaganda to which the men were subject, a fact which suggests that the nucleus of former officers and men of the *Francs Tireurs et Partisans* (the Communist underground which joined the regular army after the liberation) has not achieved positive results.

There is, however, a wider question of French civilian morale and the wisdom of riveting defence plans and establishing land and air bases in a country in which one quarter of the population votes Communist. This hesitation, however, ignores the fact that the elector who votes Communist is certainly not notifying his desire to be occupied by the Red Army. If, in the event of invasion, France was not left undefended and alone to meet the first brunt of attack while its allies—in their usual way—began preparing for some future action, the French are as likely to resist as any other menaced area in the Western Union. If on the other hand, the Germans and Russians turn on France together before the western allies could come to its aid, then a crack in French morale or indeed in the morale of any other isolated and vulnerable victim can be safely predicted.

The real threat to French cohesion in the event of war is neither the general public nor the army itself, but rather the strategic industries, notably transport, electricity, armaments and aircraft, where the communist CGT, whose leaders unquestionably would welcome the Russians, still occupy dominant posts. This threat is real and imminent and is fully appreciated by the present government which is now engaged in fighting it on physical and political levels simultaneously. It is too soon to say whether this struggle will be successful, but it is not too soon to observe that marked progress has been made in the mines and ports during the past few days and that Communist control is less complete than it was one year ago.

Calling the Communist Bluff

The government is proceeding slowly: far too slowly for many of its internal and external critics. Yet here again—as in the battle against inflation—the fight will only be won if the Government has national support. The Communists, *le parti des fusillés*, ended the war with magnificent prestige, when allegations of their dependence on a foreign power were dismissed automatically as Fascist and Hitlerite. Since that time their frantic opposition to recovery and Marshall aid, the recent evidence of financial support from Moscow and irritation at the avowed political aims of the strikes has reversed opinion.

The time has come when the government can call Communist bluff without risking civil war. The Socialist Minister of the Interior, Jules Moch, has assumed the tragic responsibility of organising the "show down"—tragic because the rank and file of fighters against whom he has mobilised the army are *bona fide* trade unionists, unaware of the giant hoax played upon them by the Cominform, compelling them to rip up their own economy, destroy their instruments of work and sabotage aid to themselves. He has incurred the eternal hatred of the mining villages but his timing has enabled him to isolate resentment and carry the country.

Defying international Cassandras, France has not fallen apart. Weakened and divided by the two wars, excessively sensitive to external pressures, unreconciled to impoverishment and the elimination of France as a Great Power, the people remain bewildered with a sense of injury and grievance quick to respond to demagogy and fanaticism. Yet there has been an unsteady but certain improvement in the way the people live and, even more astonishing, that improvement has been achieved without serious encroachments on *democratic liberties and human rights* which almost any other country in similar conditions would have thrown overboard in the struggle for survival.

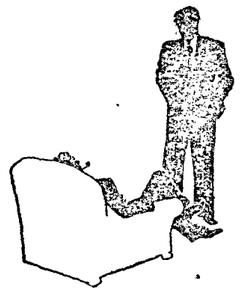
That struggle for survival—against internal and external enemies common to Britain and France—cannot leave Britain either indifferent or in any way complacent. Already the political implications of the struggle have been grasped and the British are *fully committed* to aiding France. Hundreds of millions of pounds sterling are already being invested: it is time to invest confidence as well.

The Mind of Israel—I

[BY A GENTILE RECENTLY IN PALESTINE]

A VISITOR to Palestine very quickly sees signs of the revolution that has taken place there this year. As he motors through Haifa, scarred with broken buildings, it looks to him as though the number of Arabs in the streets is no greater than the number of Arabs he would expect to find any weekend on the front at Brighton. At the airport he is met by young Belgians earnestly watching things in the name of Uno, and later on at Tel Aviv he will see Americans everywhere driving cars—oh, so busily—in the name of Uno, and swapping rather noisy wisecracks in the public rooms of his hotel. On the coastal road he rushes past truck after truck filled with Jewish troops, male and female, and his chauffeur refuses lifts to more hitchhiking soldiers than ever we saw on English roads in our war. He sees fields thrown out of cultivation by lack of manpower and a number of Arab villages in which every house has been methodically destroyed by Jewish explosives. When he reaches Tel Aviv he sees no more damage; but he may with a certain nostalgic thrill, troop down with fifty others to a basement air raid shelter at the sound of the alert. How has the mentality of the Jews been affected by the swift march of these events since last May?

To an Englishman it may sound strained to compare the mental state of the Jews in May, 1948, with our own condition in May, 1940, but unless the forebodings of last spring are being vastly exaggerated today, the parallel is in fact remarkably close. Throughout a large part of the population there was in Palestine, as in England, a confidence based on a kind of faith in destiny. But many Jews believed, as we believed eight years ago, that the danger of national extinction was imminent. They knew that there would be an invasion and that they would be attacked by five nations, outnumbering them by 20 to 1; armed as they thought more adequately than themselves; supported, as they feared, by outside help greater than they might hope for. The best informed among them did not think the invaders could be driven back, and they tell you today that six months ago they expected massacre and extermination. As in 1940 we peered across the Channel for an invader whom, once landed, we saw little chance of repelling, so they looked north and east and south for invaders who would start with all the odds in their favour. We escaped invasion. They drove it back. We had to endure sufferings, hardships and casualties far greater than anything they have known; and we waited five years for a victory which came to them in less than five months. But in quality, if not in degree, their experience in the summer of 1948 is comparable to what we in Britain passed through from 1940 to 1945.



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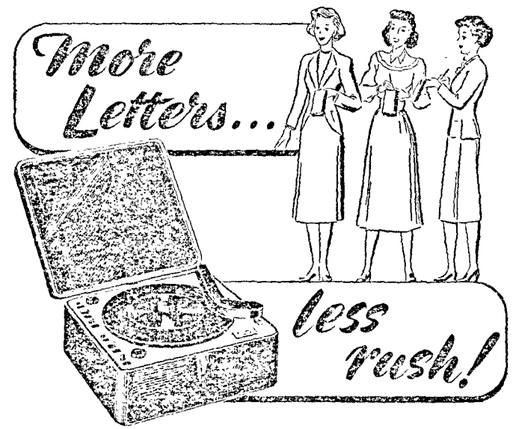
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That many of the well-informed Jews have been astonished by the speed and completeness of their success is beyond question. Whatever the reason for the victory may have been, whether it was their own skill and determination, or the clumsiness and lack of interest among the rank and file of their enemies, or the jealousy and divisions among the five Arab nations, it is not surprising that the Jews should put their triumph down to the transcendent justice of their cause, or even (among the orthodox and fundamentalists) to the arm of the Lord. Within a few months they saw Galilee cleared, the way to Jerusalem kept open and a new and safer road built, Nazareth and its district administered by a Jewish military governor, and the strong Arab forces in the Judaean hills contained. They saw Kaukaji the brigand, who had resisted British arms for three years in the Arab revolt, dislodged by their troops in three days from a position that was thought to be impregnable, and driven helter-skelter with his fighting men back to the Lebanon frontier and well beyond it. They speak of the campaign as a second fall of Jericho, or a second collapse of Sennacherib; for it came to pass that the angel of the Lord went out and smote the Assyrians and when they arose early in the morning, behold they were all dead corpses.

Heroes of the Settlements

The story of this fighting is studded, as we might expect, with tales of heroism and local victories against fearful odds; and many of these tales come from the settlements—those institutions which probably for the first time in history have succeeded in the attempt to lead a purely communal life. They are, many of them, scattered in remote places far removed from outside help, and in peculiar danger from the invasions. The oldest of them is at the south end of the Sea of Galilee, a mile or so from the place where Syria, Transjordan and Palestine meet—an uncomfortable spot in wartime for 450 unwarlike farmers, farmers' wives and farmers' children. On May 15th these settlers possessed a few rifles and had dug a few trenches. They waited for the attack, and, sure enough, three tanks or armoured cars appeared that day from across the Jordan. Luckily for the settlers the Arabs retired without action taking place. Five days later eighteen tanks and armoured cars appeared again, but by this time the Jews had received a mortar and made a few Molotov cocktails; and, so armed, the defenders waited for the attack in a coppice at the edge of their land. Some tanks, it is said, were turned back by the mortar, but two crossed the trenches and broke into the wood. And there a Jew, who may have learnt the trick with our Eighth Army, dropped from a tree on to a tank, pushed a cocktail inside, killed the crew and smashed the engine. The other tank caught fire; the invaders went back across the Jordan; and the Jewish farmers resumed their farming. It was almost as though panzers had landed at Dymchurch and been driven into the sea by a few men of the Home Guard from the Romney Marshes.

That is a picture of the fighting as seen by Jewish eyes. For a young self-conscious people the raw wine of these uncovenanted victories is clearly a heady drink, and the Jews naturally enough are telling themselves that they must be far better men than they had hitherto realised. For years they have known that they could drain malarial swamps, make the land as rich as any in Asia, and increase ten-fold the crops their predecessors got out of the soil. But now they believe that they are a great fighting nation, able to win campaigns against much greater numbers and far superior arms.

Bitterness Against the British

What effect is this new self-confidence having on their policy? That it has increased their bitterness against the British is patent. Although many of the English-speaking Jews tell you, no doubt with sincerity, that what they feel is not hatred, but the bitterness of disappointment in an old friend, it is still true that bitterness is bitterness from whatever source it springs, and ardent patriots may find it difficult to keep bitterness and hatred in watertight compartments.

Politically, men react differently according to their temperament and background. Some say that the Bernadotte plan, with a little adjustment, is still acceptable. The extreme orthodox are said to demand all Palestine, because the scriptures say "everything from Dan to Beersheba"—and the influence of orthodoxy is on the increase. Between the limits of the extremists and the moderates one gets the most various opinions. At one recent gathering a politician of high standing declared, with unmistakable sincerity, that nothing but the United Nations stands between the world and another war; and half an hour later another politician of not less standing said that the Jews, having tried negotiation and failed, having tried force and succeeded, have now learnt their lesson. From now on, he announced, every week that passes without a settlement the Jews will raise their terms. Here clearly was a man of high influence ready to cock a snook at Uno.

These two men, one a man of reason and the other an apostle of violence, both stand high in the counsels of Israel and they are close associates in their work; but in the tug-of-war, that was at that moment going on in the arena of Jewish opinion, they were at opposite ends of the rope. From what has been said publicly since then it looks as though the man of reason has been pulled nearer to the chalk line of defeat, but we may do well to remember that he is probably still hanging on to the rope.

(To be continued.)

Communism in Australia

[FROM OUR MELBOURNE CORRESPONDENT]

THE failure of the Communists to bring off a general coal strike in New South Wales two weeks ago should not be accepted too readily as a sign of the ineffectiveness of the Australian Communists. They came near to success, and they still control the Miners' Federation. They were able to force a strike, not on the issue of higher wages or better conditions, but on the issue that men engaged in driving a tunnel in a mining area were members of the Commonwealth-wide Australian Workers' Union, which is unequivocally anti-Communist, and were not members of the Miners' Federation. The Australian Workers' Union won the tussle between the two unions and resisted the attempt by the Communists to seduce its members. But the fight was close, and it is important to realise the extent of Communist control over the Australian trade unions.

In no single instance do the Communists dominate a union through a majority membership, but there are a number of strategic unions which they either control directly or exercise a strong influence on policy through Party members in key positions on the executive. These unions include the following:

Waterside Workers' Federation
Seamen's Union
Ironworkers' Federation
Amalgamated Engineering Union
Australian Railways Union
Federated Clerks' Union
Sheet-Metal Workers' Union
Miners' Federation.

According to a recent survey, the unions which are either dominated or strongly influenced by Communists (representing 26 per cent of union membership) were responsible for 84 per cent of the man-days lost in all industries in the State of New South Wales from September, 1945, to December, 1947. The average number of days lost per member of the unions other than Communist controlled was 1.5, compared with 23.1 days in the Communist group—or 16 times as great.

The eight unions named above occupy key positions in the industrial structure of the Commonwealth. By their control over rail and sea transport, engineering, coal and clerical work, they are able to paralyse the industrial life of the country by their strikes. These unions are assumed to be Communist-controlled because professed Communists occupy executive positions in them and because the unions concerned have never denied public statements in Parliament and elsewhere to the effect that they are in fact dominated by Communists.

The accredited leader of the trade union movement in Australia is the Australasian Council of Trade Unions (ACTU). Moderate unions have prevented the Communists from gaining control of this body which is uncompromisingly anti-Communist. Moreover, no Communist can be a member of the Australian Labour Party which has even forbidden its members to belong to near-Communist bodies such as the Friendship with Russia League and the Friends of the Soviet Union. Nevertheless, the Commonwealth Government has resolutely refused to ban the Communist Party in Australia. The party was banned by the Menzies Administration after the outbreak of war, but when the Labour Government was returned in 1941, the ban was removed.

Both the Federal Government and the leader of the trade union movement, the ACTU, are, therefore, firmly anti-Communist. Nevertheless, the policy and indeed the day-to-day control of some of the key industrial unions is strongly influenced and, in some cases, dictated by the Communists whose influence is strongest in New South Wales where coal mining and heavy industry is almost exclusively concentrated.

THE BUSINESS WORLD

Britain's Four-Year Plan

IT is a thousand pities that the British four-year plan (which was submitted some weeks ago to the Organisation for European Economic Recovery) should have been left to leak out in Paris, instead of enjoying the dignity of proper publication. The Government, it seems, promised OEEC to keep silence until all the eighteen plans had been correlated in a master document for submission to the Economic Co-operation Administration. But planning in the security of Whitehall is one thing; the privacy of plans once they are deposited with an international organisation is quite another. That is not to blame OEEC for the leakage, for it was almost inevitable and it has done no great harm. But the Government have lost a valuable opportunity to explain the contribution of the British people towards their own, and Europe's, recovery. The British were first in the field with their plan. It is, as plans must be, provisional and subject to revision, and it requires, like all such exercises in economic arithmetic, the closest examination in detail. Nevertheless, its decent publication would have been some answer to the wearisome allegations that it is always Britain which hampers European co-operation.

There is no doubt that the extracts from the British plan, published in Paris last weekend, are authentic. They appear to cover an important part of the plan, though evidently not the whole of it. Of the five tables which have been published, three relate to Britain's external payments; there is some evident duplication between them, and also a tantalising lack of detailed estimates for the years between 1948-49, and the demonstration of planned "viability" in 1952-53. It is hard to believe, moreover, that the full plan will not provide more detailed material than has so far been unofficially published about the expected course of British production during the next four years, and about the division of the nation's income between consumption and capital investment. These are the real considerations on which the success of the plan depends. By 1952-53, it is expected, Britain's account with the rest of the world will show a credit balance of £100 million. But the suggestion that the plan hopes to provide an improvement of 15 to 20 per cent. in the British standard of living in that year, compared with the middle of this year, is palpably unsupported by any of the detailed figures. Such evidence as exists suggests that 5 per cent might be a more plausible measure of any improvement. The figures which have been published show that there are three main preconditions: the restriction of imports to a volume, even in 1952-53, of little more than 80 per cent of the volume of 1938; the attainment of a 50 per cent increase in the volume of exports compared with 1938; and the transformation of the invisible account into a big earner. To these might be added the need for a generous dose of good luck if the planning is to be realised in practice.

It is natural, since "viability" is the object of the exercise, that attention should be fastened on the estimated balance of payments and the distribution of British trade in 1952-53. In the first table, the summary figures of the balance of payments published last weekend have been recast into more convenient form, and converted from millions of dollars into millions of pounds sterling. It is stated that the figures are at current prices, except for 1952-53 which are at "programme prices." This formula does not reveal what assumptions have been made about the terms of trade, but it is probable that the "programme prices" do not depart very far, if at all, from the current relations between import and export prices. In other words, the optimistic assumption in the Paris report of last year that the terms of trade would move by 10 per cent. in Britain's favour by the early 'fifties has been discarded, and the harder assumption—perhaps it is a little too hard—that Britain and the other OEEC countries will obtain no relief from a change in the terms of trade has taken its place. That is one of the hazards of four-year planning. The other is to achieve the planned volume of exports. There is a flourish of magic about the appearance of a surplus of £100 million for the year after Marshall Aid ceases. One would like to know much more about the planners' estimates for the next three years before classifying the estimate for 1952-53 as realistic, hopeful, or downright optimistic.

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Compared with the rate of purchases abroad for the first six months of this year, the 1952-53 estimates show an increase of 12½ per cent—from £1,787 million (annual rate) to £2,007 million. But it is evident that this increase is accounted for largely by higher prices. In exports, the planned increase is 25 per cent in value, compared with the projected 1948 rate. To a much greater extent than in the case of imports, this export figure takes allowance for an increase in volume; for the first half of 1948 the volume of exports was running at 30 per cent above the 1938 level, and to raise that percentage to 50 by 1952-53 implies an increase of 15 per cent in the volume of exports, compared with the first half of this year. Even so, there will remain a deficit on visible trade, four years hence, of £163 million, and the surplus of £100 million will be achieved only if the invisible account produces the estimated credit of £263 million.

The second part of the table, relating to the balance of payments between Britain and the western hemisphere, contains figures which are even more remarkable. Purchases from the western hemisphere will cost 20 per cent less in 1952-53 than they were costing in the first part of this year. If a rough allowance is made for changes in prices, this seems to be equivalent to a reduction of nearly 30 per cent in volume. But for exports to the western hemisphere the plan is very different. The assumed increase is from £236 million (annual rate for 1948) to £364 million in 1952-53; allowing for a rise in prices of 10 per cent, this corresponds to an increase in the volume of exports to the western hemisphere of 40 per cent in four years—a task of the most formidable difficulty. There will still remain a deficit on the western hemisphere account, after crediting £35 million for invisibles, of £73 million. Thus the planning for 1952-53 assumes in effect the resumption of convertibility, by which the deficit on western hemisphere (that is, largely, dollar) account can be offset against the credits earned by Britain in trade with other areas. The total surplus of £100 million is in fact made up of surpluses of £204 million with the sterling area, and of £12 million with the countries participating in the Marshall programme, and of deficits of £73 million with the western hemisphere and of £43 million with other countries not in OEEC. Thus the biggest surplus will be earned with countries in the sterling area which will be expecting loans for colonial development and some reduction of the balances they hold in

sterling. Even on the basis of the plan as presented, therefore, it is not self-evident that the conditions for "viability" will have been achieved with the western hemisphere.

There remains, too, much room for doubt whether the planned credit of £263 million on invisible account will be secured. Some prodigious changes are expected in invisible earnings, which are set out in the second table, together with an analysis of the import programme. This table is worth closer study because it alone provides any evidence whether invisible items will together produce so large a credit to swell the account. The main factor is the omnibus "other items," which are estimated to cost £74 million in 1948-49, but to yield no less than £175 million by 1952-53. It would seem that this is a miscellany of Government overseas expenditure, films, overseas transactions of British oil companies, insurance, commissions and royalties and other (mainly debit) items. It is difficult to see how such a resounding change in the size and sign of this miscellaneous item can occur—at least on the basis of what is publicly known about its composition. And it is on this item that the whole issue of solvency and surplus in 1952-53 really depends.

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It seems that the plan includes a lengthy examination of Britain's recent achievements in industrial production. They have, in many respects, been commendable, but there is a long way to go before the production targets which are necessary to sustain the level of trade postulated in the first two tables can be hit. The national income is to be increased by 12 per cent by 1953—but the present level of national output is showing an awkward tendency to become stabilised, partly owing to the effects of full employment and partly because of the inability of the Government and industry to redistribute manpower to the best advantage. In these circumstances, the assumption that productivity will increase at a rate of 2½ per cent per annum during the four-year period seems decidedly hopeful—though it is not indeed impossible. But it will not be possible without better equipment, better work, and better management. The plan assumes an increase in industrial production of 40 per cent compared with pre-war and of 25 per cent compared with 1947. Unfortunately, the official index of production this year has shown no change compared with the average for 1947, and the omens for achieving the planned increases in production are not, at this moment, as propitious as they could be. These increases in output are set out in the third table. Grain production is to increase by 10½ per cent between next year's harvest and 1953—though there are already signs of over-addiction to straw cropping on British farms. The 50 per cent increase in meat and bacon will be most acceptable, though it will only restore the prewar average. In milk and dairy products, the plan counts on a 12½ per cent increase. The coal target (257 million metric tons, or 253 million long tons) presupposes—without any supporting evidence—a radical improvement in productivity from the existing labour force, and apparently the whole increase in output is to be sold in overseas markets. That may be a more difficult task in four years' time than it is now. The planned increase in steel capacity makes its due appearance. The rest of the plan follows a pattern which has now become fairly familiar—large increases in the consumption of copper (for exports of metal manufactures and capital construction), of cotton and synthetic fibres (largely for exports) and in timber. To back up these various hopeful estimates of production at home, the document includes also a table (examined on a later page) showing the expected increase in colonial production, which itself is no less hopeful in character.

Estimates of this kind have become the staple of national planning. It will be interesting indeed to compare them with those put forward by other countries, and to see whether any adjustment has been, or should be, made to align them with the intentions and requirements of the other participants in European recovery. Such estimates of production will tend to be regarded in some European countries if not as a guarantee, at least as an honest assurance, that British economic policy will seek to fulfil the plan put forward in Paris. Countries which are expecting Britain to meet their deficits of essential materials and manufactures will comment critically on any failure to hit the domestic production targets of these goods. Equally, they will be critical of any increase in British production which might reduce the need for imports from other participating countries. The process of correlating the various plans, indeed, is scarcely less difficult than the task of economic

TABLE I—BALANCE OF PAYMENTS ON CURRENT ACCOUNT
(£ Million)

	1938	1947	1948*	1952-53
With Whole World				
Purchases abroad	1,012	1,551	1,787	2,007
Sales abroad	646	1,110	1,473	1,844
Deficit on visible trade	*366*	*441*	*314*	*163*
Invisible account	Cr. 231	*Dr. 194*	Cr. 32	Cr. 263
Balance	*Dr. 85*	*Dr. 635*	*Dr. 282*	Cr. 100
With Western Hemisphere				
Purchases abroad	...	721	592	472
Sales abroad	...	165	236	364
Deficit on visible trade	...	*556*	*356*	*108*
Invisible account	...	*Dr. 119*	*Dr. 37*	Cr. 35
Balance	...	*Dr. 687?*	*Dr. 333*	*Dr. 73*

* Annual rate based on first six months.

TABLE II—BALANCE OF PAYMENTS AND OVERSEAS INVESTMENT
(£ Million)

	1947	1948-49	1952-53
Income			
Exports and re-exports	1,110	1,626	1,844
Invisible earnings (net)	*— 193*	+ 35	+ 263
Shipping	+ 39	+ 67	+ 90
Travel	*— 54*	*— 7*	*— 26*
Interest, etc.	+ 50	+ 49	+ 25
Other	*— 219*	*— 74*	+ 175
Total Income	**917**	**1,653**	**2,107**
Outgo			
Imports	1,551	2,026	2,007
Food and tobacco	775	952	905
Raw materials	529	731	837
Petroleum	71	151	141
Manufactures	176	202	123
Overseas investment	*— 635*	*— 375*	+ 100
Total Outgo	**917**	**1,653**	**2,107**

TABLE III—PLANNED INCREASES IN PRODUCTION

	Unit	1935-38	1947	1948-49	1952-53
Grain	mn. metric tons	4·6*	6·3	7·6	8·4
Meat and bacon	"	1·5*	0·9	1·0	1·5
Milk and dairy products	"	7·3*	8·0	8·0	9·0
Solid fuel	"	251	223	244	286
Coal	"	233	201	218	257
Electric power	bn. KWh.	21·0	42·6	45·0	55·0
Steel	mn. metric tons	11·4	12·7	15·0	17·0
Copper consumption	'000 metric tons	266	356	381	427
Cotton consumption	"	619	368	457	473
Wool consumption	"	190	191·0	223	232
Synthetic fibres	"	61·2	92·1	122	200
Timber consumption	mn. cu. metres	12·6	6·3	6·7	7·7

* 1934-38.

statesmanship in making them work at all. In Britain, there has been a moderate degree of success in domestic planning—though the results have not been so impressive as the planners would like to claim. But it has become possible roughly to secure that 20 per cent of the national income is devoted to capital investment (a figure which is apparently to be maintained) and broadly to determine its application. It is on grounds such as these that there may be some confidence that what is said in the plan about domestic investment and the prospective output of at least certain industries, can be broadly accepted without too great a strain on credulity. But even so, many targets will be missed. And, so far as the balance of payments is concerned, the plan is likely to want much drastic revision before its term expires in 1953.

The Structure of the Coal Board

"A SOUND scheme of organisation does not in itself ensure efficiency," observed the Burrows Committee after some months' study of the structure of the National Coal Board. This is so. In the mining industry itself the causes of inefficiency are both deeper and wider than questions of organisation; they are evident in foreign coalfields as well as in the British, and they were evident in the British coalfields before the National Coal Board was created. And if it is possible (as it clearly is) to find ways in which the National Coal Board works less efficiently than might be desired, the question still remains how far the blame rests upon the administrative structure of the Board. The men operating the structure may not all be the right men, and it is probable that they have yet to accustom themselves fully to their tasks and learn how to operate as members of the team. Setbacks in the mining industry, therefore, do not automatically call for changes in the organisation of the Coal Board.

It does, however, remain to be demonstrated whether it is possible for a single central authority, however organised, to take over and operate in any direct sense and without loss of efficiency an industry as large as the British mining industry. Not only the Burrows Committee but the Coal Board itself have used words which suggest that for them, too, the answer is uncertain. Two other serious criticisms published this week have raised the same central question. Only a brief and general summary of the report of the Burrows Committee has been published by the Board. This says:

> The Committee have stressed the size and difficulties of the task which the Board had to undertake at short notice. They realised that in the autumn of 1946 the Board had to build a new organisation stretching from London to the collieries, and the fact that the Board set it up so rapidly was, in the Committee's view, the chief reason why they were able to take over the industry on January 1, 1947, without disaster.

The Board, in outlining the Committee's criticisms, makes a number of remarks to the same effect:

> It would be a matter for surprise if criticisms of this kind were not current in so large and so young an organisation as the nationalised coal industry. . . . On nationalisation, the collieries, with their managers, were severed from the authorities to whom they were previously responsible and were attached to new directing authorities, pursuing new objectives and of necessity using new techniques. Great credit is due to all the Board's officials in the coalfields for the way they have supported the strains inseparable from so radical a change.

It is true that no previous example exists of placing an industry of this size under a single management. The wonder is not that the organisation stumbles, but (like Dr Johnson's dog) that it can walk on its hinder legs at all.

To place the industry under a single management was, however, a deliberate act, presented to the public as having certain advantages, and to be followed possibly by measures of a similar kind for other industries. Its difficulties, and the rate at which they are overcome, are matters of public concern not only because their direct economic importance is immense, but also because they provide lessons for other experiments which may follow. The committee under Sir Robert Burrows was set up in May (at the time when Sir Charles Reid resigned from the Coal Board) as a result of widespread expressions of anxiety about the way the Board was working. The Board's decision not to publish the bulk of the report of the Burrows Committee deprives the public of some useful evidence on the matter; instead, the Board confines itself to a statement setting out the main recommendations with the Board's comments and "an indication of the Committee's views on certain questions of principle and fact." This is unfortunate, and the attempt to treat the report as no more than "confidential advice . . . on their own internal organisation" is misguided.

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What is published of the comments made by the Burrows Committee, and the general tenor of its recommendations, confirm that the National Coal Board has still to overcome the weakness of structure which became apparent early in its life, and on which Sir Charles Reid commented pungently before and after his resignation. The Board realises in general, no doubt, what the principles should be. They are, in its own words, "the principles which should govern the setting-up and working of any large organisation," and the Burrows Committee has restated them: as much devolution of responsibility as possible; the creation of a clear channel of command; a clear distinction between policy-making and execution, maintained in a way which does not exclude the executive from association in policy-making. The Board has been striving for some time past to embody these principles, but without decisive success. As a beginning the committee proposes to carry a stage further the process begun in May of freeing members of the Board from functional responsibilities. It recommends the appointment of three new part-time members and a second deputy chairman. The Board has agreed to this, and it forms part of the enabling Bill which was to have had its second reading on Thursday.

More important, because it attacks the more fundamental question of the hiatus between the brain and the limbs, is the Committee's recommendation that the Board should be further enlarged by including the eight chairmen of the divisions. This is turned down, as is the analogous recommendation, lower

The Economist DIARY

The ideal present for the busy man

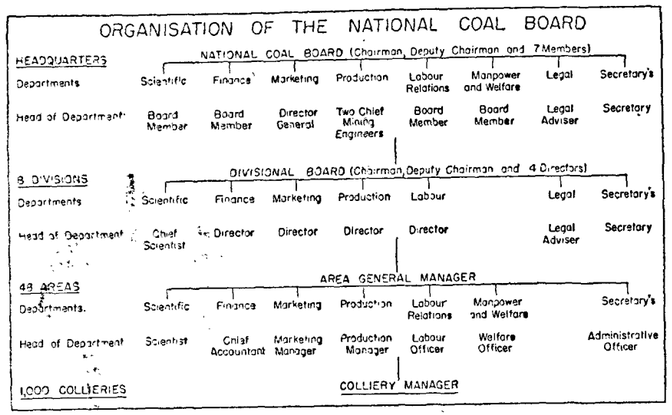
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down in the chain, that the area general managers should be members of the divisional boards. The reasons given relate partly to physical difficulties—time wasted in travel, and the drawbacks of excessively large boards—and partly to general considerations which are less easily intelligible but more significant: the "clear channel of command" would be obscured or distorted; in making policy and deciding between the competing claims of various coalfields, the participation of representatives with loyalties to particular coalfields would be a hindrance rather than a help. Instead, the Board proposes to extend the system of conferences at which the National Board meets the divisional representatives and the divisional boards meet the area representatives.

The Burrows Committee suggests a national executive committee to supervise the execution of policy, and four advisory policy committees to lighten the burden on the enlarged Board. Here the Board's counter-suggestion will not fully serve the same purpose, and it needs careful examination, bearing in mind the decision already made to appoint three part-time Board members. The existing general purposes committee is to be enlarged to include all full-time members of the Board—the members who will still have departmental responsibilities attending "when their engagements permit and more particularly when business is discussed with which they are concerned." It will be responsible for the management of the industry between Board meetings, and will continue to have power to deal with policy. The full Board will meet only once a month. It may be asked whether under this arrangement the part-time members—including Sir Robert Burrows himself—will not be excluded from the conduct of business to an extent that the Burrows Committee can hardly have intended.



A recommendation that directions from the Board should be passed down to divisions through a single channel only—from the chairman of the National Board to the chairmen of the divisional boards—is aimed clearly against the functional structure which has come under heavy criticism. It is not accepted; the Board thinks that it would produce congestion and delay. The present system by which "departmental business is conducted through departmental channels" is to continue. It would seem businesslike enough in principle—granted that management needs to be centralised at all. But too many critics, having seen the working of the Coal Board's "channel of command" at close hand, have observed the weakness of the position of divisional and area chiefs, the extent to which their authority is by-passed by the technical officers, and the lack of full local responsibility squarely placed on local management. The Burrows Committee has added its voice to many other voices, and it has been turned down. It can hardly be supposed that the question will not arise again. In another recommendation, that the divisional deputy chairman should become chief executive for the division under the divisional chairman's authority, can be seen the same desire to settle the same question in so far as it concerns the intermediate (divisional) organisations. But this proposal gets an inconclusive answer:

> The board agree that the chairman and deputy chairman should be regarded as the senior members. While members of a divisional board must retain their collective responsibility to the National Board, they may empower their chairman and deputy chairman to act on behalf of the divisional board as circumstances require.

Is this enough? It suggests that the old trouble is to go on: nebulous responsibility; too many parallel channels of authority; too many voices cancelling each other out. It recalls a sentence from the Board's first annual report:

> The principle is to delegate but not to diffuse responsibility, but the application of the principle in an organisation so suddenly created and so large and complex as the nationalised coal industry presents difficulties.

Although the Coal Board does not accept the whole of the criticisms made by the Burrows Committee, it is acting on some of them. It has made changes in its organisation before in the hope—as now—of achieving the flexibility and effectiveness in action which are so difficult to attain on the huge scale on which the Board has to operate. No doubt it will make more changes in the light of further experience. But its readiness to accept criticism must be limited by the constitutional outlines on which it was created; the Board, as it is, has to bear central responsibility for the conduct of the mining industry, and for that reason cannot allow authority to slip from its hands. Hence the preoccupation with day-to-day control from London, and with keeping the "channels of command" capacious and uncongested. Hence, perhaps, the anxiety to preserve the divisions as intermediaries between London and the coalfields. It has to be left to outside observers to look critically at the main outlines, and to ask whether the whole idea of managing a varied, large, and nation-wide industry from an office in London was not perhaps a delusion from the start.

Two pieces of constructive outside criticism which have appeared this week question this basic assumption. Colonel Lancaster's scheme, outlined in Parliament in June and now published as a pamphlet, would abolish the divisions and with them the "chain of command." It would place coal mining in the hands of 20 to 25 area boards, each established by Parliament and enjoying substantial autonomy. The national board would abandon the attempt to act as an executive body. Certain inescapable functions would be left to it: it would lay down the limits of expenditure and development for each area, make "broad plans of large-scale development" for the coal industry as a whole, co-ordinate selling prices, and conduct national wages negotiations. It would initiate and supervise research.

Sir Charles Reid, who left the Coal Board in May precisely because he despaired of getting effective action through an organisation which he thought to be misconceived, has put forward in three important articles in *The Times* his view of how the industry ought to be run. He, too, would eliminate the divisions and place the conduct of mining in the hands of area corporations. The members of his 26 corporations would be appointed by the national board. But they in turn would appoint their own staffs, and the attempt to recruit for the industry from London would be abandoned. Members of the staff of one corporation would be free to leave it and join another, so that the oppressive effect on the individual of working in an industry in which there is only one employer would be ended. The areas would buy their own equipment and materials, with the national board performing only the duties of liaison between ministries concerned in procurement. They would handle their own affairs in welfare and training. They would make their own development plans, for which they would be fully responsible once the approval of the national board had been obtained.

Thus the national board would be confined to far more manageable functions than it has now: the national finance of the industry, the general control of development, national wages policy, the appointment of area managements and the provision of research and other central services of an advisory kind. It would consist of a chairman, possibly three vice-chairmen (who would be the full-time members) and eight part-time members with business or labour experience.

These two schemes, which are fundamentally similar, would remove the structural difficulties of the National Coal Board by removing the structure. Each would produce new difficulties—which would, however, be different in kind from those with which the board is now struggling. Instead of canalised policy and checks on action there would be local initiative and some risk that local initiative would run to excess. In the competition between areas, some coalfields would be frankly unable to compete; the task of bringing them on to an economic basis, which can now be dealt with at an easy pace over a long term, would become immediate. Plans would become less easy to co-ordinate between one coalfield and another, and the answerability of the nationalised industry to Parliament, already questionable, would become more nebulous than ever. But it is not to be supposed that the Government or the board will undertake such fundamental changes, with the obvious risks of disturbance which they would carry, after a mere two years of the first experiment. The attempt to make the present structure workable will continue. While it proceeds it will do no harm to bear in mind that the structure is not the only possible one; its basic merits have yet to be proved.

Business Notes

Hesitancy in Stock Markets

A more cautious mood has this week spread through the Stock Exchange, where the most notable feature has been a pause in the recent advance in both gilt-edged securities and equities. Gilt-edged prices over the week show some further minor gains and a few fractional losses, while the ordinary share index of the *Financial Times* has been approximately maintained at the high point reached a week ago—or fully 10 per cent above the year's low point touched last July. This hesitancy is not, indeed, unexpected, for the recent behaviour of markets, and particularly of gilt-edged, is not easy to explain. Dividend limitation may have altered the natural relationships between gilt-edged and equities, but it is hardly a justification for their simultaneous advance in a phase in which disinflationary forces have been exhausting themselves and expectations of renewed inflationary pressure have been rising steadily. Given dividend limitation it is, indeed, only on this hypothesis that it is possible to justify the strength of equities. But though the attractions of equities in an inflationary phase may be less than they would be without dividend limitation, this does not make gilt-edged correspondingly less vulnerable in such a phase.

Earlier in the year, when the Chancellor's disinflationary formula seemed likely to be sufficient to achieve approximate equilibrium in the capital budget, there was good reason to expect the fall in gilt-edged to be arrested, but disinflation was not likely in itself to provide positive support for the market. Given, therefore, the fact that the disinflationary formula has proved, in the event, to be far from sufficient—so that there is again a deficiency in the capital budget—it might have been expected that the initial recovery in gilt-edged would have proved short-lived. In these circumstances, the continued strength can be explained only in terms of changes in the liquidity habits of investors. It is generally assumed that the capital levy on the one hand and the Berlin crisis on the other provoked a marked increase in demands for liquidity—a tendency which undoubtedly would have put pressure on the gilt-edged market but for the easy monetary policy which permitted a further large expansion in bank deposits. Now, it must be presumed, the liquidity pendulum is swinging in the other direction, and investors are trying to turn cash into securities. Such, at any rate, seems to be the conclusion from the handsome response—of £70 million—to the Southern Rhodesia issue, which opened at ¼ premium on Thursday. While this influence lasts, equities and gilt-edged may continue to march in step. But, apart from this, it seems that a firm gilt-edged market still rests in principle on the same rather shaky basis as it did in the Daltonian phase—upon the willingness of the Government to countenance an increase in the volume of credit whenever a pressure is threatened.

* * *

Truce on Stock Exchange Commissions

The sorry spectacle of a public clash between the Stock Exchange and the banks, unexpectedly and suddenly revealed last week, has been as suddenly veiled again—in the only manner consistent with the dignity and traditions of a money market which has long prided itself on the smoothness of the relationships between its principal organs and the discretion with which any differences are resolved. A few hours before Thursday's meeting of members of the Stock Exchange—called to vote upon the resolution for postponement of the new commission-sharing rules which would exclude the banks' trustee departments, among other agents, from any participation—the Governor of the Bank of England invited the chairmen of the Stock Exchange and of the Clearing Bankers' Committee to confer. His suggestion that action should be postponed for three weeks was accepted by both parties and was later endorsed by an overwhelming majority at the meeting of Stock Exchange members.

At this meeting the chairman said that "there was a prospect of agreement if the Stock Exchange, whilst maintaining the principle of their rules, were able to admit to rebate certain trusts of long standing in connection with which the banks had no power to charge for the buying and selling of investments." Presumably this is a line of compromise with which the banks had expressed some sympathy at the conference with the Governor. And if, indeed, there is room for agreement on some such basis, it is the more regrettable that the possibilities were not fully explored before the differences reached the point of public debate. It is possible, however, that it is not by this route that the real solution will be reached, after all. Long before the complicating factor of the banks' projected increase in charges to the Stock Exchange become generally known, the opposition among members to the new commission rules had become widespread. The interval of three months for reflection may yet lead to a change in policy.

* * *

Colonial Production and the Four-Year Plan

Britain's plan to achieve viability within the next four years depends to a large extent on the development of colonial resources. The colonies are important suppliers for the United Kingdom, but their main contribution is probably their dollar-earning capacity. The targets set by the British four-year plan for seven commodities are shown in the table overleaf. The first half of the table reproduces the statistics contained in the plan, except that the figures have been converted from metric tons to long tons and rounded off to the nearest thousand. The second half of the table is based on current statistics which have been collated with the 1946 figures contained in the four-year plan. The production figures for 1947 and 1948 are shown as monthly rates, against the corresponding monthly rates forecast for 1952-53. The results, though they may be statistically approximate, gives a useful measure of the scope of colonial development assured in the four-year plan.

The general impression is that the forecast of expansion in colonial production is optimistic. The achievement of the groundnuts target is obviously dependent on the success, by no means

certain, of the East African project, which is discussed elsewhere in this issue. The timetable has already gone awry, and it is apparent that full production will not be achieved before 1953, if then. Sugar production, it is forecast, will expand by nearly 30 per cent within the next four years, but output from colonial areas is already high and above its prewar level. Further development will require a virtual reorganisation of the sugar industry in the West Indies and elsewhere. Rubber and bauxite

COLONIAL PRODUCTION UNDER FOUR-YEAR PLAN
('000 Long Tons)

Commodities	Four-Year Plan Figures			Currently Published Statistics		
	1938	1946	Target 1952–53	Monthly Rate 1947	Monthly Rate 1948	Monthly Rate 1952–53
Groundnuts*	295	330	866	...	...	72
Sugar	965	881	1,378	75	90	115
Rubber	394	428	817	56	60	68
Tin	77	27	93	4	5	8
Copper	156	199	350	17	19	29
Bauxite	157	1,230	1,919†	120§	155§	160
Lead	1	16‡	34	1	1	3

* Exports only. † 1950. ‡ 1947. § Partly estimated.

are the only targets which seem to be comfortably capable of attainment. The increase of 13 per cent in rubber output can be easily achieved before 1952 provided that economic and political conditions in Malaya permit and that no restriction scheme is introduced. In the case of bauxite, the development of Gold Coast supplies may lead to an output well above the target figure. Increased outputs of tin, copper and lead depends on the supply of capital equipment which is unlikely to be available and in operation by 1952. For copper, the problem is less to expand total output than to expand the output of electrolytic copper. Even when the new Rhodesian refinery comes into operation only about half of Britain's electrolytic requirements will be met from sterling sources.

* * *

The First European Compensation

The first monthly compensation of intra-European payments under the new scheme agreed by OEEC was completed on Wednesday of last week. The compensation covered transactions in the month of October. The payments scheme though only agreed on October 16th was made retrospective to the beginning of that month. The British Treasury has announced that as part of this first monthly compensation the Bank of France was credited with £7,000,000 in respect of the total contribution of £50 million granted by Britain to France for the twelve months to June 30, 1949. At the same time Britain drew the Belgian franc equivalent of $13,263,000 out of the total Belgian contribution of $30 million to Britain. These drawings, it will be seen, are above the average monthly rate that would have to be maintained in order to exhaust the contributions and corresponding drawing rights in the nine months from October 1st, when the new scheme came into operation, to June 30, 1949. The British drawing on Belgium was even in excess of the figure that would have been provided by apportioning the total of $30 million back to cover the deficit with Belgium as from June 30, 1948. For the four months in question, namely from June 30th to October 30, 1948, the proportionate allocation would have been equivalent to $10 million. These substantial British drawings show how close to the "gold ceiling" Belgian accumulations of sterling must have been running.

On the evidence of British contributions and drawings for October, the total compensation for the month would appear to have exceeded the average level indicated by experience of the earlier and more restricted European compensation which began to function at the beginning of 1948. According to the report of the Bank for International Settlements, the turnover of this compensation was given at $39 million for the first four months of this year, or an average of about $10 million a month. These included both first and second category compensations. Under the new scheme only first category compensations are automatic, but since the scope and membership of the agreement has been widened it is probable that the normal compensations—that is the clearing of debts before the intrusion of contributions and drawing rights—under the new scheme would be of the order of $10 million a month. The total drawing rights for the twelve months to June 30th next amount to $810 million, which if used evenly over this period would average slightly under $70 million a month. The difference between the total of these two items, namely about $80 million and the appreciably larger total which, on the evidence of the British figures, was turned over for October is probably accounted for by the retrospective character of the contributions and drawing rights made and used in this first monthly compensation.

* * *

"Hiving Off" under Steel Nationalisation

In the second reading of the Iron and Steel Bill and subsequently at a press conference, the Minister of Supply amplified the provisions laid down in Section 14 (sub-section (9)) of the Bill relating to the splitting of steel companies whose names appear in the third schedule. The Minister has named six companies—Thomas Firth and John Brown, Guest Keen and Nettlefolds, Hadfields, John Lysaght, Lilleshall and Barrow Haematite—which had announced schemes of segregation before the publication of the Bill. Sympathetic consideration will be given to these schemes. In general, the schemes of segregation fit in with the main intention of the Bill to confine its activities to iron ore working, the production of pig iron and ingot steel, and the hot rolling of steel. But "hiving off" schemes submitted by other companies up to the vesting date will also be considered sympathetically. The main test to be applied to future applications for omission from the schedule will not differ from that for the six schemes which have already been announced. The Minister intends to judge all applications by whether the segregation of activities would prejudice the most economic integration of the activities of a company. Thus the six companies above have in no sense stolen a march on the rest and conceivably a considerable number of schemes may be submitted before the vesting date.

The procedure for the valuation of "hived off" sections is clearly laid down in the Bill. If agreement cannot be reached between the Minister and stockholders' representatives the matter will go to an Arbitration Tribunal. It is then up to the tribunal to ascertain the proper proportion of the total compensation sum which pertains to the segregated part. Where the segregated section of a company itself appears in the third schedule, it is understood that its name will be deleted from the schedule and the name of the section to be nationalised will be inserted. In such a case the valuation of the segregated section will be a proportion of the stock exchange value of the original company included in the schedule. In arriving at the proportion to be attributed to segregated assets the tribunal may take "all relevant factors" into consideration. If net asset value or earnings capacity are valid considerations in determining the valuation—which they certainly should be—is it not possible that in some instances the value to be attributed to the segregated part might even exceed the total compensation awarded under the Bill for the whole? Such a situation would place the tribunal in an uncomfortable dilemma.

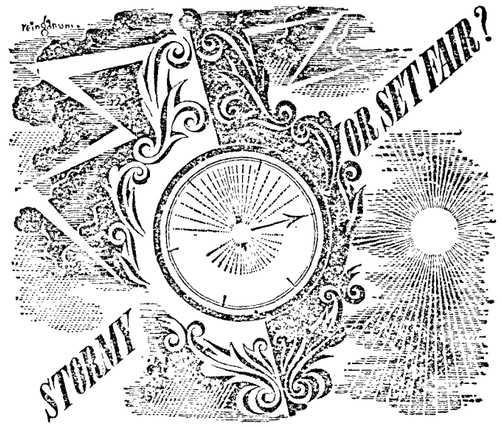
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Simplified Steel Distribution—an Instalment

The simplified procedure for steel distribution announced this week by the Ministry of Supply concerns a large number of firms but a very small proportion of the total consumption of the steel-using industries. A recent Ministry of Supply survey showed that 65 per cent of industrial consumers of steel used less than 25 tons a quarter, and that they used less than 3.5 per cent of the total of steel used for industrial purposes. These firms, perhaps 30,000 in number, will now be relieved of the necessity of direct authorisations and sub-authorisations; each will receive a single authorisation from the Ministry of Supply regional office to cover its requirements for the year.

It is inevitably for these multitudinous small users that the steel allocation system has in the past been at its most ineffective, and the Ministry of Supply's own estimate of the number of licences, authorisations, and sub-authorisations which will be saved—nearly 250,000 a quarter—is a measure of how overdue the simplification is. Many of the firms have been obliged to secure "scores of authorisations every quarter," often from different Government departments according to the end-use of the product.

Exceptions to the new arrangement make a formidable list. Tinplate, terne-plate, and black-plate steel are excluded altogether; for them the present system will remain in force. The application of the arrangements to sheet steel distribution is restricted: to qualify, a firm must not include more than 10 tons of sheet in its quarterly requirement of not more than 25 tons of steel. Steel for building will continue to be subject to the same licensing system as at present. Public authorities, builders, civil engineers,



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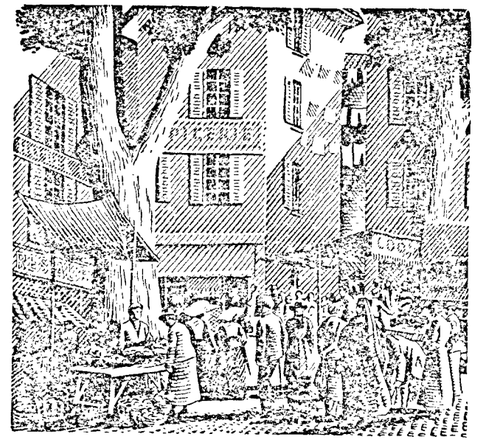
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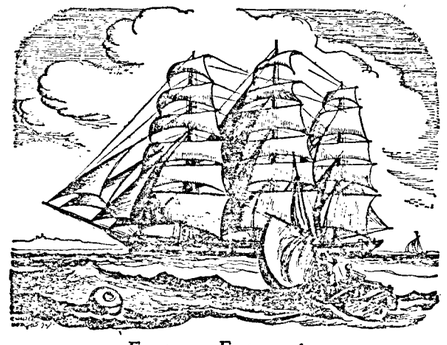


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electrical contractors, oil companies, and firms working under licences from the Iron and Steel Board are among those excluded. Many branches of production are also excluded: among them surgical equipment, and space or water heaters whether electric, gas, or coal-burning. Firms who do come under the new arrangement will be required to make a half-yearly return of steel receipts, consumption, and stocks; but in general their clerical work should be perceptibly reduced. The field open to the Ministry of Supply for further simplification, in steel distribution alone, is still wide.

* * *

European Scrap Prospects

The efforts of national and international planners in reducing the amount of coke used in iron- and steelmaking have to some extent transformed the European coke shortage into a scrap shortage; and steel scrap, as Mr Gunnar Myrdal observes in his foreword to a report on the European scrap situation prepared by the Economic Commission for Europe, "developed into a raw material of major importance for the reconstruction of Europe." But the Commission's report, which analyses the general trends in the supply and consumption of scrap by the European iron and steel industries, arrives at more hopeful conclusions than might have been feared. It anticipates that the part played by scrap in the supply of materials for steelmaking in Europe will continue to increase. The following table shows the relation between the main sources of scrap supply before the war:—

	Per cent of total scrap consumption in Europe	in USA
Circulating Scrap	45	53
Process Scrap	22	19
Capital Scrap	28	28
Imported Scrap	5	0

Supplies of circulating scrap (which arises in the steel works from ingots' crop, waste in rolling, spilt metal, and similar sources) will increase pro rata with steel production. A decrease through the improvement of rolling-mill equipment will proibably be offset by the tendency to produce more light and flat products from which the scrap yield is higher. Process scrap, arising from the metal-working industry, may also be expected to increase with the general expansion of the engineering industries. Supplies of capital scrap should tend to rise with the accelerating rate at which capital equipment is declared obsolete and replaced. But imported scrap has for the most part gone.

The present deficit can be partly traced to the drying up of the trade in scrap between the European countries, and partly also to the cessation of imports from the USA. The various national import requirements this year are:—

	Thousand tons
UK	1,040
Italy	775
Belgium-Luxemburg	625
Czechoslovakia	545
Poland	400
Austria	120
Others	445
Total	3,950

Against this are set—though the factual justification for doing so seems doubtful—planned exports from the Bizone of Germany (1,200,000 tons) and from the Soviet zone of Germany and other countries (845,000 tons); these figures presumably relate to the twelve months ending next autumn.

A deficit for the next year or two is unavoidable. But the ECE report considers it possible that greater scrap accruals and improved collecting effort within Europe, together with an increased production of pig-iron, may remove the deficit and make Europe self-sufficient in scrap by 1951. This will depend, however, on the retention of all European scrap for use in Europe—in other words, on the abandonment by the American steel industry of its insistence on a large share of the anticipated German exports. The report does not explore that possibility further; but the impression has lately begun to prevail at Geneva that the Americans have over-estimated their own need for imported scrap and may therefore not prove intransigent.

* * *

The Trend of Savings

The approach of the Christmas holidays, which nowadays appears to exert its effect on spending habits earlier than it used to do, seems already discernible in the trend of national savings and demands for currency. In early September, when the National Savings Committee issued its last full survey of savings experience in the current financial year, it was at least possible to hope that the poor performance of the spring and summer might be largely compensated by a good response in the autumn, for this is seasonally one of the most intensive periods for saving. But these hopes have been disappointed. In the first 5 months of the current fiscal year, withdrawals and encashments of past savings exceeded new subscriptions by roughly £18¾ million. With only one exception, in each of the subsequent eleven weeks there has been a small net excess of new savings, thus plainly marking the end of the holiday season and the phase of recuperation in family budgets from the demands of the summer. But the seasonal response this year has been very much less than in the corresponding period of 1947. In these eleven weeks net saving, as officially computed, has totalled a little under £13 million, compared with almost £32 million in the corresponding weeks of 1947. For the financial year to date, therefore, there is still a net dis-saving of £5,900,000—before allowing for the repayments, totalling nearly £50 million, of Defence Bonds at maturity, and also before charging the interest portion of encashed Savings Certificates. In the first week of November the week's net saving just surpassed £2,000,000, a figure which has been exceeded only four times in this financial year; during 1947, it was definitely unusual for the week's total ever to fall so low as £2,000,000. The latest figure, for the week ending November 13th, was under £1,250,000.

Earlier in the year, it seemed reasonable to feel that the adverse trend of national savings was a misleading guide to the trend of personal savings as a whole. It was widely believed that political and other influences were leading people either to keep more savings in cash or to save through other channels. The recent slackening in demands for life assurance, discussed in these columns last week, suggests that this may no longer be true. Meanwhile, parallel indications are to be found in the statistics of the note circulation. The momentum of the big fall which began last year in total demands for currency seemed to have spent its force before this year's holiday season; yet the reflux of notes from circulation after the summer's peak demand was actually rather larger this year than in 1947. Between early August and end-September the total net circulation fell by £8 million compared with £46 million in the similar period of last year. The experience of the past eight weeks has been in marked contrast to this: the circulation has fallen on balance by only £3,000,000, whereas in October and November last year it dropped by no less than £36 million. It is true that the steep contraction in 1947 was due mainly to special causes; but in several weeks recently the circulation has shown a tendency to rise at a time when seasonal influences would have led one to expect a contraction. Certainly, it seems clear that there is no longer a downward impetus. The fractional decline shown by this week's Bank return carries the total to £1,233 million, compared with £1,363 million a year ago. This is the moment when, normally, circulation touches its lowest point for the second half of the year. Next week's return may therefore be expected to give the first clear evidence of the Christmas spending demand. The experience of the next four or five weeks of increasing note circulation, and the ensuing phase of seasonal contraction, should demonstrate whether the underlying trend is changing and giving place to a phase of re-expansion.

* * *

No Film Studio for Freelances

Exuberance in setting up committees has marked so many of the Government's dealings with the film industry that it is hardly surprising to find Sir George Gater's committee, in its report published last week, showing some embarrassment over the evident unreality of the purpose for which it was formed. The committee was appointed in July—not to consider whether a new studio for independent film producers was necessary, but, on the assumption that such a studio was to be built, to advise whether the Government ought to own or control it. "We have to record," reports the committee, "that the evidence submitted to us showed clearly that there is at the present time no lack of studio space." The absurdity of its terms of reference must have become evident at an early stage. Still, it visited studios diligently, finding many of them empty—"there has never been a time when so much studio space has been available to the industry as now"—and studio managers everywhere anxious to welcome free-lance producers, or any other producers, as tenants. It studied memoranda from the British Film Producers' Association, the independent film producers' Association, and the film trade unions.

The result is an exceptionally lucid exposition of the elementary economics of the film industry. At an early stage the term "independent producer" is abandoned for the term "free-lance producer"—"there are producers whose independence is fitful." The free-lance producer's existence is found to be necessarily more speculative than the existence (speculative though that is) of the vertically integrated concerns which group production, distribution and exhibition within one organisation. He has not the assured exhibiting outlet, nor the chance of balancing a loss on one undertaking with a profit from another, which they enjoy. His activities are restricted not by lack of studio space, but chiefly by lack of finance. The amount of capital to be invested in first-feature production "must to a large extent be determined by the size of the home market, and of the net box-office receipts," and therefore the number of first-feature films cannot be indefinitely expanded. Further, free-lance producers are small in number, and few of them are really able to produce what the Gater Committee calls "international scale" films. One of their grievances (more substantial than the difficulty of getting studio space) is the prevalence of high studio rents, but "a reasonable studio rent can be established only by the planning of continuous production." If the Government set up as a studio owner it would be confronted with the same problem as any other owner, and a costly unemployed studio would be the penalty of failure. To avoid this, the Government might be forced into film production itself.

At this point, having reduced *ad absurdum* the proposition that Government entry into the business can secure a fair field to individualism in a hard world, the report suggests that the Government might at least delay action until the Film Finance Corporation has been at work for some time and the effect of its work upon the output of films can be estimated. If one thing can be predicted of the Film Finance Corporation, it is that it will not adventure much money on projects which lack a guaranteed retail outlet; and there is no recent example of a film project which enjoyed a distribution guarantee failing to find studio space.

But the committee, after all, does more than merely demolish. If as a matter of policy the Government decides to provide a studio for free-lance producers, then, it says, the Government must own the studio itself and must set up a company to manage it. But as a matter of economics it must first insist that the free-lance producers set up a co-operative organisation which could plan a common production programme, and by ensuring continuous production make economic rents possible. Thus are the frontiers of independence inexorably delimited and circumscribed.

* * *

Dorman Long for Nothing

Record figures from the big iron and steel companies follow one another in impressive succession. At the end of last week South Durham Steel and Iron caused a mild stir in the City by raising its dividend from 8½ per cent to 10 per cent following an increase in profit from £165,806 to £531,527 for the year ending September 30, 1948. This week it has been the turn of Dorman Long to announce a striking increase in profit—but not, however, in the dividend. The absence of interruptions to production such as the fuel crisis occasioned in 1946-47 has enabled Dorman Long to make full use of its growing capacity in the year to September 30th last with the result that the group trading profit has increased to a new record of £4,118,442—an increase of more than one-third compared with the previous year. Group earnings on the parent company's ordinary capital have risen from 23.6 per cent in the first postwar year to 38.2 per cent in 1946-47 and in the past year to 54.3 per cent. The latest earnings provide nearly sevenfold cover for the dividend which is restricted to 8 per cent by dividend limitation.

The total estimated compensation to be paid under the Iron and Steel Bill to the ordinary shareholders of the company amounts to little more than two years' purchase of the latest profits. And it is certainly probable with steel production for the whole country running at the rate of 15½ million tons a year that Dorman Long, which produces more than 16 per cent of the country's total output of basic iron and over 10 per cent of its steel ingot production, will be earning considerably more in the current year. Further evidence of the gross inadequacy of the compensation to be received on the basis of stock exchange values is provided in one group balance sheet. This shows that after the deduction of net liquid assets amounting to £9,735,786 from the total estimated compensation of £13,094,000 for all classes of stockholders, a net amount of only £3,258,214 remains to cover all other assets. This sum is considerably less than the group's expenditure on fixed assets in the past three years. Moreover, a valuable claim—probably worth over £2,000,000—is outstanding for coal compensation. Hence there can be no doubt that the State is acquiring one of the largest steel producing plants in the country, its associated engineering works, and Dorman Long's overseas subsidiaries for nothing.

* * *

Tube Investments Fixed Assets Revaluation

The First Schedule to the Companies Act, 1947, expressly states that "the method of arriving at the value of a fixed asset shall be to take the difference between its cost, or if it stands in the company's books at a valuation, at the amount of the valuation—and the aggregate amount provided or written off since the date of acquisition or valuation, as the case may be, for depreciation or diminution in value." But where the amount of depreciation relating to the period prior to July 1, 1948—when the schedule came into force—cannot be obtained "without unreasonable expense and delay," the net amount at which assets stand in the company's books on July 1, 1948" (after deduction of the amounts previously provided or written off for depreciation or diminution in value), "shall be treated as if it were the amount of the valuation." Tube Investments appears to be the first important company to undertake a revaluation at the given date. In the consolidated balance sheet of the company at July 31, 1948, fixed assets are shown at a valuation made on July 1, 1948, with the result that these assets are stated to have a value of £16,721,160 gross, after deducting a mere month's depreciation from the valuation. The new figure presents a striking contrast to the net figure of £5,477,532 for fixed assets given in the previous balance sheet as at August 2, 1947. The surplus arising from the revaluation, which amounted to £10,078,510, has been entered on the liabilities side of the balance sheet as a capital reserve, bringing total capital reserves up to £13,842,344. In addition, revenue reserves amount to £7,757,287.

This revalution by Tube Investments was fortuitous in that presumably the company has not been able readily to ascertain figures for past depreciation in order to meet the requirements of the First Schedule of the Companies Act, 1947, in the more usual manner. But since the resulting figures have been published at a time when the method of Stock Exchange valuation as a basis of compensation is under heavy fire, the impressively high value placed on the fixed assets of Tube Investments by an independent valuer as recently as July 1, 1948, should provide useful ammunition for the many opponents of the method of compensation provided in the Iron and Steel Bill.

* * *

A Wages Experiment

The agreement for a new wages structure, reached this week between the Standard Motor Company and the Confederation of Shipbuilding and Engineering Unions, may have repercussions far beyond this particular company. It sets a precedent which might well be adopted throughout the engineering industry, where negotiations for the simplification of the wage structure have been dragging on for years.

The present scheme has a dual purpose—to simplify the basis of payment and provide an incentive to greater output. Instead of the former 92 different bases of payment, there will be a scale of only eight basic wage rates, and instead of the complicated system of differentials, bonuses and merit rates, there will be a special bonus payable to production teams, directly related to their productive effort. The scheme covers all the firm's 10,000 employees, including sweepers and cleaners, and was approved by 75 per cent of the workers in a ballot taken last month. Men will have a guaranteed weekly minimum of £5 and women £3 15s. It remains to be seen what practical effect the scheme will have in increasing output. Incentive systems of payment have not yet been sufficiently considered by industry and the unions, and the experiment of Standard Motors is welcome.

* * *

International Agreement on Screw Threads

When the drawings of the Rolls-Royce Merlin engine were sent to the United States during the war for production of the engine by the Packard company, nine months had to be spent on redrawing to incorporate American standards; and a substantial part of this was spent in substituting American for British screw threads. The conferences which led up to the agreement, announced this week, between the United States, Britain and Canada for a new unified screw thread system began in 1943 and were prompted by the great losses in time, cost, and servicing efficiency during the war which were traceable to the different national screw standards in engineering use. They originated between the Governments and had a Service background; of necessity, however, the standards institutions have become more

and more involved, and the British delegation which signed the agreement at Washington on November 18th consisted of three representatives of the British Standards Institution and one of the Ministry of Supply. The new system of screw threads will be made mandatory by the service department for equipment ordered by them, but over the greater part of the industrial field its adoption, and the timing of the change, will be at the discretion of the engineering firms.

It is a major change in engineering practice and will require a great deal of retooling; the unified system is much nearer to present American practice than to British. The change will be facilitated to some extent by the fact that British toolmakers have already for some time past been making a proportion of screwing tools to American standards, since these are already in use by some firms in this country. In the motor industry the two American-owned undertakings, Ford and Vauxhall Motors, have used American screw standards for some time, and the Standard Motor Company went over to the American standards last winter when the Vanguard and the Ferguson tractor were put into production. No doubt other British motor manufacturers will be among the first firms to follow suit, since the greater part of their product is now exported and the servicing advantages in countries using American screw standards are obvious. Makers of goods mainly for the home market, and heavy engineers making large fixed installations, can be expected to take longer, and the whole change will take many years.

The change applies only to screws of ¼ inch and over, for which the Whitworth thread has been generally used. For these the British Standards Institution will issue a new provisional British standard early in the new year. Screws below ¼ inch are a separate problem still to be negotiated. The Americans have put forward propesals for two series in sizes below ¼ inch, one having a finer and the other a coarser pitch than the British B.A. series. The British engineers doubt the necessity for two new series so close together, the possibilities of compromise have still to be fully explored.

* * *

Departmental Holdings of Gilt-edged

The meagre information which each year is released, by Parliamentary answer, about the internal or "departmental" holdings of Government securities is this time more bewildering than usual. The Chancellor stated last week that at March 31st last Government departments held £405 million of floating debt and £3,217 million of "other" debt—a total of £3,622 million compared with £3,847 million at end-March last year. It is, of course, from the point of view of the gilt-edged market that information about official holdings is most significant; but these annual releases have been carefully devised to ensure that they reveal nothing about official tactics in this sphere. There are many exclusions from them, the most notable being the Issue Department of the Bank of England and the Exchange Equalisation Account. But these exclusions do not of themselves impair the comparability of the several published figures, which afford some guide to the volume of resources at the disposal of the Government for market operations—resources accumulating in the social insurance and other extra-budgetary funds and employed through the National Debt Commissioners.

The decline in the total during 1947-48 is therefore, at first glance, somewhat unexpected, for there is little doubt that funds continued to accumulate through these channels. As will be seen from the accompanying table, this is the first decline in the whole nine-year period over which the series extends, and contrasts with the record increase of £649 million in the previous year. Both these changes, however, point to further weaknesses in the basis of computation. The figures embrace only direct obligations of the central Government, and a substantial part of the big increase in 1946-47 reflected the conversion of official holdings of Local Loans Stock (which had never been included) into "Daltons," which necessarily were included. Secondly, the holdings embrace a large but unknown volume of purely nominal debt due to the accumulation of departmental credits which instead of being rapidly extinguished by return to the Exchequer are temporarily "lent" to it on Ways and Means advances or in other forms. There is little doubt that this year's seemingly paradoxical decline arises from this nominal element in the holdings. It certainly does not, as some have suggested, result from the £150 million decline in the fiduciary issue, because the Bank's holdings are excluded. The true explanation, it would seem, is to be found in Dr Dalton's vaunted "clawing-back" of unspent votes and accumulated credits, which means that this apparent reduction is merely the nominal counterpart of the nominal revenue surplus in which he took such pride in the summer of 1947.

This assumption, it will be seen, is supported by the fact that the fall occurred wholly in the floating debt holdings, which declined by £290 million—£80 million more than the fall in the total outstanding ways and means advances. But for this technical influence there is little doubt that the total internal holdings would have shown a further, though moderate, increase. It may be noted, too, that the relatively small increase in "other" debt—by £65 million—probably tends to understate the growth of the funds employed by these departments in the investment market during the year. Only a month before the return was made up the Government had redeemed the 3 per cent Conversion Loan—which means, of course, that departmental holdings of this loan were temporarily replaced by floating debt until occasion arose for re-employing the proceeds in longer securities.

DEPARTMENTAL HOLDINGS OF PUBLIC DEBT
(£ Millions)

Years to March 31st	Holdings at Year-End			Change During Year		
	Floating Debt	Other Debt	Total	Floating Debt	Other Debt	Total
1939	36	477	513	...	...	...
1939-40	127	526	653	+ 91	+ 43	+ 140
1940-41	320	699	1,019	+ 193	+ 173	+ 366
1941-42	363	955	1,318	+ 43	+ 256	+ 299
1942-43	550	1,266	1,816	+ 187	+ 311	+ 498
1943-44	687	1,596	2,283	+ 137	+ 330	+ 467
1944-45	883	2,025	2,908	+ 196	+ 429	+ 625
1945-46	618	2,580	3,198	− 265	+ 555	+ 290
1946-47	695	3,152	3,847	+ 77	+ 572	+ 649
1947-48	405	3,217	3,622	− 290	+ 65	− 225

World Bank and Colonial Loans

The Colonial Loans Bill which was given a second reading towards the end of last week is intended to give the Treasury authority to guarantee loans made to colonial governments by the International Bank for Reconstruction and Development. Although the Bill is specific in such respects as the limitation of guarantees to a maximum of £50 million, it must be regarded as in the nature of an enabling bill and not as envisaging an early approach to the International Bank for colonial loans. This fact was made clear beyond all doubt by the Under-Secretary of State for the Colonies who gave two reasons for the unlikelihood of such financing in the near future. The first was the high rate of interest which the Bank is charging for its loans, namely 4½ per cent, a figure which includes the 1 per cent guarantee commission which the Bank takes on all loans. The second deterrent mentioned by Mr Rees-Williams was of somewhat more surprising character. It was that the policy of the Bank at the moment was to restrict any dollar loans it made to purchases in the dollar area. This assertion gave rise to considerable discussion but time and again Mr Rees-Williams returned to the point that although the International Bank was bound by its statutes to place no restrictions on the country in which the proceeds of its loans are spent the Bank was in fact, as a matter of policy, requiring that the proceeds of loans made in US dollars should be spent in the dollar area.

The statutes of the Bank are perfectly clear on this point. Section 5 (a) states that "The Bank shall impose no conditions that the proceeds of a loan shall be spent in the territories of any particular member or members." The last annual report of the Bank showed that although most of the expenditure financed by the Bank's loans was made in the United States, substantial amounts were spent in other countries, including over $47 million in Europe and $50 million in Latin America. It is possible that the extraordinarily detailed provisions made by the Bank for supervising the expenditure of every dollar which it makes available is being used to circumvent one of the basic provisions of the final act signed in Bretton Woods. If this be so, the matter should be made the subject of a definite statement of policy on the part of the Bank. Sir Arthur Salter, who intervened in the debate and who is chairman of the Bank's Advisory Council and in that capacity went to Washington some weeks ago, certainly did not appear aware that so fundamental a change in the policy of the Bank had in fact occurred.

* * *

Troubles in Groundnuts

The East African groundnut project is generally recognised as a brave experiment which for political or other reasons was planned to produce too rapid results. The lack of foresight, the lack of appreciation of the size of the problem or its ramifications, the lack of equipment and the various other troubles which have afflicted the scheme since its inception have all been given ample publicity. And the publicity has been effective in securing certain remedies. The supply of equipment, for example, has greatly improved in the last twelve months and the "Shervic" tractors—converted Sherman tanks—are proving valuable. An efficient repair organisation has at last been set up, with modern workshops housed in hangars made of landcrete blocks and sheet aluminium—materials also used for married quarters for the Europeans.

But conditions still appear to be far from satisfactory. A recent visit by Mr Clyde Higgs on behalf of the *Farmer and Stockbreeder*—his second in nine months—raises several points of criticism. Whether these are all justified or not, it is obvious that considerable reorganisation is necessary. Mr Strachey again confirmed in the House only this week that the Overseas Food Corporation was investigating the whole project and particularly the surplus administrative staff. Its report will be awaited with great interest.

(Continued on page 902)

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics Supplement*. Notes on the following company reports appear in the Supplement: Dorman Long; Tube Investments; Electric and Musical Industries; Montague Burton; Glaxo Laboratories.

Prices, Year 1948 Jan. 1 to Nov. 24 High	Prices, Year 1948 Jan. 1 to Nov. 24 Low	Name of Security	Price, Nov. 17, 1948	Price, Nov. 24, 1948	Net Yield, Nov. 24, 1948 (a) £ s. d.	Gross Yield, Nov. 24, 1948 £ s. d.
		British Funds				
101⅝	100⅞	War Bonds 2½% August 1, 1949-51	101	100⅜	...	1 2 2e
101¼	100⅜	Exchequer Bonds 1½% Feb. 15, 1950	100⅛	100⅛	0 2 3	1 3 6
102⅜	100⅛	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 2 6	1 7 0e
103⅛	100	War Bonds 2½% March 1, 1952-54	103⅛	103⅛	0 9 10	1 13 7e
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	103⅝xd.	103⅝	1 0 3	2 11 0
103⅜	99⅛	War Bonds 2½% Aug. 15, 1954-56	103⅛	103⅛	0 16 1	1 19 4e
103⅛	100⅜	War Bonds 2½% Aug. 15, 1952-57	102⅝xd	103⅛xd	1 2 6	2 6 8f
106½	100⅛	Funding 2½% June 15, 1952-57	105½	106⅛	1 0 11	2 8 5f
105⅛	101⅛	National Def. 3% July 15, 1954-58	105⅛	105⅛	1 2 0	2 8 5f
104⅛	100	War Loan 3% Oct. 15, 1955-59	104⅛	104⅛	1 8 0	2 15 0f
102⅛	96⅛	Savings Bonds 3% Aug. 15, 1955-65	101⅛	101⅛	1 4 6	2 7 0f
104	98⅛	Funding 2½% April 15, 1956-61	103⅛	103⅛	1 8 10	2 15 5f
114⅜	110⅛	Funding 3% April 15, 1959-69	113½	113½	0 18 6	2 12 3e
103⅛	97⅞	Funding 4% May 1, 1960-90	103⅛	103⅛	1 9 10	2 16 2f
99⅛	92⅛	Savings Bonds 2½% Sept. 1, 1960-70	98⅛	98⅛	1 9 0	2 11 10f
116⅛	112⅛	Savings Bonds 2½% May 1, 1964-67	115⅛	116⅛	1 2 6	2 15 7*
102⅛	56⅛	Victory Bonds 4% Sept. 1, 1920-76	115⅛	116⅛	1 10 10	2 17 10f
111⅛	107⅛	Savings Bonds 3% Aug. 15, 1955-75	107⅛	107⅛	0 17 8	2 13 2f
106⅛	102⅛	Consols 4% (after Feb. 1, 1957)	110⅛	111⅛	1 7 5	2 18 4f
85⅞	74⅛	Conversion 3½% (after April 1, 1961)	106⅝	106⅝	1 14 8	3 3 0f
99⅛	93⅛	Treas. Stk. 2½% (after April 1, 1975)	79⅛	79⅛	1 14 1	3 2 2f
100⅜	93⅛	Treas. Stk. 3% (after April 5, 1966)	96⅜	97	1 14 1	3 2 4f
83⅞	74⅛	Redemp. Stk. 3% Oct. 1, 1986-96	100	100	1 13 2	3 0 4f
102⅛	96	Consols 2½%	80⅛	80⅛	1 14 5	3 2 9f
100⅛	99⅜	Brit. Elec. 3% Gtd. April 1, 1968-73	102⅛	102⅛	1 10 7	2 17 5f
101⅛	93⅛	Brit. Elec. 3% Gtd. Mar. 15, 1974-77	100⅜	100⅜	1 12 2	2 19 1f
101⅛	93⅛	Brit. Trans. 3% Gtd. July 1, 1978-88	101⅛	99⅛xd	1 13 0	2 19 11f
102⅛	95⅛	Brit. Trans. 3% Gtd. April 1, 1968-73	102⅛	102⅛	1 10 7	2 17 5f

Prices, Year 1948 Jan. 1 to Nov. 24 High	Prices, Year 1948 Jan. 1 to Nov. 24 Low	Name of Security	Last Two Dividends (a)	(b)	(c)	Price, Nov. 17, 1948	Price, Nov. 24, 1948	Yield, Nov. 24, 1948 £ s. d.
		Other Securities						
106	101⅛	Australia 3½% 1965-69	% (d)	% (d)		106	106	3 17 0e
96	90	Birmingham 2¾% 1966-71	(d)	(d)		95½	95½	2 15 3f
8½	5½	Anglo-American Corp. 10s.	50	c		6½	6⅝	3 19 3
10⅛	7⅜	Anglo-Iranian Oil £1	25	b		8¼	8⅛	3 8 0
87/6	69/-	Assoc. Electrical Ord. £1	10	b		78/-	78/-	3 16 11
77/6	62/4	Assoc. Port. Cem. Ord. Stk. £1	15	c		76/6	75/-	4 0 0
58/6	29/6	Austin Motor 'A' Ord. Stk. 5s.	40	c		32/6xd	33/9xd	5 18 9
84/-	72/9	Barclays Bank Ord. 'B' £1	7	a		80/-	80/-	3 10 0
10⅜	8⅜	Bass Ratcliff Ord. £1	†20	b		†5	8⅜	2 15 6†
105/-	85/-	British Oxygen Ord. £1	12	b		8	9	3 17 0
46/12	36/-	Courtaulds Ord. £1	2½	a		8	a	3 25 11
32/6	25/1	Distillers Co. Ord. 4s.	20	a		7½	b	3 14 3
54/10½	42/9	Dorman Long Ord. £1	6	c		8	c	4 15 6
78/9	68/-	Dunlop Rubber Ord. £1	15	c		15	c	4 2 1
53/-	43/7	Imp. Chem. Ind. Ord. Stk. £1	7	b		3	a	5 16 1
6⅝	4⅜	Imperial Tobacco £1	19½	b		13½	a	4 4 3
48/9	40/3	Lancs. Cotton Ord. Stk. £1	10	c		10	c	4 5 6
56/6	43/9	Lever & Unilever Ord. £1	10	c		10	c	3 13 5
61/3	47/6	London Brick Ord. Stk. £1	12½	c		10	c	3 14 5
68/11½	47/7	Metal Box Ord. Stk. 10s.	25	c		31½	m	4 7 3
63/4½	49/6	P. & O. Def. Stk. £1	12	a		12	a	2 6 8†
35½	30½	Prudential 'A' £1	†77½	c		†77½	c	4 8 0
59/9	49/9	Stewarts & Lloyds Def. £1	12½	c		12½	c	3 18 8†
85/7½	71/6½	"Shell" Transpt. Ord. Stk. £1	12½	a		15	b	3 15 6
9⅜	5½	Tube Invst. Ord. Stk. £1	12½	a		12½	b	3 15 6
90/9	72/6	Turner & Newall Ord. Stk. £1	11½	b		3½	a	4 4 1
95/3	76/-	Woolworth (F. W.) Ord. 5s.	55	b		5	a	

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'c'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (a) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) To latest redemption date. (m) 15 months. Yield basis 25%. † Free of tax.



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Mr. Nash's sudden transformation from a dignified business man to a sprawling figure of waving arms and legs struck some passers-by as funny. But when he was helped to an ambulance with an injured back and head, Mr. Nash could hardly be blamed if he did not share the joke. He was unable to work for many months, while expenses mounted. Yet he was able to convalesce with an easy mind, for under his 'General' Personal Accident Policy he received £10 a week until he was fit.



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DOUBLE TAXATION BURDEN

MR. F. M. G. GLYN'S ADDRESS

The eighty-sixth annual general meeting of the Bank of London and South America, Limited, will be held in London on the 21st proximo.

The following are extracts from the address to the stock-holders by the chairman, Mr Francis M. G. Glyn, were circulated with the balance sheet. Copies of the full address are obtainable from the head office of the bank at 6, Tokenhouse Yard, London E.C.2.

Latin America as a whole can provide no exception to the present almost universal shortage of dollars; the situation has indeed changed rapidly, and in some cases disastrously, in countries which, not so very long ago, possessed substantial reserves with which they would normally expect to pay for essential imports of both capital and consumer goods from the one country, the USA, that was able after the war to supply their requirements.

Nor has the dissipation of these accumulated reserves been alone responsible for present difficulties, for the failure to produce and adhere to a practical programme of dollar income and expenditure has led not only to a rash over-spending of available resources, but has also tempted the various administrations to anticipate sources of dollar revenue which a more realistic appreciation of the world situation would not have allowed them to take so much for granted.

RAMPANT INFLATION

Lord Wardington referred last year to the ever-rising price levels and this year again it would be impossible to avoid commenting on the rampant inflation that now prevails in every country, almost without exception, in which the bank is established. From time to time various price-controlling or restrictive measures are introduced, but frequently their effectiveness is negatived by further Government expenditure which is not immediately productive or by the expansion of extravagant social services.

This has led to a reduction in the internal purchasing power of the currency, with a consequent rise in the cost of production of exportable commodities; exports could, therefore, only be maintained either by some form of internal subsidies or else, which was the more usual course adopted, by a depreciation of the international rate of exchange. In many cases, moreover, the necessity of simultaneously encouraging exports and restricting imports has opened the door to the introduction of multiple exchange rates. As in nearly every case the most depreciated rate is that which is applicable to the remittance of profits and is, therefore, the rate at which we convert our figures for balance sheet purposes, we have in several cases been called upon to provide very considerable sums to cover depreciation of our capital employed in those countries.

THE REMITTANCE DIFFICULTY

There can be very few British shareholders of companys operating in our zone who have not in recent times seen there dividends or interest payments delayed, reduced or even cancelled owing to difficulties abroad in obtaining remittances to meet financial services. This has been usually due to a shortage of foreign exchange, which has arisen not from any difficulty in finding a market for the exports of those countries but because they have allowed the demand for imports of all kinds to take precedence over all other commitments in foreign currencies even to the extent of allowing their trade balance to become unfavourable.

Whatever the cause, the result to this country is always the same, namely a reduction in a potential supply of foreign exchange. The emphasis at present laid on the necessity for great Britain to export, essential though that may be, tends to blind us to the fact that exports are only the means to the end of acquiring foreign exchange with which to purchase essential imports of food and raw materials. If the same end can, to a small but appreciable extent, be achieved without drawing on our productive capacity, it is our duty to use every possible endeavour to ensure that this country receives without deduction all the profits of British labour and enterprise abroad to which we are legitimately entitled.

NEED FOR TAXATION RELIEF

It is not always appreciated how crippling is the cumulative effect on profits of a double tax liability. Profits earned abroad are subject to local taxes and what is left must bear the brunt of British taxation. As far back as 1920 certain reliefs were provided for in respect of Dominion income tax and in 1945 the Finance Act (No. 2) afforded relief from double taxation in the case of income from any territory outside the United Kingdom with which reciprocal arrangements are made. Since the principle has been admitted, I find it hard to understand why similar arrangements have not been extended to all foreign countries or why relief is not provided for in cases where no recriprocal agreements are in force. It does not seem equitable that companies trading in areas of the world which are not prepared to agree to recriprocal taxation agreements should be penalised in comparison with those whose business is carried on in territories with such agreements. I hope that H.M. Government will give this matter early consideration.

The year's profit amounts to £350,000 compared with £373,902 for the preceding year. The gross earnings of our branches abroad have in the aggregate shown an increase, but this has been more than offset by additional charges and less favourable exchange rates.

A TRADE OPPORTUNITY

Latin-American countries are finding themselves obliged to look to sources other than the USA for more of their requirements of manufactured goods and raw materials. I am sure that the implications of this change will not have been lost upon the British exporter, and that he can be relied on to do his utmost to be among the first in the competition for this trade, and one may also hope that we shall thereby be able to restore this country to the position she once held of being among the leading suppliers to the South American Republics.

I make no apologies for stressing the importance of the contribution of British invisible exports to the British balance of trade. When shortage of manpower rather than the maintenance of full employment is one of our major problems, we can afford to pay greater attention to insisting on our rights to these sources of foreign revenue and correspondingly less to the volume of our physical exports which we are in any case not always able to produce. When the day returns that this country can take a stronger line in settling the conditions on which she will trade with countries who are in need of her products, greater emphasis on this point may well pay big dividends.

HORLICKS, LIMITED

INCREASED TURNOVER

The annual general meeting of Horlicks, Limited, was held, on the 17th instant, at Slough, Bucks.

Lt.-Col. J. N. Horlick, O.B.E., M.C., the chairman, in the course of his speech, said: The net profit of the parent company before taxation shows a reduction of £83,119 as compared with the preceding year, wholly due to the fall in trading profit. The reasons for this decline are the rising costs of supplies and the increased expense of marketing and distributing the company's products. Turnover during the year has shown a satisfactory increase and once again we can regard ourselves as fortunate in having overseas plants to satisfy the demands of those markets which cannot be met from this country until the essential raw materials are in freer supply.

Despite the somewhat less favourable results of the year under review, however, profit after taxation comfortably covers the dividend at the same rate as has been paid in previous years. Although this company's dividend, as quoted by reference to its nominal capital, is at the rate of 30 per cent. per annum, in actual fact, the rate approximates to only 7 per cent. of the capital employed in the business at March 31st 1948.

THE CURRENT YEAR

As to the current year, the figures for the first six months are slightly less favourable than those for the same period of the preceding year and in view of the present troubled state of world conditions I feel that it would be unwise for me to attempt any forecast. At home the company's activities are limited by the continuing shortage of raw materials, while taxation, which takes no account of the increased costs of replacing plant and other fixed assets, leaves an insufficient margin to provide the means for progress and expansion.

Overseas, where the company carries on an extensive trade, constitutional changes in some of the Far Eastern countries have confronted us with many problems. Difficulties still lie ahead. In regard to the American Subsidiary, much has been done to reorganise the business and to modernise the factory and plant but very keen competition and the high cost of raw materials and labour make the American market a difficult one.

Our Australasian Subsidiary, with its factories at Nowra, N.S.W., and Tokomaru, New Zealand, continues to provide us with the supplies with which to meet the heavy demands for our product in India and the Far East.

A SUCCESSFUL SUBSIDIARY

Another subsidiary which is making progress is Horlicks Farms and Dairies, Limited. This company now operates four milk depots in Somerset, and because we are confident that the breeding of better dairy cattle will ultimately increase the throughput of milk to the advantage of these depots, the company has created the largest single organisation in this country for the artificial insemination of dairy cattle.

With its main centre at Ilminster and another recently opened in the north of the county at Langford, the services they provide are now available to farmers throughout almost the whole of Somerset. Some idea of the progress of this service, which was started only three years ago, will be gauged from the fact that for the year ended September 30th, 1948, there were 3,800 subscribing members and 32,450 of their cows and heifers were inseminated. The calves born so far number nearly 20,000 and almost all of them show definitely better breeding than their dams.

We believe that by providing this service to farmers on a country-wide basis we are ensuring increased milk production for the future.

The report was adopted.

FERRANTI LIMITED

INCREASED NET PROFITS

The annual general meeting of Ferranti Limited was held, on the 18th instant, in London.

Sir Vincent de Ferranti, M.C., M.I.E.E. (chairman and managing director), in the course of his speech said:

The trading profit (including dividends on investments) at £397,201 compares with £406,651 a year ago and, after providing for depreciation, directors' and auditors' remuneration and taxation, the net profit amounts to £143,388, as against £105,293 last year. The increase in net profit is mainly the result of a reduced charge for taxation and the absence of necessity to provide for deferred repairs. After inclusion of the subsidiary companies' results, the combined trading profit is £464,816, as against £455,704 a year ago, and the consolidated net profit at £181,708 shows an increase of £47,171 over the 1947 results.

INCREASED NET ASSETS

The consolidated balance sheet shows total net assets of £1,984,549, an increase of £180,000 on last year's figures represented by an increase of £249,000 in fixed assets, and a decrease of £69,000 in net current assets.

During the year the output of our commercial departments has increased 20 per cent. Whereas last year all departments contributed to this increase, this year there is a sharp division between those departments producing transformers, electricity service meters, instruments and castings for the electricity supply industry and these producing radio, television, domestic appliances and clocks for the general public. In the former there have been marked increases in turnover, and in the latter marked decreases.

The company is playing its part in the rebuilding of the country's generating plant, as is instanced by orders received for two 75,000 k.v.a. generator transformers for the new Carrington Power Station at Manchester, three 58,500 k.v.a. generator transformers for the Braehead generating station, Glasgow, and two 66,000 k.v.a. generator units for the new Deptford station.

The size of the modern power transformer continues to increase. An order has been received for two 100,000 k.v.a. 132 k.v. transformers with on-load tap changing gear for the British Electricity Authority. These are the largest units bought for use in Britain.

INCREASED EXPORTS

The total volume of our export orders shows an increase of three and a-half times over that of the last year before the war, and 40 per cent. of our commercial output has been exported. As an indication of our activity in the export field, 30 of our senior staff have been abroad during the year, either obtaining orders, studying market conditions, or increasing our technical knowledge, so as to improve our products and manufacturing skill. The output of the meter department has been a record both in numbers and value.

The demand for radio, valves, and clocks has been curtailed by economic policy, and that for electric fires and water heaters as the result of the shortage of generating plant. This decline of demand became apparent in March, and so has only been effective for one quarter of our financial year. It is likely to have a much more serious effect on next year's results. In particular as the demand for electricity meters has decreased in recent months. Every effort is being made to adjust ourselves to the new conditions, and we hope by making economies in departments suffering from falling demand, and greatly increasing our output of heavy plant, to surmount our difficulties. We know that we can rely on our excellent staff and workpeople to help to make the necessary adjustments, and we thank them for their good work during the past year.

The report was adopted.

JOHANNESBURG CONSOLIDATED INVESTMENT

FACTORS AFFECTING PROFITS

The annual general meeting of shareholders of Johannesburg Consolidated Investment Company, Limited, was held, on the 23rd instant, in Johannesburg.

Mr H. J. Joel, who presided, in the course of his speech said:—Markets were considerably less active during the year under review, and that fact largely accounts for the fall of £412,673 in the profit before providing for taxation. I would add that since June 30th political and economic difficulties have exerted an increasing influence on the volume of business on the stock markets so that opportunities for selling have been further reduced since that date. The amount of £677,662 provided for taxation this year includes United Kingdom income tax deducted from dividends, which are included at their gross amount of £760,869 in the figure of £1,414,609 shown in the profit and loss account. An amount of £300,000 has been transferred to general reserve, which now stands at £4,700,000, after transferring to capital reserve therefrom £200,000 in respect of share premiums. Dividend No. 56 of 3s. 6d. per share, plus a bonus of 6d. per share, less United Kingdom income tax at the standard rate of 9s in the £, absorbed £434,500, and after these appropriations the balance of undistributed profits carried forward showed an increase of £2,447 to £339,952.

INCREASING COSTS

With regard to profits, increasing costs rather than a decreasing value of the ore milled have reduced profits from £23 million in the first six months of 1947 to £11,875,000 in the first six months of 1948, a decrease of £11,125,000. The decrease in the profits is equivalent to a decrease of 5s. 5d. per ton milled, a decrease almost entirely accounted for by an increase in working costs of 5s. 3d. per ton. Profitability is of importance in many ways. It is of importance to the shareholder who has risked or is to be asked to risk his money in investments in the gold mining industry. It is of importance to the state, to which the industry contributes a considerable revenue from direct taxation. It is of importance in relation to the scale of production to which I have just referred.

ORANGE FREE STATE INTERESTS

Although there have been delays in deliveries of machinery and in the completion of contracts, which have tended to retard the programme in every direction, progress on the two mines in the Free State, Freddies North Lease Area, Limited, and Freddies South Lease Area, Limited, has been reasonably satisfactory. The branch railway line to Odendaalsrus was opened on June 7, 1948, and power from the Victoria Falls and Transvaal Power Company, Limited, became available in the early part of this year.

PLATINUM

As a result of speculation in the United States of America early this year, the price of the metal has been forced up and the official price in the United Kingdom is now £19 10s.

The production of Rustenburg Platinum Mines, Limited, is largely for the industrial market and only a small proportion goes to the jewellery trade. The optimum market conditions therefore involve a steady demand and a stable price. Fluctuations in price tend to make consumers consider substitutes.

Good progress is being made with the additions to the plant of Rustenburg Platinum Mines, Limited. Although a substantial amount of profit was earmarked for capital expenditure, the company was nevertheless able to declare a dividend of 31½ per cent for the year to August 31, 1948.

The report and accounts for the year ended June 30, 1948, were unanimously adopted.

EASTWOODS LIMITED

RECORD OUTPUT AND SALES

The annual general meeting of Eastwoods Limited was held on the [illegible] in London.

Mr G. W. A. Miller, F.C.I.S. (chairman and managing director), in the course of his speech, said: The surprise decision of the Government to proceed with the clearance of the south bank area during the next few months will result in our ejection from the Belvedere Road site, near Waterloo, upon which the business was founded in 1815.

Under conditions akin to duress, we have been searching for another home and have only recently found suitable premises in the London, E.C.1 area which require major modifications and the expenditure of much time and money to adapt them to our requirements, but we hope to effect the complete removal by Michaelmas, 1949.

TOWN PLANNING

The 1947 Town and Country Planning Act has already given rise to new problems related to properties and to the many development projects essential for the protection of our manufacturing interests, but the most serious difficulty and confusion have occurred in attempting to operate the regulations for the working of minerals which are vitally necessary to us, as providing the raw materials without which production cannot proceed.

While admitting the necessity for an overall plan following extensive war damage, redistribution of population and industry and similar problems, it is felt that what is required is a much greater sense of urgency and a more realistic and practical approach to the whole problem of mineral planning.

Our programme of expansion and reconditioning the works and plant for the post-war recovery was commenced as long ago as 1943 and has been proceeded with so far as plant, machinery and building licences have become available. In consequence we have been able during the past year to achieve the maximum efficiency from the available facilities coupled with a high level of production and technical control of the products, the results of which are now becoming apparent for the first time. Up to the close of our year at March 31st last we reached in nearly all departments a new high level of output and sales.

MEASURE OF RECOVERY

Sales margins generally have been reduced as our contribution to the common need as current increases in manufacturing costs tend to be borne by the producer, and are no longer reimbursed automatically within the orbit of a controlled price structure. The expansion of turnover from our manifold activities is naturally reflected in the net revenue account in a pronounced degree, with an increase in the trading revenue balances from £111,618 to £274,491. The comparison between the trading accounts of the two years is the best possible proof both of the measure of the recovery and of the efficacy of the steps taken to achieve it. The board therefore have had no hesitation in recommending a dividend on the ordinary stock at the rate of 8 per cent. After making the provisions to which I have referred, we are able to increase the carry-forward from £26,587 to £30,303

Out of every pound realised last year from services and sales rendered by your group, 17s. 10d. was expended on raw materials and transport, maintenance and repairs, wages and salaries, local rates and taxes and general costs of manufacture and distribution. This is increased to 18s. 8d. after provision for depreciation. Taxation takes 8d. of the small balance remaining and after setting aside 2½d. for essential reserves there is left only 5d. in the pound for distribution as dividends with the odd ½d. remaining to be added to the carry-forward.

The report was adopted.

TRINIDAD LEASEHOLDS LIMITED

BRIG. R. S. G. STOKES' REVIEW

The thirty-fifth annual general meeting of Trinidad Leaseholds Limited, will be held, in London, on the 14th proximo.

The following is an extract from the chairman's statement, circulated with the report and accounts for the year ended June 30, 1948:—

The period under review has been one of continued expansion for the company, in all spheres of activity. Features of outstanding significance have been the record refinery throughput for the year; the extension of exploratory drilling, with some encouraging results; and the formation of the Regent Oil Company Limited—upon the dissolution of the petroleum board—for the optimum expansion of marketing facilities in the United Kingdom.

The higher prices obtained for our oil products, offset in large measure by the increased cost of the crude oil purchased for refining, and the bigger scale of operations combined to produce a heavily augmented working profit, not reflected, however, in any improvement in total dividend recommendations for the year.

Before arriving at the net profit of £653,510, an amount of £1,750,000 has been provided for taxation. A liberal allowance of £641,979 was made for depreciation. The debit of £304,274 for contingencies considerably exceeded the corresponding figure in 1946-47, and comprised additions to internal reserves relating to shipping operations and insurance and currency risks.

£300,000 has been transferred from profits to the exploration and plant replacement reserve, and £100,000 to general reserve.

Your board proposes the limitation of the final dividend to 6d. per 5s. stock unit, free of income tax, making a total of 8.4d. for the year, which is the same as the amount distributed during the previous twelve months.

CEDAR INVESTMENT TRUST, LIMITED

MR DONOVAN M. TOUCHE'S CRITICISMS OF STEEL NATIONALISATION

The thirtieth ordinary general meeting of Cedar Investment Trust, Limited, was held, on November 19th in London, Mr D. M. Touche, chairman and managing director, presided.

The chairman, in the course of his speech, said:—The gross dividends and interest received during the year amounted to £88,533, which constitutes a fresh record in the history of your company. The net revenue for the year works out at £36,363, which is an increase of £1,045. We again recommend the payment of an ordinary dividend at the rate of 6½ per cent., which will enable £14,336 to be added to the carry forward.

After dealing with various items in the balance sheet, the chairman continued:—

Now I wish to refer to some aspects of the disruptive proposals for the nationalisation of the iron and steel industry at a time when it is breaking records while the National Slate Board is missing very modest targets. The first is that the ramifications of this measure are so extensive that in my belief it will make the continued existence of the system of private enterprise impossible in the long run. In other words, the crucial battle for freedom is now on. Secondly, the directorial penalty clauses will kill stone dead all initiative outside of the daily routine. Thirdly, the withdrawal of another great industry from the contracting field of private investment is just one more step in narrowing the scope of our operations, which have already been sufficiently curtailed by previous nationalisations and by the closing of so many overseas investment outlets. Fourthly, informed opinion is unanimously agreed that to take over the assets of these companies at share prices which have been held down by nationalisation fears and dividend limitation is fraudulent.

In the words of *The Economist*, which is not a Tory organ, "To rig the market first and then to make compulsory purchases at the market price is more than sharp practice, it is plain dishonesty." Steel shows what happens to companies which abide by voluntary dividend limitation. Proudhon, that revered prophet of Socialism, laid it down that "property is theft," which you will find on consideration is a little illogical as there can be no theft unless there are genuine property rights to infringe. What is abundantly clear after the treatment meted out to the electrical supply companies, and which it is intended to mete out to the iron and steel companies, is that nationalisation is theft. British industry, dependent upon inefficient public monopolies for dear fuel, dear steel, and dear transport, will stand little chance of competing in world markets. Universal impoverishment is likely to be the end of Socialist policy as it is the aim of Communist policy. If Left understands Left it can only be because the affinity between Socialism and Communism is so close.

The report and accounts were unanimously adopted.

(*Continued from page 899*)

There are broadly four different problems to be solved. The first is over-centralisation in an administration that is too large. Although nobody can hazard more than a guess whether economic production of groundnuts in these two areas of East Africa is possible or not, many of the day-to-day problems could be overcome by proper leadership and the delegation of responsibility to the lower levels of the administration, coupled, no doubt, with better use of existing staff. This is apparently under investigation by the Overseas Food Corporation. The second problem is native labour. Conditions for these workers are acknowledged to be far from satisfactory. New villages have been built, but there are far-reaching sociological problems in any large scale resettlement of populations. The labour turnover is high, but this may be due more to the desire of the natives to return to their former settlements, than to inferior management.

The other two problems are technical. The project is rapidly becoming a sunflowerseed rather than a groundnuts development scheme. Almost half the area is being devoted to sunflowers, in spite of their lower oil yield per acre than groundnuts and although they have no valuable residue. They are less exacting to grow and have so far given better returns than groundnuts. In an arid area where the ground tends to bake hard there are many technical advantages in growing a crop above ground, though the total supply of oils will be less than anticipated. The optimum rotation of crops and the type of tillage to be adopted also need more thought. Finally there are difficulties in providing adequate transportation, storage and shipping facilities. To a large extent the supply of equipment will help in the solution. But the creation of an efficient administration on the spot is at least as important as sending Ministers from Britain.

* * *

Improvement in Overseas Trade

Considerable progress has been made in the last twelve months towards solving Britain's trading difficulties. The expansion in exports has enabled imports to be maintained at a relatively high level despite their rising cost, and at the same time it has enabled the deficit to be appreciably reduced. The gap in October amounted to only £29 million with imports valued at c.i.f.; if allowance is made for insurance and freight the visible deficit was probably around £12 million. The deficit for the first ten months of the year calculated on this latter basis amounts to £209 million—a far more manageable figure than the corresponding deficit of £371 million a year ago. There are, moreover, indications of an improvement in the terms of trade. Measured by value, imports this year have been running at a monthly rate of 15 per cent above last year's, whereas for exports the monthly rate has increased by 37 per cent over 1947. The volume of retained imports has so far averaged 81 per cent of 1938 compared with 78 per cent last year, while the volume of exports has expanded from an average of 6 per cent above the prewar level in 1947 to 33 per cent above this year.

More important than the change in the total deficit is the change in the dollar deficit, of which a large part is now met by ECA grants and loans. During the third quarter, the deficit with the United States and Canada declined further, but the gap with the rest of the western hemisphere increased, and the total deficit for the whole area was slightly higher. The value of exports to the United States, Canada and Argentina during this period has shown a welcome expansion and a larger proportion of total exports went to those markets. But the increase in exports to the United States was more than offset by the large increase in imports, especially tobacco, from that country. Up to the third quarter of this year the proportion of total imports coming from the United States has fallen continuously since the beginning of 1947. But between June and September it jumped from 7½ per cent of the total to 9 per cent. Part of this increase represents ECA supplies—in particular, apparently, of tobacco.

DISTRIBUTION OF BRITISH OVERSEAS TRADE, 1948

	Imports (Percentage of Total c.i.f. Value)			Total Exports (Percentage of Total f.o.b. Value)		
	First Quarter	Second Quarter	Third Quarter	First Quarter	Second Quarter	Third Quarter
USA	11·24	7·55	9·04	4·90	3·95	4·15
Canada and Newfoundland	11·66	11·20	10·31	4·23	4·35	4·62
Argentina	6·88	4·43	5·86	2·91	2·21	3·31
Rest of W. Hemisphere*	6·03	9·13	9·31	4·98	4·83	3·84
Union of South Africa	1·73	1·36	1·59	7·34	7·52	7·21
Rest of Sterling Area	35·17	34·38	34·49	41·79	39·69	41·57
European Countries†	21·53	22·73	23·80	27·48	30·19	29·44
Other Countries	5·76	9·22	5·60	6·37	7·26	5·85
TOTAL	100·00	100·00	100·00	100·00	100·00	100·00

* Excludes Sterling Area countries but includes Japan and Philippines.
† Including their overseas possessions other than those in Western Hemisphere.

Statistical Summary

GOVERNMENT RETURNS

For the week ended November 20, 1948, total ordinary revenue was £57,163,000, against ordinary expenditure of £69,636,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £10,573,000, the surplus accrued since April 1st is £276,209,912 against £231,614,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948-49	Receipts into the Exchequer (£ thousand) April 1 to Nov. 22, 1947	April 1 to Nov. 20, 1948	Week ended Nov. 22, 1947	Week ended Nov. 20, 1948
ORDINARY REVENUE					
Income Tax	1309150	455,770	466,765	11,855	5,294
Sur-tax	90,000	23,105	28,800	700	250
Estate, etc., Duties	160,000	105,999	111,900	3,550	4,500
Stamps	55,000	32,280	36,513	650	1,200
Profits Tax	250,000	23,370	110,140	300	8,709
E.P.T.		169,663	65,200	5,754	800
Other Inland Rev.	1,000	120	105	...	...
Special Contributn.	50,000	...	22,200	...	1,300
Total Inland Rev.	1915150	810,307	840,623	22,809	22,053
Customs	820,600	511,486	527,212	13,273	16,796
Excise	726,550	388,060	485,600	5,800	8,800
Total Customs & Excise	1547150	899,486	1012812	19,073	25,596
Motor Duties	50,000	13,053	12,053	...	...
Surplus War Stores	102,000	126,878	70,853	43	715
Surplus Receipts from Trading	57,000	30,175	826	...	...
P.O. (Net Receipts)	...	5,030	...	700	...
Wireless Licences	11,000	5,170	5,360	...	...
Crown Lands	1,000	650	590	...	...
Receipts from Sundry Loans	14,000	18,863	10,596	...	...
Miscell. Receipts	68,000	189,638	102,807	914	8,799
Total Ord. Rev.	3765300	2099249	2056519	43,540	57,163
SELF-BALANCING					
Post Office	150,200	86,650	97,100	2,600	3,270
Income Tax on E.P.T. Refunds	16,000	15,256	5,103	580	153
Total	3931500	2201155	2158722	46,719	60,586

Expenditure	Estimate, 1948-49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Nov. 22, 1947	April 1 to Nov. 20, 1948	Week ended Nov. 22, 1947	Week ended Nov. 20, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	321,629	304,141	2,853	...
Payments to N. Ireland	26,000	13,110	13,991	...	...
Other Cons. Fund Services	8,000	3,856	3,904	...	106
Total	534,000	338,595	322,035	2,853	106
Supply Services	2442657	1518961	1447702	56,150	69,530
Total Ord. Expd.	2976657	1857556	1769737	59,003	69,636
Sinking Funds	...	...	10,573	...	...
SELF-BALANCING					
Post Office	150,200	86,650	97,100	2,600	3,270
Income Tax on E.P.T. Refunds	16,000	15,256	5,103	580	153
Total	3142857	1959462	1882512	62,183	73,059

After decreasing Exchequer balances by £35,494 to £3,078,966, the other operations for the week increased the gross National Debt by £17,720,133 to £25,698 million.

NET RECEIPTS (£ thousand)

Housing (Temp. Accommodation) Act, 1944, sec. 8(3)	5,088
	5,088

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Acts, 1946 and 1948	425
E.P.T. Funds	187
Overseas Trade Guarantees Act, 1939, sec. 4(1)	24
Local Authorities Loans Act, 1945, sec. 3(1)	3,400
Cotton (Centralised Buying) Act, 1947, sec. 21(1)	6,000
Finance Acts, 1946 and 1947, Post-war Credits	335
	10,371

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	12,255	Nat. Savings Certs.	450
2½% Def. Bonds	408	3% Def. Bonds	489
Other Debt:—		Tax Reserve Certs.	1,174
Internal	5,490	Other Debt:—	
Treasury Deposits	11,500	External	2
Interest on the Nat. Debt	282	Ways & Means Advances	10,100
	29,935		12,215

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Nov. 22	2250·0	2579·7	339·1	6·8	1317·5	6493·1
1948						
Aug. 7	2210·0	2598·5	270·5	...	1429·5	6508·5
„ 14	2210·0	2355·6	287·0	...	1432·5	6282·0
„ 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
„ 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
„ 11	2210·0	2378·7	297·0	2·0	1460·5	6348·2
„ 18	2210·0	2399·7	300·5	18·8	1460·5	6389·4
„ 30	4637·3		256·5	...	1449·5	6343·3
Oct. 9	2220·0	2415·3	274·7	8·0	1452·0	6370·0
„ 16	2240·0	2446·7	277·5	5·5	1425·5	6395·3
„ 23	2250·0	2446·3	282·1	0·5	1438·0	6416·9
„ 30	2250·0	2424·6	278·5	...	1435·0	6388·1
Nov. 6	2250·0	2394·8	284·7	...	1435·0	6364·5
„ 13	2250·0	2402·5	278·0	5·8	1419·0	6355·2
„ 20	2250·0	2414·7	272·6	1·0	1430·5	6368·8

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Nov. 21	170·0	271·2	170·0	10 1·70	53
1948					
Aug. 20	170·0	272·1	170·0	10 1·87	52
„ 27	170·0	268·4	170·0	10 3·05	53
Sept. 3	170·0	295·8	170·0	10 2·43	41
„ 10	170·0	284·6	170·0	10 2·84	48
„ 17	170·0	263·8	170·0	10 3·31	56
„ 24	170·0	273·5	170·0	10 3·14	52
Oct. 1	180·0	277·5	180·0	10 1·72	54
„ 8	190·0	269·2	190·0	10 1·50	62
„ 15	180·0	269·4	180·0	10 2·09	59
„ 22	170·0	285·2	170·0	10 1·57	48
„ 29	170·0	291·1	170·0	10 1·46	43
Nov. 5	170·0	291·9	170·0	10 1·58	44
„ 12	170·0	272·9	170·0	10 1·97	53
„ 19	170·0	274 1	170·0	10 1·89	52

On November 19th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 52 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Saturday at £99 17s. 6d. and above were accepted in full. £170 million (maximum) of Treasury Bills are being offered for November 26th. For the week ended November 27th the Banks will be asked for Treasury deposits to the amount of £40 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended Nov. 15, 1947	Week Ended Nov. 15, 1948	Totals, Apr. 1 to Nov. 13, 1948
Savings Certificates:—			
Receipts	4,000	2,000	70,700
Repayments	2,700	2,400	81,150
Net Savings	1,300	*Dr 400*	*Dr 10,450*
Defence Bonds:—			
Receipts	1,225	705	24,960
Repayments	683	1,085	29,696
Net Savings	542	*Dr 380*	*Dr 4,736*
P.O. and Trustee Savings Banks:—			
Receipts	14,054	11,983	390,309
Repayments	10,396	9,986	382,602
Net Savings	3,658	1,997	7,707
Total Net Savings	5,500	1,217	*Dr 7,479*
Interest on certificates repaid	486	432	14,513
Interest accrued on savings remaining invested	2,290	2,352	74,834

BANK OF ENGLAND RETURNS

NOVEMBER 24, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1233,077,627	Other Govt. Securities	1288,169,008
In Bankg. Department	67,170,206	Other Secs.	806,008
		Coin (other than gold)	9,884
		Amt. of Fid.—Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	324,053,941
Rest	3,384,721	Other Secs.:—	52,160,925
Public Deps.:—	26,565,007	*Discounts and Advances*	*28,852,920*
*Public Accts.**	*12,277,830*	*Securities*	*23,308,005*
H.M. Treas. Special Acct.	*14,287,177*		
		Notes	67,170,206
Other Deps.:—	401,934,920	Coin	3,052,576
Bankers	*302,729,297*		
Other Accts	*99,205,623*		
	446,437,648		446,437,648

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

COMPARATIVE ANALYSIS

(£ million)

	1947	1948		
	Nov. 26	Nov. 11	Nov. 18	Nov. 25
Issue Dept.:—				
Notes in circulation	1340·6	1235·6	1234·0	1233·1
Notes in banking department	109·8	64·6	66·3	67·2
Government debt and securities*	1449·4	1299·2	1299·2	1299·2
Other securities	0·6	0·8	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Value at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	14·0	14·0	15·3	12·3
Treasury Special Account	...	7·3	12·8	14·3
Bankers	292·5	312·1	313·4	302·7
Others	93·3	93·1	92·4	99·2
Total	399·8	426·5	433·9	428·5
Securities:—				
Government	278·5	327·4	331·0	324·1
Discounts, etc.	4·4	22·4	26·9	28·9
Other	23·6	27·0	24·6	23·3
Total	306·5	376·8	382·5	376·3
Banking dept. res.	111·2	64·6	69·3	70·2
	%	%	%	%
"Proportion"	27·8	15·8	15·9	16·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

	Nov. 18, 1947	Nov. 2, 1948	Nov. 16, 1948
Cereals	112·5	123·8	124·1
Other foods	138·7	138·8	138·8
Textiles	156·3	176·6	177·9
Minerals	233·9	264·0	264·0
Miscellaneous	154·3	154·3	153·3
	153·3	164·1	164·1
1913=100	*211·8*	*225·8*	*225·8*

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Nov. 18	45	74⅛	175 12	113 5
„ 19	45	73⅛	175 3	113 0
„ 20	Markets	Closed	174 8	112 12
„ 22	45	73⅜	175 6	112 12
„ 23	45	73⅜	Markets	Closed
„ 24	45	72⅛	175 10	113 0

AGGREGATE ASSETS at 31st March, 1948, £58,485,109.

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MUNICIPAL COLLEGE

Principal: R. W. WILSON, B.Sc.(Eng.), A.C.G.I., Whit. Sch., D.I.C., A.M.I.E.E.

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H. BOYES WATSON, Chief Education Officer.

Education Office, Warrior Square, Southend-on-Sea.
November 10, 1948.

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NORANDA MINES LIMITED

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Notice is hereby given that an interim dividend of One Dollar ($1·00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable December 15, 1948, to shareholders of record at the close of business November, 25, 1948.

By Order of the Board,
Toronto, November, 17, 1948. J. R. BRADFIELD, Secretary.

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(1947 Accounts)

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THE ECONOMIST

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December 4, 1948 One Shilling

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South-East Asia

THE British officials who recently assembled in Singapore to discuss, under Mr Malcolm MacDonald's chairmanship, the situation in south-east Asia have done so against a gloomy back-cloth of violence, political unrest, economic disintegration and universal extension of Communist power and pressure. The situation seems all the more dangerous when it is remembered how frail and superficial are many of the links established between the western world and the Far East. The men who went out to trade in the nineteenth century had no very clear idea of their ultimate relations with the communities which, as a result of their intervention, were to be forced out of primitive or traditional patterns of society. Many of them assumed that a purely colonial status would prove permanent. Most of the rest worked on the assumption that it would prove possible, in time, to reproduce in Asia all the characteristics of western European democracy and to admit the peoples of south-east Asia to full equality of status. British and American theory conceived equality in terms of independence, French and Dutch of assimilation. But in both cases, the purely colonial relationship would be left behind.

At the root of the present crisis in south-east Asia lies the fact that none of these expectations has been fulfilled. In general, no eastern version of a fully fledged western economy has grown up. In large parts of south-east Asia, industry, such as it is, has remained in foreign hands. Commerce and banking has been shared between the westerners, the Japanese and the Chinese. Everywhere the base of the social pyramid has remained the peasant. Upon this basis, no strong middle class could be built. The peasants remained outside the political system. Trade unions were weak or non-existent. The officials and managers were European. Chinese traders, bankers and industrialists, both in their own country and in the lands to the south-east, showed more capacity for amassing fortunes than for exercising political responsibility.

The consequence of these shortcomings was that in most lands in south-east Asia there was no basis for national equality with the western world, and the very factors which made western patterns inapplicable —the forgotten peasantry, the irresponsibility of the industrial and commercial classes, the weakness of the trade unions, and the prevalence of foreign interests and foreign rule—have played straight into the hands of the Communists, who are able to canalise into their movement both the economic grievances of the masses and the hatred of foreign rule felt by the more educated. Today, the sure outcome of the disappearance of western influence and control would not be independence or assimilation but absorption into the Soviet world.

This is the situation which confronts the western Powers in south-east Asia. They can hardly be indifferent to it. But even if the issue is vital, can anything be done? One of the most discouraging features of the Nationalist débâcle in China is the impression it creates of a regime so inwardly weakened that no amount of outside assistance can shore it up. May not the failure of the west in the past to create the social pattern of western society mean that it is now too late to make the

attempt? The western Powers can hardly accept such a verdict. Nowhere—not even in China—is the battle decided. It cannot, therefore, be abandoned. On present showing, however, it can be questioned whether it is being waged in the right way.

In the first place, although the Communist threat presents an almost equal challenge to all the western Powers concerned with south-east Asia, there is little or no sign of them making a genuinely concerted effort to beat it back. On the contrary, to give only two examples, there have been very strong divergences of policy between the Americans, the British and the Dutch during the long-drawn-out mediation in Indonesia, and a constant refrain of transatlantic criticism is that Britain is either doing too little, as in Burma, or too much, as in Malaya. The time for such disunity is surely past. The western nations most closely interested in the Far East are actively concerting their defence and economic policies in western Europe in order to give a firm and progressive answer to Soviet threats. Meanwhile Communism kicks open the back door and it is hard to say whether the Allies are even in agreement on the necessity of closing it again. Of a strategy for doing so, there is no trace.

It is one thing, however, to say that the door should be closed, quite another to know how it can be done. There is both an immediate problem—to hold the vast areas that are still under western control—and the longer-term, more fundamental problem of pacifying those areas and of permanently excluding Communist infiltration. There is no need for pessimism over the former task. It may still be possible to preserve southern and western China from the Communists, the Philippines are firmly under western influence, and almost everywhere else Communism is, temporarily at least, on the defensive as in Malaya and Indonesia or divided within itself as in Burma. A more vigorous defence policy can certainly enable the western Powers to hold the line. The real difficulties arise when they ask themselves what they intend to do behind it.

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The safest course is, surely, to return to the reasons which have led to the weakening of the western position. The west's failure is above all a social failure. It is this that the western nations must remedy if they are not to accept defeat. Hitherto, the policy of the western governments in the south-eastern dependencies has been one of honest progressivism in political matters; it has taken a positive interest in commerce and finance; but it has tended to leave basic production to private agencies and the play of economic forces. This has led, until recently, inevitably but quite unconsciously, to a certain neglect of the basic element of the population, the peasantry. The peasant was too ignorant to provide raw material for experiments in responsible government, and too poor to be a major factor in commercial matters. In Malaya, this unconscious bias in western policy has had the further effect, now seen to be unfortunate, of favouring the Chinese and Indian elements of the population rather than the native Malay.

Possibly the first step to be taken in a new policy is to revise some of these emphases, to found hopes for the future rather on economic and social stability than on political liberalism and to seek the stability of the social system at its base rather than at the top. There can be little doubt that the support and extension, throughout south-east Asia, of the land-owning peasantry could provide a more solid base for lasting co-operation with the west than the patronage of landlords who are no defence against Communism or of commercial classes who are often alien to the soil. No peasant will turn to a Communist party pledged beyond recall to collectivisation (by the most brutal methods) if land for personal ownership can be had from another source. A policy of land reform is obviously beset with difficulties. For instance, in expropriating the existing landlords of south-east Asia, the authorities must pay compensation. Yet how is its burden to be borne? Similar problems of compensation are proving very difficult in Burma. Another set of difficulties is concerned with possible losses of wealth. If the extension of small peasant farms in Malaya, Indonesia and elsewhere in south-east Asia were to disrupt the plantation industries, the world would be gravely impoverished as a result. Of this, two things may be said. The first is that the damage done by the diffusion of ownership might be much less in south-east Asia than it has been in Europe. It is not certain, in rubber at least, that the big plantation is any more efficient than the small producer. Mr P. T. Bauer, in the Report on his investigation into smallholdings in Malaya, which has just been published in the Colonial Office research series, expresses the opposite opinion. It may be that, for once, social and economic objectives march together. The second point is that a temporary fall in production, if it were moderate, would hurt the western world very much less than the permanent and total cutting off of supplies that would be the probable result of Communist domination.

A thriving economy in south-east Asia also requires an expansion of native industry—particularly of light industry. But industrial development will hardly contribute to the general objective of building a stable society, if it is left, as in the past, to foreigners. The British have started to find part of the answer in their efforts in Malaya to build up responsible trade unions and to introduce at least the first outline of social services. But trade unions cannot be responsible in a framework of irresponsible industrial management, and it is here, perhaps, that American experience can be of use. There is, perhaps, an example to be followed in the efforts that are now being made, largely under Mr Nelson Rockefeller's leadership, to associate United States and Latin American capital on partnership terms. In time, no doubt, the United States side of the partnership may diminish, leaving behind businessmen capable of playing a constructive part in a modern democracy. There has been very little partnership in south-east Asia in the past. Full partnership may be impossible overnight; but it could at least be recognised as an objective.

If the western Powers are wise they will reinforce this policy by making full use of the economic organs of the United Nations. The World Bank, the FAO, the ILO can all be agencies of western policy provided the western Powers have the plans and the funds ready for the purpose.

In these ways, the emphasis of western policy, which has been progressive in political matters and very hesitant in social and economic, could be reversed. But what does this mean in the political sphere itself? Independence in the old-fashioned sense entails the risk of Russian domination. But can independence be refused? To make it the goal of colonial policy has been one of the chief glories of the liberal tradition in the west, and it is only with the utmost hesitation and heart-searching that any retreat from it—or anything that might be interpreted as retreat—can be contemplated. Is it not more important to stress economic and social policies which will make eventual political independence a reality and not the mock of near-anarchy into which it is slipping in Burma today? It will admittedly be extremely difficult to persuade American opinion that alterations in the time-table of independence are in the best interests of both governors and governed and, again, it may be difficult to pursue economic and social improvement with enough energy and success to prove that the goal of independence is not abandoned, but simply postponed. Even so, the colonial time-table is not already so precise that a measure of caution cannot be injected into it. What is urgent is the immediate launching of new policies in the economic and social field. It is here that western policy faces its real test. In the next twenty years the western Powers can either lay the economic and social foundations of genuinely free communities in south-east Asia or they must watch the area slip, by penetration from within and pressure from without, into the Soviet sphere.

Left or Right—II

THE first article under the above title, which appeared last week, set out some of the evidence for the belief that the political situation in this country is now very delicately balanced between the two major parties. Anything may happen in the general election when it comes; the only thing that seems to be a probability is that the result will be decided by a small majority of votes. The intelligent undecided voter, not a clear motion of mass opinion, will tip the balance one way or the other. The greater is the responsibility that rests on the central body of independent opinion to make up its mind carefully. The article went on to assert that though there is a very real issue to be decided, it is not the tedious irrelevancies of public *versus* private ownership, of "control" *versus* "freedom," which engage the parties, neither fully believing in the side it takes. Faced with these artificial antitheses, the honest observer can only answer that sound policy requires a bit of each. The real issue lies between two antithetic orders of ideas which were christened (for lack of better labels) those of Left and Right. The ideas of the Left start from the belief that production is a matter of little importance—indeed, that there is a danger of over-production—and that the chief exercise of public policy is satisfactorily to distribute the fruits of abundance. The Right stresses thrift and productivity; the Left consumption and welfare. Social security is an idea of the Left; productive efficiency of the Right. The Right exalts enterprise, the Left equality. To the Right, inflation is the chronic danger; to the Left, deflation. The Left is idealist, the Right realist; the Left is spend-thrift, the Right miserly. Put in these terms, the real question that will be before the country is whether it needs, in the next few years, a policy of the Left or the Right.

Alfred Marshall once said that there was no statement in economics that was both brief and accurate. He might have added that there is no economic policy that is right at all times. The economic climate alters as completely, though not quite as rapidly and regularly, as the natural seasons, and a policy that is entirely correct at one time may at another be as foolish as stoking the furnace in July. There is one corner of the economic field—but one almost alone—where this alternation is now widely admitted. Everybody knows that there are booms and slumps, and almost everybody agrees that a budget deficit is right in a slump and a budget surplus in a boom. Similarly, over longer periods of time there is a tendency for the outward economic circumstances of a country, or even of the whole world, to have a fairly steady bias one way or the other and Governments are compelled or enabled (as the case may be) to adjust their policies accordingly. A policy, or a set of ideas, may have been perfectly well adjusted to the circumstances of a past period without that establishing any presumption at all that they will be equally adjusted to another period.

It is easy now to see, looking backwards, that policies of the Left were both inevitable and desirable in Britain in the two decades between the wars. They were desirable, on the economic plane, because the period was one of chronic deflation and emergent over-production, and on the social plane because the great productive spurt of the late Victorian and Edwardian days had undoubtedly left human welfare in arrears. And they were in any case inevitable because universal suffrage was bound to bring after it, with a time-lag, a demand for public guarantees of individual security. What completed the inevitability of a period of Left policies was that, through a fortunate accident, the country could afford them. The inter-war period coincided fairly exactly with the long depression in the primary producing countries of the world. Save for one or two exceptional years, the terms of trade—the decisiveness of which for the British economy is at last becoming generally recognised—tended to turn steadily in Britain's favour. There was each year an uncovenanted bonus of real income for the British community and it was this, by and large, that paid for the welfare projects of the Left-minded governments of those years. It was this which enabled the country, in its external relations, to sell steadily less to other countries while importing steadily more, and in its domestic concerns to convince itself that the problem of production was solved.

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It is always more difficult to look ahead than back. But unless all the visible economic weathervanes are liars, the wind is now firmly set in another quarter. If the policies of the Left were those best suited to the 1920s and the 1930s, it seems no less certain that policies of the Right will be needed in the 1950s. There are two main reasons for saying this. The first is that the country's external circumstances have changed. It would probably be easy to establish that, in the first war, the damage done to the British economy's earning power by the actual fighting was less than the gain it derived from the cheap food and raw materials that the subsequent agricultural depression made available. But the effects of the second war are certainly different. The economic losses of the war itself were far greater, and the consequential dislocations seem likely this time to work against Britain. The terms of trade will doubtless swing back to some extent, but that they should revert so violently as actually to be more favourable than in 1938 seems barely possible. The British community, in short, is impoverished; it can afford less leisure and luxury, and it needs all the effort and enterprise, all the thrift and efficiency, it can contrive.

Secondly, even without this impoverishment, the policy of the Left has been overdone. In its social security manifestation, the nation has blessed and burdened itself with a formidable array of the most expensive welfare schemes. The idealist labours of the last five years completed the edifice at breakneck speed and with inadequate thought of the cost. In another manifestation of the ideas of the Left—the desire for egalitarian collectivism rather than for the perils and pleasures of private enterprise—the country has built up an edifice of state control and state expenditure which is barely supportable. A position has been created in which there is neither reward for enterprise nor penalty for unenterprise. It is high time that the ship of state were set, if only for a period, on the opposite tack. The independent voter will certainly be safe, when the election comes, in casting his vote for policies of the Right, in the sense in which the term has been used here.

But it does not in the least follow that he must necessarily cast his vote for the Conservatives. The period between the end of the first war and the onset of the second has been described as a period of the Left in policies; but it was a period of steady Conservative rule—for eighteen out of the twenty-one years. If this appears to be a paradox, it is only because of the somewhat unfamiliar way in which the terms Left and Right are being used in this article. But that the Conservative governments of these years, under Baldwin's inspiration, took large strides towards the basic Left concept of the paternal welfare state can hardly be questioned. Indeed, it can be argued that, if Left policies were inevitable, it was a very good thing that they were executed by governments of the Right. The unity of the nation was thereby maintained and the policies themselves preserved from the disaster of being driven to their logical conclusions. Without going so far as to propound a doctrine of economic

determinism, one can assert that all political parties feel, in greater or less degree, the pressure of external circumstances; they all respond to changes in the economic climate. The choice between the parties, in this country, is not usually one of the direction in which policy shall move, but of the speed at which it shall travel. Whatever party had been in power in the 1920s and 1930s would have pursued a policy of the Left. The nation can count itself fortunate that it had, in this period, a succession of governments of the very moderate Right.

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Now that the tide has turned, it is tempting to say that the path of wisdom would be to have policies of the Right executed by Labour governments. That, certainly, would be far less dangerous than to install anything in the nature of a deliberate Conservative reaction, encouraged by the electorate to run to extremes. There is nothing inherently impossible in the conception of a Left government pursuing Right policies; that is what Sir Stafford Cripps has been doing for the past twelve months. Nor is it the suggestion that the Labour Party should publicly abandon any of its major tenets. Neither a belief in public ownership nor a tenderness towards the wage earners and their organisations is necessarily incompatible with what is here being advocated. What is necessary is not that the Labour Party should be willing to abandon its principles but only that it should be willing to subject them to the test of reality, not that it should reverse the nationalisation of industry but that it should clear its mind about what it is going to do with the nationalised industries; not that it should stop trying to secure a larger slice of the cake for the working man but that it should stop pretending that the cake is larger than it is. On the other hand, it will not do if the Labour Party is too rebellious against the compulsions of reality. Any government that is in office in the next few years will be forced by hard facts to move to the Right; but the country will suffer if this happens only in Dr Dalton's fashion—by periods of sublime unconcern alternating with sharp crises of surrender. Before the floating voter can feel happy about entrusting the Labour Party with the duty of putting the helm to starboard and of getting the national economy back on to course, he needs to be assured that it will not kick against the pricks of its duty any more than, say, the Baldwinian Conservatives did against the pressures towards a Leftish policy in the interwar years.

This, then, is the question. Can the Labour Party withdraw its eyes from the long perspectives of facing the future and, instead, face the facts of the present? If it can, then it might be a better guide for the nation in the next few years than the Conservatives. It is certainly better that the tack to the Right, which is inevitable in any case, should not have to be executed in the teeth of blind opposition from the whole labour movement.

But can the question be affirmatively answered? Is the Labour Party a group of responsible statesmen, willing to face reality and to do their duty, even if it means putting a brake on the party fanatics? The Iron and Steel Bill says No.

The Official Spokesman

THE annual report of the Central Office of Information is the first such report that has ever been presented to Parliament since the creation of the Ministry of Information in 1939 coincided with the suspension of departmental reports. While the Ministry of Information was born of the wartime necessity to centralise the information services of the Government and to control the publication of news, the creation of an information service in time of peace, as a permanent adjunct of the Government, is the result partly of special postwar conditions and partly of a wider definition of the functions of government. In the first place, there is an undoubted need for a publicity service to undertake campaigns of persuasion, largely in matters of health and public safety, and in fields where coercive legislation is impossible. The argument for applying publicity techniques to the tasks of persuasion is not invalidated by the fact that at present many Government campaigns, such as that to increase productivity, to attract people into undermanned industry, or to make them contented with the current level of wages, are merely weak substitutes for a courageous policy. Equally in questions such as recruiting or cuts in imports, which require authoritative explanation by the Government, no amount of posters, pamphlets or films can take the place of plain speaking from the leaders of the Government. Nevertheless, there are departments of public policy where patient persuasion is the right technique to employ.

Secondly, in a tightly knit community living under a complicated administrative code, the Government has a direct duty to explain its policy and its laws. The old dictum that it is the duty of the subject to know the law is quite inadequate in a period of far-reaching positive legislation. The subject who in one year has had to master the effect upon his own affairs of transport nationalisation, of the introduction of the health service, and of the Town and Country Planning Act, may feel that the Government spends too little rather than too much effort in giving clear and comprehensible information about its operations.

Thirdly, the Government has for many years accepted the responsibility of improving technical standards in industry and agriculture, as well as for vocational training. As the state becomes more involved in both adult and juvenile education, the techniques of mass information—films, books, and lectures—grow equally in importance.

It is estimated that in the year 1948-49 the Government will spend about £17 million on its information services. Of this, £11½ million will be accounted for by overseas publicity, including the BBC Overseas Service, the British Council, and the overseas work of the Colonial Office and the Foreign Office. Of the balance, £435,000 will go on the information staffs of the home Government departments, who will carry another £2,000,000 worth of expenditure for publicity media upon their own votes. It is estimated that COI will spend about £2,400,000 for publicity work in Great Britain on behalf of Government departments. This does not take account of the cost of the department itself.

The COI is designed as a technical agency, as the advertising and publicity manager of the Government. It possesses the facilities for producing and distributing films, for organising advertising and lecture campaigns, designing and producing exhibitions and conducting social research. It undertakes not only the active production of material but also the commissioning of work by commercial firms and artists and technical advice upon the material which Government departments produce themselves. To perform its duties it had in 1948 a staff of 1,698½ as compared with 2,481 for the Ministry of Information in 1945 (whether the half represents a halfwit, an office boy, or a part-time adviser, is not explained in the report). Its overseas division is designed to supplement the works of the other Government departments and is devoted largely to the supply of photographs and feature material for the overseas press, and the production and sale of books and pamphlets.

The theory upon which the COI was created is undoubtedly a sound one. It is right that there should be a central agency capable of co-ordinating the demands of forty-odd Government departments for publicity material and of providing expert advice on the use of highly complicated and expensive techniques. The greater is the necessity to account for the undoubted unpopularity of the COI with the main Government departments and for the poverty of ideas which characterises so many Government campaigns. In the first place it is hardly surprising that policy is so undecided and contradictions so frequent when Government public relations are co-ordinated by three separate committees. Mr Morrison is in charge of the one ministerial committee (until recently there were two), and as he is the Minister responsible to Parliament for the COI he has thus a double role. To assist him he has Mr Gordon-Walker, the Under-Secretary of State for Commonwealth Relations—a combination of activities which appears peculiar to the outsider. Below Mr Morrison there are two official committees, one for home and one for foreign affairs. The official committees consist entirely of heads of information divisions in the different departments, with the Director-General of the Central Office of Information as chairman of both. There is a further apparent complication in the fact that the Economic Information Unit, which was designed to co-ordinate the Government's publicity on economic affairs, was originally responsible to Mr Morrison, but now reports to Sir Stafford Cripps. But this particular duplication seems less unreasonable if the Economic Information Unit is regarded, in spite of its lofty title as the departmental public relations section of Sir Stafford in his capacity, not as Chancellor of the Exchequer, but as general co-ordinator of economic policy.

In the second place, campaigns of a departmental nature such as road safety or recruiting which involve an administrative Government department, are extremely difficult to plan as a whole. The COI is responsible, apart from lectures, only for visual media—films, press advertising, posters and exhibitions—and is therefore not equipped to advise on the general planning of a campaign, for it has no authority over the most powerful organ of persuasion, the BBC. Unless a Minister or the head of his Information Division has real experience of persuading the public, they are too often led into accepting from the COI a stereotyped plan of campaign, using expensive visual media where a more original approach would be both less costly and more effective.

Government publicity campaigns make a much greater use of posters and press advertisements, which are very expensive, than would seem warranted by the response they create. Whether it be the fault of the COI or of the Government generally, there seems to be little recognition of the fact that the Government, in campaigning for an idea or a course of action, is faced with a very different problem from a manufacturer anxious to increase his sales. The complaint is not that the Government is using the methods of Dr Goebbels for political ends, as the factious charge, but rather that they have adopted the methods suitable for advertising branded goods but not for propaganda.

Finally, the COI is in danger of undertaking with doubtful efficiency what the various trades connected with publicity and information do very effectively. A good exhibition contractor employs better designers than the COI can afford to pay, and who are capable of translating the needs of Government into terms of paint and plywood without the necessity of an intermediary. The COI, since it is not responsible for policy, can contribute little to the discussion between a department and an advertising agency on the size or subject of a press advertisement, and the necessity to route material via the COI causes unnecessary delays. On printing and book production there is no one in the COI who can improve upon the work of the best British firms, and relatively simple operations when dealt with by the COI become unduly laborious.

> The largest single enterprise of the year was the launching of *Coal*, a 32-page illustrated monthly . . . . . The preparation and production of so ambitious a project was a severe test of publishing competence.

Such a statement would have brought a derisory smile from the late Lord Northcliffe or from half a dozen Fleet Street publishing houses. Only in its documentary film production can it be said that the COI, inheriting the excellent tradition of the Empire Marketing Board, is ahead of its commercial competitors.

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The need for a Central Office of Information is firmly established, to prevent overlapping or contradictions in Government publicity at home, to perform certain common services such as film production, space and material buying while these remain scarce, and the commissioning of commercial firms and agencies. There is also no doubt of the usefulness of its overseas work. But it can be asked whether these are not the limits of its usefulness as an executive agent of the Government. Many of its present functions can be exercised equally well by Government departments who, for instance, handle the release of news to the press very much more efficiently than the COI. Equally there is an urgent need for a body of men, whether as civil servants or as advisers, whether as part of the COI or as a cell of the Cabinet offices, who are concerned not with routine but with the whole range of the Government's public relations and of the effective means—oral as well as visual—by which it can be implemented. It is only by some such means that the decline towards the fatuous and the second-rate can be arrested. There are at present 400 civil servants in the COI earning over £700 a year: it is arguable that it would be better and cheaper if there were 40 men earning £1,700 a year and four men receiving from the Government the very large salaries that their creative attainments would fetch in the free market.



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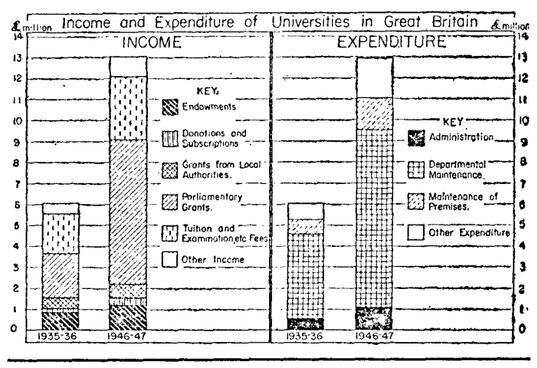
The Price of Learning

THE universities have been in the news more often in the past three years than ever before. This is partly because of their own achievements, partly because the part they play in the political and economic efficiency of the whole nation is much more fully appreciated; politicians and businessmen have awakened to their value as breeding grounds for "backroom boys" and bureaucrats. The whole picture of university progress is now brought into focus—for the first time in twelve years—by the publication of a comprehensive Report by the University Grants Committee.*

Very great progress has been made. Before the war, or even in the middle of it, no one would have dared to predict that the numbers of students enrolled in the universities would increase from 50,000 in 1938-39 to 83,000 in 1948-49, or that the Government would be ready to increase its recurrent grant from £2 million a year in 1938-39 to £6.8 million in 1946-47, and that it should promise a further increase to £13 million a year in 1951-52, with a further £30 million over five years for buildings and equipment. Indeed the predictions of the universities themselves have been overtaken by the momentum of change. When the Barlow Report on Scientific Manpower recommended in May, 1946, that the numbers of students in the faculties of science, technology and the arts should be doubled at the earliest possible moment the proposal was widely regarded as impracticable. The numbers of medical students cannot expand quite so rapidly, and when allowance is made for this, the Barlow proposals involved an increase in the total number of students in all faculties from the prewar figure of about 50,000 to 90,000. The university authorities responded valiantly and promised an expansion to 88,000 by the end of ten years. But by the beginning of the current term student numbers had already risen to 83,000, and this only two years after the Barlow Report. An expansion of 66 per cent in so short a time, and with all the prevailing limitations on building and recruitment of staff, is a great achievement. Indeed so far as the particular requirements for scientific and technical students were concerned the Barlow targets were all but achieved a year ago. In the autumn term of 1947 there were 14,520 students taking courses in pure science and 10,143 in applied science, compared to 7,767 and 5,288 respectively in 1938-39. The arts faculties do not show the same rate of expansion. It may be that the proportion of students studying the pure and applied sciences is likely to remain permanently higher. If this became a marked tendency, it would be a matter for concern.

This transformation has of course been effected only by a mass of improvisations and makeshifts, many of which have temporarily affected standards of teaching and accommodation. But any such scale of improvisation would have been impossible, as would the recruitment of new staff and the creation of new departments and new chairs, if it had not been for the heavy financial backing of the Government. The diagram shows clearly how the balance of university income and expenditure has altered over the past twelve years, and how large a share of the cost is now borne by the state. Over the twelve years the expenditure of the universities has more than doubled from £6.1 million to £12.9 million, while Parliamentary grants have more than trebled. The figures for 1946-47, which are the latest that are yet available, show only a part of the trend; whereas the proportion of the universities' income derived from the Exchequer was 34 per cent in 1935-1936, and 52 per cent in 1946-1947, it may well be over 60 per cent by 1951-1952. And to this must be added the government grants for capital expenditure, which before the war were as low as £30,000 a year and are now expected to amount to £30 million over the current quinquennium; £50 million would have been available had building shortages permitted it.

Such a heavy degree of dependence of the universities on grants from public funds raises very important questions of government control, which are discussed at considerable length in the University Grants Committee's Report. Complete financial dependence on the state, of course, is still some way off. During the twelve years under review the universities received private benefactions amounting to over £14 million, and their endowments even now provide 9.3 per cent of their income. But the total figures mask the great variety between the different universities: Oxford and Cambridge still draw 24 per cent of their income from endowments, while Wales draws only 3 per cent. Against this, however, it should be remembered that the income from fees also comes to a large and increasing extent from the pocket of the state. In 1935-36, although 41 per cent of all students received some sort of assistance towards their fees from public or private sources the amounts were often very meagre, and might only amount to a part of the cost of tuition. In 1946-47, 67 per cent of all students were assisted, of whom a large proportion were receiving full maintenance. The 22,000 ex-service students who are now receiving grants for further education and training from the Ministry of Education to cover their studies will gradually be passing out of the universities. The report is quite definite that their places cannot be filled by students of sufficient private means to finance their own education. This gap between supply and demand is being considered by a committee on the future provision of state awards and scholarships which was recently set up by the Minister of Education and whose report is expected very shortly. It is expected to recommend that something under two-thirds of each year's entry should receive state or local authority grants. These grants will inevitably limit the universities' choice of entrants.



In spite of the large increase in the state's assistance to the universities, its direct intervention through the University Grants Committee in their affairs has remained admirably restrained. The report redefines the function of the UGC as "not one of direction but of stimulation, co-ordination and advice," and to the spirit of this definition it has undoubtedly tried to keep. But at this juncture it is not the UGC alone which brings pressure to bear upon the universities. The demands for specialists of university quality have turned the eyes of government, of industry and the professions towards the universities. Report after report has recommended that the universities should increase their output of students or extend their facilities for medical studies, for dentistry, for pure science, for technology, for social science, for slavonic and oriental studies, and for the training of teachers and industrial managers. The pressure has not been concerted but it has been cumulative and the room for free manoeuvre left to the universities is decreasing.

The University Grants Committee is rightly concerned about the strain put upon the university staffs first by the absolute increase in numbers, and secondly by the relatively larger part that the universities now play in local or national life. Before the war there were some 4,000 full-time university staff to 50,000 students or, a ratio of 1:12½. By 1946-47 there were 5,500 staff to 77,000 students, giving a ratio of 1:14. By 1951-52 the UGC reckons that it would be desirable to have 10,000 staff, which would give a better ratio than before the war, in order to provide more individual tuition than is now possible outside Oxford and Cambridge, and to set free a greater part of the teachers' time for research work. In practice, the committee estimates that by 1951-52, when the numbers of students may be up to 88,000, it will only have been possible to increase the staff to 8,000, giving a ratio of 1:11.

To raise the figure to 8,000 would in itself be no mean achievement, since teachers are trained far more slowly than students. But it might not represent a doubling of effective teaching capacity. The time of all members of university staffs is being steadily eaten into by outside claims and committees, administrative duties and the heavy work of selecting students. The UGC is rightly concerned about the load on the shoulders of senior staff, who ought to be spending their time more profitably in teaching and research. The administrative arrangements of most universities are unreasonably cumbersome and inefficient, thanks largely to the academic staffs' suspicions of non-academic administrators. The suspicion is understandable, but it leads to quite ridiculous clerical and executive duties being handled by distinguished professors.

Though it is teachers more than buildings that make a university, it must be admitted that the overcrowding, not to say genuine slumdom and squalor, in which many teachers and students have to work make a mockery of some of the aims of a university education. Money, which proved the stumbling block to the civic universities before the war, is now no difficulty. The universities asked for £40 million for new building and £10 million for sites and equipment, to cover the five years up to 1951-52, and the schemes involved in this expenditure were approved in principle. Restrictions on building will make only a fraction of this expenditure possible, and the universities will have to be content with only a very slow rate of improvement. Fortunately, however, progress is likely to accelerate gradually and there is no reason to doubt that, short of a major economic collapse, financial support will be continued.

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The Committee concludes its report with an interesting discussion of the new and intimate relationship between the state and the universities. The question at issue is whether central planning and the necessary control of public money are compatible with the academic freedom which is essential to the independence and vitality of the universities. The Committee maintains that central planning and academic autonomy are not irreconcilable opposites, and it has indeed been extremely successful, by means of its many sub-committees on which the universities are heavily represented, in carrying the universities along with it. To a hardened planner some of the developments may appear unnecessarily duplicated; once established chairs and departments never wither away; ruthlessness and slick efficiency are not university hallmarks. But few can complain of the way in which the universities have tackled their post-war problems. The record is one of great achievement of which both the universities themselves and the country can be proud.

* "University Development from 1935 to 1947." H.M. Stationery Office. 2s. net.

NOTES OF THE WEEK

Berlin—

Dr Bramuglia has continued his patient efforts at mediation ever since his first attempt broke on the Soviet veto in the Security Council. He and the six "neutral" countries who support him have concentrated on the currency problem, and have sought ways to combine the extension of the Soviet mark to the whole city with a progressive reduction of the blockade. So far these efforts have achieved nothing more than an agreement on the part of the Four Powers to consult with United Nations experts on the currency issue.

Dr Bramuglia's term of office as chairman of the Security Council has come to an end, but it is believed that efforts of mediation will continue until at least the end of the Assembly. Yet, as the western Powers have pointed out, mediation on the issue of currency alone is hardly relevant. In August, the biggest division between the eastern and western sectors was still the difference in currency. Today this is no longer the case. The division between the Russian sectors and the rest now resembles much more closely the split between the zones themselves. The Russians have steadily dismantled the structure of German self-government in Berlin. First, the freely elected *Magistrat*—with its "western" majority—was driven to take refuge in the western sectors. Then officials working for the *Magistrat* were imprisoned by the Russians, and like Dr Mueckenburger, head of the coal office, who was sentenced last week, tried for "sabotage," for supporting "the imperialists" and for "dividing the city." This process has been brought to a head by the fact that municipal elections fall due next week.

The *Magistrat* determined that elections should be held. The Russians, fearing that any vote, however controlled, would reveal the blatant unpopularity of their own Socialist Unity Party, agreed to elections on one condition only—that all parties which the Communists choose to call "fascist" should be disfranchised. Since this ban extends to all the free parties in the western sectors (and with particular virulence to the Social Democrats), neither the *Magistrat* nor the Allied Powers accepted the condition, and plans were made to hold the elections in the western sectors alone on December 5th.

The Russians instantly unleashed every calumny of propaganda to attack the western Powers for splitting the unity of Berlin, "the capital of Germany." The climax of this campaign came last Tuesday when all the Communist and fellow-travelling members of the old city Assembly—who together form a small minority of the original freely elected City Assembly—were summoned to the State Opera House in the Soviet sector and there "elected" a new *Magistrat* and a new Burgomaster, Herr Fredrich Ebert. Thus Berlin is now split by the most absolute of all divisions—that of political sovereignty. There are two governments, one, democratically legitimate, in the western sectors, the other, illegal and manufactured, in the Soviet. Both claim jurisdiction over the whole city. Each has effective sovereignty in only a part.

In these conditions, mediation on the single issue of a currency for Berlin grows daily more irrelevant and ineffective.

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—And Bonn

There has been more than a hint in the Russian zone that the Communist administration established in Berlin may open the way to more than mere city government. It may be flanked by a wider administration, claiming to govern the city, the Soviet zone and Germany as a whole. The recent references to "the capital of Germany" are significant and the movement for German unity worked up by the Communists in the summer has still to find an outlet. The "People's Council" which crowned the agitation and was supposed to penetrate deeply into the western zones may now be found a job—as an assembly in Berlin claiming to speak for Germany as a whole.

The reasons for such a Russian move are obvious. Economically, their zone is at a low ebb. The Allied counter-blockade has

cut off vital supplies of steel and coal and machinery and the Russians have no reserve from which to make good the loss. They must therefore seek with all the more vigour to counter economic shortcomings by securing the political lead. Yet here, too, the western zones have the advantage. The Russians have only to look across the zonal frontiers to Bonn to see popularly elected representatives of western Germany concerting together the form of a central government which will have a better claim than any other body to speak for the whole Reich. This challenge to Russian authority is quite sufficient to drive the Communists to take a lead in establishing some sort of central government of their own and on a recent visit to Moscow the Socialist Unity leader, Herr Grotewohl, received assurances from Mr Molotov that Soviet Russia would be ready to conclude a treaty with a Central German Government—naturally under Communist domination—and to include in the settlement conditions for the withdrawal of the Russian army of occupation.

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In point of fact, the challenge from the western zones, though real, may not be as immediate as the Russians fear. The progress of the German constitution-makers at Bonn is decidedly slow. The split between those who wish a fair measure of centralisation and those who are federalists *à l'outrance* appears in a hundred different forms—in disagreements about the frontiers of the constituent states, in differences over the powers of federal tax collectors, in disputes over the functions of the chamber which will represent the interests of the states. These internal divisions are, however, less decisive at the moment than the delays brought about by Allied policy.

The Occupation Statute which is to regulate the relations between Military Government and the Germans has not been handed to them. They argue—reasonably—that they can hardly define their own powers when they do not know what those powers will be. The Germans are also unwilling to commit themselves until two disputes between the occupying Powers are settled. A persistent belief is current in Bonn that the western Powers may yet untie the Berlin knot by postponing the establishment of a western German Government. At the same time, France's protests over the Ruhr and the unwillingness of the French to fuse their zone with Bizonia create an atmosphere of Allied uncertainty in which the Germans do not feel called upon to be more certain themselves. But perhaps the factor that has had most to do in creating an atmosphere of unreality in Bonn is the Allies' intervention, designed to impose their own views on the future constitution. The Germans have received seven points which they are instructed to include in their draft. In the circumstances, they may be forgiven if they feel a certain scepticism about their real powers.

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A Bench of Neros?

Mr Churchill did one more considerable service for the defences of his country when he transformed the second reading debate on the National Service Amendment Bill into a discussion of the whole field of defence policy. He rested his case on the arguments he put forward in 1945—that, once the Japanese war had been won and the atom bomb discovered, the forces should have been reduced to the foundation level, and then have been rebuilt into a permanent peacetime structure. To these arguments, which have been put forward not only by Mr Churchill but by many Labour back-benchers in party meetings in this Parliament, Ministers made no real attempt to reply. Their contribution to the discussion of general policy consisted primarily of a re-statement of the present shortages of service manpower, but Mr Alexander undermined their case by his admission that the way in which men were used by the Services "left a good deal to be desired." Finally, Mr Shinwell gave some significant information in the closing passages of his speech, which, though hurried, was enough to confirm many of the criticisms which have been made about the state of the forces. Owing, Mr Shinwell stated, to the lack of modern barrack facilities and lack of labour-saving equipment, men have to spend too much of their time on chores. He painted, indeed, a sorry picture of conscripts in good heart during the early months of their service when they underwent intensive basic training, but whose morale sagged when they graduated, as trained men, to peeling potatoes. He also made the very serious charge that the relations between officers and men were not satisfactory—a fact which he ascribed in part to the amount of paper-work which now occupies an officer's time and which leaves him little opportunity for man management—paper-work which is the direct result of the anti-

quity of administrative methods imposed on the Services by their own departments and by the Treasury.

These grave admissions were thrust in at the end of a frivolous party speech. Mr Shinwell, who is never very clear about the relation between cause and effect, perhaps does not realise both how grave a reflection are these statements upon himself and how much they will prejudice his recruitment campaign. It was most damaging to the Government's prestige that the Prime Minister did not accept Mr Churchill's challenge to answer in person the charges about the state of our defences, for which Mr Attlee, as chairman of the Defence Committee, bears direct responsibility.

Nor was Mr Churchill any more successful in goading the Government into informing Parliament about the state of the effective reserves, even though he hinted that he might be forced to return to his prewar role and make the revelations himself. All Mr Shinwell would say was that there are some 200,000 men in all three Services overseas. It was a debate that was deeply discouraging to all who took part. In all, 38 Labour members voted against the Bill, but they were too oddly assorted for their action to have political significance. Side by side with a handful of Nenni telegraphists were pacifists and others who have been supporters of Mr Bevin. The most significant comment on the discussion was that over 120 Labour members kept clear of both the debate and the division. But if this was merely an attempt to dodge an unpleasant issue, the abstaining members are not likely to find support in their constituencies. The framing of a defence policy which will inspire public confidence is one of the most vital tasks of the Government today. If the Labour party lacks the nerve to demand one and the Labour Government the capacity to execute one, then whatever their achievements in other directions they have prejudiced their right to govern at this time.

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European Plans and Trading Realities

Ever since Mr Hoffman suggested that the Organisation for European Economic Co-operation (the OEEC) in Paris should present a four year picture of their future needs, it has not been difficult to predict that nineteen different national economies making nineteen different estimates of their four year developments would not produce a single, neat, well rounded and complementary plan. The attempt has now been made and the inevitable failure realised. As a result, the drafting of a single plan has been postponed and December is likely to bring forth no more than an interim report.

The effort to draw the plans up and then draw them together has, however, proved intensely valuable. Until the scale of the divergences could be measured, neither the nineteen participants nor the OEEC could assess the scale of their problem. Now at least they can see where the worst difficulties and contradictions are likely to develop. The Paris edition of the *New York Herald Tribune* (to whose enterprise this journal was indebted for last week's figures of the British Four-Year Plan) has now published some estimates of the discrepancies which exist between the various plans. Two of these are immediately obvious. The first is the assumption—also implicit in the British plan—that convertibility between the various currencies will have been restored by 1952. In four years time, the ERP area, it is estimated, will have a deficit of $1,296 million with the western Hemisphere. With the sterling area, the ERP countries hope, however, to have a surplus of $664 million. If currencies were freely convertible, the sterling earnings would go to reduce the unfavourable dollar balance. But none of the figures in the plans suggests the possibility of free convertibility. The chance of a billion dollar deficit in 1952—a figure incidentally forecast in the original American estimates published in January—therefore emerges from the present plans unless the buying strategy of the nineteen is radically recast.

Another obvious difficulty lies in the divergence in the various estimates between the sum the ERP nations propose to sell among themselves and the amount they intend to buy. Sales between the nineteen are to amount to $9,120 million, but purchases go no higher than $8,750 million and this difference is reinforced by the nations' intention to provide each other with $420 million worth more in services than they are prepared to accept.

But the problem which may well prove the most unmanageable of all does not appear in the global figures. In fact, it cannot be expressed in purely financial terms. It is that the various estimates of what can be sold abroad mask the fact that the nineteen will be very largely competitive in their sales and will be seeking to buy very much the same commodities. Western Europe's exports must inevitably be manufactured goods, particularly the products of heavy industry. In return the need is for foodstuffs and raw materials. Germany and Great Britain are in peculiarly direct competition now that the Germans have lost their agricultural hinterland in eastern Europe. If this flood of identical exports is to compete on the world market for the same supplies of primary products, the result, measured in the likely evolution of the terms of trade, may be the last nail in the coffin of West European solvency. What will be the prospects of genuine equilibrium if in the 1950's, as one observer put it, "we have to pay a Rolls Royce to buy a bushel of wheat"?

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Sir Stafford Blunders

The Chancellor of the Exchequer, asked by a Parliamentary questioner to explain the principles on which decisions are reached to give or refuse permission for remittances to political bodies in foreign countries, has replied as follows:

> All such applications must be considered on their merits. If there is no exchange difficulty then, broadly speaking, I would approve contributions made for the purpose of strengthening the democratic forces in any country, and I would disapprove contributions made to organizations whose activities are hostile to that purpose.

This is wholly wrong and utterly indefensible. No two people would agree on what is and what is not a "democratic force." The Russians use exactly the same language in a sense precisely the opposite of that in which most people in this country use it. But Sir Stafford evidently has a peculiar definition of his own, for his principle recently allowed him to permit a "charitable" contribution from the Scottish miners to the Communist directors of the French mining strike, whose activities were surely hostile to "the purpose of strengthening the democratic forces" in France.

But though Sir Stafford's principle can be attacked on these grounds, they are not the main reason why it should be regarded with horror and alarm by the public. The main reason is that political considerations—be they never so excellent and never so clearly defined—have no place whatsoever in the administration of exchange control. That control is by far the most powerful in its effects and pervasive in its range of any in the Government's armoury. Once let the suspicion grow that it is being manipulated for political ends, and the structure of public confidence in the honesty of the administration of the country will crumble just as surely as it would if Sir Stafford claimed to set up political principles for the guidance of the Inland Revenue or the High Court. So long as the Communist, Fascist or Conservative Parties have a legal right to exist in this country, they have a right to remit funds to their friends in foreign countries on exactly the same terms as the Socialists. The best thing would be if none of them could send a penny.

This is a vital matter of fundamental principle. Sir Stafford has blundered very badly indeed, and the only satisfactory reparation he can make is to withdraw his answer completely.

* * *

Fogbound

It was an unkind trick of Nature to immobilise the *Queen Elizabeth* for a further four days after, by kind permission of her crew and the New York stevedores, she should have been able to sail. But it had a certain symbolic fitness. It was a truly pea-soup mental fog which held her up in the first place, and which indeed continues to shroud the whole question of the relation between the right to strike and the national welfare. It has become virtually an established principle that the interests of the balance of payments outweigh and override all others. The balance of payments might be endangered by illicit currency dealings; so the sanctity of the mails is discarded—the first such infraction ever ventured upon, in time of peace, by a state not frankly totalitarian. Its achievement requires the concentration of labour power in essential industries; so the Control of Engagements Order, and the still more distasteful direction of labour, circumscribe the fundamental liberty of the individual to choose his own job. It is impaired by an unbalanced tourist trade; so "hard currency" countries are screened off by a financial iron curtain from the British traveller. It cannot withstand the drain of emigrants' capital; so the venturesome must leave behind any substantial property they may possess. It cannot carry the burden of adequate newsprint imports; so free speech itself is muted and clipped by the crippling of its most effective organ, the press. Every basic right is, without misgiving, whittled away, weakened and made conditional—except one: the right to stop work and stop other people working. That, and that alone, is apparently sacrosanct; no matter how expensive its maintenance, no matter how much more the national economy may suffer through its exercise than through that of the rights so readily sacrificed. To pay a Swiss friend's hotel bill in London on the understandinng that he will reciprocate in Zermatt is a criminal offence. To waste a whole Atlantic trip of one of the *Queens* is not. The former action merely gives satisfaction to the parties concerned, the latter involves—hats off, gentlemen!—the Right to Strike.

The Right to Strike is all very well; a hard-won and valuable weapon for labour's emancipation. But is it really more untouchably above the competence of the makers of laws and regulations than other rights won equally hard and once valued equally highly? If national solvency really demands the suspension of these, it is time the goose's sauce was applied to the gander.

* * *

Suspense in Nanking

The latest news from China indicates that the battle for the northern approaches of Nanking has been going badly for the Government, whose forces are now threatened with their usual fate of being encircled and captured by the more mobile and active Communists. Government departments are reported to be already packing up for departure from the capital, and preliminaries for evacuation have also been started in Shanghai as well. The destinations for retreat are two—Canton and Formosa. Whether a defence based on Canton could be maintained for long after the loss of Nanking and Shanghai is an open question; political opposition to Communism is certainly stronger in the south than in north China, but the military forces available are not large—assuming that the Government troops now committed to battle north of the Yangtse are out of the reckoning—and the Communists' military prestige will be so great if they are finally victorious in the battle for the lower Yangtse that it may be impossible to rally an army to oppose their further overland advance. Formosa is another matter; it cannot be taken except by an overseas invasion, and with even the slightest minimum of American aid it should be tenable against Communist power controlling the mainland. High Kuomintang officials apparently think it safer than Canton, as they have been sending their families there.

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Meanwhile, President Chiang Kai-shek has tried to prop up his régime by appointing the son of Sun Yat-sen as Prime Minister. Madame Chiang has arrived in Washington, where she will exert all her powers of persuasion to get American help for the Kuomintang cause. She will be the guest of the Secretary of State, but there is so far no evidence that President Truman has taken a decision to reinforce American support for the Chinese Government. Some of his advisers are believed to hold the opinion that it is now past helping as far as the mainland of China is concerned; Sun Fo's declaration that his Government would welcome the appointment of an American as supreme military adviser removes the main obstacle to American direction of the reorganisation of the Government army, but the concession may by this time be too late for anything to be done before resistance on the mainland collapses. The problem for the United States, however, is not simply whether or not to intervene at this stage; the State Department will have to make its plans for policy on the hypothesis of Communist rule, open or camouflaged, over continental China. Would a Government set up in Nanking by the victorious Communists be recognised as the Government of China—with all that such recognition would imply—or would a Government-in-exile in Formosa enjoy American protection as part of the "cold war" which Communist control of Formosa would bring to the threshold of the Philippines?

* * *

Need Israel Compromise?

When a majority of the United Nations Political Committee decided, as in effect it did, to postpone work on Palestine until the fighting there had run for a further spell, it left open to itself two courses only. One was to throw in its hand and invite winner and loser to negotiate directly. Australia, strangely, was a leading supporter of this sorry choice. The other was to preserve a few shreds of its warrant for the international settlement of disputes by sinking some of the differences that have hitherto divided its Western members. This last has now been done in the name of the British delegation. The price of achievement is capitulation to the American point of view.

The chief American concern seems to be to observe President Truman's pledge that no alteration shall be made to the criss-cross frontiers of the 1947 partition plan without Jewish consent. The new British resolution therefore pays only passing tribute to the more compact Bernadotte frontiers and reverts to the older and—most Britons think—less practical basis. Again, the Americans are anxious to leave the proposed International Conciliation Commission a free hand. The British had felt that it would be in no position to gainsay a victorious Israel unless its hand were strengthened with firm Assembly guidance about frontiers. They now agree that it is not to be so fortified.

But their new resolution, if passed without adulteration, is sufficiently specific to save something from the wreck of Uno's repute. It proposes to empower a Conciliation Commission of three states members to formulate and start running a permanent international regime for the territory of Jerusalem. It "instructs" this Commission to effect any modifications to the frontiers which Israel accepted in 1947 "on a basis of reciprocity." And it instructs the Commission to assist the Arab states to "arrange for the disposition" of the parts of Palestine that the Arab inhabitants are able to retain. The success of its mission as "conciliation" obviously hangs upon its composition. If it is appointed from among weak states, or consists of a jarring trinity, it will further impair the United Nations' fallen reputation. Only if it includes an American who both sets store by Uno's repute and also carries weight with President Truman can it prevent the Israelis from holding their 1947 frontier, yielding nothing of their 1948 conquests, and snapping their fingers at "reciprocity." The British proposal is supported, so far, by the American delegation but is contested by the Russians, who dub it another device to increase the size of Transjordan, and by the Israelis, who want Jerusalem.

The Arabs, whose home publics are still gullibly listening to parliamentary speeches about "driving the Jewish bandits into the sea," are clearly going to need a whipping boy when their discomfiture becomes known. From force of habit, they will blame Britain. To those who do so, the retort is that the Arab cause would have been better served by the Bernadotte plan than by any settlement they can now expect, and that they might have secured this plan had they backed Britain in its support. Without that backing, even their best friends could do nothing for them. They see nobility in their consistent refusal to recognise partition. Admittedly, consistency can be a virtue, but it can also be futile. And theirs, in its futility, has been vastly helpful to Israel.

Labour and the Retail Trade

Certain straws in the wind, such as Mr Maurice Webb's campaign for a lower cost of living and the report that discussions on the distribution of food will take place with the co-operative movement, have rightly or wrongly been taken to indicate that Labour's election programme for 1950 will include a plan for reforming and controlling the retail trade in foodstuffs, a plan designed to get food more cheaply from the producer to the consumer. If this plan is indeed contemplated the public have something to be thankful for. The cost of living is a matter of far more fundamental concern, as well as of more immediate electoral value, than the public or private ownership of a particular industry. It supplies, after all, the proof of the Labour pudding—or for that matter of anyone else's pudding; and by any standards it is high time that Labour descended from the ideological empyrean to the humdrum job of making pudding digestible. Evidence that the electors think so is not likely to have been wasted on the Government.

It may be presumed that there is no question of actually nationalising retail food distribution. Politically, there are far too many small shopkeepers for safety. Administratively, even those Labour supporters least chastened by the experience of nationalised industry must realise that the job is impossibly complicated; the inability, or unwillingness, to concentrate the retail trade was the one blot on manpower policy during the war. What is unfortunately true is that all the signs point to increases in the cost of distribution rather than the reverse. The profit margins allowed by the sale of price-fixed branded goods, which long before the war enabled the inefficient retailer to remain in business, are now strengthened by the profit margins allowed by the Government's price-fixing policy. Why is it that food retailing is such a profitable business under rationing if not that retailers are allowed too generous margins? Add to these guaranteed profit margins the trade union demand for shorter hours and higher wages for shop assistants and the average shopkeeper's preference for high prices and low turnover—for selling two lettuces at 6d. each rather than twelve at a penny—coupled with official discouragement of the barrow boy and street market, and there is ample reason for excessive retail costs. No Government will find restrictionism of this sort easy to tackle. What any and every Government can do, and should do, is to attack expensive production. Take care of costs, *tout court*, and the cost of living will, to a certain extent at least, take care of itself.

* * *

Anti-Communist International

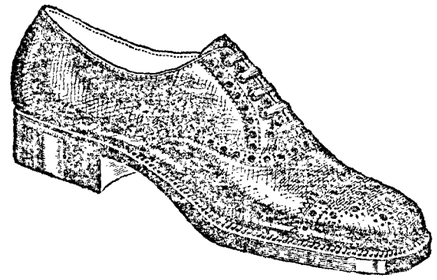
The Trade Union offensive against Communism was sharpened last week on both sides of the Atlantic. In Britain, the General Council of the TUC carried its private fight against Communist influence a stage further, and issued a long memorandum, for circulation to all trade unions, urging more specific and drastic measures to oust the Communists than had hitherto been put forward. In America, the American Federation of Labour, at its annual convention, decided to intensify the anti-Communist drive it has been conducting on a world-wide basis for the last few years, and is calling on the British TUC to co-operate in the campaign.

The General Council has asked union leaders to consider whether it is "consistent" that executive or delegate positions in their unions should be held by Communists, who also serve on their own national or industrial committees. These industrial committees, the General Council alleges, are bodies which lay down policy and tactics for Communist members in particular industries, and thus create a chain of dual loyalties throughout the trade union movement. The unions likely to be affected are the miners, electricians, engineers, fire brigades and foundry workers, where prominent union officials are also high up in the hierarchy of the Communist Party. The TUC is also perturbed at the extent of Communist penetration in trades councils, though there is not yet any suggestion of resurrecting the "Black Circular," which debarred Communists from membership of these bodies. It also aims at preventing trade unionists from attending conferences abroad and "misinterpreting" official trade union policy to the world outside. Two influential TUC committees (its General Purposes and International Committees) have been charged with the task of watching developments and guiding the campaign.

The problem facing the American Federation of Labour is a different one, because, unlike the TUC or the American Congress of Industrial Organisations, it has no Trojan horses to contend with, and has from the outset denounced the World Federation of Trade Unions (to which both the TUC and the CIO belong) as a Communist-dominated body. The American

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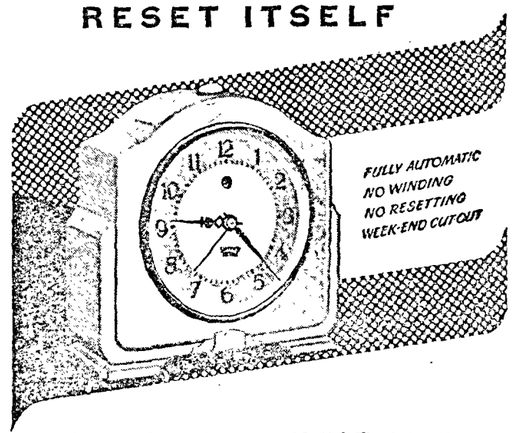
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Federation of Labour regards the trade union committee of the European Recovery Programme as the nucleus of a new anti-Communist International and is urging that this body should be strengthened and developed as a "unifying force of free labour in Europe and elsewhere." The demise of the world federation, as it now exists, seems certain, after the January meeting of its executive bureau, when both the British TUC and the American CIO are expected to withdraw. It is not so certain whether a formal new International, on the lines envisaged by the AF of L, will emerge. But it is true that the break up of the world federation will create a vacuum, which the leaders of democratic world labour should seek to fill.

* * *

Disintegrated Burma

Burma has gone out of the news headlines since the removal of the immediate threat to Rangoon, but the Government's retention of its hold on the capital has not meant any restoration of its authority in the country as a whole, and the present picture is one of continued disintegration. The Burmese Government is now in the position of having to rely for its survival mainly on military units drawn from the non-Burmese peoples, who have naturally taken advantage of the situation to assert in practice an autonomy going far beyond what was intended for them in the recently adopted constitution. East of the Sittang, though Government officials still nominally function, the real power is in the hands of the Karens, and in the far north the Kachins are apparently doing as they please. In the Irrawaddy plains, whence the international rice market was yesterday expecting stepped-up exports of Burma's principal crop, there is now a confusion which leaves little prospect of substantial supplies coming out from the current Burmese harvest.

There have been at least five or six separate armed factions contending for supremacy. The Communists are divided into two groups known as the Red Flag and White Flag Communists, the latter being numerically the stronger of the two. The PVO or People's Volunteer Organisation, which was formerly Aung San's private army, has split into two factions, known respectively as White Bands and Yellow Bands from the colour of ribbons tied round their caps. The White Bands, numbering about two-thirds of the original PVO strength, rebelled against the Government some time ago, while the Yellow Bands remained loyal to it. The White Bands have been co-operating with the White Flag Communists, but not with the Red Flags. Another faction called the Communist Unity Party was formed by the former Socialist Minister for Commerce, U Ko Ko Gyi, who fled from Rangoon after it was discovered that he had embezzled 70 lakhs of rupees. Finally the regular army was split by a mutiny affecting a section of the purely Burmese part of the army; the mutineers have joined the Communists, but play a semi-independent role under their own leaders. The secession has increased the preponderance of the non-Burmese elements of the army. The commander of the army, General Smith Dun, is a Karen, and has been in the habit of taking a Karen bodyguard with him when inspecting Burmese units. His deputy, who is a Burmese, has recently been raising purely Burmese auxiliary forces which will serve as his own political support and also as a check on the Karens. When all these possessors of guns have sorted themselves out, a new ruling authority may emerge in Burma, but for the time being Burma is still far from the degree of stability it had in the time of King Thibaw.

* * *

Western Disunion over the Italian Colonies

Which counts for most in the British scale of values, the wishes of Africans or French and Italian goodwill? This is the conundrum that confronts the Britons who have to think out a happy settlement for Italy's ex-empire. Weighting one side of the scales are a number of promises and moral considerations: the undertaking to the Senussi that Italy should never dominate them again; the feeling (it is not a promise) that Ethiopia, having once been overrun from Eritrea, should not see the old aggressor back on the same frontier; the sense that the wishes of Eritreans and Libyans (both of whom are averse to Italian rule) should be respected. Weighting the other is the knowledge that France fears the spread to the borders of Tunisia and Algeria of the British way of preparing Africans for independence, while the Italians, encouraged incidentally by Russia, simply want their colonies back under the cover of an international mandate. France wants Italian trusteeships in Somalia and Eritrea and a postponed decision for Libya, where it favours eventual restoration of Italian administration. The Italians want virtually the *status quo ante*. To run counter to these desires may weaken Western Union. Can Britain afford it?

Apparently the answer is—yes. For a third—a strategic—consideration affects the scales. In advance of the United Nations discussion of what is to happen to the ex-Italian colonies, the British and American delegations have let it be known that they have a joint view. And this view is at several points contrary to French and Italian wishes. The Anglo-American proposal is that Somalia shall become an Italian trusteeship, virtually in perpetuity; that Eritrea shall be divided into two unequal parts, of which the larger, containing the Christian highlands as well as the lowland ports of Massawa and Assab, shall be ceded outright to Ethiopia, and the smaller, containing the predominantly Moslem peoples of Keren and Agordat provinces, shall remain unallotted for a year; and that Libya shall also be divided, the Cyrenaican half to become a British trusteeship and the decision on the Tripolitanian half, including the Fezzan, to be postponed.

Obviously, strategic as well as moral considerations enter into any judgment that one may pass on this proposition. There are Anglo-American military commitments to Greece and Turkey. Either of these countries would, if attacked, require reinforcement on D+1 day. To provide such help, a further western foothold in the eastern Mediterranean is necessary. There are two means of securing this in Cyrenaica. One is to let Britain observe its promise to the Senussi; the other is to waive this promise and to let Italy run the territory as a member of a western *bloc* and as host to American forces, paying dollars for its desert airfields and training grounds.

The one solution will temporarily satisfy the querulous Moslem and African worlds; the other meets the wishes of the French and Italians. Which should be adopted? The issue is clear-cut only in its moral aspect, which dictates, plainly enough, that promises to Africans come first.

* * *

Local Government Dilemmas

The County Boroughs Association for England and Wales has now declared its unqualified opposition to the plan for a new local government structure put forward last spring by the Local Government Boundary Commission. The Commission's plan was a balanced compromise, which did its best to meet the desires of existing local authorities while improving the general efficiency of the system. It would keep the all-purpose form of government in 17 large cities, while the remaining county boroughs—and some other towns as well—would secure a high degree of automony while joining with the neighbouring county for certain services where rural and urban integration is essential—such as town and country planning, police, fire brigades, and the cost of main highways. The County Boroughs Association's reply is merely to repeat at length, and without evidence, the theoretical virtues of the all-purpose form of government, as if this were a magic incantation to keep off evil spirits. These virtues are not unknown, nor were they unremembered by the Commission. The Association's document is poor local statesmanship.

The county boroughs might, however, extract some support from an interesting analysis of the 1945-46 local elections now issued by PEP ("Local Elections. How Many Votes?")

Type of Authority	Percentage of Seats Uncontested	Percentage of Electors in Uncontested Divisions	Percentage of Electorate in Contested Divisions Who Voted
County Boroughs	7·8	7·5	45·4
Administrative Counties*	41·8	32·5	29·4
Municipal Boroughs & Urban Districts*	6·5	7·0	47·4
Rural Districts	60·7	55·0	45·7

* Not including County of London area.

This analysis—which, as it deals with only one year, is necessarily very tentative—shows that many more seats were uncontested in rural areas and that, in contested divisions, the counties made easily the worst showing, despite their increased powers. Second-tier authorities, however, apparently attract as much electoral interest as the all-purpose county boroughs. Again, electoral interest for some reason is much higher in the north than the south. A further analysis reveals that within each class of authority, the percentage voting is highest in the very small units—the biggest percentage being probably reached in urban districts of under 5,000—and consistently falls as the unit gets larger. This is a very disconcerting fact to the reformer; but at least it gives no obvious support to the county boroughs' case—for if units need to be small to attract local interest, a two-tier system is in any case unavoidable.

* * *

The Under Sixteens

Some Conservative M.P.s have tabled a motion in the House of Commons that no child should be debarred from taking the school certificate by reason of his age. A few impartial facts, which help to clarify this obscure controversy, have been provided by an interesting analysis, published recently in *The Times Education Supplement*, by Dr J. F. Mountford, chairman of the Joint Matriculation Board of the Northern Universities (which includes Manchester, Liverpool and Birmingham) of the ages at which boys and girls took the present school certificate and higher school certificate examinations in 1948.

The figures summarised below show, first, that more than one-third of the boys and one-fifth of the girls would have been excluded from the examination if the over-sixteen rule had been

JOINT MATRICULATION BOARD RESULTS, 1948

	Boys	Girls
I.—*School Certificate* :—		
Total number examined	16,805	16,147
Average age on Sept. 1, 1948	16yrs. 3m.	16yrs. 5m.
Number who passed	12,319	12,752
Percentage who passed	*73·3*	*79·0*
Av. credits of those who passed	4·8	5·0
Number under 16 on Sept. 1, 1948	3,980	1,968
Percentage of under 16s	*23·7*	*12·2*
Number under 16 who passed	3,209	1,655
Percentage of under 16s who passed	*80·6*	*84·1*
Average credits gained by under 16s who passed	5·2	5·5
II.—*Numbers of State Scholars (JMB 1948)* :—		
Total number of State scholars	179	108
Numbers who had taken SC under 16	145	16
Percentage who had taken SC under 16	*81*	*56*

applied, and secondly, that the percentage of passes, as well as the average number of credits, is higher for the under sixteens than the comparable figures for all those who took the examination. The second effect is natural enough, since it is the bright children who take the examination young. This is further borne out by other figures which show that 81 per cent of the boys and 56 per cent of the girls who were awarded state scholarships on their higher school certificate results had taken their school certificate under the age of sixteen, and it is these children about whom passions are aroused. The later age at which schoolgirls begin to specialise partly accounts for the much smaller opposition to the new examination proposals from schoolmistresses.

If it is assumed that the examination under the new scheme will approximate closely to the old school certificate, it appears inevitable that the brighter children will be penalised. But this is a matter which lies principally in the hands of the universities. If university entrance requirements can be so arranged that it is no longer necessary to pass a six-subject hurdle at sixteen as the preliminary to a two or three subject hurdle at eighteen, then the Minister's proposal may be workable, although it lays extremely heavy responsibilities on the schools to avoid over-specialisation. But if this was Mr Tomlinson's intention, why did he not obtain the universities' agreement first? Only two universities appear to be working on these lines: the rest, in an attempt to prevent too narrow an education, are superimposing the old system on the new, with results which can only be retrograde.

* * *

Equality by *Force Majeure*

Freedom is to be sacrificed yet again to equality. Any family which lives within the catchment area of one of Middlesex's new comprehensive schools (grammar, technical and modern school combined) will in future be debarred from sending its children to any other secondary school, however much the parents may dislike the local school or prefer the teaching elsewhere. So much for the lip-service paid to the parents' freedom of choice.

This most improper interference with individual freedom springs from the wish to secure a representative cross-section of children of all intellectual levels for the large new schools with which the County Council is soon to start experimenting. The aim is understandable enough. The method is wholly wrong.

"Virtue itself turns vice if misapplied." For fear that the bright children of grammar school calibre will spurn the new schools and hive off to such well-established grammar schools as exist within travelling distance, the Council propose to use force as the handmaid of equality. To draw all the children of the locality into the comprehensive net no bait will be used; instead, all other schools will be barred by the simple expedient of not allowing children in the area to sit for the grammar school entrance examination.

If the comprehensive schools are to be given a fair trial, they must attract their proper share of intellectual children. But they must do so by voluntary means and not by *force majeure*. It is quite wrong that parents should only be left the freedom of choice of moving house or paying fees elsewhere.

* * *

M. Spaak is Indispensable

One more eight-day crisis in Belgian politics has made little difference to the coalition government. M. Spaak is back in control, having proved yet again that there is no one to replace him. The thorny question of what to do about the monarchy is to be entrusted to a parliamentary commission, while M. Struye, the former Minister of Justice, who caused the crisis by reprieving two notorious collaborators, has been replaced by another Catholic, M. de Meten. The only other concessions which M. Spaak has made to his Catholic critics are to reduce the size of the Cabinet from 19 to 17 members by merging the two Ministries of Food and Fuel with other government departments, and to replace the Socialist Minister of Foreign Trade, not by a Catholic, but by a non-party member. Otherwise the Belgian Government remains much as it was before.

The comparatively petty political differences which brought about this and former crises in Belgium conceal more serious problems which the government has so far been unable to put right. Spending both by the government and by individuals goes on unabated in spite of the urgent need for reconstruction and capital appreciation. The fundamental difficulty—which affects

From *The Economist* of 1848

December 2, 1848

It is said indeed, that we cannot maintain free trade if the rest of the world maintain restriction. The assertion is founded on erroneous views of the reason on which it was adopted. It was adopted to serve ourselves, not to serve others, and as it has done that effectually, why should we not continue it? By its means we have all kinds of useful commodities cheaper and more abundant than otherwise. Food is cheaper, and consequently the nourishment of labour, without deteriorating the condition of the labourers, while it performs any given task, costs less. Thus in a competition between countries in which trade is restricted, and in which it is free, the advantages on the side of the country in which trade is free, will be proportionate to the reduction of the cost of production in all other things, because food is cheap. Free trade, other circumstances being equal, will enable us to beat in competition those who are subject to restrictions . . . Free trade, which supplies one country with cheap food and another with cheap clothing, facilitates and extends production by reducing its cost, measured by the cost of subsistence of the producing agents; it increases employment, profit, rent, and revenue; it is an unmixed advantage to the community and can neither be lessened nor destroyed by the restrictive policy of other nations. Were they to adopt free trade it would be better for them, and is their increased prosperity other nations might find additional advantages; but free trade itself is a good, like virtue, holiness, and righteousness, to be loved, admired, honoured, and stedfastly adopted, for its own sake, though all the rest of the world should love restrictions and prohibitions, which are of themselves evils, like vice and crime, to be hated and abhorred under all circumstances and at all times.

Belgium's international role in the European Recovery Programme quite as much as its internal economic equilibrium—is the fact that too much of the national income is being spent on current consumption and too little to make good reserves of capital and to increase the rate of investment. Internationally, this spending involves the outlay of hard currency upon inessential imports and leads to the accusation that Belgium is a selfish neighbour. In a word, the Belgian economy is buoyant but somewhat out of control, and the internal and external consequences are beginning to make themselves felt.

The issue before the government is therefore to decide on ways and means to get the situation in hand once more. The Minister of Finance, M. Gascon Eyskens, who at one point during the last crisis tried and failed to form a Catholic government, has put forward schemes for improving the system of taxation. He has proposed first that the present heavy rates at which members of the professional and self-employed classes are taxed should be replaced by the normal rates with heavy penalties, going as far as professional disqualification, for tax evasion. (The original plea for these special rates was that evasion by the professional classes was so easy and universal that their taxes should be correspondingly heavy.) Second, M. Eyskens has proposed that the tax on dividends should be reduced in the hope of stimulating the capital market. The Catholics have also insisted that government expenditure should be reduced.

Shorter Notes

The report of the Departmental Committee on Grants for the Development of Marriage Guidance [Cmd. 7566] is a perfect illustration of the theme of Lord Beveridge's third report—that the need for voluntary action is as strong as ever, but that voluntary effort often requires assistance from the state to enable it to achieve its ends. As the committee points out, marriage guidance is a matter that cannot be carried out by officials, but it is also a matter that needs carefully selected skilled workers to be a success, which in its turn means adequate finance. The committee therefore recommends that public funds should be given in support of the National Marriage Guidance Council, the Catholic Marriage Advisory Council and the Family Welfare Association for a limited period, after which the work they are doing should be reviewed, and also that the Government should bear the cost of training their workers for an experimental period of five years.

*

Early in 1949 Africans will be appointed to Nyasaland's Legislative Council for the first time. They thus follow the example of fellow-Africans in the neighbouring dependency of Northern Rhodesia, which has had direct African representation in its Legislative Council from this autumn. Nyasaland's constitution is not being modified apart from the consequent expansion of the Legislative Council. But now that both it and Northern Rhodesia have reached the same stage in their native representation, is it not an appropriate opportunity to re-examine the question of the amalgamation of the two dependencies?

*

Not surprisingly, the Government's proposals to set up a Council for Wales and Monmouthshire, with purely advisory functions, has failed to please the Welsh MPs. The Council will be drawn partly from representatives of local authorities, partly from agricultural, industrial, and other interests. The proposal is not, as Mr Clement Davies put in, an insult to the Welsh people—for it may do worthwhile work in advising the inter-departmental committee on Welsh affairs—but it does not provide a real instalment of political devolution to accompany the administrative devolution which already exists.

Letters to the Editor

British Austerity and Europe

SIR,—Your leading article rightly concentrates on the international implications of the British Four-Year Plan. Together with the equivocal policy pursued by the Foreign Office in Germany, the Middle East and Africa, this Plan bids fair to alienate continental sympathies still further and to undermine such leadership as Britain can give to Europe. The failure to choose a strong team for the OEEC in Paris, convinced of the need to establish a powerful regional area comprising western Europe and the sterling area, has begun to have the unfavourable effects that would have been predicted. Had the OEEC secretariat been permitted and empowered to work out a coherent programme, and this could have been done only under British leadership, Britain would not now stand accused of sabotaging European recovery, and would not, as is now probable, be made to carry an undue proportion of the burden of readjusting the overall European dollar deficit.

The domestic implications of the Plan are equally disturbing. The remarkable recovery of the British balance of payments is causing a wave of optimism which, much as in 1946, threatens to lead to an improper and improvident discounting of further gains not yet achieved. It is agreed on all sides that a further expansion of national income can only come through an increase in productivity. Some progress in this direction will be made through investment, and it is gratifying to note that investment in productive equipment has been given priority in the Plan. But the more recent practice of the Government has moved in the other direction. It adds insult to injury to be told that the relaxation of the licensing of repairs, not merely of factories but also of office and other commercial buildings, has been made possible by the cuts in the Government's industrial investment programme. This comes after the considerable relaxation of domestic house repairs.

The decontrol of steel for small users and the relaxation of utility schemes (for shoes and furniture, for example) also make a strange contrast with the Government's professed intentions. Perhaps the magnitude of resources involved is not large, but the principle is wrong; it will lead to the growth of a "grey" market, a cumulative pull on resources and the growth of a sense of injustice and frustration. Moreover, decontrol will not restore the conditions of a competitive market, since the allocation of resources remains further up the stream of production.

For these reasons, the Government seems to be nearer the truth when it forecasts an increase of only 3 per cent at most, and perhaps less, in productivity in the next year than when, as reported, it looks for increases (over 1947) of 25 per cent in industrial output and between 15 and 20 per cent in consumption by 1953. It is, in fact, relaxing its grip on consumption and increasing its foreign commitments.

We are clearly in danger of drifting towards another 1947 while earnestly proclaiming the best intentions. And if we should encounter a buyers' market, the danger would be still greater, since very few long-term agreements have been negotiated to secure supplies.—Yours faithfully,

T. BALOGH

Balliol College, Oxford

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Can Uno Survive Palestine?

SIR,—Mr Atiyah observes that the general impression in the public mind is that the Arabs have lost the war in Palestine as a result of their incompetence and disunity. He is right; with the exception of the Arab Legion, the remaining Arab forces, fighting on foreign soil, have done very little to bolster up their paper reputation. And it is not only Mr Atiyah, but all others who have read widely among Egyptian communiques who have been shocked by the actual course and result of the fighting.

He expresses satisfaction at your calling attention to the grave duty which rests upon the United Nations to enforce its decisions concerning Palestine. It is a pity he did not concur with this sentiment much earlier this year, when the United Nations Palestine Commission reported to the Special Assembly that Arab interests "both inside and outside Palestine are defying the resolution of the General Assembly, and are engaged in a deliberate effort to alter by force the settlement envisaged therein."

Incidentally, the picture he draws of the Arabs fighting against Zionist forces immensely armed with weapons acquired during the truce requires modification in that at least three Arab states had by virtue of treaty arrangements been stock-piling arms for some time past and that, in any case, Count Bernadotte himself affirmed that: "On the whole, I am satisfied that the provision of the truce concerning traffic in war materials, within the limitations of personnel and equipment available, was substantially implemented and supervised. If either of the two opposing forces did in fact manage to obtain war materials by clandestine methods, the amount obtained would of necessity have been so limited as to have made no substantial difference in the relative strength of the two sides."—Yours faithfully,

DAVID CARRINGTON

59 Kenninghall Road, London, E.5

The Structure of the Coal Board

SIR,—You mar the value of your otherwise excellent article on the above subject by the complacence implied in the last sentence. Whilst, unfortunately, it may be true that neither the Government nor the Board will undertake "such fundamental changes . . . after a mere two years of the first experiment" this attitude must not be accepted without protest. Neither you nor they appear to realise the increasing harm that is being done, the longer this first experiment continues.

The truth is as Sir Charles Reid states in his recent courageous articles "the coal industry instead of being alive and enterprising is fast degenerating into a dull mechanical form of civil service."

It is the effect of this degeneration on human beings which is the most serious aspect of the matter and makes alteration so urgent a necessity. That coal is still being raised in even the present limited quantities is largely due to the efforts of the old officials. These men, despite soulless treatment and almost constant snubs and pettifogging frustrations, still, in many cases, do their jobs as in the old days with loyalty and unselfish devotion. How long the effects of the old habits and training will remain is doubtful. It is only natural that more and more of the staffs will, for their own peace of mind, eventually accept the new position and fall in with what is apparently required by the all-powerful single employer. It is absurd to expect men, holding what ought to be positions of authority, but in practice made to feel so helpless and baffled, to exert qualities of initiative and leadership. Yet without these qualities the great technical reorganisation certainly can never be carried through to success. Indeed unless these men are allowed to feel a sense of personal responsibility, there will be no efficiency in even the ordinary running of the mines, with proper safeguard of costs both of materials and labour.

The real problem facing the NCB is the psychological one of man management. The technical problems are comparatively easy of solution granted monopoly of markets and large capital resources available at low interest rates. The rub is how to apply the known engineering solutions so that the men of all grades will accept them willingly and thus give a happy and contented industry from which will flow a plentiful supply of relatively cheap coal. The important matter is to save what is left of the old spirit of enterprise and initiative (and to inspire the new men coming on) before it is too late.—Yours faithfully,

J. CECIL MITCHESON

Freasley, Near Tamworth, Staffordshire

German Recovery at Stake

SIR,—May I add three glosses to your leading article, "German Recovery at Stake"? In the first place, the Bizone faces a very difficult balance of payments problem. It is vitally necessary to export much more to pay for essential imports. At present the deficit is being carried by the United Kingdom and the United States. This cannot go on indefinitely at the expense of the British and American taxpayer. Moreover, by the end of Marshall aid, the population of the Bizone will have increased by some ten millions over the prewar population, and the "hinterland" to the east may be greatly curtailed. Secondly, steel production and steel exports could very well be increased. Steel production, it is true, has been increasing satisfactorily in recent months, and is now running at over seven million tons a year, and may reach the permitted level of 10.7 million tons next year. But from the viewpoint of ERP I feel that without endangering security in any way the production could be raised by at least two million tons. If the Ruhr is to supply rolled steel products to Marshall aid countries, it should be left with the capacity necessary for this purpose, and this raises the dismantling of the steel mills in such a way as not to produce bottlenecks. In 1938 the Bizone alone produced 17.8 million tons, and a recent report of the *Vereinigte Stahlwerke AG.* on "The Problem of Dismantling Iron and Steel Plants" gives domestic requirements at some 14 million tons. Capacity used for war material production must be used for reparations, but the present level of 10.7 million tons is too low.

Lastly, you refer to the speech of the Military Governor on November 17th on German recovery and the future of the *D-mark*. May I as one who had the privilege and pleasure of serving under Sir Brian Robertson as Controller-General of Public Revenue and General Finance say in extenuation that directness in thought and in speech is not only necessary in Frankfurt at the present time, but is appreciated and understood by Germans. Doctrinaire and inexperienced officials can upset "the best laid schemes o' mice an' men" which "gang aft agley."—Yours faithfully,

G. FINDLAY SHIRRAS

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AMERICAN SURVEY

Words for Wisdom

(From Our US Editorial Staff)

THE American people, told on all sides that the responsibility for national decisions, foreign and domestic, comes home to them in the last analysis, are struggling with an uneasy sense that they need a new education to engage adequately in this new debate. The more responsible react in two ways. Some of them hope to reform the system which educates the young and to guard their children against the gaps they are discovering in their own education. Others search the stream of words and pictures pouring from the printing presses, radio stations, lecture platforms and film studios for wisdom for the adult.

The stream swells daily as new processes make it possible to reach mass audiences at lower costs. Linotype printing is already threatened by a combination of electric typewriting and photography. Facsimile newspaper distribution waits only for the further spread of television. The other day a new process called Ultrafax flashed "Gone With the Wind" across Washington at more than hurricane speed as a demonstration that eventually a million words can be sent in a minute.

The verbal flood has already reached proportions which, if volume alone could do it, should make Americans both well-informed and wise. For a small price, university courses on public affairs come to the citizen's post box. Privately endowed organisations send him magazines, pamphlets and books, some of them for no more than the asking. Forums, local or as comprehensive as that held each October by the *New York Herald Tribune* and attracting speakers from all over the world, offer him discussions of subjects "in the news." Last year 299 publishers (a publisher being defined as one who publishes five or more books a year) presented him with 9,182 books, of which 7,116 were classed as non-fiction. Newspapers, magazines, the cinema and radio add their efforts to provide the reader, the listener or the spectator with whatever he wants to know, including a chance to win something for nothing.

The book trade, which sells school books, paper-bound detective stories and volumes on how to make cream puffs, as well as tomes on foreign relations, complained last year that more books were being bought, but less profit secured, than ever before in its history. This year the numbers are falling off while the costs go on rising. The list of best sellers, which reflects what the public chooses out of this abundance, contained 21 fiction titles out of a total of 45. It was headed by a volume entitled "How to Stop Worrying and Start Living," while the second most in demand was "Peace of Mind." Out of the 21, three books which might be considered aids to international understanding come well down the list. Two of them were written by Professor Arnold Toynbee, and one by Mr Winston Churchill.

*

But books, in spite of various valiant efforts to the contrary, still are read by the few rather than the many. Mass circulation goes to the newspapers, the magazines, the output of radio and cinema, and it is on these that the average citizen relies for light on his problems. "It is," says the newspaper trade journal, *Editor and Publisher*, "a fair assumption that every literate resident of the country reads one or more newspapers daily." Fifty-one million copies of morning and evening papers are sold daily, and each is presumably read by two or more people. This is an increase of seven million since 1943, and might be construed as indicating how profitable to the newspaper trade is the sense of danger that stems from international chaos.

News has, since 1939, become almost equally important in the periodical world, and the magazines which began in the nineteen-thirties by re-sifting the harvest of the daily journals now seek independently for fresh sensations. Four giants dominate the field, of which *Life* (with a circulation reaching almost 5,500,000) and *Time* (with more than 1,500,000) belong to the Luce empire, while the other two (*Look*, with almost 3,000,000 purchasers, and *Newsweek*, reaching towards 1,000,000) are individually owned. All of them offer facts in capsule form, presented with a high degree of technical dexterity and illustrated with pictures in the raw, in the nude and in the sentimental mood. They make their bow to wisdom when it is "newsworthy," but the long view and the comprehensive treatment are almost as strange to their pages as to those of the average daily. Two older rivals, *Colliers* and the *Saturday Evening Post*, serving respectively over 2,000,000 and 3,000,000 subscribers, rely on expanded news stories and on fiction. It is significant that their technique of the factual so overlaps their technique of the fictional that any reader who likes the one can be lured painlessly into reading the other.

Sixteen million people buy the great news weeklies, but only 115,000 buy the two veteran weeklies of opinion, the *Nation* and the *New Republic*. In part, this may be due to the intellectual level on which they are edited, in part to the self-righteous air with which they wear the liberal halo. But more important is the current against which they swim. Americans like to engage in political discussion, listen to it gladly, but regard an entire patented dose of it somewhat as they regard castor oil.

Despite the fervour with which *Time* boasts that it has doubled its circulation since the war, the news weeklies still occupy only a small segment of the periodical world. Against the six giants in that field must be set the six monthlies which offer to 20 million women fact and fiction about food, clothes, love, marriage, babies, gardens and household devices. Even these have made occasional forays into the foreign field; the one with the largest circulation went so far as to publish the autobiography of Mr Stimson, the former Secretary of War.

The *Reader's Digest*, which condenses articles from other publications, is in a rather different class. Its pills are so successfully sugar-coated that it has a circulation of over 8,000,000 in the United States and is published abroad in eleven foreign languages. The more spectacular bidders for mass popularity are the comics, called by their addicts "books," but published weekly, monthly, or at whatever intervals the coloured inks and the papers are delivered to their makers. The comics number 400 titles, deliver 60 million copies a month to the news dealers, account for perhaps a quarter of all news stand sales. They burgeoned during the war, were devoured on troop trains and lonely Pacific islands, and claim that 60 per cent of their readers are over the age of twenty-one. Only occasionally and obliquely do these artifacts of a resurgent savagery touch politics. Adventure, crime, horror, science, are their stock in trade (the General Electric Company is having 3,000,000 copies of its new comic book on atomic energy distributed to the schools) and their effect on the undeveloped mind is still a subject of debate among educators. Meanwhile their circulation figures continue to climb, providing ready texts for those who claim that what Americans really want is not to grapple with facts but to escape from them.

But even the comics pale in terms of mass influence when compared with the radio and the cinema. Seventy-one million Americans go to the cinema each week. Thirty-four million radio sets emit programmes some 18 hours a day for the edification of the 3.5 persons in the average American family. (The average listening time is three hours per person.) The cinema is primarily an entertainment industry. The radio claims to be the servant of the public, but its favourite public is that which buys what the hucksters sell over its sound waves. It sells soap with shining success, but it is understandably doubtful about trying to teach people how to measure up to Mr Marshall's insistence that every citizen should "participate in the decisions that must be taken by his country in public affairs."

Even on foreign affairs there is no lack of the raw material of decision, some of it fresh and much of it predigested. The questions raised concern its quality, how much of it the struggling citizen can absorb and use, and how it affects the citizen who does not make the effort. On the two latter points the psychologists offer testimony that is hardly encouraging. A study made in Sandusky, Ohio, indicates that the better educated the citizen, the more his decisions on public matters are ordained by his family, party and religious background. As for the less educated, they are in danger of gaining from the stream of words and pictures only a drugged complacence which inhibits both thought and action.

Those who trust that wise decisions will emerge from the daily cross-clamour of fact and propaganda might do well to ponder the conclusion of Mr Paul Lazarsfeld, head of the Bureau of Applied Social Research, that "the very conditions which make for the maximum effectiveness of the mass media of communication operate toward the maintenance of the going social and cultural structure rather than toward its change." Apparently the only hope is that the citizen's participation in the making of foreign policy is not yet a part of that structure.

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

America's Trade Balance

[FROM A SPECIAL CORRESPONDENT]

TRADE figures for September reveal that the year-old decline in American exports has continued. Coupled with a steady, if more gradual, rise in imports, the export surplus—the visible evidence of the "dollar problem"—shows an even more marked reduction. In dollars, the contributions of declining exports and rising imports to the reduced export surplus were in roughly equivalent proportions—exports were down about 18, and imports up 22, per cent. In real terms, however, exports were about 25 per cent lower than a year ago (according to data for the first eight months of each year), while imports were up about 11 per cent.

At first sight the foreign observer may be inclined to attribute the decline in American exports almost solely to import restrictions imposed by dollar-short foreign governments—especially following the "crisis" of August, 1947. While the relative importance of these measures in reducing dollar purchases should not be underestimated (for instance, they were undoubtedly the major factor in halving exports to the Antipodes), there is ample evidence that more normal market factors were also involved. A number of countries—Sweden, Belgium, the Netherlands, the United Kingdom, Canada and Australia among them—have been able to reduce imports from the United States, while maintaining or even increasing their purchases from all sources combined. Although this shift may have been accomplished largely through direct government intervention in trade, the figures are convincing evidence of decreasing dependence on American supplies as foreign production expands. The decline in exports to Europe has been proportionately and absolutely greater than to any other major geographic area: it is in Europe, undoubtedly, that industrial production and agricultural output have increased most in the current year. American export control is, of course, another limiting factor and one of which it is statistically impossible to gauge the effects. The virtual elimination of exports to the USSR in recent months may be noted, while shipments to all of eastern Europe fell from a monthly average of over $40 million early in 1947 to between $5 and $8 million in the summer of 1948.

Statistics for individual commodities also seem to indicate the importance of factors other than dollar scarcity as such. Of the major groups, textile fibres and manufactures exhibited one of the largest relative declines; world supply—particularly from non-US sources—has probably more nearly approached demand in this field than in any other. Exports of merchant vessels fell from about $400 million to $200 million in the first seven months of the year, the obvious result of the termination of the disposal programme for surplus vessels. Lower exports of foodstuffs reflected the increased availability of supplies from other sources, although the dollar shortage was certainly a major factor here, especially for meat and dairy products. Some indication of the decline in exports by area and major commodity groups is given in the accompanying table.

Of perhaps more interest, at least for the long pull, has been the continued postwar rise in US imports. Even more than in the case of exports, however, the apparent increase is one of price rather than quantity. In spite of an increase in domestic industrial production of some 90 per cent over the average of the late thirties, the quantity of imports has risen only about 20 per cent. The relatively close relationship between the level of imports and real national income in the interwar period was not carried into the postwar era; if it had been, imports would now be about $10 or $11 billion annually instead of the present rate of some $7 billion. Imports at the higher level would presuppose a degree of economic recovery abroad which would probably greatly reduce the need for American goods; as a combined result the dollar problem would be considerably less serious. At the moment, imports from Europe and the Far East form a much smaller proportion of the total than before the war; if those areas had supplied their former (1936-38) share in 1947, the total would have been around the $10 billion figure.

The net credit balance on invisibles (excluding Government and private gifts) has likewise fallen—proportionately even more than the merchandise balance. According to official balance of payments estimates, excess receipts for income on investments

PATTERN OF US EXPORTS*
($ Million)
January-August, 1947 and 1948

	North America		South America		Europe		Asia and Oceania		Africa		Total	
	1947	1948	1947	1948	1947	1948	1947	1948	1947	1948	1947	1948
Foodstuffs	296	204	120	102	1,291	1,083	411	318	41	35	2,149	1,742
Other agricultural and forest products	178	143	95	62	357	241	169	143	43	39	872	626
Textile fibres and manufactures	293	176	128	95	374	228	381	252	164	102	1,340	852
Non-metallic minerals	353	421	77	77	422	309	108	88	44	40	1,004	934
Metals and manufactures, except machinery and vehicles	252	228	240	192	240	188	118	130	39	44	887	781
Machinery and vehicles	819	742	760	645	919	598	372	356	175	234	3,045	2,573
Chemicals and related products	141	142	98	98	152	137	162	131	18	18	571	527
Miscellaneous	155	133	79	64	138	120	99	108	24	23	494	451
TOTAL	2,477	2,189	1,597	1,324	3,923	2,902	1,818	1,534	548	538	10,362	8,486

* Domestic merchandise including civilian supplies exported by the armed forces to occupied countries. Figures may not add to totals because of rounding.
Source: Department of Commerce, Office of International Trade; prepared from basic data supplied by the Bureau of the Census.

and sales of services fell from $729 million in the first half of 1947 to $406 million in the first half of 1948. Lower net shipping earnings were an important factor in this development; in June, for the first time since the end of the war, American ships carried less than one-half by volume of the country's total dry cargo trade, and this decline is likely to continue. Tourist expenditures are also increasing; like imports, they are far lower than before the war in relation to the national income and should therefore continue to increase as transportation and other facilities improve. In this category the beneficial effect of more rational exchange rates could be substantial, both by increasing the absolute amount of tourist outlays and by channelling a larger portion of them into official reserve balances. With the high and increasing yield on American investments abroad—last year's record total of $1 billion will be surpassed this year—it does not seem probable, however, that the American balance of payments on invisible account will return to the prewar net deficit position for a few years at least.

As compared with the nineteen-twenties, the terms of trade seem definitely to have changed against the United States and by a fairly substantial percentage. Since UK imports and exports, except for foodstuffs, are roughly similar to those of the United States, this development, as *The Economist* has frequently pointed out, makes the sterling problem more difficult—but it may be a major factor in not making the dollar problem any worse than it is.

Unpleasant as the decline of export sales may have been to some segments of the American economy—the fruit and textile producers would certainly welcome more foreign business, as would the shipping industry—there is general agreement among economists that the total effect has been beneficial. With other demands—by consumers, business and Government—high and rising, the fall in sales to foreigners has been the one significant anti-inflationary force at work. However, as expenditure on the European Recovery Plan gains momentum (only $200 million was actually spent in the first three months of the programme), exports will probably rise again, although a return to the 1947 peak is not expected; but if military lend-lease becomes an actuality, the rise will be even more rapid.

American Notes

Shipping Pays its Ransom

On the east coast the longshoremen are back at work; on the west coast they soon will be, if they are not already, since the other unions and employers involved in the strike are expected to accept the terms agreed with Mr Bridges. In both cases labour has gained all it could have hoped for, if not all it demanded. In the west, wages go up by 15 cents an hour to $1.82; in the east, the increase is only 13 cents, to $1.88 an hour, but it is retroactive to August 21st. Both settlements include compromises on the complicated overtime and hiring questions and schemes for paid vacations which, it is calculated, will add four cents an hour to the wage rise. The east coast employers, apprehensive at the cost of these concessions, hope for better terms when this new contract expires next September; they do not seem to find its shortness ominous, perhaps because this is the first time the American Federation of Labour's longshoremen's union has ever called a strike in New York and this one lasted less than three weeks. On the west coast, where the strike lasted nearly thirteen weeks and where strikes by the Congress of Industrial Organisation's union have become a habit, the three years' duration of the new contract is regarded as its chief merit. The west coast contract also includes methods of dealing with grievances which gives hope that a new era of peace on that waterfront may be opening.

On both coasts that peace is much needed. Over 500 ships have been immobilised by the strikes and millions of dollars have been forfeited daily. Since the Gulf remained open, New York must have lost further ground to New Orleans, the chief aggressor in the battle which the port of New York is waging against a number of growing rivals. New York still handles far more of America's foreign trade than any other harbour, but since the war its share has been falling steadily in comparison with New Orleans, Mobile, Houston, Philadelphia, Baltimore and others, largely because of the quicker, cheaper and more modern facilities offered by these competitors.

High costs also explain why America's coastal shipping is fast disappearing; nowadays land transport is cheaper than sea, because of the discriminatory freight rates established by the railroads, high ocean freight charges, the expense and trouble of loading goods on ships, and the frequent delays caused by strikes; the recent strike and its settlement will not improve this situation. There are now under 70 vessels, none of them passenger ships, in the coastal trade, compared with 235 before the war, when domestic shipping made up two-thirds of America's merchant fleet. These coastal routes provided many of the supply ships used during the war; in another war their absence would be felt, particularly if in the meantime there had been a decline in the foreign trade fleet, at present far larger than before the war.

That decline is already beginning. The number of ships chartered from the Maritime Commission is decreasing steadily each month and by the middle of 1949 the total active dry-cargo fleet will have been reduced to about 1,000 vessels. This is due not only to the current shortage of cargo, but also to the smaller share of world trade that is being carried in American ships; in October, for the first time since the war, more foreign than American ships entered New York. According to the Economic Co-operation Administration, it now costs $4.50 a ton more to ship coal to France on an American than on a foreign vessel. The difference is explained by the drop in foreign charter rates as well as by the high American operating costs. This widening difference in bulk cargo rates is making it difficult to apply the fifty-fifty division of cargoes between American and foreign ships, which was specified in the ECA legislation. It is therefore being suggested that the Maritime Commission should lower its charter rates. A reduction would be of indirect benefit to the American taxpayer, since ocean freight costs represent ten per cent of total ECA procurement authorisations.

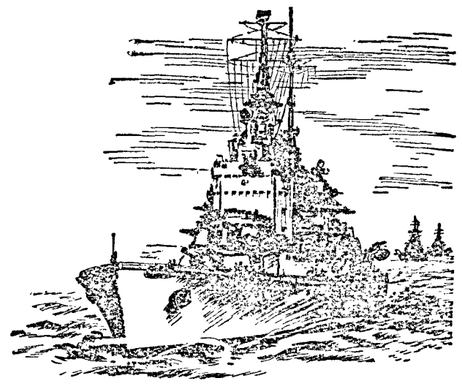
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Labour's Reward

The American Federation of Labour and the Congress of Industrial Organisations held this year's conventions in a self-conscious glow of political triumph. Mr Truman has shown a disappointing reticence in acknowledging the debt labour feels he owes. But the political leagues maintained, not only by the CIO but by the AFL and by the railway unions and machinists, have proved their effectiveness and are to be expanded. The Gompers tradition of political isolation is dead. The AFL is already looking forward to 1950 when it hopes to deal with those who escaped this year's purge (like Senator Taft, in whose home city the convention met), punish those who vote against repeal of the Taft-Hartley Act, and wipe out the "little Taft-Hartley Acts" passed by the states. The project of establishing a third party has suffered heavily, both from Mr Wallace's failure and labour's successes inside the present political framework.

Labour speaks today both with the prestige of victory and the authority of numbers. Trade unionists number nearly 16 million, of which 7,200,000 are claimed by the AFL, 6,500,000 by the CIO. The rest are distributed among 50 independent unions. One in every four workers is now organised. On foreign affairs both conventions overwhelmingly approved the bipartisan foreign policy and registered their suspicion of Russia. The AFL even recommended a complete trade breach until the Berlin blockade is lifted. The CIO demonstrated how little it can now be charged with Communist sympathies by approving by 600 votes to 40 a resolution expressing its resentment of Russian policy toward the Marshall plan and the abuse of the veto. The arraignment of the CIO's own Communist unions was no less vigorous, if somewhat indirect and incomplete. The Farm Equipment Workers have been given 60 days to merge with the Automobile Workers; and "little unions in big industries" (mainly Communist-controlled), which have failed in their organising duties, will be supervised and perhaps replaced. Communist-led unions, which have a strong grip on their industries, whether large or small, have so far eluded Mr Murray's dialectic, but the Communists are clearly on the run.

The immediate reward which the unions expect is, of course, the replacement of the Taft-Hartley Act by the Wagner Act. The CIO, which, unlike the AFL, is pressing for price controls, some rationing, and an excess profits tax (as well as a fourth round of wage increases to sustain purchasing power), admits to the least willingness to retain any of the present curbs on labour in the new Act. The AFL, in some ways less affected by the Taft-Hartley Act, concedes that ways must be found to deal with strikes which affect the public interest, and that employers may rightfully claim some rights of free speech. But this is a period



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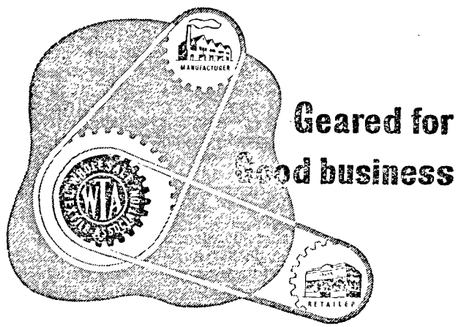
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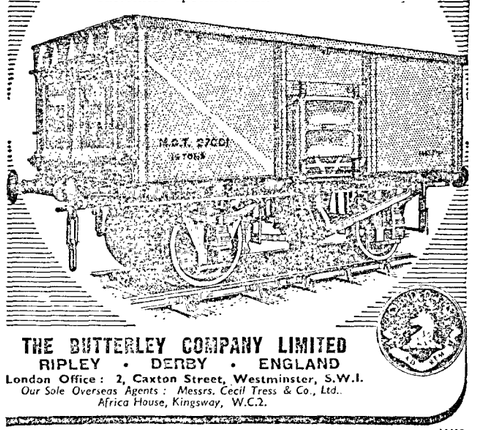
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of political bargaining, and the industrial experience of labour leaders is not likely to lead them to put all their cards, and possible concessions, on the table.

In fact, with a Congress in which former supporters of the Taft-Hartley Act still outnumber its critics by narrow margins, some restrictions in the public interest will certainly be retained. Among the most likely seem the ban on jurisdictional strikes and secondary boycotts which Mr Truman supported in 1947, continued use of fact-finding commissions in national disputes, with the right to make recommendations as well as report the facts; and definition of some unfair practices by unions as well as employers. On the other hand, there is no question but that the Department of Labour, which the Republicans stripped of money and authority, will be strengthened, as the CIO and AFL both wish, and enlarged by the return of the conciliation machinery and probably of the US Employment Service. The ban on the closed shop will go; the use of the court injunction will be reduced if not abolished (as labour would like); and union shop elections will be eliminated. They served no useful purpose.

On a wider stage, the unions support most of the reforms extending the New Deal which Mr Truman has promised: the extension of social security and higher benefits, Federal aid to education, a higher minimum wage, floors under farm income, low-cost housing, and civil rights. Congressmen tempted to obstruct the New Deal will hardly fail to be conscious of labour's watchful eye, its programme of political education, and its new consciousness of strength.

* * *

The Forgiven and the Forgotten

Senator McGrath, the chairman of the Democratic National Committee, has announced that he is prepared to "forgive and forget" erring Democrats. Even Senator Glen Taylor, who ran as Mr Wallace's Vice-President, is to be included in the amnesty, for, the argument runs, he was elected as a Democrat in 1944 and to deprive him of committee assignments and other privileges would unfairly punish his State and constituents. The same reasoning applies to repentant Dixiecrat Congressmen—though not necessarily to bolters who cannot claim Congressional immunity. But in practice it may be the Dixiecrats who are forgiven, the Wallaceite who is forgotten.

The effective chairmanship of the Senate Banking and Currency Committee is a case in point. Senator Wagner, who has every claim of seniority, party loyalty, and service to the country, is too old and too ill to act as more than a nominal chairman, if that. Next in seniority is Senator Maybank of South Carolina, one of the four southern States which repudiated Mr Truman. Senator Maybank did not openly support Governor Thurmond, but equally he did not take time off from his own campaign to raise the Truman standard. Now, however, that he has declared his support of progressive policies such as rent control, slum clearance and inflation curbs (with the unspoken but conspicuous exception of civil rights), he is said to be "enthusiastically welcome" in official circles. This enthusiasm is certainly traceable to the fact that the alternative is Senator Taylor, the "singing cowboy" who so far has shown no sign of changing his tune.

Senator McKellar, who boasts the longest record of service in the Senate, presents another aspect of the problem of reconciling the seniority rule to realities. The Senator from Tennessee was shrewd enough to avoid the Thurmond pitfall; but both his health and his record are too bad to make him anything but a disaster at the head of the Appropriations Committee. The solution may be to "kick him upstairs" by appointing him President *pro tempore* of the Senate. This is an honorary post, now that the United States has a Vice-President to preside over the Senate, but it is sweetened by certain perquisites. Senator Hayden of Arizona would then become head of the Appropriations Committee, and would work well with Senator Maybank and Senator Lucas of Illinois, who is expected to become majority leader of the Senate.

Another attack seems certain to be made on the chief weapon of obstructive minorities on both the right and left. This is the filibuster, the device by which one Senator or a small group can talk any measure to death in the name of free debate. Senator Vandenberg would outlaw filibusters such as those put on during the last Congress by Senators Taylor and Langer against the revival of conscription and by the southerners against the repeal of the poll tax. His view is that 90 to 95 per cent of Senators present and voting should be able to terminate debate on issues of national emergency, and that the present closure rules, which require a two-thirds majority, should apply to motions to consider a Bill as well as to debate on the Bill itself. Senator McGrath has indicated his general support of this long-needed reform, but while supporters of the filibuster may bow to a national emergency, they are likely to employ the device itself to defeat the more general proposal, which is clearly the advance guard of civil rights legislation for the Negro.

* * *

Un-American Activities

In the House, a bleak future appears to await the Committee on Un-American Activities. Mr J. Parnell Thomas himself, the scourge of the ungodly, has been indicted on a charge of taking part in an Un-American activity of his own, padding his official pay-roll and defrauding the Government by demanding "kick-backs" from these appointees. Nepotism by itself is not illegal; deserving relatives of successful politicians can count upon being added to the Federal pay-roll if they are willing to do the work. Even Mr Truman, when a Senator, appointed his wife to be his secretary. But fraud is another matter. Many of the witnesses whom Mr Thomas harried are now rewarded by the sight of him seeking, as they did, the shelter of the Fifth Amendment. He too has refused to testify before a grand jury on the ground that it might incriminate or degrade him. Mr Thomas is fortunate that his committee never secured the ruling it sought that Federal job-holders who refused to testify before judicial or Congressional investigations should be stricken from the pay-roll.

The elections dealt the committee a series of heavy blows. The political effectiveness of the committee's witch-hunts through Federal agencies was shown to have been much less than had been expected; and the Democratic victory in the House deprives Mr Thomas, even if he is acquitted, or any other Republican, of the committee chairmanship. Three Republican members will be seen no more: Mr Mundt because he was elevated to the Senate, Mr Vail of Illinois and Mr McDowell of Pennsylvania because they were defeated. The southerners now come into their own, for all the former Democratic members were southerners, northern Democrats as well as liberal Republicans fighting shy of appointment to so malodrous a body.

Mr Wood of Georgia, who, according to the seniority rule, is likely to be the next chairman, is a more judicial character than his predecessors, but at his elbow will stand Mr Rankin of Mississippi, a flagrant anti-semite and advocate of white supremacy, who is perhaps the most virulent of Mr Truman's enemies. It is small wonder that Senator McGrath says the committee faces a dismal future unless it is reformed out of recognition. It may even be abolished, as some members desire. But this is unlikely; even Congressmen who feared and disliked it helped to vote it $200,000 last year, lest they be accused of subversive sympathies. It may be reformed and renamed; the Committee on Civil Liberties would smell sweeter. Or, if it proves recalcitrant, it may quietly be starved of funds.

Shorter Notes

For the first time in seven months the Bureau of Labour Statistics has announced a decline in the consumers price index; although clothes, household furnishings and rents were higher, the third month of lower retail food prices produced an over-all decline of half of one per cent for the period September 15th to October 15th. The cost of food, which reached a record high in July, was down by 2.4 per cent since then. Nevertheless, it cost the New York housewife, who wished to duplicate her 1947 Thanksgiving dinner, 12 per cent more than last year (in some stores turkey, the traditional meal, cost over 4s. the pound). Thankfulness for BLS reports was hardly what the founding fathers had in mind, but if November, 1948, is remembered as the beginning of the end of inflated prices a new reason to celebrate the holiday may have been inaugurated.

*

The Chicago printers' strike was a year old last week. It is estimated that the 1,500 strikers have been deprived of $7,000,000 in wages, apart from the overtime which they might have earned. The International Typographical Union has spent approximately $4,000,000 in benefits and another $1,000,000 to run the strike; this is in addition to the $300,000 which the strike has already cost the local branch. Substitute methods have enabled the newspapers to maintain uninterrupted publication, but these methods remain more expensive than orthodox printing.

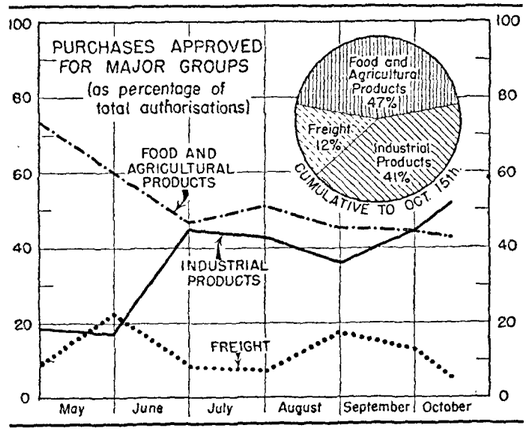
THE WORLD OVERSEAS

Nine Months of ERP

WHEN the new US Congress meets in January, one of its first tasks will be to consider fresh appropriations for the European Recovery Programme. Eighty per cent of the funds voted last April—in the hope that they would last until next July—have already been allocated during the first eight months of the project. Although the next Congress will be predominantly Democratic, non-isolationist and hence well-disposed to the basic aims of ERP, it is certain to demand a strict accounting of this year's appropriations. Where, it will want to know, has America's money gone and for what has it been spent? Is the programme taking on any shape and direction and, above all, is it producing results? The answers to these questions are no less vital to the Europeans who are compelled to look ahead to the time when Marshall Aid has ceased.

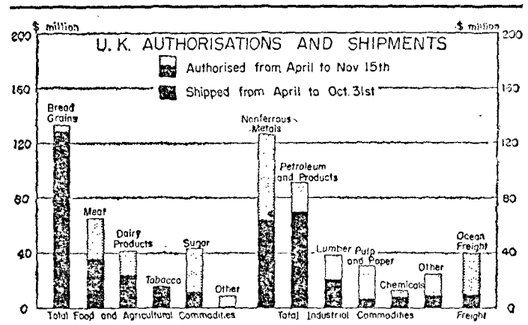
Some disappointments may be in store for those Congressmen who expected miracles in the way of industrial plants springing up overnight or vast development schemes flowering throughout Africa. The record, on the contrary, is one of growing pains followed by the first signs of quiet achievement. It shows that in the early months ERP tended to be what Congress would call a "relief" programme with a heavy emphasis on authorisations for buying such agricultural commodities as wheat and fats. But as the accompanying chart shows, the balance is gradually being redressed in favour of industrial products.

At the start of ERP in April, food and agricultural products accounted for over 70 per cent of European purchases under the programme; by mid-October the percentage had dropped to little more than 40. And at the same time the share of industrial products in total European purchases had risen from 18 per cent to over 50. This trend has been even more pronounced in recent weeks. Industrial commodities made up 60 per cent of the total purchases approved by the Economic Cooperation Administration [ECA] in the first half of November and rose to 92 per cent in the week ending November 24th.



The current high ratio of industrial commodities is due partly to the fact that Europeans are beginning to use their Marshall loans for the purchase of reconstruction goods. In the second half of November, for instance, machinery put in its first appearance on the United Kingdom list of authorisations. The high ratio probably also represents the breathing spell after the first rush to fill the bins, granaries and pipelines emptied as the result of last year's bad harvests and industrial stoppages.

It is far too early to say that the new emphasis on industrial products revealed in November will be maintained, and it is quite probable that for some time to come Western Europe will lean too heavily on the western hemisphere for agricultural products and raw materials. This reliance is particularly true of Britain. For the first seven and a-half months of ERP, that is until mid-November, total approvals for purchases by Britain amounted to nearly $700 million. They were divided in the following ratios:—Food and agricultural commodities, 47 per cent; industrial commodities, 47 per cent; freight, 6 per cent. Within these groups the more important items were:—Bread grains, 22 per cent; non-ferrous metals, 18 per cent; petroleum and products, 13 per cent; meat, 9 per cent. Moreover, in the last two weeks of November, Britain received another $300 million worth of authorisations, and although no exact details are yet available, there are indicatons that bread grains make up nearly a third of this additional sum.



So far very little of the aid to Britain has evaporated in the form of freight charges paid to American shippers. Britain's case, however, is exceptional. Up to mid-October 12 per cent of all aid to Europe was absorbed by freight charges—in the case of France and Italy the proportions were approximately 20 per cent. To some extent this reflects lack of shipping in Europe, but it can also be attributed to the high level of American shipping charges and to the protected position which American shippers enjoy under the Economic Co-operation Act which lays it down that 50 per cent of all Marshall Aid shall be carried in American bottoms. There is concern among ECA officials at this use of American aid, and some effort may be made to persuade Congress to modify the shipping clauses in the original Act.

Another point which will interest many Congressmen is the sources from which ERP commodities are being drawn. When the project was first discussed in Washington, a forceful minority argued that one effect of the plan would be to siphon off goods from the American market and thus lead to further inflation. The story of the first six months will not entirely remove their fears. By mid-October 56 per cent of the commodities made available had been provided from US supplies. A further 25 per cent came from the remaining countries of the western hemisphere, and only 13 per cent were supplied by the participating countries themselves. In recent weeks, however, the relative share coming from the United States has tended to decline while that of Canada in particular has mounted because of large purchases of wheat and metals. What is even more important is that Europe itself seems to be playing an increasing part in providing the participating countries with industrial goods. And as the emphasis of the ERP programme shifts from relief to reconstruction it looks as if these European industrial goods will take much of the strain off the American economy.

In the last resort Congressional critics will have to be shown that ERP aid is no more than pump priming and that once the priming has been done the Europeans intend to help themselves back to economic health. When the indices of European production in October and November are available it should be possible to assess the effectiveness of this effort. Already it is true to say, as Mr Hoffman himself has pointed out, that in western Europe the production of power is 10 per cent above 1947, steel 27 per cent, food 25 per cent and fertilisers 33 per cent.

As a further example of self help ECA can single out the intra-European payments scheme through which the Marshall nations, together with the sterling area, are making available to each other $810 millions in their own currencies. It is also possible that the OEEC officials who are toiling over the four-year programmes in Paris may yet offer the world proof that western Europe is able to think and act as an integrated economy.

However, in one remaining field of endeavour, little has been accomplished over the first eight months. The attainment of financial equilibrium was clearly marked as one of the three principal goals of ERP, together with increased production and trade. France offers the prime example of the failure to curb inflation and the accompanying evils of social unrest, high costs and undue emphasis on non-essential production. But there are fears in Washington that even such a sturdy economy as the British is still vulnerable to the danger of inflation, especially in view of the heavy investments planned for the next few years. Nor has it escaped the attention of US officials that any further inflation in America will have grave consequences for western Europe. It is certain, therefore, that one of ECA's main objectives between now and the end of the first ERP year will be an effort to lay the groundwork for greater financial stability, without which American aid can accomplish no permanent good.

The Mind of Israel—II

[BY A GENTILE RECENTLY IN PALESTINE]

WHEN Palestinian Jews recount today their criticisms of Britain and Mr Bevin they say surprisingly little about immigration. The complaint is still alive, but for the time being it is in the background—sent back, so to speak, to play in goal while the forward line is reconstituted with younger and more active players. Most of the present complaints are less than a year old. If, the Jews tell you, we had laid down the mandate in the right way, we should have left 1,000,000 friends behind us. When Uno's scheme of November 29th was made known, Palestinians danced in the streets and British soldiers were fêted. But instead of helping the British decided that the Arabs could beat the Jews; they looked forward to the result with complacency, and they backed what we thought mistakenly was the winning side. A remark attributed to a high British official is quoted with indignation: "If the Jews want a big slice of the political cake they will have to pay a big price for it"; and, in accordance (the Jews believe) with that policy, Britain held the door open for 10,000 Arabs to flood into the country, gave them modern arms, tanks and maps, and fighting men, of whom seven, all now prisoners of war, are corporal evidence of what the British tried to do to Jewry. Mr Mayhew is quoted as saying that the country's financial position is not good, at a time when the Treasury is sitting on £100 million of Palestinian money blocked in London. From documents discovered—this opening has a strangely familiar ring—it has been established that the mandatory power deliberately cooked its statistics, and used faked figures to show the Arab population as much larger than it ever was. Former British policemen have joined up with a gang of Nazis and are still fighting in Palestine against Israeli troops which will starve them into submission. Such are the stories current today in Tel-Aviv.

With these charges, the Englishman in Palestine is constantly assailed. When he moves over to the attack and speaks of the grievances that rankle in British breasts—young Englishmen murdered, the sergeants hung in cold blood, the innocent brother of a Palestine police officer done to death in England, Folke Bernadotte dead, the sedulous vilification of Britain in America—and when he suggests that the Jewish Agency could have stopped such abominations if it had had the will to stop them, he is given various reasons for the Agency's inactivity:—

(1) You cannot stop men who are willing to die for a cause.
(2) Britain would not accept the Agency's help.
(3) Few Jewish parents could be certain that no son or daughter of theirs was a terrorist and they could not bear the thought of their children being shot by fellow Jews.
(4) The Agency dared not interfere with anyone who claimed to be working for immigration.

Of these reasons the correct one is undoubtedly the fourth, and in fact the Jews now boast that since the Bernadotte murder they have smashed the Stern gang.

When the Englishman reminds the Jews of what we have done for their race, and taxes them with gross ingratitude, he gets the answer that the Jews have not forgotten and are not ungrateful; but they reserve the right to be at once thankful for benefits received and resentful of injuries inflicted. And that (if you admit the injuries) is not after all an illogical attitude.

One thing, however, has shaken the Jews—the trial and sentence of Sylvester. When the talks here recorded took place, he was due in the Court of Appeal within two or three days; and it was clear that thinking Jews anxiously hoped for his acquittal, so that the stain of a flagrant miscarriage of justice might be removed from the young records of Israel. That he was discharged after so short a hearing is not in the least surprising, and the opinion has been expressed that the judge guilty of pronouncing the original sentence should be dismissed from his post.

But these matters, important as they are in their effect on public opinion on both sides, lie near the circumference. The centre of the Palestine problem is the relation of Jew to Arab, and here the prevailing attitude of mind among the Jews may strike a visitor as insensitive. The plight of the refugees is dismissed as propaganda. The rich Arabs are described as having not even a rudimentary notion of responsibility towards their poorer fellow countrymen; and this Arab failing or vice is put forward as a good reason for the Jews also being indifferent. The Jews appear to be satisfied that Arabs, expelled during the war, will creep back to their blown-up homes and resume their old life under a new Government. In the flush of victory Israel, it may be, does not sufficiently appreciate the dangers that can threaten it in future from neighbours embittered and hostile, united as the years go by in a common desire for revenge or a common fear of aggression. Perhaps a study of European history since the rise of Bismarck might pay useful dividends in the future history of Palestine.

But there are, even today, favourable signs which must be recorded. The Jews are very proud of the success of their military government in the district of Nazareth (where the population is preponderantly Arab) and business men in the town, not tied by interest or race to the Jewish regime, will tell you that things are settling down well and that the difficulties are turning out to be much less than they had expected them to be. The Governor, a non-English-speaking Jew, who left his job in one of the Communal settlements for a post in the Army, is clearly a good organiser; and his assistant, a young English-speaking lawyer from Haifa, strikes one as a man of ability and sympathy, anxious to get back to his law, but not till he has finished his present task of reconstruction. The Government seems to be on the right terms with the Moslem mayor. Apart from an occasional military policeman in the streets there is no sign of formal occupation; and travellers, even in the dusk and unarmed, can motor safely through the district, running apparently no more risk of a violent death between Nazareth and Tiberia than they would expect to meet on the road between Perth and Edinburgh.

It is argued from these conditions that Israel is a better hand at government and administration than the mandatory power—of which even on the technical side the Jews thought but poorly. It is early days to make comparisons of generalisations, but if the Government will in a liberal spirit discard the role of conqueror, giving to the Arabs a genuinely equal status and better education, then the futureship of the two races inside Israel may prove to be both economically and politically fruitful.

And what of the future relations between Israel and Britain? Here is the answer of one very high authority whose ties with this country have hitherto been extremely close. "The Jews are not ungrateful to Britain. What Britain has done for the Jewish race is part of the history that all their children have to learn in school; and beneath the present superficial bitterness lies an enormous reservoir of good will, waiting to be tapped. There is still time to tap it, but, as the generations change, the opportunity, lost now, may not recur."

The Sudanese Elections

[BY A CORRESPONDENT]

ON November 15th the Sudanese went to the polls for the first time. They did so in fulfilment of an ordinance of last June granting them an elected Legislative Assembly and a nation-wide Executive Council containing a Sudanese majority. To run a general election at such notice, and in a country of seven million inhabitants educationally and socially so diverse as to require three different types of franchise, was a feat worthy of praise. After five months of serene preparation, polling day was, unfortunately, not quite uneventful. Trouble had been prophesied by Tass. Demonstrations designed to keep peaceable citizens indoors were organised by the pro-Egyptian National Front. But they were small and easily dispelled except in Atbara and Port

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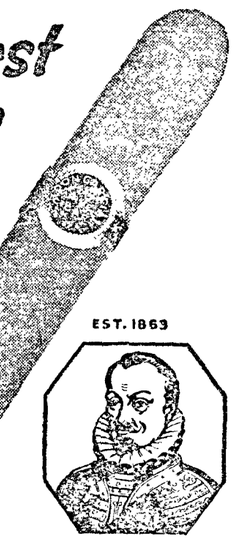
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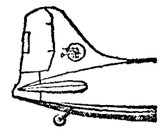
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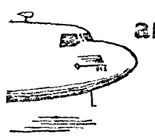
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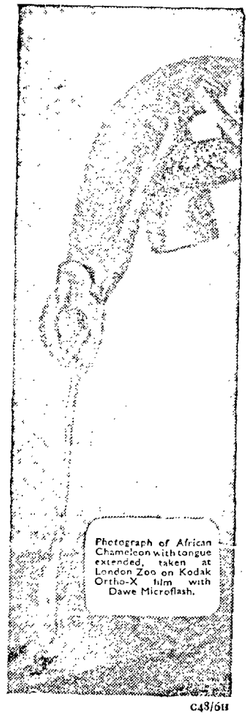
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Sudan, where ten people were killed. (The five deaths in Atbara were caused, it seems, by injuries from the explosion of a tear gas container which burst as the crowd surged over it upon dispersal; those in Port Sudan were caused by police fire after a band of Beja tribesmen—ignorant but lusty loaders from the dockside—had been rushed up as reinforcements to the political demonstration, and had used their knives.)

It is not possible to give the exact numbers that now represent each party in the Legislative Assembly. Indeed, it will never be possible because of the considerable numbers of deputies, particularly from country areas, who prefer not to style themselves *Umma* or *Ashigga*—the two main parties—because the leader of each of these flies a sectarian religious banner. It is certain, however, that the Independent Front (of which the *Ashigga* is the mainstay) holds more than half of the 65 elected seats and that the National Front (consisting of four parties wanting four different varieties of link with Egypt) has fallen between two stools—having neither totally boycotted the elections, nor yet won them. This last, it is only fair to add, it never looked like doing. The supporters of complete independence (including independence of any link with Egypt) are, along with the *Umma*, the bulk of the tribal *nazirs* (chiefs) in the Arabic-speaking areas, and all the non-Arab peoples of the deep south. The main difference between these last and the *Umma*, is that the so-called "Black Block" (it is not a block, yet) do not want the British to go so quickly as the fierier members of the *Umma* would like them to do.

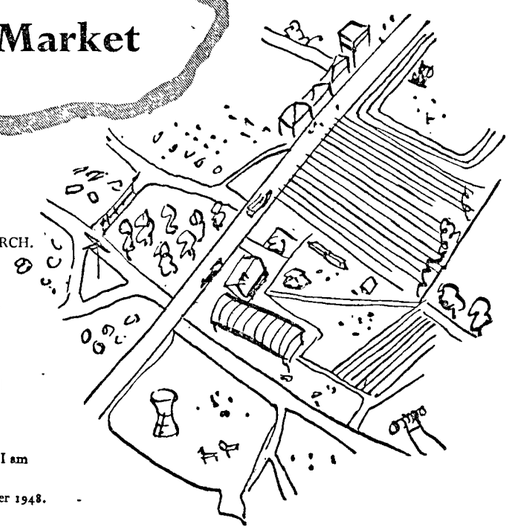
The machinery which the ordinance set in motion is as follows. At the base of the pyramid are electors of three types. In the ten principal town constituencies they elect by direct suffrage. In 42 rural areas of the northern and central Sudan the *nazirs*, the *omdas* and certain elected tribal or municipal nominees form a college, and hold a secondary election for each seat in the legislature. In the three provinces of the deep south, the three existing Province Councils elect to thirteen seats in all. The Legislative Assembly also contains ten members nominated by the Governor-General and, as ex-officio members, certain persons with seats on the Executive Council which tops it.

The Legislative Assembly elects its own Leader. This Leader automatically becomes a Minister, and assists the Governor-General in the choice, first, of the other ministers, who may not be officials, and, secondly, of twelve undersecretaries, all of whom must be Sudanese. The ministers, together with the four principal officials and "not more than three Councillors without portfolio" who are chosen by the Governor-General and who need not necessarily be Sudanese (they might, for instance, be Egyptian) form the Executive Council which initiates legislation. The Assembly has power to discuss and amend, but its amendments, if thought unsuitable by the Council or the Governor-General, can be overridden. For the present the Governor-General's powers include the right of veto of Executive Council decisions, the right to dissolve the Legislative Assembly, full rights in reserved matters such as foreign relations, and the right to resume by proclamation all powers delegated to the Council or Assembly. The one restriction upon these plenary powers is that the Governor-General, if acting in any way that is contrary to the Assembly's vote, must before taking action secure the consent of both the co-domini to whom he is responsible—that is, of the British and the Egyptian Governments.

Clearly, to the smart young man in western dress who has been to Cairo, this arrangement is illiberal. Equally, where the vast majority of the population—sensible but illiterate peasants and shepherds—is concerned it is in advance of capacities, and even of desires. How will it work out in practice? Was a nation-wide system over-ambitious? Will it demonstrate, as many townsmen fear, that too much weight has been given to the rural areas? Will the *nazirs* now elected to seats feel able to give the necessary time away from their tribes and local affairs? Will it prove topheavy? These are all risks, but meantime all that is certain is that given the immense diversity of the Sudan from the standpoint of education as well as race and language it is virtually impossible to devise a scheme which takes more fully into account the interests of elements as inharmonious as are the Khatmieh (voting *Ashigga*) and Ansar (voting *Umma*) sects of Islam, and as different as are the Arabs from the Dinkas and Shillooks.

This is a point that is—sometimes wilfully but more often in ignorance—overlooked by all Egyptians. They shout for the unity of the Nile Valley without a thought about its diversity. They never weigh the advantage to a troubled Egypt of a sedate Sudan.

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THE BUSINESS WORLD

Report on Disinflation

CONTROVERSY still continues about the results and future of the policy of disinflation. It has indeed been sharpened lately by the knowledge that within a few weeks the Chancellor must begin his preliminary survey of the problem of the next budget. Is disinflation still exerting a positive force, or has it so far given way before opposing pressures that Britain faces renewed inflation unless the Chancellor can devise stronger correctives? It cannot be said that recent discussion had made it much easier to answer these questions than it was three months ago, when the threats to the disinflationary policy were last surveyed in any detail in these columns. Indeed, some of the official pronouncements have been tantalisingly at variance.

When Sir Stafford Cripps affirmed at the Mansion House that the "main structure of the budget is unaffected" by the increases in expenditure, it was widely assumed that he was referring strictly to the state of the Government accounts and was not implying that the whole disinflationary formula was equally unimpaired. But a fortnight later he went so far as to say that the shortfall in the surplus would not be so large as "to counteract the main policies of the budget." In other words, he believed that the degree of disinflation still being exerted, though less than had been expected, would be reasonably adequate. This seemed a much more questionable proposition, for, however true it might be that the Government's own finances had not been seriously undermined, there was and is no doubt that pressure of demand for capital, by the public sector as well as the private sector of the economy, has been significantly greater than the budget estimates envisaged. The Chancellor has recently admitted this; at a press conference last month he estimated capital investment at home in 1948 at £2,000 million for fixed assets alone, whereas the estimate on which the disinflationary formula was founded was £1,800 million for total investment at home, including not only fixed assets but also additions to stocks and work in progress.

The Chancellor's apparent belief in the adequacy of disinflation, despite the heightened pressure of demand for capital, could conceivably be explained in one of two ways. The authorities might be reckoning that sufficient savings are being generated, in a non-inflationary way, to finance the uncovenanted demands, and thus to leave the nation's capital account in as fair an equilibrium as was contemplated in April last. Alternatively, it might be assumed that, even though no such statistical equilibrium can be demonstrated, the general state of the economy, viewed empirically, is in fact being "disinflated" so far as is reasonable and practicable, and in any case sufficiently to ensure no serious revival of inflation—unless entirely new demands arise, such as defence.

★

Since these appear to be the only conceivable hypotheses, it will be well to examine each in turn. The statistical approach is, of course, the one upon which Sir Stafford relied in his budget speech and developed later in the debate, when he showed how his surplus ought to suffice to maintain equilibrium in the nation's capital account as a whole. The figures given then related to the calendar year—as in the National Income White Paper and the "Economic Survey"—and it is impracticable to adjust them to fiscal years. In 1948, Sir Stafford assumed, gross investment at home would absorb £1,800 million, of which £250 million would be financed by the net inflow of goods and services from abroad. This £1,550 million of home-financed investment was to be covered by a current-account surplus of £400 million in the public sector (including local authorities and extra-budgetary funds), by £700 to £800 million of provisions for depreciation and by a residual £350 to £450 million of private saving.

One way of testing the effectiveness of disinflation is to consider how far each of these constituents is departing from estimate. It should be noted that, even if precise estimation were possible, this could not be a wholly satisfactory test, for reasons indicated later. But such an approach is at least an aid to clear analysis. Investment, it is clear, has far surpassed the £1,800 million estimate, but it seems doubtful whether the excess is so large as Sir Stafford's recent figure of £2,000 million for fixed investment alone would imply. During the past year, as the "Statistical Digest" shows, there has been a significant rise in the physical volume of stocks of many industrial raw materials, and an even bigger rise in the values of these stocks, for the wholesale price index has risen by some 13 per cent. Retail stocks have risen in twelve months by about 5 per cent by value, and, on the evidence of published balance sheets, there has been an important increase in the value of stocks and work in progress in industry. Allowing for the fact that stocks of certain raw materials have declined, it seems evident that total investment at home must well surpass £2,000 million. Its excess over the 1947 level is unlikely to be less than £200 million, which would give a total of fully £2,100 million. On the other hand, external disinvestment is running much closer to the estimate of £250 million than had been expected. The external deficit for the first half of this year was at an annual rate of £280 million. This is an incomplete measure, however, of the extent of the deflationary relief which the deficit affords. Of the half-year's invisible "exports," no less than £64 million represented notional credits and inter-Governmental settlements arising from the war. These "exports" made no demands on home resources; nor, for that matter, did part of the expansion in genuine invisible exports. Strictly for the purpose of estimating the current deflationary relief, therefore, the prospective final deficit for the year of, say, £250 million ought to be written up to, perhaps, £375 to £400 million. On this basis, the net volume of investment requiring domestic finance would be, say, £1,700 million, compared with the Chancellor's original estimate of £1,550 million.

On the savings side of the account, a shortfall is certain in the current surplus of the public sector. Revenue is expected to reach estimate, but expenditure will exceed it—perhaps largely. The annual rate of cost-of-living subsidies has been running for some time at over £70 million beyond the estimate for the fiscal year, and there have been important uncovenanted expenditures on defence, the Berlin air lift and other special measures for Germany, and the National Health Service. Nothing has been disclosed about the extent of these outlays—except that deferment of releases from the services will cost about £8,000,000 this year. Perhaps in the calendar year the extra burden will not be large; but it will be surprising if the expected surplus is not whittled down by £100-£150 million.

Depreciation provisions will certainly reach the higher of the two figures contemplated last April—i.e., £800 million—and perhaps should be put at £850 million, or £75 million

more than in 1947, for there has lately been a much clearer recognition of the heavy excess of replacement costs over the charges allowable for tax purposes. On this footing, the sum required from private savings to balance the whole account would be £550 to £600 million, which is actually £100-£150 million below the estimated amount for 1947. Including changes in tax reserves, corporate savings were then put at £210 million and personal savings at £495 million. But these large personal savings in 1947 were admittedly a reflection of the prevalent inflation. Indeed, the particular weakness of this method of testing inflationary pressure is that the whole capital account in retrospect is always balanced—the principal question, when surveying the past, is whether the volume of savings actually generated could have been achieved without the aid of inflation. How far, if at all, has the £550 to £600 million apparently needed this year been thus generated?

Perhaps the best guess for "non-inflationary" corporate savings would be £400 million, after specifically providing the extra £75 million for depreciation. That would leave £150 to £200 million to be provided by personal savings—evidently a much larger sum than was assumed in the Chancellor's estimates. The performance of national savings must have disappointed even the conservative official estimates, for in the financial year to date encashments have exceeded new savings by £5,000,000—before allowing for £50 million of repayments of Defence Bonds at maturity. The trend of these figures is not, however, a reliable guide to the flow of personal savings as a whole. Until recently, for example, the volume of new life assurance business was still rising; and this year there has probably also been a tendency for a larger proportion of savings to be accumulated in cash. It is hard, however, to believe that the total of spontaneous personal savings can be approaching £200 million. In short, this statistical analysis suggests that there was, prospectively, a gap in the nation's capital budget, and that the closing of it is requiring the lubricant of some continuing inflation. It seems, however, that the gap so far has not been large; but it should be noted that almost every one of these estimates is subject to a very wide margin of error.

This conclusion is not, perhaps, inconsistent with the impression given by the alternative and more empirical approach to the problem. On a general view of the business situation, the Chancellor is well entitled to his claim to have introduced a measure of disinflation—in the sense that, whether or not the statistical analysis shows as neat a balance as might be wished, there has undoubtedly been a lowering of the general temperature of inflation. People are still complaining, though less insistently than a few months ago, that there is "less money about"; seasonal sales and "remainder" sales are no longer a postwar novelty; and in many directions the public is showing a much more careful and selective policy in its purchases. Unfortunately, the latest analysis of consumption expenditure relates to the second quarter of the year, which is perhaps the period in which the disinflationary process was most pronounced. But it is noteworthy that, in every one of the groups except food, the rise in expenditure between the first and second quarters was smaller, sometimes much smaller, than in 1947. The rise in prices, too, has slackened. The retail price index, though nearly 7 per cent up on the year, has been almost stable for the past six months; while the wholesale index, which rose by 18 per cent in the twelve months to last March, has since risen by less than 2 per cent.

*

Altogether, it seems reasonable to conclude that, although inflationary pressures are still present, they are exerting only mild effects by comparison with 1946 and 1947. While this improvement has been due partly, but not wholly, to the deliberate effort at disinflation, it poses for the Chancellor a difficult problem. The intention last spring was to use the budgetary weapon and other measures, such as selective pruning of investment to enforce a marked concentration of resources upon the most vital industries. A glance at the manpower figures shows that, judged by this test, disinflation has had very little success. Its main achievement has been to reduce spending pressure at the margins of the economy without compelling either any increase in unemployment or any major transference of workers. The problem which confronts the Chancellor now is to decide whether the whole policy could be reinforced sufficiently to ensure a much closer approach to the original objectives, or whether, alternatively, it would be more realistic to be content with the present limited achievement. Recent evidence suggests that the authorities are leaning increasingly towards the second of these views.

Rhodesian Copper Conspectus

BY ordinary standards, the Rhodesian copper mining industry is reckoned a young industry. So indeed it is. But it has now reached the stage at which it can reach out towards a vigorous maturity. Roan Antelope has attained its majority and has this year produced its millionth ton of blister copper since operations were started in 1931. Rhokana, its senior by five years, has in the year to June last surpassed all previous records of operating profit, and has disappointed an over-optimistic market with a total dividend of 100 per cent payable out of earnings of practically 150 per cent. But it is doubtful if the staffs of the copper companies, taken together, will think of 1947-48 as a year calling for special celebration, for it was a year, too, of exceptional difficulty. For this reason, the latest accounts of the companies deserve closer attention than those of perhaps any other year since large-scale operations began. They are as full of meat as ever, and their conclusions are of particular importance.

If prices and gross sales were all that mattered, 1947-48 would have to be recorded as a very favourable year indeed. Rhokana's gross sales increased by little short of £2,000,000 to £8,500,000; and the increase in Roan Antelope's sales proceeds to almost £6,000,000 was scarcely less. But the Roan Antelope figures (given in greater detail than Rhokana's) show to what an overwhelming extent this increase was due to prices. Physical sales of copper did indeed increase, but only by 3½ per cent, while the average revenue per long ton of copper sold jumped from £80 10s. 8d. for the year to June, 1947, to £115 10s. 7d. in the latest year—an increase of no less than 43 per cent. The boom in non-ferrous metals has carried Roan Antelope's average revenue per ton of copper sold to two and a half times the prewar figure, and double what was received per ton in 1944-45. Yet inflation is never single gain. Its effects on the Rhodesian copper companies' costs have been significant. They are still efficient producers of copper, but they are no longer cheap producers in the old sense. Last year Roan Antelope's costs per ton of blister copper, f.o.b. Beira, rose from £49 19s. 5d. to £63 14s. 5d. It may be argued that although costs were rising, they did not jump ahead so far or so quickly as prices, and that an increase of £21 5s. in the profit margin, from £30 11s. 3d. to £51 16s. 2d., leaves no room for complaint, either by the company or its shareholders.

But the trend of costs must not be disregarded merely because the profit margin continues to expand. The chairman's statement reveals that costs per unit of output continue to rise. With copper at present prices, the royalty payment per ton is rising fast. For 1946-47 the average cost of royalties per ton of blister copper produced was £3 16s. 9d.; last year it was £9 3s. per ton. This is welcome news for shareholders of British South Africa Company, but the increase in royalties represents well over one-third of last year's increase in costs and the rise in copper prices to the present level means a more than proportionate increase in royalties. The only bigger increase was in mining costs—up from £26 0s. 7d. to £32 14s. 8d. Part of this increase was due to the mining of a lower grade of ore, owing to difficulties underground. The report merely states that "it is hoped . . . to reduce the dilution" (of the grade of ore).

These instances of rising costs from the Roan Antelope report are partly peculiar to the company and partly of general application to the whole of the Rhodesian copper industry. The incidence of rising costs would, indeed, have been less obvious if the companies could have expanded their production to a more satisfactory extent last year. There were, it is true, increases of a moderate order. Rhokana increased its total production from 66,231 long tons to 69,358 long tons, of which the bulk was electrolytic copper, in high demand in the world market. Roan Antelope's output increased by roughly the same modest proportion, from 49,641 long tons of blister copper to 51,757 tons. But last year was dogged, like the previous year, by a continued shortage of coal. The Rhodesian copper companies did what they could, by combined effort, to conserve coal and to use more wood—unsatisfactory and costly, but to be preferred to the closing of mining plants. Both Rhokana and Roan Antelope each saved about 40,000 tons of coal by using wood and making other economies. Some coal was imported via Lobito Bay, to make good part of the shortage of coal deliveries from the Wankie colliery, and there have been constant discussions with the railway and other authorities to obtain an improvement in supplies. In the circumstances, the copper companies did well to increase their output last year, and although the current financial year opened badly, there has since been some improvement in coal supplies. The big expansion of copper output, of which the plants are fully capable given sufficient fuel, will take time and patience.

The past year was at least free from the labour troubles which beset the previous year. But labour costs have risen sharply in consequence of the wages agreements. A reclassification of African wages by Roan Antelope has increased the cost by 24 per cent., and native labour has not been plentiful. The new pension and cash bonus scheme for European employees has meant an addition of 29 per cent to basic wages. There are signs in the report that the rising course of wages may continue, and certainly the financial outcome of the past year will not deter either European or native labour from raising its demands. In sum, there is evidence in plenty that costs per unit are likely to rise further during the current year.

If Roan Antelope and Rhokana are the lusty young men of the Rhodesian copper field, Nchanga is still the backward juvenile. That is not the fault of the company itself, so much as its unlucky date of birth. The war postponed its development, and the difficulties of the postwar period have retarded its expansion. The report puts the best face on the difficulties of obtaining plant and machinery when it records that the expansion programme is progressing satisfactorily. In the year to March 31st, 23,468 long tons of blister copper were produced. Admittedly, this represented an increase of 7 per cent compared with the output of the preceding year, but it was well below the capacity of the plant, which is put at 27,000 tons. Nchanga experienced a double difficulty from shortage of rolling stock on the Rhodesia Railways, for this affected the supply of coal for mining operations and also restricted the tonnage of copper concentrates that could be sent to the Nkana smelter (which is part of the Rhokana plant).

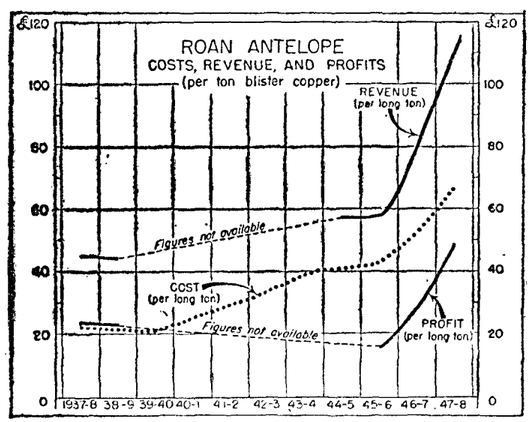
So much for the difficulties of last year's operations on the Rhodesian copper field. The financial results of the year and its predecessors are set out in summary in the table and chart accompanying this article. (The full accounts of Mufulira were not available, but preliminary figures have been given where possible). A note of explanation is called for in the case of Roan Antelope—and conceivably the same point may apply to Mufulira when that company's accounts appear. The latter company appealed last year to the City Commissioners regarding the method of valuing copper stocks, and received an adverse decision. In the light of that decision Roan Antelope has this year valued its opening and closing stocks of copper at cost, and not as hitherto partly at £25 per ton and partly at selling value. As a result, the profit for the past year has been enhanced by £206,452, and profits for previous years by £377,213. These sums have been transferred to general reserve and it is perhaps a fair inference from the chairman's remarks that any similar surpluses due to the effects of rising costs on stock values may be taken to reserve in future. The result will be that profits are brought out into the open, and related more directly to the company's tax liability, but that exceptional profits would be snatched back and not distributed.

One feature common to all these "Cohenised" accounts is the determination of the companies to do nothing which would weaken their resources for the replacement and extension of fixed assets. The chairman of Roan Antelope emphasises in his statement the wisdom of the company in providing for future replacements by reference to estimated future costs, instead of basing the charge on past costs for Inland Revenue allowances.

RHODESIAN COPPER RESULTS

Company and Ord. Capital	Production Blister Copper	Operating Profit	Total Profit	Taxation	Ordinary Shares: Earned	Ordinary Shares: Paid	Ordinary Shares: Current Price	Yield Per Cent
	'000 Long Tons	£'000	£'000	£'000	%	%		£ s. d.
Rhokana Corporation :—								
£2,500,002 in £1 stock units								
June 30, 1946	69	2,118	2,237	1,009	80·5	60	} 14	7 3 0
" 1947	66	2,887	3,137	1,379	119·9	85		
" 1948	69	4,390	4,742	2,573	148·8	100		
Roan Antelope :—								
£4,593,160 in 5s. stock units								
June 30, 1946	53	853	883	190	8·9	10	} 15/-	7 10 0
" 1947	60	1,466	1,505	627	13·4	15		
" 1948	52	2,834	2,851	1,312	30·9	22½		
Nchanga :—								
£7,000,000 in £1 stock units								
June 30, 1946 (a)	17	132	133	39	Nil	Nil	} 70/6	Nil
" 1947 (a)	22	269	278	154	1·5	Nil		
" 1948 (a)	23½	814	834	465	3·5	Nil		
Mufulira :—								
£4,888,874 in £1 shares								
June 30, 1946	50	635	664	Cr107	17·0	17·0	} (b)	(b)
" 1947	47	1,771	1,779	822	19·9	25		
" 1948	53c	3,227c	(d)	1,612c	42c	37½		

(a) Years to March 31st. (b) Ordinary capital owned by Rhodesian Selection Trust (64 per cent), Rhokana Corporation (26·6 per cent), 150,000 shares by Rhodesian Anglo American. (c) Preliminary figures. (d) Not available.



The same point, though not explicitly made in the Rhokana report, is implicit in the decision to step up the general reserve by £668,488, making the total £3,875,000, which is quite apart from share premium and capital reserves together totalling nearly £9¼ million. If there is a residue of disappointment about the Rhokana dividend, further reflection should surely commend the wisdom of the directors' course. It is pleasant to be free of the inhibitions of dividend limitation, but that does not release the directors from the duty of securing the fixed assets and future development of their undertakings out of the high revenues which they are now earning.

What does the current year hold in store? Some further rise in costs is to be expected, though on present signs it should be comfortably outweighed by the further rise in copper prices. A closer indication of the trend of operating profits will be provided early in the New Year, when Roan Antelope resumes the issue of quarterly statements—a practice which might commend itself to the other companies too. It is difficult indeed to discern any influences which threaten the present level of demand and prices. The key to the copper market is the United States, where consumption is roughly double the prewar record of 1937. Government purchases for the stockpile have to be added to this buoyant commercial demand; these operations are secret, but it is generally supposed that the programme calls for the procurement of 10,000 tons a month. British consumption, too, is well above the prewar level, and the United States and Britain together absorb more than 80 per cent of the world's copper output. At some time in the future, Germany's consumption is bound to recover. All the factors on the demand side—the high consumption in America, strategic purchases, the particular shortage of electrolytically refined copper, and the provision of Marshall dollars by means of which European countries can pay for their supplies—all these factors suggest that, whatever may happen to commodity prices generally, copper is likely to be resistant to any fall and conceivably might enjoy a further rise. So far as prices are concerned, the Rhodesian copper companies should have little reason for anxiety this year. They are likely to be less happy about their costs, for although prices have outstripped costs, the long-term effects of the rapid rise in costs since the war may tell adversely when the acute shortage of copper is remedied. Admittedly, there is no promise of any rapid increase in supplies. Rhodesia's particular problems of fuel and transport can be solved only gradually; the United States, still the world's largest producer, cannot cover more than a part of its own needs; Chilean production is beset with recurrent political troubles; and Canadian output is determined largely by the economics of nickel, with which it is jointly produced. And while copper as a whole is short, electrolytic copper is particularly short. Only one-quarter of Rhodesia's output last year was electrolytic, and although an extension of refining capacity is being undertaken, it will be quite insufficient, in itself, to meet Britain's demand for copper of that quality.

In the past the world copper market has shown itself capable of rapid and bewildering change. But it is difficult to detect many unfavourable signs at present. Until the American recession—so freely forecast and so often postponed—really arrives, a dramatic change in prices seems unlikely. On these grounds, the argument for holding Rhodesian copper shares at yields of between 7 and 7½ per cent as medium-term speculative investments seem quite reasonable. The wise investor will nevertheless take note of the trend of costs, with all its longer-term implications, if and when copper prices eventually fall from today's high level.

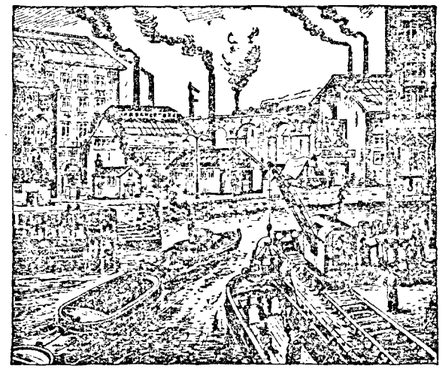
European Recovery—VI

Revival of European Transport

THE European transport system has to prepare for increasingly heavy loads as the expansion of industry and trade envisaged in the recovery plans is realised, but is still engaged in repairing the damage done by the war. The extent of that damage is still difficult to assess accurately. A map of the railway system of almost any of the former occupied countries at the time of its liberation—or, indeed, of the enemy countries when fighting ended—gave an impression of utter disintegration, with hardly a major stretch of line in working order. The performance of the railways since, and the fact that they are even now carrying heavier loads than in 1938, must suggest that the first appalling picture was exaggerated. But a recent and dispassionate estimate by the United Nations (*Transport and Communications Review*, July-September, 1948) stated that, at the end of the war, more than 15 per cent of the European rolling-stock was completely destroyed, that 40 per cent of the remainder was damaged, and that in addition 600,000 wagons were displaced. The majority of motor vehicles, it added, were destroyed or disabled. Many railway lines, railway and road bridges, and fixed railway installations such as repair shops and locomotive sheds were destroyed or put out of action. The proportion of railway and road bridges destroyed or incapacitated ranged between 55 and 100 per cent in various countries which had been fought over. At the same time rolling-stock and installations had been overworked, repair had been kept to a minimum, and the building of new rolling-stock and new installations had been almost at a standstill for five years or more. The canals had deteriorated even more, and were restored to full use more slowly than the railways.

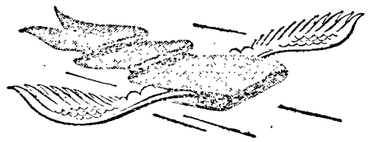
Rehabilitation in transport has been swift, and has for the most part kept pace with the general restoration of economic life in Europe. Ports have been so well restored that their capacity is now well above the overseas and inland traffic to be handled. Railway tracks, main roads, and inland waterways have been largely reconstituted, and a great deal of progress has been made with the intricate task of restoring rolling stock, vehicles and craft to their proper localities and appropriate functions. Among the tasks requiring action today, the overtakings of arrears of repairs still plays an important part and permanent structures have still to replace the emergency structures left behind by the Allied armies. But restoration is reaching the stage where the building of new equipment can begin to have precedence, and where work can be resumed or commenced on schemes of new development held up by the war.

The task is, broadly, to transfer the effort from the disentangling of troubles inherited from the war to the making of a fresh start. The techniques which have served the first purpose may not be those best calculated to serve the second. In large measure the swift recovery since the war was brought about by methods of a decidedly short-term character. It was found that the most rapid expansion could be achieved by repair and by the "cannibalisation" of damaged vehicles, and figures given in the first Paris report showed last year how far the normal programmes of new construction were being cut down to divert energies and workshop space to this purpose. A point must clearly be reached at which "cannibalisation" ceases to give quick returns; for the most part it has now been reached. Large programmes of repair are still necessary. But there is a further need, for improvement and innovation, which pro-



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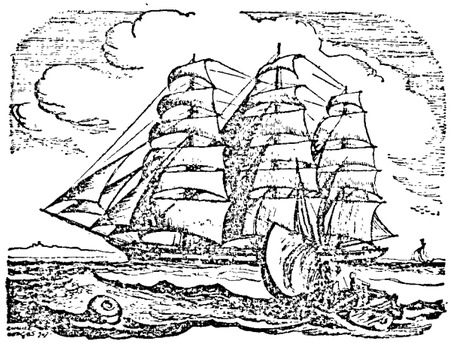
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grammes of repair do not serve. More standardisation of design is desirable not only between adjoining national systems which have to handle the rolling-stock of their neighbours, but even within each national railway system.

It is on the railways, in spite of their good performance since the war, that the burden of the effort is being concentrated and the most pressing material difficulties have to be met. The entire European standard gauge system had just under two million wagons before the war. It was over-stocked, and each individual system had a surplus to provide for its own seasonal peak requirements. Western Europe today has just over one million wagons, which might be sufficient to meet the traffic demands upon them were it not that 200,000 are unserviceable and the remainder, which include a great deal of old stock, are in a poor state of maintenance. These figures exclude the British railways, but include the 300,000 wagons on the railways of western Germany—of which, however, 86,000 are still unserviceable. Poor maintenance was for a time aggravated by the dispersal of the rolling-stock away from its prewar localities; the Germans began this practice, taking goods wagons and other stock from occupied countries to German centres or, not infrequently, to centres in other occupied countries. Each country thus accumulated claims on German rolling-stock which, at the end of the war, it was

RAILWAY FREIGHT TRAFFIC SINCE THE WAR
Index Based on Ton-Kilometres (1938=100)

	Quarterly Average, 1938	1945	1946	1947	1948 First Quarter
	Million Ton-km				
Austria	972	...	94	113	139‡
Belgium†	1,287	49	91	114	121‡
Bulgaria	...	119	123	143	137‡
Czechoslovakia	1,984	...	87	107	113‡
Denmark†§	69·6	202	178	175*	158
Finland	...	87	105	111†	105
France	7,356	67	122	140	162
Germany	...	...	...	...	...
Hungary	651	25	52	93	103
Ireland	93·7	167	158	...	...
Italy	...	...	64	78	69‡
Netherlands	530	100	95	114	...
Norway	193	72	...	130*†	...
Poland	5,592	...	111	113	...
Portugal§	...	134	146	132	...
Sweden	135·3	170	195	196	201‡
Switzerland†	...	93	122	131	134
United Kingdom	6,540	135	127	124	131‡

* Average of 1st and 4th quarter only. † State railways only.
§ Index based on freight tons carried. ‡ Two months average.
Sources: *UN Transport and Communications Review*; *Economic Commission for Europe*.

tempted to satisfy from whatever German stock came to hand. The vehicles of one former occupied country thus came to be operated in another as seized German vehicles, along with vehicles which were in reality German. Although the difficulties of repair and operation arising from this state of affairs were generally recognised, to trace the strayed wagons and return them to their original centre is proving a long process. It has been assisted by the existence of good records of the European rolling-stock as it existed in 1938. The Identification Commission which is still working in Paris has by now discharged a substantial part of its task, and the procedure for identifying and reporting wagons is working more smoothly than might be expected. It remains true, however, that the European national railways suffer from mixed rolling-stock which is difficult to operate and maintain.

The mere urgency of restoring the railways to a working condition in the shortest possible time meant that opportunities for the planned restoration of rolling-stock, on more standardised lines than before, were missed, or at any rate had to be postponed. These problems are now being tackled, and arrangements have been begun through the Economic Commission for Europe to standardise at least those parts which require most frequent change, often away from the home railway system. They may lead to a standardised freight car design on which new construction for the greater part of Europe can be based. Requirements of new rolling stock can thus be reduced by making it possible to keep a larger proportion in service; and the resources saved can be used to improve the railway workshops themselves.

Action of this kind has, in the political conditions of postwar Europe, required an expenditure of negotiating effort which often seems disproportionate. The revival of transport followed first a military and later a political pattern. It was in the first place the Anglo-American armies in the west and the Soviet armies in the east which bore the immediate brunt of re-establishing the interrupted main arteries of communication. On either side of the line measures were taken to repatriate dispersed equipment and to facilitate the movement of traffic; but across the line, relatively little passed. The first Unrra supplies to Czechoslovakia, for instance, arrived through the Black Sea ports. For some of the eastern European countries the re-establishment of westward communications was a clear interest, which they did what they could to realise. To Czechoslovakia it was essential that the normal traffic on the Elbe should be resumed, together with road communication with Holland and rail communication with the North Sea ports. Poland and Jugoslavia have shown varying degrees of interest in co-operation on European transport matters. But their interest has never been able to go very far for very long; fresh political difficulties have always supervened. The latest and most severe difficulty has been the crisis over Berlin. In spite of the recurring obstacles to German interzonal traffic, transit traffic had run fairly freely across the bizone between eastern Germany and the western countries. This has now been stopped. But the bizone, though it no longer accepts transit traffic for the Soviet zone of Germany, permits through traffic for eastern Europe. To the south the Orient Express still runs, though not without difficulties and interruptions, between Paris and Istanbul. To speak of the European standard-gauge railway area as having been split completely in two would perhaps be over-stating the matter. But there is no longer, as there was in important senses before the war, a single international traffic system from the ports of western Europe to the Russian frontier. The system is divided irregularly, and the divisions, though they shift, have lately been hardened by the effects of the Berlin crisis.

*

Free international movement has been more difficult to restore on the roads than on the railways. Here again, Germany, with its central position astride so many of the main European routes, presented the most obvious difficulties. To the obstacles to be overcome before drivers and vehicles could cross the German frontiers were added the necessity of providing ways to feed the drivers and maintain and fuel the vehicles on their journey. Thus to restore the important freight traffic by road across Germany between Denmark and Sweden and France, and between Czechoslovakia and Holland, required elaborate arrangements. These had to begin with a system of international petrol coupons which the European Central Inland Transport Organisation established at the end of 1945. They went on to deal with the elaborate frontier formalities and licensing regulations, and with the road taxes, in some cases reasonable and in some exorbitant, which each country desired to levy on foreign vehicles using its roads. The transport committee of the Economic Commission for Europe took over the task from ECITO and succeeded last winter in negotiating the international agreement on freight traffic by road through which the obstacles have been, for the time being, largely overcome.

Among those which remain, taxation is probably the largest.

It is surprising to find the Geneva working party on road transport problems still grappling, in the winter of 1948, with the difficulties experienced by drivers required at frontiers to pay duty on the petrol in their tanks. More serious are the road taxes themselves. The desire of governments to recover from foreign vehicles on their roads a share of the cost of upkeep of the road systems is intelligible, and if it is not met is liable to lead, as it has in the past, to the artificial concentration of transit traffic on the railways and waterways, where freight charges automatically include provision for the permanent ways. Differences of interest have still to be overcome between terminal countries and transit countries: the regular goods service between Czechoslovakia and Holland, which uses the German roads, is an obvious example. Questions of liability for loss or damage in transit, which were settled for rail traffic by the Berne international conventions, are still unsettled for the roads, and international negotiation has yet to establish for the roads arrangements as durable as those long existing for the railways.

On the waterways the progress in physical restoration has been good, but the volume of traffic has not recovered proportionately. On the main navigable rivers—the Rhine, Danube and Elbe in particular—the volume of traffic has been reduced far more than the physical possibilities of navigation. To some extent this can be attributed to changes in the movement of goods which are a part of the general distortion of economic life in times of material shortage and of currency difficulties. It has been influenced too by the persistence of restrictions on water transport—political in origin in eastern Europe, financial in origin in the west—which the railways were able more speedily to overcome. An international approach to almost any waterway problem is hampered by the necessity of dealing with a vast number of authorities and commercial operators without established means of co-ordination, as well as by the absence of an internationally accepted rate structure.

To establish free navigation on the Danube appears at the moment to be a hopeless task. Even to free the Rhine navigation, where there were no vital political differences to be overcome, has taken an inordinate length of time, largely because it became entangled in the controversy between the Low Countries and the Anglo-American authorities in Germany over the use of the North German ports as alternatives to Antwerp and Rotterdam. An agreement signed in October attempted to settle the controversy over the ports and to free the use of inland waterways in the Lower Rhine area at the same time. The Bizonal authorities agreed that foreign exchange and other "discriminatory" factors were not to impede the shipper's free choice of his port; Holland and Belgium, which had persisted in opposing the movement of German barges and crews on the Dutch and Belgian waterways, agreed to lift their restrictions and agreed between themselves on their proportionate shares of transit traffic to the Bizonal inland ports. It may still be doubtful whether the eventual question at issue—the relative parts to be played by Hamburg and Bremen and by the ports of the Low Countries in the intrepôt trade of Europe—has been disposed of in any final sense; but at least the obstacle to full use of the Rhine-Scheldt waterway system has been removed.

Patient work on a number of fronts, with the Economic Commission for Europe playing an unobtrusive but constructive part, has brought about piecemeal improvements of the kind outlined; their importance should not be underestimated. The lack of a general authority with even limited executive powers, which could approach the problem of integrating European transport as a complete system, is still evident, and every international transport question requires separate negotiation. But this is not merely a problem of national sovereignty, for in few, if any, of the European states themselves is it possible as yet to consider the entire national transport system as an integrated unit. The effort required to establish such a state of affairs, even within one set of national boundaries, is illustrated by the scope of the British nationalisation measure, which has for the first time brought the British rail, water, and certain road services under a single authority. The relation between these services, and their eventual integration, is a problem which almost every European country has still to face for itself.

Business Notes

Stock Exchange Bread and Butter

Last week's dramatic postponement of the proposed rules on the sharing of Stock Exchange Commissions for three months (not of course "three weeks" which crept into a note in last week's issue) has produced an immediate break in tension. But if active discussion has subsided, deep reflection still continues, in the search for a constructive approach to the problem of enabling the Stock Exchange to function efficiently and earn an adequate living. The need for a fresh start is obvious, for in some respects the case of the Stock Exchange Council has not been handled as tactfully and co-operatively as might have been wished. But no one is entitled to complain that the Council has not put forward consistently and vigorously its own view of what was best calculated to serve the interests of members. An interval for reconciling the honest differences of opinion on this issue, both inside and outside the "House," is indeed welcome.

Whatever may be secured by way of compromise with the banks, the basic difficulty which confronts the Stock Exchange will still remain. It is to secure for its members a reasonable return for their services, a return which under present conditions cannot be secured except by the fortunate few. The persistent rise in costs and fall in turnover lie at the root of the difficulties which now confront the majority of firms. Speculative business, already reduced by the absence of carry-over facilities, has been severely affected by the doubling of stamp duty. The ever-extending scope of nationalisation has already transferred vast blocks of transport and electricity stocks into the gilt-edged market; and there are others to follow. Private investment is dwindling and institutional investment (which is more closely concentrated on gilt-edged stocks, with lower rates of commission and turnover) is taking its place.

The dilemma is clear. To raise commissions, particularly on stocks outside the gilt-edged category, would be to invite the risk of a further fall in turnover. On the side of costs, the problem is to spread and to reduce the volume of overhead charges. The effect of a dwindling amount of business has this week been demonstrated in the representations made to the Council about high settlement charges, which amounted to 10d. per item in the latest quarter. The Council has undertaken to forgo the rent for office accommodation and to contribute a substantial sum towards the expenses of the Department, which has indeed "served the House well for 68 years"; but this relief involves £16,000 per annum from the general revenue of the Stock Exchange, which in the circumstances is a heavy subsidy to enable the average charge to be reduced to 4d. per item. The Stock Exchange has known lean times before. But it has a long way to go in adjusting its costs and methods to circumstances which seem only too clearly to contain many of the elements of permanent change. It will be a task requiring the highest degree of statesmanship.

* * *

The Coal Industry Bill

The purposes which the Coal Industry Bill is intended to serve have been made harder rather than easier to follow by the fact that its submission to Parliament coincides with renewed criticism of the National Coal Board. The two are not entirely

disconnected, but the "simple little Bill," as the Parliamentary Secretary to the Ministry of Fuel and Power called it, is a miscellany with most of which the clause enlarging the permitted membership of the Board has no close connection. This clause will allow a recommendation of the Burrows Committee to be followed—that up to three new part-time members and a second deputy chairman shall be appointed. It is hardly controversial, and indeed Mr Gaitskell's speech in the second reading debate on Monday showed him to have an open mind on the further Burrows recommendation (which is not adopted) that the divisional chairmen should become members of the National Board. But the criticisms go much too far to be appeased so simply.

Criticism has, indeed, been inflamed by the second clause which permits the Board to engage in overseas operations—to enter, as Mr Brendan Bracken put it, "into competition with the bunkering industry." Mr Robens, in explaining this clause, pointed out that other coal exporting countries which competed with Britain maintained offices abroad. He instanced Poland, which has established a coal sales office in Paris. He also instanced the Rhenish-Westphalian Coal Syndicate which was responsible for selling Ruhr coal in foreign markets. (The Rhenish-Westphalian Syndicate was broken up by British Military Government in October, 1945, as an excessive concentration of economic power.) No one would dispute that—to use another example given by Mr Robens—the Coal Board should be allowed to send an agent to Washington to buy equipment. But the direct entry of the Board into the coal export business is another question and might well have been kept separate. The commercial firms engaged in coal exporting can hardly be blamed for wondering whether, when their sole supplier becomes also their chief competitor, they will not be exposed to some risk of unfair competition.

More generally, Colonel Clarke's argument that before taking on fresh commitments the National Coal Board should "make a job of its present commitments" is not easy to dismiss at the present moment. Other clauses concern contracts and obligations to compensate; under the Coal Industry Nationalisation Act the Board took over long-term contracts and agency agreements which it quickly began to find onerous, and some of which are no doubt an unreasonable burden. Under the present Bill the Board will be able to terminate them, subject to arbitration; and its obligations to compensate persons who have suffered through the nationalisation of the coal industry will be clarified. In this respect the Bill seems to do little more than correct loose phrasing in the original Nationalisation Act.

* * *

Safety and Production in the Mines

Miss Jennie Lee spoke with emotion in support of the second part of the Coal Industry Bill in the apparent belief that it crowns with success the lifelong struggle of the deputy for his integrity—"to be," she said, "a safety man and not a production man." It is not clear that the Bill does anything of the kind, and it seems unlikely that the Ministry of Fuel and Power would intend it. The Bill gives the Minister power to make regulations regarding the appointment and certification of mining officials and under-officials, and Mr Robens explained that the intention is to enable the Coal Mines Act of 1911 to be brought, and kept, up to date. He explained particularly that the qualifications at present required of a deputy are "totally inadequate for the type of man demanded by modern conditions," and that the Royal Commission on Safety in Coalmines pointed this out in 1938. This matter of deputies qualifications was discussed in more detail by Professor A. M. Bryan, HM Inspector of Mines, at the National Coal Board Summer School in August. Professor Bryan then urged not only that "the present farcical examination for the deputy's certificate must be replaced by one requiring a much higher standard of general technical education," but also that the deputy should be advanced in status and should become a "district overman":

> He should act as the deputy for the manager while he is in charge of his particular district and should therefore be responsible for production as well as safety in that district. You cannot divorce safety and production.

When the Bill is passed, the Minister and the Coal Board together will have power to advance the deputy's status along the lines of common-sense progress suggested by Professor Bryan or along the lines suggested by Miss Lee, who offered to supply the House with "a vast array of names and addresses where safety men were beaten down into being production men." The Bill itself does not indicate which is to happen, but there is evidently much prejudice to be overcome before the deputy gets a status and an occupation fitting the new structure of the industry.

Last week's coal output figures brought no reassurance of success for the present campaign for higher output. Deep-mined production was 4,082,400 tons—54,000 tons less than in the previous week—and opencast output, at 178,000 tons, also fell slightly. The cumulative total of deep-mined output for the first 47 weeks of the year is 177,754,500 tons; this leaves 22,245,500 tons to be produced in five weeks to reach the target. A deficiency therefore seems inevitable; it may be of the order of 3,000,000 tons in deep-mined coal. Distributed stocks are, however, adequate (they were 16,440,000 tons on November 20th). Exports and bunkers totalled 14,164,000 tons in the first 46 weeks of the year.

* * *

British Shipping Released from Control

With certain reservations, British shipowners are now free to seek business on their own initiative anywhere in the world, and even freight rates for Government-sponsored cargoes will be agreed after normal commercial negotiation in an international market. The dry cargo requirements of the Ministry of Food and other Government departments in the deep sea and short sea trades will be met through normal commercial channels, and the Shipping Advisory and Allocation Committee, established last year by agreement with the General Council of British Shipping, ceases to function. The schedule of controlled freight rates for Government-sponsored cargoes, which for some time has been subject to piecemeal reduction, is abandoned except in the coasting trade, for which the present arrangements continue until the Minister of Transport, in consultation with the Coastal Shipping Advisory Committee, has formulated a new freight structure related to inland transport, as the Transport Act provides.

These important relaxations of control and licensing were announced by the Ministry of Transport on Tuesday. The Minister retains his broad powers over merchant shipping under the Control of Trade by Sea (No. 2) Order, 1939, but instead of licensing individual voyages, he will grant general trading licences, to run until countermanded. Government departments with bulk cargoes to move will continue to charter tonnage through their chartering committees in the freight market; for rates they will be on the same footing as other prospective charterers, though the scale of their activities will give them influence. Given the general scaling-down of European imports, and the return of European tonnage nearer to prewar levels, Government cargoes are not likely to have to pay rates as high as the schedule, though more of the cargoes may be carried in foreign, but soft-currency ships. Such a transfer would leave British ships in a better position to operate on the cross-trades and compete for hard-currency freights. For shipowners, and particularly tramp owners, the end of detailed control will mean keener international competition; this will not be regretted by the more efficient operators.

* * *

Credit Expansion Halted

The banking figures for November are in welcome contrast to those of the previous month, which showed the disquieting leap of £90 million in deposits. As noted here at the time, there was some reason to believe this movement to be due partly to an abnormal concentration of payments within the particular period covered by the banks make-up days; there was, therefore, a chance that the ensuing month would benefit correspondingly. So it has proved. The increase in total deposits in November was only £17.4 million and this, moreover, was wholly due to the purely technical effect of an increase in items in course of collection. Net deposits have risen by scarcely more than half a million, in contrast with October's rise of £84 million and one of £73½ million in November, 1947.

It is easier to explain this stabilisation of deposits than October's rise. Just as Governmental demands were the principal source of credit expansion in the earlier months of this financial year, so this month they are the source of the maintenance of the volume of credit. If the Government in November had needed no additional finance, the level of net deposits would have fallen, for advances have dropped by £13.1 million and thus have neatly reversed October's movement. Roughly £5,500,000 of the funds thus released have been employed in net purchases of gilt-edged securities. The decline in advances should not be interpreted as an indication of a receding demand for bank credit generally. It is a direct result of the large British Electricity issue, a significant



December

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proportion of which was required to repay commercial bank advances already outstanding. These repayments have already begun, and are likely to have affected the individual banks proportionately. But for this special influence, it is probable that the advances total would have risen further; two of the Big Five banks do, in fact, show a net increase on the month. Viewed in the light of these banking trends, the BEA issue assumes a new significance. When it is recalled that the amount raised was much larger than the market had at first expected and that, in consequence, the terms had to be made attractive, it begins to assume the character of a credit-funding operation almost in the classical tradition.

If this is indeed a fair reading of the situation, it might not be altogether fanciful to regard this operation as a sign of changing emphasis in monetary policy. Certainly, the extent to which Governmental needs have provoked credit expansion this year provides ample reason for more orthodox tactics. And the season is fast approaching at which such tactics could be most salutary. In November (or, rather, the period most nearly comparable to that covered by the bank statements) the Exchequer above-line surplus was £54 million compared with only £9,000,000 in the previous period, while the below-line deficit dropped to £48 million. It is perhaps unlikely that the balance in the current month will be so favourable; but thereafter, despite the probability of supplementary expenditure provisions, the seasonal impact of the budget surplus should fall with full force upon the month-to-month banking figures.

* * *

The Lira in Line

A mark of commendation should go to the Italian authorities for the financial agreement reached with representatives of the British Government in Rome on Friday of last week. As a result of this agreement the Italian Government has introduced measures which ensure that quotations for sterling and US dollars on the Italian market are henceforth related to one another at the official parity of 4.03. Italy thus joins the countries which have undertaken to put disorderly cross rates behind them. Like all international deals, that with Italy had its element of reciprocity. In the first place, Italy had obtained under the Intra-European Payments Agreement the advantage of £6,000,000 of drawing rights on the sterling area and of a release of some £11 million from her sterling balances. The actual course of payments between Italy and the sterling area in recent weeks has, in fact, tended to drift in the opposite direction to that indicated by these contributions from Britain. But the drawing rights and the authorisation to run down Italy's sterling balances remain effective until June 30th of next year, and will probably be used in due course. In the second place, Italy has, as a result of the new agreement, obtained the advantage of membership of the transferable account group of countries. This should confer considerable benefits on Italy, particularly in the greater freedom it will give to that country to use its sterling in effecting payments to other non-sterling countries. Finally, the agreement signed last week provides for an expansion in trade between Italy and the sterling area, and though no details have been given, it may be assumed that Italy has obtained a greater measure of assurance of an outlet for its non-essential goods to sterling markets.

These advantages to Italy are, however, offset by the loss of the extremely profitable trade which had developed in recent months on the basis of the discrepancy between the official sterling-dollar parity and the cross rate of these two currencies on the Italian market. Another disadvantage to Italy is that as a result of the new arrangements higher prices will have to be paid in terms of lire for goods coming from sterling countries. It is not surprising, therefore, that the agreement should in fact have aroused considerable criticism not only from the Communist wing, where criticism is a matter of course, but also fom the business community. The Italian Government have, therefore, braved some unpopularity in order to accede to the British request for the removal of disorderly cross rates.

The technical arrangements by which the official parity will in future be made to apply to the sterling-dollar cross rate in Italy came into operation on November 27th, when the Exchange Institute became the sole dealer in sterling in Italy. Henceforth 50 per cent of the sterling proceeds of Italian exports will be exchanged at the average export dollar rate of the previous month multiplied by 4.03 while 50 per cent will be exchange at the export dollar rate of the day, also multiplied by 4.03. Sales of sterling to Italian importers will be effected at the day's free market dollar rate multiplied by 4.03. The admission of Italy into the transferable account group of countries will become effective next Monday.

Talks with Egypt

The current payments agreement with Egypt comes to an end at the close of the year and preliminary exchanges are now proceeding to fix the time and place of the negotiations which will produce the agreement for 1949. Egypt entered 1948 with sterling balances amounting to about £350 million. This was the figure given by King Farouk when opening the Egyptian Parliament in November, 1947. The agreement covering 1948 provided for the effective release of £28½ million, of which £21 million was to be used to meet the expected deficit with the sterling area, £6,250,000 to meet Egypt's net hard currency requirements, and a further £1,000,000 to be provided in gold to meet the gold quota in Egypt's subscription to the International Monetary Fund. In addition, £11 million was to be released from Egypt's blocked sterling to raise the working balance from £12 million to £23 million.

All told, therefore, the possible releases for 1948 could have amounted to £39½ million. In effect the figures have kept well below this maximum. Egypt, although a member of the transferable group of countries, has found some difficulty in using the sterling it has accumulated from exports, principally of cotton, to sterling countries. It is therefore probable that the amount maintained by Egypt in its working account has remained high and that no appreciable use has been made of the sterling released from the blocked account to strengthen the working balances. The difficulties experienced in using sterling are a measure of the scarcity of capital goods which Egypt primarily requires. It is more than probable that in the coming negotiations the Egyptian representatives will try to obtain firmer guarantees that they will be able to procure the goods they urgently need.

* * *

Canadian Food and Britain

The Anglo-Canadian food negotiations are again experiencing great difficulties. Before the war Canada depended on multilateral trade to balance its foreign trade accounts. Canada sold agricultural produce to Britain and used the sterling to pay for manufactures imported from the United States. When sterling became inconvertible this system broke down. The annual negotiations between Britain and Canada are an attempt to find a very short-term solution of this particular trade problem, but they have their repercussions on Canadian agricultural production. A permanent solution must rest on the ability to make sterling convertible.

Particular bargaining points, which each side wishes to press home to its own advantage, complicate the negotiations. Britain wants to discuss wheat and livestock products together; Canada wants to discuss them separately. Further, there appears to be a divergence of opinion on each side of the Atlantic between the financial and technical advisers. The Canadian case is fairly straightforward. Under the first contracts—they date from the middle of the war—Britain bought wheat cheaply compared with the world price. Therefore the price for 1949-50 should take this "windfall profit" into consideration and make some repayment to the Canadian farmers; it should therefore be fixed relatively higher. After agreement on wheat, the Canadian Government would discuss livestock products. If Britain wants larger supplies of cheese, bacon and eggs, it must be prepared to pay prices which make it profitable for the farmers to expand output, and must also guarantee to buy over a number of years.

The British case is equally straightforward. Britain has a limited number of dollars available to buy Canadian produce, even with ECA funds; if the price of wheat goes up there will be fewer dollars left for livestock products. Hence the two subjects must be negotiated simultaneously. Britain wants the largest quantity of food for a given dollar expenditure. It is not particularly interested in signing a long-term contract for eggs and bacon because, in its view, other sources should soon be available in Europe. In this bargaining the great unknown factor is the American market. If Britain does not buy the Canadian livestock products, will the United States buy them? The United States has been buying Canadian beef cattle, would also buy Canadian hogs, and might even in the coming months take small quantities of eggs and bacon. But there is no permanent market in the United States for Canadian cheese, bacon and eggs. If, then, Canadian agriculture is to be put on to a mixed farming basis, Britain is its only long-term market.

In this case, either some scheme for convertibility of sterling must be devised, or Canada must re-orientate its trade towards Britain rather than towards the United States. If agreement could be reached on the limit of Britain's dollar expenditure in Canada, Britain could no doubt respond with a long-term contract for livestock products.

* * *

European Coke Shortage Relieved

At the November meetings of the Geneva committees concerned with coke supply and allocations, the novel situation arose that offers of metallurgical coke—mainly from the bizone of Germany, though they included also Belgian and Italian coke produced partly from Ruhr coking fines—were well in excess of what the importing countries were prepared to buy. To conclude from this that the European coke shortage is now over would be an over-simplification. Elaborate measures have been taken during the past year to reduce the amount of coke used in steelmaking, and their first effect was to convert the international competition for coke into an international competition for steel scrap and rich iron ores. Now that coke supplies are improving, steelmakers in western Europe may begin to revert to more normal metallurgical practice; in that sense the demand for hard coke is elastic.

First of all, however, the users of metallurgical coke will naturally want some assurance that the increased supply has come to stay. How far can they rely on this? In the recent improvement of bizonal exports, one factor must be discounted because it may only be temporary; the stoppage of shipments to the Soviet zone, in consequence of the Berlin crisis, has released extra coal and coke for export as well as for consumption in western Germany. Still, the improvement in German coke production which took place in the spring and summer seems likely to persist:

BIZONAL AREA: GROSS MONTHLY OUTPUT OF HARD COAL COKE, 1948
(Thousand Tons)

April	May	June	July	Aug.	Sept.	Oct.
1,468	1,517	1,514	1,632	1,668	1,653	1,743

Ruhr hard coal output has been rising, too, and has lately exceeded 325,000 tons on a number of days; if the coking coal mines keep pace with the general increase, coke supplies should improve further.

Users will also want concessions on the prices of metallurgical coke, and here reassurance is more difficult to find. A proportion of the Ruhr fines is exported to Belgium and mixed with local coal at the cokeries, and complaints have been heard at Geneva of high prices charged for the resultant product. In November, when the allocations for the first quarter of 1949 came to be made, France and other importing countries were offered the whole of their stated requirements of metallurgical coke and were evidently unwilling to take so much. This reluctance may have been due, in some measure, to price resistance, though the bizonal representatives had held for some time that importers' requirements were being over-stated. It should be possible in the next few months to establish what the real requirements are, to achieve a less artificial relationship between supply and demand and to see how soon free coke exports can be expected to return. Already the practice of quarterly allocation is being abandoned and a yearly programme substituted, though the coke working party will continue to meet each quarter at Geneva to review progress. Britain neither imports metallurgical coke nor exports it. No difficulty has yet been encountered in selling British exports of domestic coke, though it is known that some buyers would prefer metallurgical coke if they could get it; it is, therefore, hard to believe that there is a real surplus yet. ...

* * *

The Terms of Trade

The fall in import prices recorded in September—the first since the beginning of 1946—has not been maintained. In fact the Board of Trade index rose by more than one per cent in October, bringing it to a new high level. This was, however, to be expected. In September, lower prices of imported cotton and wool brought the index down; in October higher prices paid for food under various long-term contracts pushed the index up again. The main increase was in wheat and flour; new Canadian supplies are now arriving under the contract for 1948-49 which raised the price by almost 33⅓ per cent to $2 a bushel. Under the new contracts for dairy produce and meat from Australia and New Zealand, prices have been increased by 15 per cent, and their full effects are probably not yet reflected in the index. Among raw materials, prices for non-ferrous metals have again advanced. In some, the rising trend of import prices is not yet exhausted, even though prices of other imports such as cotton and cocoa are falling.

DUNLOPILLO
The original LATEX FOAM CUSHIONING
at the MOTOR SHOWS

84% of upholstered 'Buses and Coaches at the Commercial Vehicle Show
50% of Caravan Manufacturers at the Motor Show
24% of British Cars in the Manufacturers' Section at the Motor Show
30% of Cars in the Body Builders' Section at the Motor Show
64% of upholstered Motor Boats at the Motor Show

USED DUNLOPILLO IN THE UPHOLSTERY



Dunlop Rubber Co. Ltd., Dunlopillo Division (Dept. E), Rice Lane, Walton, Liverpool, 9. London: 19/20 New Bond Street, W.1
FOUNDERS OF THE LATEX FOAM INDUSTRY
46D/LT42

Little improvement in the terms of trade can therefore be expected on the side of import prices. In export prices, until October the trend was upwards but during that month there was virtually no change. The slight rise in price of metal goods was offset by an even slighter fall in the price of textiles, while higher prices for food and drink were counterbalanced by lower prices for exported raw materials. These fluctuations from month

BOARD OF TRADE INDEX OF IMPORT AND EXPORT PRICES
1948
(1938=100)

	July	August	September	October
Imports :—				
Food, drink and tobacco	265	265	266	276
Raw materials	353	354	344	343
Manufactures	278	279	274	273
TOTAL	292	292	289	293
UK Exports :—				
Food, drink and tobacco	226	224	225	227
Raw materials	305	307*	309*	300
Manufactures	251	255	258	258
Metal goods	225	227	231	233
Textiles	340	348	348	347
Others	245	249	250	250
TOTAL	251	255	258	258

* Revised.

to month have no particular significance in themselves, but the October figures are a stern corrective to the assumption, based on the three preceding months, that a favourable turn in the terms of trade had occurred. Looking further back, between January and June this year the terms of trade deteriorated by some 6 per cent. Since then there has been no further deterioration, but, equally, no improvement.

* * *

The Course of Commodity Prices

American agricultural prices refuse to conform to expectations. Despite the bumper grain crops in the United States and despite the favourable sowing weather for winter wheat, prices for both wheat and maize started to climb slowly upwards during November. Chicago wheat is $2.40 a bushel, some 10 cents above the price which farmers can get under loan, and maize at $1.45 a bushel is also a little above the official loan price. This gentle but steady rise is not confined to grain prices. On November 1st cotton was 31.59 cents a lb. spot, New York; on November 29th the price was 32.44 cents. Non-ferrous metal prices are something of a law unto themselves; only zinc was raised officially in November, but unofficial prices for both lead and copper crept up slowly during the month. Cocoa provides the single exception.

The prophets of falling prices seem once again to have mistimed their forecasts. The rise in prices started at the beginning of November, before the result of the presidential election, though that may have played some part since. The firmness of metals is conditioned by tight supplies, the maintenance of a high level of activity in the United States and the US Government's strategic purchases. It is hardly a matter for surprise. For grain and cotton the causes appear to be more obscure. Some 160 million bushels of wheat have already been put into loan with the Commodity Credit Corporation, and if this quantity continues to be kept off the market the remaining supply would be little above the 800 million bushels required for American consumption and 450 million bushels for export. If, however, the 160 million bushels are not redeemed, this quantity would eventually come on the market. At the moment, it would seem, farmers could make an additional profit by taking their wheat out of loan and selling it on the market. But farm incomes are already at a high level, and a 10 cent margin is probably insufficient to reimburse the farmer for the trouble of selling now. No figures are available for the amount of maize put into loan with CCC, but it is likely to be large, and it would seem that the same explanation holds for maize and possibly cotton. Putting agricultural commodities into loan is the simplest and most prompt method of getting paid.

Experience has shown the unwisdom of forecasting the movement of prices, particularly American prices. But unless inflationary pressure is further reinforced, it is unlikely that agricultural prices will remain much above the loan rates granted by the Commodity Credit Corporation. Prices may tend to follow the normal seasonal rise during December, but it would not be surprising if they reverted after the turn of the year to the support levels.

* * *

Dollar Shortage in Latin America

By long tradition, the chairman's statement for each annual meeting of the Bank of London and South America has provided a detailed survey of financial and economic conditions in each of the Latin-American republics. It is good to see that Mr Francis Glyn, who has succeeded Lord Wardington, is adhering to this custom, for these valuable surveys deserve close scrutiny by all who have commercial or investment interests in South America. During the past year most of the Latin American countries have begun to feel a dollar shortage hardly less acute than that of Europe. In this case, however, the shortage is due not to the aftermath of an exhausting war, but rather to the post-war indiscretions of governmental policies. As Mr Glyn points out, Latin America, speaking generally, emerged from the war-time period with substantial reserves of foreign exchange which have since been dissipated by reckless importations of consumer and capital goods the demand for which has reflected not only a natural restocking but extravagant local public works and social experiments. This combination of domestic inflation and exhaustion of dollar reserves has led inevitably to exchange depreciation which has unfortunately often been accompanied by complicated systems of multiple exchange rates. The most severe impact of these changes has been upon foreign capital in Latin America; in almost every case the most depreciated rate is that applicable to remittances of profits. In consequence, the Bank of London and South America has had to provide "very considerable sums" to cover depreciation of its capital employed abroad. It should be noted, however, that, despite the less favourable conversion rates adopted, the balance sheet total rose in 1947-48 by just over £2 million to £156¼ million.

Depreciation of the rates at which profits are remitted is not, however, by any means the only burden which overseas investors have had to bear, for in many cases the proportion of profits which may be remitted has been specifically limited, and, in addition, freedom to remit at all has been made "subject to availability of foreign exchange." In consequence, the remittances are generally much in arrear. This is a matter of considerable importance for Britain's balance of payments. As Mr Glyn emphasised, these overseas earnings represent invisible exports of particular value, for, unlike visible exports, they make no demands upon scarce resources in Britain. In Argentina alone, despite the sale of the railways, the total of British invested capital is still put at over £100 million. It is much to be hoped that the question of better facilities for remittances will take a high place in future negotiations of the various bilateral trade and financial agreements. From the point of view of the investors themselves this is the more desirable because incomes earned in Latin America, unlike those earned in the United States and certain other countries, are still subject to double taxation. It is, apparently, the policy of the British Government to extend the range of double tax agreements wherever possible; but this is a slow process, and, in Mr Glyn's view, relief for investors in Latin-America should not be delayed until it is possible to negotiate reciprocal arrangements.

* * *

Electricity: Spreading or Shedding?

The urgency of the 20 per cent cut in the daytime industrial consumption of electricity was explained on Monday by Mr E. J. Taylor for the London and South Eastern Regional Board for Industry. The alternative to abstinence at peak hours, Mr Taylor pointed out, would be load-shedding with its accompanying chaos and hardships. But it does not appear that the arrangements for peak load reduction have been developed far enough to give a reasonable assurance that the periodic black-out can be avoided. Mr Tayler still found it necessary to urge industrial and commercial consumers to reply to the communications from their working committees which told them of the load-spreading requirements. Consumers who tried to keep out of the scheme would not necessarily get more current, he said; for those who were suspected of using too much electricity, maximum demand meters might be installed.

The difficulty of applying these necessary measures is evident. Maximum demand meters are installed at the more important points of industrial consumption, but in the London area indus-

trial consumption plays a smaller relative part than in the country as a whole. Commercial and domestic consumption are preponderant. For the average office or shop building, exact application of a 20 per cent power cut is impossible, and the regional board has had to ask these consumers to limit themselves to half their installed capacity. For a limitation so arbitrary, meticulous observance is not easy to secure.

The Ministry of Fuel and Power, by making an appeal at the same time for "the utmost economy" by domestic consumers in the peak hours, underlined the uncertainty which hampers the whole effort. No specific target exists for domestic consumers, but the Ministry points out that if they do not co-operate the efforts of industry and commerce may be "completely wasted." These are strong words, though hardly too strong; but what effect will they have? The peak hours for which economy is urged on the domestic consumer are between 8 a.m. and noon and between 4 and 5.30 in the afternoon. It is doubtful how much reduction of the domestic load in the first of these periods can be achieved by a general request.

Over the country as a whole, the balance between electricity supply and demand is no better than last year; capacity has been expanded by 400,000 to 500,000 kilowatts, but demand has increased by about the same amount. Figures given by the Ministry of Fuel and Power show that British consumption rose from 20,401 million units in 1938 to 35,781 million units in 1947—an increase of just over 75 per cent. But domestic consumption rose more than proportionately—from 5,360 million to 12,724 million units; from 26 per cent of the total in 1938 it rose to nearly 36 per cent in 1947.

* * *

What Price Newsprint?

The recent concession on newsprint supplies, which Mr Wilson announced in the House of Commons on November 11th, brings out a number of practical problems concerning the price and origin of supply. The price of newsprint has more than quadrupled since 1937 and now stands at £42 a ton. Newsprint is by far the largest single item in a newspaper's cost of production: in 1937 it represented 27 per cent of the costs of production of the *Daily Express*: in 1947, with four and five page papers only, it was still 26 per cent.

It is obvious, therefore, that the cost of newsprint must be one of the newspapers' first concerns. Mr Wilson stated in Parliament that the new increase in the supply of newsprint was due mainly to increased production of the home mills which turn pulp into newsprint. The implications of this policy in terms of the average cost of newsprint should be clear from the table below.

The figures show that there was a difference of more than £16 a ton between home and imported newsprint last February and £11 a ton now (or £10 if the difference in the weight of paper is allowed for). Part of the recent fall in the cost of home produced newsprint is due to higher production, and part is due to a slight fall in the price of Scandinavian pulp. But the main factor making for the difference is the high price paid for pulp, particularly Scandinavian pulp, which is the chief source of supply for the home mills.

The Board of Trade does not publish detailed figures for the prices of imported pulp and this prompts the query whether the figures, if available, would reflect very favourably on the department's buying policy. It is known from a Parliamentary answer on June 15th that Canadian pulp costs 88 dollars a ton as against 95.6 dollars for Canadian newsprint. No figures have been published for the price of Scandinavian newsprint or pulp, but trade sources suggest that in 1947 Scandinavian newsprint cost at the mill about twice what Canadian newsprint costs, and that Scandinavian pulp cost £29 a ton at the mill as against an average of £28 a ton at the mill for Canadian newsprint. Thus, leaving aside differences in freight, the finished newsprint in Canada was cheaper than the raw material in Scandinavia. The dollar saving in taking Scandinavian pulp rather than Canadian newsprint is small and the additional sterling cost is high.

Price of Newsprint (per long ton)	Feb., 1948	Nov., 1948
	£ s. d.	£ s. d.
Canadian newsprint delivered	32 0 0	32 10 0
Home produced newsprint	48 7 6	43 15 0
Average price paid by newspapers	43 0 0	42 0 0

117th Annual Statement

The Bank of Nova Scotia

Established 1832

GENERAL OFFICE: TORONTO, CANADA

CAPITAL $12,000,000 — RESERVE $24,000,000

Condensed General Statement as at 30th October, 1948

ASSETS

Cash, clearings and due from banks	$119,565,704.88
Government and other public securities not exceeding market value	274,894,830.64
Other bonds and stocks, not exceeding market value	23,034,307.68
Call loans (secured)	23,934,406.38
Other loans and discounts (after full provision for bad and doubtful debts)	269,479,562.74
Liabilities of customers under acceptances and letters of credit (as per contra)	28,221,004.29
Bank premises	7,207,393.20
Shares of and loans to controlled companies	2,311,768.20
Other assets	966,868.19
	$749,615,846.40

LIABILITIES

Notes in circulation	$ 1,464,942.44
Deposits	680,129,542.32
Acceptances and letters of credit outstanding	28,221,004.29
Other liabilities	859,232.01
Capital	12,000,000.00
Reserve fund	24,000,000.00
Dividends declared and unpaid	363,411.52
Provision for extra distribution	240,000.00
Balance of profits, as per Profit and Loss Account	2,337,713.82
	$749,615,846.40

Branches across Canada and in

NEWFOUNDLAND — JAMAICA — CUBA
PUERTO RICO — DOMINICAN REPUBLIC
LONDON, ENG.: 108, Old Broad Street
NEW YORK: 49, Wall Street

Barber Textile Corporation
Limited

Year ended 31st July, 1948.

	£
Consolidated Accounts show Issued Capital	
£1 Preference Shares 5%	55,000
4/- Ordinary Shares	401,667
Premium on Shares	595,323
Reserves and Undistributed Profit	174,789
Surplus (including Net Current Assets £523,410 and Government Securities £35,208)	1,226,779
Profits	241,521
Taxation	140,702
Profits (net)	100,819
Dividends (net)	45,696
Earned on Ordinary (before taxation)	59%
Paid on Ordinary (subject to Income Tax) (15% plus bonus 5%)	20%

Expansion in Agricultural Tractors

In addition to the expansion of car and commercial vehicle exports, figures for which were given in a Note on November 13th, the British motor industry has greatly expanded both the production and the export of agricultural tractors this year. British production of agricultural tractors in 1938 is estimated to have been only about 10,000; these were sold in about equal proportions to the home and export markets. In the first six months of this year 53,000 tractors were produced and about 30,000 exported. Figures given in the *Monthly Statistical Review* for December of the Society of Motor Manufacturers and Traders show that 47,000 tractors, to the value of £13½ million, were exported in the first nine months of this year; and the United States was the largest single market. Tractor exports carry with them substantial exports of agricultural implements, which are not shown in the table.

The absence of a substantial home demand for heavy tractors has caused British manufacturers to concentrate on the lighter types, and America's predominance in tracklaying vehicles has not been challenged. Most of the British tractors are wheeled, though a moderate number of half-tracked vehicles and a smaller number of full tracklayers are also produced. The Ford Motor Company and other long-established makers have increased their production this year, and the Standard Motor Company has built up a large-scale output of Ferguson tractors in an extremely short time. Another newcomer, the Nuffield Universal tractor, has entered the market this week. A convertible four-wheeled or three-wheeled tractor in the lighter class, with a four-cylinder Morris Commercial engine burning vapourising oil, it is to be marketed first in Britain. Prototypes of the Nuffield tractor have been undergoing tests since the summer of 1946.

AGRICULTURAL TRACTORS

U.K. EXPORTS IN 9 MONTHS ENDED SEPTEMBER, 1948

Exported to	Tracklayers (a)	Wheeled (b)	Total No.	Total Value (£)
1. USA	...	9,482	9,482	2,506,372
2. France	1	5,403	5,404	1,477,540
3. Australia	54	4,775	4,829	1,258,792
4. Sweden	172	4,318	4,490	1,217,282
5. Argentina	338	1,940	2,278	846,992
6. New Zealand	3	2,352	2,355	678,310
7. South Africa	4	2,253	2,257	665,561
8. Netherlands	21	1,692	1,713	465,892
9. Eire	2	1,338	1,340	398,814
10. Finland	...	1,349	1,349	389,835
11. Denmark	24	1,208	1,232	355,590
12. Uruguay	17	1,141	1,158	312,044
13. Other countries	149	9,120	9,269	2,932,171
TOTAL	785	46,371	47,156	13,505,195c

(a) Including a small complement of non-agricultural tracklayers. (b) Including horticultural types. (c) Of which tracklayers were valued at £475,098.

Liquid Guinness

Shareholders in some of the big industrial companies may well feel indebted to those who laboured for so long for the enactment of the Companies Act, 1948. Such a sentiment would be appropriate to the shareholders of Arthur Guinness who this week have before them the first consolidated accounts of the company for the fifteen months ending September 30, 1948. Here for the first time it is possible to get some measure of the real strength of the body corporate of Guinness. Admittedly, there are no substantial disclosures of strength which were previously hidden. The group accounts reveal not only a relatively small contribution by the subsidiaries to the total profit but also the fact that over ninety per cent of the book value of fixed assets pertains to the parent company. Moreover, in the latest trading period, no dividend was received by the parent company from subsidiaries and only £50,670 out of group profit amounting to £6,343,881 was retained by subsidiaries after meeting all charges.

The strength of the group's reserves is outstanding; the total of £9,578,171 exceeds the total paid up capital of the parent company. It includes £1,886,744 against future taxation, in addition to an unstated amount for taxation liabilities to the date of the accounts which is, of course, included among current liabilities. In the view of the directors, taxation provisions are considered sufficient to cover the group's liability for taxation, assuming no upward revision in the rate, for up to two-thirds of the eventual charge for the fiscal year, 1949-50. The liquid position is massive. Net current assets of some £9,245,712 are fully represented by investments (taken at cost), Tax Reserve Certificates and cash, although at a later date some £1,800,000 of the total will be required to fund the provision already made for pensions.

A less auspicious aspect of the Guinness accounts is the implication of lower trading profit in the later period. No direct comparison with the year ending June 30, 1947, can be made, even for the parent company, since trading profit was then shown after the deduction of an unstated amount for taxation. But if earnings on the ordinary capital are calculated on a yearly basis, there appears to have been a modest fall compared with the previous year. If this were to denote a slight recession in trading profit, it would hardly be surprising, for that has been the common experience of most brewery companies during the past year.

* * *

Shipping and the West Indies

The lack of shipping services in the West Indies, which the Commonwealth (then Imperial) Shipping Committee was asked to study before the war, has been accentuated in the past ten years. War losses reduced the number of ships available, British and foreign; the surviving ships are older, and the cost of replacement has become prohibitive. The chief difficulty is in passenger accommodation, since there is enough shipping space for the transport of British imports from the area, which are mainly oil, sugar, bananas and citrus fruit. If the Government's plans to double these fruit exports by 1952 succeed, more ships will no doubt be needed; doubtless shipowners will provide the ships when remunerative cargoes offer, but the Committee suggests that more cold storage will have to be provided so that enough fruit can be accumulated for full cargoes.

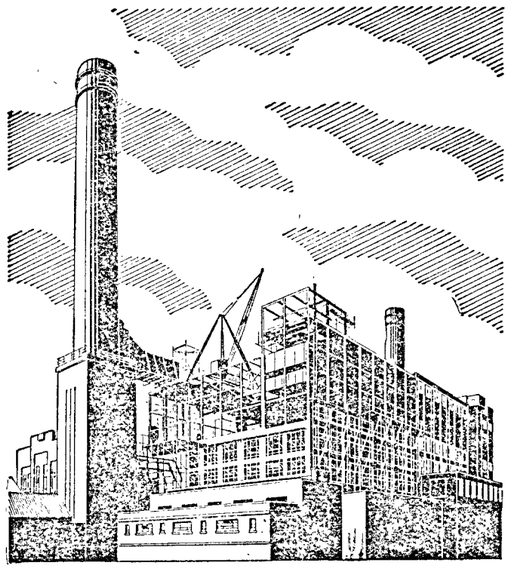
Passengers are a special problem. They are not numerous enough for passenger transport to be economical except in conjunction with regular cargo, and most of the cargoes offering are not suitable. Passengers cannot be carried with oil in tankers or with sugar in tramps. Bananas also require special ships, which can provide only limited accommodation for passengers if they are to be economical in running. Passengers could be carried in the same ships as fresh or canned citrus fruit if the trade in these commodities were large enough, but the ships are costly and the prospects are not attractive enough to shipowners. Before the war passenger liners to the Eastern Caribbean were run by French, Dutch and German lines, subsidised by the French and Dutch Governments because of their colonial connections and by the Germans for reasons of their own. The Committee finds that the recommendations of the West India Royal Commission of 1938-39 should be amplified, that British passenger ships should be provided, each carrying 50 to 75 passengers at 16 or 17 knots, and that "special measures of assistance, at any rate at the outset, may be necessary to encourage shipowners to provide the service." The report does not examine closely the possibility of expanding tourist traffic by sea, which might, if developed, relieve the taxpayers of some of the burden.

* * *

Cheaper Cocoa

For the first time since the end of the war, the Ministry of Food has reduced its selling price of cocoa; from December 5th the price to British consumers will be £35 a ton cheaper at £190 10s. The retail prices for chocolate and chocolate confectionery will in due course be correspondingly reduced. The official announcement attributes the reduction to "more favourable purchase prices for raw cocoa" and indeed, if the New York market is any guide, the price of cocoa has fallen quite sharply over the past fortnight. On November 23rd Accra cocoa stood at 41.00 cents a lb.; it had previously been ¼ cent dearer. By November 29th the price was only 35½ cents a lb. and since then it has fallen by a further cent a lb.

Yet it would be wrong to infer that the Ministry's price has been conditioned entirely by the New York market. The Ministry's buying operations are shrouded in secrecy, its home selling price is fixed so as to yield a moderate profit to cover part of the overhead costs—and only secondarily to keep home prices more or less in line with world trends. But owing to the existence of rationing, maximum prices and distributors' margins, changes in home prices have been made at relatively infrequent intervals of nine or twelve months. In March, 1947, the price was more than doubled—from £51 to £119 a ton, while at the

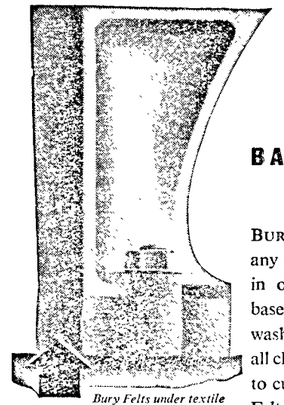


STEAM

British power station contractors are working all out to hasten the day when industry will no longer be hampered by shortage of electricity, and when it won't matter any more if Mummy forgets to switch it off. Simon-Carves water-tube boilers and coal and ash handling plants are at work in many British power stations, and are now being designed and built for many of the great new stations of the post-war programme. Another million horse-power is on the way to help the world's work forward. Steam power and civil engineering by Simon-Carves are helping to generate the enormous flow of electricity that we need to keep homes bright and make things hum in the factories.

One of many ways in which the Simon Engineering Group serves the fundamental needs of civilisation.

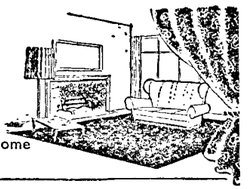
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Bury Felts under textile looms and other heavy machines decrease shock, cut maintenance costs and protect the building.

BASE FOR NYLONS

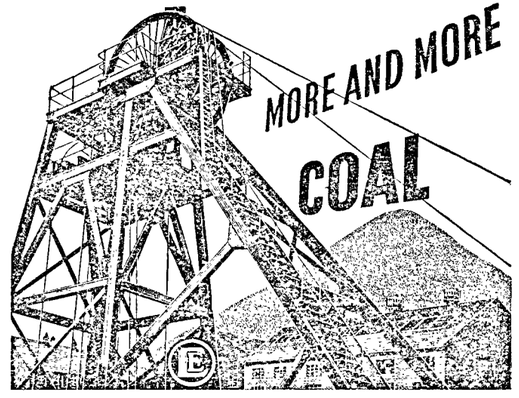
BURY FELT, the fabric that takes any shape, plays a thousand parts in our key industries. Machine base felts, anti-vibration felts, felt washers, gaskets, strips and carriers, all classes of felt cut and fabricated to customers' specifications. Bury Felt can be as hard as nails or as soft as silk, for besides felts for every heavy industrial purpose there are fascinating felts for the lighter side of life, notably 'Carmilla' and 'Felbury' Fabrics for colourful home furnishings.



BURY FELT

Fabric of industry · Fabric of the home

BURY FELT MANUFACTURING COMPANY LIMITED, HUDCAR MILLS, BURY, LANCS



THE ENGLISH ELECTRIC
COMPANY LIMITED

The English Electric Company is helping both to get more coal and to extract more power from it. First, by the manufacture of the most modern electrical equipment for the mines, to speed production and improve conditions for the miner; second, by the design and manufacture of generating plant to provide more electricity to help Britain's factories make more goods.

Extra Power
BEHIND BRITAIN'S DRIVE

THE ENGLISH ELECTRIC COMPANY LTD., QUEENS HOUSE, KINGSWAY, LONDON, W.C.2.
Works: Stafford, Preston, Rugby, Bradford, Liverpool

beginning of this year, the price was again almost doubled when it was raised to £225 10s. a ton.

The lower world price for cocoa has been induced by an improvement in supplies rather than by any weakening in demand. The preliminary allocation for 1948-49 made by the International Emergency Food Committee was 446,400 tons, or three quarters of a world export surplus provisionally forecast at 595,000 tons. The final allocations for last season amounted to 598,600 tons. Yet it is generally considered that world exports this year will be larger than in 1947-48 and might even reach 615,000 tons. This larger supply would of itself have induced some reduction in the world price. But in addition, supplies in West Africa have been coming down to the coast much more quickly than a year ago. Native producers are receiving a much higher price and this year there has been no labour unrest to hold up shipments. Fantastically high prices for cocoa may be a thing of the past, but the long term problem of "swollen shoot" disease has still to be effectively tackled.

* * *

Beira Railway Disappointment

The chairman of Beira Railway expressed satisfaction this week at the purchase price of £4,000,000 to be paid by the Portuguese Government for the undertaking. In view of the poor earnings and dividend record of the company since its incorporation in 1892 and the recent expropriation of Beira works by the Portuguese—which sooner or later might have affected the efficient operation of the railway—there may be some justification in this view. But it finds few sympathisers on the Stock Exchange. Indeed, the price seems to understate the value of the railway, given the growing importance of the Rhodesian copper-belt and of industrial activity in Southern Rhodesia. The Portuguese Government failed to terminate the concession of 1946 when they had the option to do so and a further eight years would normally have to elapse before the termination of the concession would again come up for consideration.

During the past year there has been considerable speculation in Beira Railway bearer certificates. This was stimulated towards the end of July this year by unconfirmed reports that the purchase price was to be in the region of £6,000,000. But recently optimism has waned. Earlier this week the certificates were an uncertain market at 58s. 6d., some 7s. below the year's peak. On the basis of the purchase price of £4,000,000 (which does not include London assets estimated in the region of £750,000 and the hotel and property at Beira worth probably an additional £50,000), the amount remaining for the 1,050,000 bearer certificates after repayment of the debentures would be approximately 44s. per share. At the most an additional 5s. might become available after paying winding up expenses and meeting the liability for arrears of pension fund contributions. Holders of the certificates have therefore been rudely shaken by the announcement of the purchase price and the certificates have since fallen to 46s. 3d.

Shorter Notes

World rubber production in October showed a sharp reduction to 125,000 tons, but the statistics portray a more bullish situation than probably exists. In September output amounted to 140,000 tons, but this figure was inflated by the heavier shipments from Indonesia, when growers were trying to export as much as possible before the increased export duty became operative on October 1st. Moreover the statistics for Malayan smallholder output relate to the quantity collected up-country rather than to the quantity produced, so that the low figure for October should be offset against the high figure for September. Taking these factors into consideration there is as yet no reason to suspect any diminution in world output, although since the Indonesian export duty will be again reduced at the beginning of 1949, supplies from these islands might therefore in the interim period be smaller. World production of natural rubber for the first ten months of 1948 amounted to 1,247,500 tons—an annual rate of 1,500,000 tons—consumption during the same period totalled 1,145,000 tons.

*

The appointment of an official inspector by the Board of Trade to inquire into the affairs of Richard Crittall is the first case in which the new powers under the Companies Act, 1948, have been put into effect. Previously the Board of Trade could instigate inquiries into a company's affairs only upon the request of shareholders; under the new Act the Board can take action on its own initiative in appropriate circumstances.

*

Union Castle Steamship Company has made an offer to purchase King Line £1 ordinary shares at £5. Before the announcement, King Line ordinary were quoted at 62s. 9d.; they have since risen to 97s. 6d. The directors of King Line have accepted the offer in respect of their own shareholdings, and other shareholders can accept on the same terms until December 14th. The disparity between an unrepresentative market price and the price offered by Union Castle to obtain control might be noted in Government circles.

*

It has been reliably reported from Buenos Aires that the Argentine export price for 1947-48 maize has been reduced from 35 pesos to 31½ pesos per 100 kilos f.a.s Buenos Aires. Warehouses continue to be fully stocked with last season's maize crop.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Roan Antelope; Rhokana Corporation; Rover; Joseph Lucas; Arthur Guinness; Austin Motors.

Prices, Year 1948 Jan. 1 to Dec. 1 High	Low	Name of Security	Price, Nov. 24, 1948	Price, Dec. 1, 1948	Net Yield, Dec. 1, 1948 (n)	Gross Yield, Dec. 1, 1948
		British Funds			£ s. d.	£ s. d.
101⅛	100⅞	War Bonds 2½% August 1, 1949-51	100⅛	100⅞	...	1 3 4e
101⅛	100⅛	Exchequer Bonds 1½% Feb. 15, 1950	100⅛	100⅛	0 2 9	1 2 3
102⅛	100⅛	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 2 8	1 7 4e
103⅛	100	War Bonds 2½% March 1, 1952-54	103⅛	103⅛	0 10 8	1 14 7e
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	103⅞	103⅞	1 0 8	2 11 7
103⅛	99⅛	War Bonds 2½% Aug. 15, 1954-56	103⅛	103⅛	0 15 9	1 19 0e
103⅛	100⅛	Funding 2½% June 15, 1952-57	103⅛xd	103⅛xd	1 2 5	2 6 8
106⅛	100⅛	National Def. 3% July 15, 1954-58	106⅛	106⅛	1 0 10	2 8 2
105⅛	101⅛	War Loan 3% Oct. 15, 1955-59	105⅛	105⅛	1 2 1	2 8 7
104⅛	100	Savings Bonds 3% Aug. 15, 1955-65	104⅛	104⅛	1 7 10	2 14 10
102⅛	96⅜	Funding 2½% April 15, 1956-61	102⅛	102⅛	1 4 3	2 6 9
114⅛	98⅛	Funding 3% April 15, 1959-69	103⅛	103⅛	1 8 9	2 15 5
103⅛	110⅛	Funding 4% May 1, 1960-90	113⅛	114⅛	0 18 3	2 12 0e
99	97⅛	Savings Bonds 3% Sept. 1, 1960-70	103⅛	103⅛	1 9 11	2 16 10
116⅛	92⅜	Savings Bonds 2½% May 1, 1964-67	98⅛	98⅛	1 9 4	2 12 1
102⅛	112⅜	Victory Bonds 4% Sept. 1, 1920-76	116⅛	116⅛	1 2 5	2 15 7
111⅜	96⅛	Savings Bonds 3% Aug. 15, 1965-75	102⅛	102⅛	1 10 11	2 18 0
106⅛	107⅛	Consols 4% (after Feb. 1, 1957)	111⅛	111⅛	0 17 9	2 13 4
104⅛	102⅛	Conversion 3½% (after April 1, 1961)	106⅛	106⅛	1 7 4	2 18 4
99	91⅛	Treas. Stk. 2½% (after April 1, 1975)	79⅛	79⅛	1 14 8	3 3 3
100⅛	93⅛	Treas. Stk. 3% (after April 5, 1966)	97	97⅛	1 14 1	3 2 2
83⅛	74⅛	Redemp. Stk. 3% Oct. 1, 1986-96	100	99⅛	1 13 3	3 0 6
103⅛	96	Consols 2½%	80⅛	79⅛xd	1 14 8	3 2 7
101⅛	99⅛	Brit. Elec. 3% Gtd. April 1, 1968-73	102⅛	102⅛	1 10 5	2 17 4
101⅛	93⅛	Brit. Elec. 3% Gtd. Mar. 15, 1974-77	100⅛	101	1 12 2	2 19 1
103⅛	95⅛	Brit. Trans. 3% Gtd. July 1, 1978-88	99⅛xd	99⅛xd	1 13 2	3 0 1
	95⅛	Brit. Trans. 3% Gtd. April 1, 1968-73	102⅛	102⅛	1 10 7	2 17 5

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'l'). (n) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

Prices, Year 1948 Jan. 1 to Dec. 1 High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Nov. 24, 1948	Price, Dec. 1, 1948	Yield Dec. 1, 1948
		%	%		**Other Securities**			£ s. d.
106	101½	(d)	(d)		Australia 3½% 1965-69	106	106	2 17 0e
96	90	(d)	(d)		Birmingham 2½% 1966-71	95½	95½	2 15 3f
8⅜	5⅞	50	50	c	Anglo-American Corp. 10s.	6⅛	6⅛	4 2 5
10⅞	7⅜	25	5	a	Anglo-Iranian Oil £1	8⅛	8⅛	3 8 0
87/6	69/-	10	5	a	Assoc. Electrical Ord. £1	78/-	78/-	3 16 11
77/3	62/4	15	15	c	Assoc. Port. Cem. Ord. Stk. £1	75/-	75/6	3 19 6
38/6	29/6	40	40	c	Austin Motor 'A' Ord. Stk. 5s.	33/9xd	33/9	5 18 6
7	7/9	7	7	a	Barclays Bank Ord. 'B' £1	80/-	80/-	3 10 0
10⅜	8⅜	†20	7	†12½	a Bass Ratcliff Ord. £1	9	8⅛xd	2 15 10†
105/-	85/-	12	8	a	British Oxygen Ord. £1	103/9	105/-	3 16 2
46/1½	36/-	2½	5	b	Courtaulds Ord. £1	39/6	39/6	3 15 11
32/6	25/1	20	7½	b	Distillers Co. Ord. 4s.	29/7½	29/10½	3 13 8
34/10½	27/9	8	8	c	Dorman Long Ord. £1	33/6	33/-xd	4 17 0
79/9	68/-	15	15	c	Dunlop Rubber Ord. £1	75/6	75/9	3 19 3
53/-	43/7	7	3	a	Imp. Chem. Ind. Ord. Stk. £1	48/9	49/-	4 1 8
6⅞	4⅜	19½	13½	a	Imperial Tobacco £1	5⅜	5⅜	5 18 6
48/9	40/3	10	10	c	Lancs. Cotton Ord. Stk. £1	47/6	46/10½	4 5 4
56/6	43/9	10	10	c	Lever & Unilever Ord. £1	51/3	51/3	3 18 1
61/3	47/6	12½	10	c	London Brick Ord. Stk. £1	53/9	53/9	3 14 5
66/1½	47/-	25	31½	m	P'chin J'nson Ord. Stk. 10s.	56/6	57/-	4 7 9
63/4½	49/6	12	12	a	P. & O. Def. Stk. £1	55/-	54/6xd	4 8 1
35½	30½	†74½	7	†77½	c Prudential 'A' £1	33	33	2 6 8†
59/9	49/9	12½	12½	c	Stewarts & Lloyds Def. £1	66/10½	66/9	4 8 2
85/7½	71/6½	12½	15	b	"Shell" Transpt. Ord. Stk. £1	77/6	76/10½	1 19 0†
7⅞	5⅛	12½	12½	b	Tube Invst. Ord. Stk. £1	6⅜xd	6⅜	3 16 0
90/9	72/6	11½	3½	a	Turner & Newall Ord. Stk. £1	79/6	80/-	3 15 0
93/3	76/-	55	25	a	Woolworth (F. W.) Ord. 5s.	83/3	84/3	4 3 1

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) To latest redemption date. (n) 15 months. Yield basis 25%. † Free of tax.

COMPANY MEETINGS

BRITISH CELANESE LIMITED

RECORD NET PROFIT

ALL-ROUND INCREASES IN SALES

REMARKABLE GROWTH OF EXPORTS

MR G. H. WHIGHAM'S ADDRESS

The twenty-ninth annual general meeting of British Celanese Limited, was held, on the 25th ultimo, at Winchester House, Old Broad Street, London, E.C., Mr G. H. Whigham, chairman, presiding.

The chairman said: Ladies and gentlemen, following our usual custom, I propose that the report and accounts be considered as read. (Agreed.)

The report and accounts set out clearly the results for the year and the assets and liabilities of the company together with comparative figures for the previous year.

I will not recapitulate in detail the figures for the year but would state that the net profit before taxation constitutes a record in the history of the company, notwithstanding the setback caused by the fire at our Spondon factory in August, 1947, to which I made reference when we last met.

Working capital at the beginning of the year under review amounted to £4,331,000. This was augmented during the year by £2,997,000 represented by the proceeds of the issue of first preference shares and by trading profits (before depreciation) less taxation and dividends, etc. From these total resources of £7,328,000 the company expended £1,181,000 on capital extensions, buildings, plant, etc., £93,000 on additional investment in subsidiary companies and £89,000 in mortgage redemption and preference issue expenses. These expenditures totalling £1,363,000 therefore left us with net working capital at July 3, 1948, of £5,965,000, an increase of £1,634,000: £1,333,000 of such increase is represented by increase in stocks (attributable partly to higher cost prices and partly to bringing the stocks to an adequate volume relative to trading), £464,000 in debtors and other amounts recoverable, £627,000 in tax reserve certificates, £205,000 in cash, offset by an increase of £995,000 in liabilities, of which £529,000 is represented by increase in taxation and £466,000 by other creditors and provisions. These are the salient features of the changes which have taken place as a result of our trading and capital expansion programme.

EXPANSION IN RECENT YEARS

It may be interesting at this point to deal briefly with certain aspects of the growth of the company during recent years. Reserves, excluding reserve for future taxation, have risen from £604,000 at July 1, 1944, to £1,897,000 at July 3rd last. The ratio of these reserves to issued capital has risen steadily from 6.7 per cent. in 1944 to 19 per cent. in 1948. Over the same period, net current assets, after deducting reserve for future taxation, have increased by £3,410,000, and a ratio of about 2 of total current assets to 1 of current liabilities has been steadily maintained over the period.

The balance sheet shows a further substantial improvement in the position of the company in that all deferred expenditure, such as commutation of royalties, research and advertising expenditure carried forward and new issue expenses, altogether representing a considerable amount, has now been completely written off. In addition, the whole of the cost of war damage contributions and premiums and air-raid precaution expenditure has been written off.

The company has created a reserve towards taxation equalisation to the credit of which has been placed tax on the difference between initial allowances plus wear and tear allowances and depreciation provided on assets acquired in recent years. The amount placed to credit this year is £160,000, bringing the reserve up to a total of £230,000. This reserve can be drawn upon when these taxation allowances for any year fall below the company's depreciation for that year for the assets concerned.

The wide distribution of the company's share capital is evidenced by the fact that the total number of accounts on the register was 28,238 on July 3, 1948, the average holding being £353 nominal.

PLANT REPLACEMENT

Much has been written and said about plant replacement costs and obsolescence, and ultimately a plant, however well maintained, will become out of date and have to be replaced. What the cost will be, as compared with the cost of the original plant, is difficult to estimate, particularly under present conditions.

It is broadly true that the rise in the cost of buildings and plant has been such that these would cost today between two and two and a half times their cost just before the war. The growth of your company's plants, however, has taken place over many years, and more has been spent during some periods than others. Price levels in the 1920s were appreciably higher than they were from 1930 to the war, and the relative rise to the 1948 levels is, therefore, less for equipment acquired in the former period than in the latter; but a broad appreciation of the position shows that to replace the £13,000,000 of land, buildings, plant and machinery, appearing at cost price in our balance sheet, with exactly similar equipment at the price levels ruling in June, 1948, would cost about £24,000,000 as against our depreciation fund which, under normal conditions, will amount to £13,000,000 at the end of the life of such assets.

DEPRECIATION PROVISION

It is clear that the amount set aside by the company each year for depreciation based on original cost is likely to be insufficient to meet the expected cost of replacement. It would be only natural that selling prices should be so fixed as to cover a provision for depreciation based on today's higher cost of replacement. Most of our home prices, however, are controlled and are related to a calculation of cost which includes only depreciation based on the original cost of plant. Any further provision for replacement therefore falls upon net profit after taxation. As in the calculation of both profits tax and income tax, only depreciation based on the original cost of the plant is allowable, the margin, after providing fixed dividends and a reasonable return on the ordinary stock, is insufficient to permit more than a modest appropriation to meet the increase in replacement costs.

Having regard to these considerations, your directors deemed it advisable to set aside this year out of taxed profits the sum of £200,000 to a reserve designated "Plant replacement and special obsolescence," and this will assist in meeting any sudden demand of this nature. It should not be assumed that the same or indeed any amount will be appropriated out of taxed profits in the future; the position will be examined in the light of conditions then existing. In this connection, it should be noted that the large expenditure involved in our present expansion programme is being incurred at current high price levels and, unless the trend of prices during the life of this new plant continues upward, the problem of its replacement in due course should not be so formidable.

Apart, however, from the difficult question of plant replacement, there is also the question of expansion which is needed to meet the continually increasing demands for our products. Under present conditions, large projects of expansion cannot be undertaken except by bringing new capital into the business. The present policy of limitation of dividends makes very difficult the task of raising new capital at a price which is equitable.

TRADING

As mentioned in the directors' report, the total turnover was very materially increased as compared with the previous year and is represented by all-round increases in sales of a variety of products. I would, however, remind you that trading last year was adversely affected by the fuel crisis. Moreover, this year's trading covers 53 weeks instead of 52.

The trend of costs is still upwards and the cost of raw materials used in the manufacture of our yarn has increased by three and a half times since 1939. These materials accounted for 26 per cent. of the cost of production in 1939, whereas they now account for 43 per cent. Further, the index of general average weekly earnings in the principal industries of the country, which is an approximate indication of our own position, has risen by 114 per cent. over the same period. Notwithstanding these factors and the much increased burden of overheads, our list prices of yarns, taking into account the elimination of excise duty, have increased by only 50 per cent. over those of 1939. This compares with a 100 per cent. increase in the prices of food, coal and iron, despite subsidies. Different grades of wool are two and a half to four and a half times their 1939 levels, and the prices of cotton yarns this year have averaged four times what they were before the war.

EXPORT

The rayon industry, as I indicated last year, has been set a very high target under the Government's export programme. Textiles play a very important part in the country's export trade, and amongst these, rayon is of particular importance from the balance of payments point of view, owing to the small proportion of its sales value which is represented by imported raw materials. The export target for rayon products (to be reached by the end of 1948) is provisionally given at the rate of £50,000,000 per year. By way of comparison, the exports of rayon in all forms were £31,000,000 in 1947 and £5,000,000 in 1938. It is a source of satisfaction to us that your company is doing its proper share of the overall target.

It has, however, to be remembered that this remarkable expansion in rayon exports has taken place during a period of world-wide textile shortage and in the virtual absence of foreign competition of the type which was prominent before the war. It is too early as yet to judge how far such exports can be further expanded as more competitive conditions develop or whether the present level of exports can be maintained at present prices. Already in some markets these competitive conditions have necessitated reduction in prices of certain rayon products; further, many overseas countries impose what appear to us to be unnecessarily high import duties on rayon goods—far higher than are levied on other textiles—and in certain countries, which since the war have retained restrictions on imported goods, very few have yet made any satisfactory provision for the import of British rayon products. These and other important factors—such as Allied policy on German and Japanese export trade—are matters which lie outside the control of the rayon industry itself.

To expand and even to maintain the export figures to meet the country's needs necessitates continuous cultivation of the markets. With this in mind, we are increasing our advertising and sales promotion schemes and personal contacts in those markets which are most suitable for development.

We acknowledge the understanding with which our home trade customers have accepted the limited quantities of textiles which we were able to allocate to them owing to the high proportion of our production which was exported.

RESEARCH AND DEVELOPMENT

Our activities in research and development have been carried on intensively throughout the year. As regards chemical research, our main efforts have again been directed to improving existing processes and the investigation of alternative sources for the supply of our basic raw materials. Our main efforts in textile research have been directed towards the improvement of existing processes, machine development in connection with textile operations and to the development of new products. The results of our machine development policy are already beginning to materialise, and the introduction of the most modern machines and the willing co-operation of the workers augur well for the future. A great deal of work has also been done in the field of plastics research.

Concerning that part of the work which is of longer range and more fundamental nature—and this is of course of increasing importance in the conduct of modern industry—satisfactory headway has been made towards future developments and applications.

In connection with our short-term development programme comprising the subjects of more immediate practical significance, we have to record substantial progress during the year in the application of our strong yarn product, "Fortisan." At the same time, the applications of our staple fibre products have been advanced by the activities of the technical service organisation. In another research section we have explored new methods of fabric dyeing and printing which have opened up ranges of dyestuffs not hitherto applicable to cellulose acetate, and we have also completed and are working a pilot plant for the mass-coloration of "Celanese" yarn in the spinning dope with the incorporation of the fastest pigments known to science.

PLANT EXPANSION

The expansion of cellulose acetate and chemical plant at Spondon embodied in our general expansion scheme has been somewhat delayed but should be completed by the middle of 1949. In addition, in plants such as ours there are also smaller projects to carry out each year. Amongst the latter is a new plant for staple fibre spinning at Spondon, which should be completed by the end of 1949.

In addition to the above, further progress has been made during the year on plant modernisation at Spondon, particularly in the textile sections.

The plans for the large spinning plant at Wrexham are well advanced; but the erection of the initial factory cannot be commenced until certain points still outstanding in connection with the services to be supplied and other matters are finalised with the Industrial Estate Company.

At Wrexham the production of knitted fabrics and plastics has continued throughout the year. Whilst all the warp knitting machines are installed, full production can only be attained when we have trained the necessary complement of labour.

At Wigan, owing to the delay in the completion of the factory which we are renting from the Government, we are only now commencing to instal sizing and beaming machinery, so that it will be several months before we can hope for any material output from this factory.

The Government are proceeding with the completion of two factories in the North-East Development Area and we are negotiating for a lease of these for textile operations. These factories are in substitution for that in the same development area mentioned in last year's speech.

GENERAL OUTLOOK

It is the opinion of your board that the long-term outlook for the rayon industry is still favourable. Fundamentally, the outlook for plastics is also good, although in this case there has been a falling off in the demand for certain lines.

Your board, however, keep constantly in mind the question of the increasing costs of production due to rising labour and material costs and will also consider very carefully at each stage of our expansion plans whether the high capital costs of new factories, with the present tendency towards further cost increases, warrant our proceeding with them. Such increased capital costs involve increased financial obligations and depreciation charges, which in turn add to the total cost of the product, and we must envisage in the future more competitive markets than we are faced with at present. If this rise in capital cost per unit of output persists and the resulting annual charges be not offset by reliefs in other directions, the burden will overload the industry, with a dangerous effect upon its stability both as a source of employment for the workers and as an equitable remunerative investment for capital.

ALLOCATION OF INCOME

After the company has paid for its raw materials, power, light, water and other services, rentals, rates and interest, and has provided for depreciation, there remains a certain amount out of each £1 received by the company from its customers for the goods it sells. This is the sum which is available to pay all wages, salaries, taxation, a return on the shareholders' money, and to set aside a sum to strengthen and develop the undertaking, which incidentally will tend to stabilise employment.

If the amount so left over in 1947/48 were called 100 parts, then it would be divided up as follows:

Paid in wages, salaries, national insurance, etc.	60 parts
Provision for national taxation ...	25 „
Interest on and redemption of funding certificates	2.5 „
Preference dividends	5 „
Ordinary dividends	1.5 „
Available for strengthening and developing the undertaking ...	6 „

The normal development of your company during the war and subsequent years was seriously retarded due to restrictions and shortages of various kinds and has of course also been seriously affected by the fact that, owing to our low E.P.T. profit standard, it was impossible to set aside sums which would subsequently have been available for development.

The improved results during recent years are largely due to the technical and commercial development carried out over many years. This development was very costly and for a long period stockholders, particularly the ordinary stockholders, had to forgo any return on their investment. These facts should not be overlooked when considering dividend policy, although it seems that nowadays in some spheres of thought ordinary stockholders are rapidly being relegated to the category of "the forgotten men."

In the opinion of your board, the ordinary stockholders would have been fully entitled to receive a more generous dividend this year than the one proposed, which was in compliance with the wishes of the Government in this respect.

TRAINING SCHEME

In order to secure continuity in our business, it is necessary to provide for a succession of personnel trained in the special knowledge of our various activities. We have in force a scheme of training which enables suitable entrants to equip themselves for posts in all the branches of technology, art and commerce in which we are engaged. Opportunity and assistance are thus provided for the right men to fit themselves to occupy positions of responsibility in the company in the years to come.

I am happy to report that our association with the Dreyfus group and with the American and Canadian companies through our old agreements with the Dreyfus group has been modified and prolonged by a new agreement with Dr Camille Dreyfus and by new agreements directly between the three companies and that the exchange of technical knowledge between the three companies will continue.

I take this opportunity of expressing to all the members of the staff and every employee of the company the board's appreciation of the excellent services which they have rendered and which have largely contributed to the satisfactory results before you.

The report and accounts were approved.

SECOND INDUSTRIAL TRUST, LIMITED

OUTLOOK FOR INDUSTRY

The thirty-seventh annual general meeting of the Second Industrial Trust, Limited, was held, on the 2nd instant, in London.

Mr Lionel A. Stride, the chairman, said that the valuation of their investments at the date of the balance sheet showed an appreciation of £515,281, or nearly 35 per cent. over book figures. They recommended a final dividend of 5½ per cent. on the ordinary stock, making 8 per cent. for the second year in succession. In view of all the difficulties the results were not unsatisfactory. The Trust was essentially interested in industry, and they were in a position to appreciate the great harm which was being done to the country's trade through planning by people unacquainted with the delicate mechanism of international trade. Industry was tied up with red tape by control of capital, raw materials, power and transport, markets and labour. The red tape was full of knots and, unless those knots were cut, they would lead to strangulation. In spite of all those controls, industry was constantly being called on to expand so as to enable full employment, at present only sustained by Marshall Aid, to become permanent. Full employment could only become permanent in a totalitarian state.

He doubted whether the non-Communist members of trade unions realised that everything was being done in their name to facilitate the setting up of a totalitarian state, resulting in due course in slave labour, wages of little real value and the loss of external trade which, in the case of this country, would mean an equivalent loss of available food. The future of industry was going to be saved or ruined by decisions arrived at now or in the future. The answer was vital to all as stockholders and as individuals.

The report was adopted.

THE ENGLISH, SCOTTISH AND AUSTRALIAN BANK, LIMITED

RISE IN ADVANCES

The fifty-sixth ordinary general meeting of this bank was held, on the 1st instant, in London, the Hon. David F. Brand, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to June 30, 1948:—

The trading banks successfully contested the Commonwealth Government's endeavour to nationalise banking in Australia by action in the High Court of Australia, which declared the legislation to be ultra vires of the Act of Constitution. The Commonwealth Government is attempting to appeal against this judgment to the Judicial Committee of the Privy Council. The petition for leave to appeal has been heard by that court, and the decision of the board is awaited.

The most marked change from last year is a steep rise in the total of advances, from £29,157,000 to £44,969,000. This movement reflects the expanded requirements of our customers for bank accommodation as a result of the recovery in trade from war conditions combined with the rise in commodity prices

USE OF BANK CREDIT

The particular business and private interests to which bank accommodation may be made available in Australia are closely supervised by the Commonwealth Government by means of its "advance policy," with the result that bank credit is directed into those channels which, in the Government's judgment, best serve the national interest. The Banking Act of 1945 made it a legal obligation on the bank to maintain certain balances on special account with the Commonwealth Bank earning interest today at one-half of 1 per cent. per annum. The bank has not been permitted to draw on these balances sufficiently to finance the greater volume of advances, and it has consequently been necessary to accept deposits from the Commonwealth Bank of Australia for this purpose.

On these deposits the bank now has to pay interest at 3½ per cent. per annum, as compared with the ½ per cent. per annum allowed on its own special account with the Commonwealth Bank. The figures at June 30, 1948, were £27,168,924 on special account with the Commonwealth Bank, and £15,816,733 taken on deposit from that Central Bank. It will be observed that the latter figure approximates closely to the increase over last year in the total of the bank's advances. While the result in our case has been that bank credit for approved purposes has not been restricted, the adverse effect of this system on the profitability of advance business will be evident.

Other variations in the position disclosed by the balance sheet as compared with last year are a modest increase in deposits, current accounts, etc., which have risen by £3,335,000 to a total of £68,342,000, and a further gratifying expansion in the item of bills receivable.

DIVIDEND REPEATED

The balance sheet continues to disclose a satisfactory degree of liquidity. The total of cash in hand, etc., money at call in London, special account with the Commonwealth Bank and bills receivable represents 12s. 4d. in the pound of deposits, current accounts, etc., compared with 10s. 11¾d. in the pound last year. If the special deposit account of the Commonwealth Bank is included with the public deposits, current accounts, etc., the proportion becomes 10s. in the pound.

The profit and loss account shows that while the gross profit has increased substantially, both the expenses of management and taxation charges have taken sharp upward turns, with the result that the net available profit of the bank is £235,732, compared with £225,920 last year. After payment of an interim dividend of 2s. per share in May last, the directors recommend a final dividend of 4s. per share, less United Kingdom income tax at 9s. in the pound, repeating the distribution made last year. After allocating £35,000 to the officers' provident fund, a surplus of net profit of £35,732 is available to increase the carry forward to £359,273.

The report was adopted.

BETTS AND COMPANY, LIMITED

A YEAR OF EXPANSION

The sixty-eighth annual general meeting of this company was held, on the 29th ultimo, in London.

Mr S. H. Gillett, M.C., F.C.A. (the chairman), said that the production and sales of the company's products had expanded considerably during the year ended June 30, 1948, the comparative increases by volume being capsules 65 per cent., collapsible tubes 49 per cent., and foil 25 per cent. Taking their products as a whole, direct exports had amounted to approximately 23½ per cent. and known indirect exports to a further 32½ per cent., so that well over a half of their production had helped to earn much-needed foreign exchange. The greater output had produced improved results in trading, notwithstanding the continuous advance in the prices of raw materials to, in many cases, record high levels.

The trading profit for the year of £81,009 showed a substantial increase of nearly £36,000, whilst dividends received from the French subsidiary company only showed a reduction of less than £2,000 despite the fact that they were for a year as compared with 18 months in the previous accounts. After allowing for various charges against profits and providing for a final dividend of 10 per cent., less income tax, and the interim dividend of 5 per cent. already paid, there remains £18,675 to be carried forward, an increase of £7,843 over the amount brought from the previous year.

Despite the improved results for the year just ended, he would be lacking in his duty if he did not warn shareholders that he considered that state of affairs was not likely to be reproduced during the coming year.

The report was adopted.

THE BRITISH LINEN BANK

203rd ANNUAL GENERAL MEETING

The annual court of proprietors of The British Linen Bank was held, on the 30th ultimo, at the head office in Edinburgh, the Earl of Airlie, governor, presiding. Lord Airlie said:

Today we present the first full year's accounts since the date of our annual balance was changed from January 15th to September 30th. Subject to minor adjustments necessitated by the new Companies Act, the balance sheet figures may accordingly be compared with those of a year ago, but as regards the profit and loss account the results for the year are not strictly comparable with those of the preceding period of 8½ months.

LIABILITIES

Deposits at £74,282,228 are up by nearly £4,000,000—an indication that monetary expansion continues. On the other hand, notes in circulation at £7,200,545 show a decrease of £1,000,000. This tendency, which is common to all the banks, is difficult to account for, but it may be presumed that bank notes are used to a smaller extent in the settlement of business transactions, and that the hoarding of notes is less common.

Acceptances and other engagements on account of customers at £2,959,811 show an increase of £400,000. The bank's capital, reserve fund and undivided profits are only £20,000 short of £4,000,000.

ASSETS

Cash at £8,126,244 is down by £1,000,000, reflecting the decline in the note circulation. Cheques in course of collection—an item which varies considerably from day to day—at £4,760,353, show an increase of £1,000,000. Money lent at call amounts to £10,665,000. This is an increase of £1,400,000, and shows a very liquid position. Bills discounted at £1,028,879 include £1,000,000 of Treasury bills, Treasury deposit receipts—loans for five, six or seven months to the Government—at £7,500,000 show an increase of £500,000.

The total of investments (other than trade investments) is £40,283,069, all in British Government securities except for £400,000 in Public Authority mortgages. The market value of these investments is in excess of the amount at which they stand in the balance sheet.

Advances amount to £12,451,314, showing an increase of £2,000,000, widely spread over agriculture and a variety of important industries. Growing demands for temporary working capital arise from increased costs of production and enhanced values of stocks on hand, as well as from difficulties in completion of work and delays in obtaining payment when products are delivered. Bank premises and other property as written down stand at the modest figure of £561,871. The balance sheet total of £88,427,542 constitutes a fresh record.

PROFITS

Notwithstanding increased taxation and higher costs in every direction, our larger resources have enabled us to show profits well maintained at £261,224. After payment of the usual dividend it is proposed to contribute £54,000 to the staff pension fund, and to transfer £75,000 to contingency account, leaving £22,224 to be added to the amount carried forward.

I think you will agree that these results are not unsatisfactory, and you will join with me in according to the staff our appreciation of their willing, efficient and loyal services.

The report was adopted and a half-year's dividend at the rate of 16 per cent. per annum, less tax, approved.

STANDARD MOTOR COMPANY, LIMITED

FINANCIAL PROVISION FOR HIGHER PRODUCTION

MR C. J. BAND ON COMPANY'S PLANS

SIR JOHN BLACK ON "VANGUARD" SALES

The forty-fifth annual general meeting of the Standard Motor Company Limited, was held on the 1st instant, at the company's registered office, Banner Lane, Coventry, Mr C. J. Band (chairman of the company), presiding.

The chairman in the course of his address, said: The total capital additions during the year amounted to £2,693,482 and the written down value of the fixed assets now amounts to no less a sum than £5,354,241.

Since the year 1944, a sum approximating £6,000,000 has been invested in capital assets necessitated mainly by the intensive production programme adopted by the directors and the introduction of the most modern plant and equipment. Following the usual conservative policy of the directors a sum of £631,042 has been written off this year for depreciation and amortisation and it should be noted that these charges for the coming years are not likely to be less than those shown in the present accounts.

INCREASED PROFIT

The profit for the year after taxation is £453,833. This is an increase of £264,347 over last year, of which £200,000 is to be ploughed back into the business by way of the reserve for future amortisation of dies, jigs, fixtures, patterns and press tools. You will also notice that the directors recommend that £75,000 should be appropriated to the Employees' Special Fund this year, bringing this fund up to a total of £234,311. This leaves, together with the £34,343 of other income, sufficient balance of profit to pay a dividend limited to the same rate as last year, and to increase the carry-forward by £15,176.

The Government is urging manufacturers and employees to increase their efforts further in order to balance the figures of imports and exports. The company's plans and the production target which it has set itself will fully share in this accomplishment only if the necessary material is made available by the Government. In the opinion of the directors the company is in a position not only to increase its output considerably but to sell at competitive prices throughout the world.

A very special word of thanks is due to the company's managing director, Sir John Black, his colleagues on the board who hold important executive positions, his able and efficient staff and all employees of the company who have worked so well during the past year. The debt of gratitude the company owes to Sir John for his efforts cannot be over-estimated or adequately repaid.

I have great pleasure in proposing the adoption of the report and accounts for the year ending August 31, 1948.

SIR JOHN BLACK AND NEW PROGRAMME

Sir John Black (deputy-chairman and managing director), in seconding the resolution, said: Mr chairman, ladies and gentlemen,—I should first of all like to thank the chairman, on behalf of all of us who are engaged in the day-to-day affairs of the company, for his words of appreciation of our work during the past year. I told you the last time we met of a major alteration of policy. That alteration has now taken place and we have completely changed over to our new programme. In 1939 we sold 50,755 units, in 1947 some 45,000, and this past year we have sold over 80,000 units, together with a large quantity of car and tractor spare parts. Our turnover was just short of 25 million pounds.

FERGUSON TRACTOR

The Ferguson tractor output has been stepped up considerably by the introduction of double shift working and is now running at over 300 a day. This brings our total to date since the beginning of this new enterprise to over 70,000 tractors.

The chairman has already told you that we have invested nearly £6,000,000 in capital assets over the last four years, and our tractor factory is now equipped for the production of 500 tractors a day. That was our objective, and that is what we can do if we are allowed to operate to full capacity by having the necessary material licences made available to us. Now it depends upon the Ministry concerned whether full use is to be made of this outstandingly efficient equipment, in which the Government encouraged us to invest.

THE VANGUARD

Turning to the car side of the organisation, production of the Standard "Vanguard" car is steadily rising, and substantial quantities have already been shipped to 72 countries. Since manufacture started we have introduced a "Vanguard" estate car and we now have commercial counterparts with the introduction of a 12-cwt. delivery van and a pick-up utility model. Both these commercial vehicles have a large export potential. Again, our motor-car factory is now almost fully equipped for our target output of 500 cars a day, and material allocation is the only controlling factor.

Overseas assembly is expanding and, in conjunction with our distributors, plants have been established already in Australia, New Zealand, India, Belgium and Eire. Plans are being formulated for the introduction of similar plants in Canada, South Africa, Sweden and elsewhere.

NEW WAGE STRUCTURE

There has been one important development which has only recently been concluded—actually since the termination of the company's year—and that is in connection with a new wage structure for the whole of the company's employees in the Coventry area. We have, for a long time, realised that the greatly increased capacity of the company, which has resulted in line-production methods throughout the organisation, has caused what is known as "the piece-work system" to become obsolete. We have recently introduced a system which provides a new incentive to our employees, and will create a greater team effort within the organisation and the reduction of the number of rates of pay in the company from 100 to 8. The production per man-hour throughout the company is higher than pre-war, and with the new wage system, together with our modern machinery, I am sure it will improve still further.

I sincerely trust that stockholders will agree with the directors' proposal to allocate the sum of £75,000 to our Employees' Special Fund, which as you know is administered by a committee of employees and is doing splendid work.

TRIBUTE TO CO-DIRECTORS

I would also like to take this opportunity of expressing to you how grateful I am for the hard work and co-operation I have received from our four active directors. Mr Dick, as assistant managing director, has relieved me considerably in the general administration of the company's affairs. Mr Grinham, our technical director, who is responsible for the Vanguard design—his masterpiece to date—has many new projects in hand, which one day will see the light of day and which will still further enhance the company's reputation and strengthen its position, both technically and financially. Mr Martin, as sales director, is developing a sales organisation throughout the world that is capable of dealing with our future production plans and is strengthening his staff with new and young men, particularly for the export drive. Mr Woodall is supplies director; he is new to the board and you will be asked to re-elect him to-day. Supplies, as I have said, are the controlling factor in our increasing production and his personal contacts with our suppliers and the various ministerial departments are proving invaluable.

To the management, executive, and staff I say, thank you for your splendid efforts and loyalty to the company throughout the years.

I would also like to record my appreciation of all our suppliers of components and materials as well as our distributors and dealers, both home and overseas, for all their support during the past year. I know that our suppliers have made tremendous progress in their methods and production since the commencement of our new programme, and I trust that they will go forward with us with the same determination to reach our ultimate target in the production of both cars and tractors.

The report and accounts were adopted.

JOHN CARTMELL AND SONS (1947), LIMITED

A DIFFICULT YEAR

The first annual general meeting of John Cartmell and Sons (1947), Limited, was held, on the 1st instant, in London.

Sir Hugh Trevor Dawson, Bt. (chairman), presided, and in the course of his speech, said:—

As regards stocks of timber, a substantial part of this is subject to rectification if prices should move against us while the balance is held against licence. To summarise the position, the timber importation and merchanting position has more than justified your directors' anticipations.

Increased prices of raw materials and the necessity of acquiring and conserving stocks when materials are available have resulted in a substantial increase in the current asset position, the total of £237,055 at June 30, 1948, showing an increase of £84,542 on the figures at the date of acquisition. Your board have considered it prudent to conserve all available resources by retaining the profits in the company.

Your directors regret that the net trading profit of £27,771 is substantially below their forecast, but in view of the extreme difficulties experienced it is considered that the result is not wholly unsatisfactory. The company's business, which includes that of timber importers and suppliers of textile factory equipment, is also highly organised for the production on a large scale of woodwork and joinery for the building trade. This section of the business suffered severely from the effects of the change in Government policy within two months of the company's incorporation.

Given normal conditions, your directors have every confidence in the future.

The report was adopted.

ROAN ANTELOPE COPPER MINES LIMITED

MR A. CHESTER BEATTY'S STATEMENT

The following is an abridgment from the statement of the chairman, Mr A. Chester Beatty, issued with the directors' report and accounts.

PRODUCTION AND COSTS

The production of blister copper for the year ended June 30, 1948, was 51,757 tons compared with 49,641 tons during the preceding financial year. The year was once more marked by a shortage of coal supplies.

Five days were lost in the mine at the beginning of April when operations were suspended as a safety measure following the abnormal flooding of the Luanshya river catchment area.

The cost of production for the year was £63 14s. 5d. per ton of blister, f.o.b. Beira, compared with a cost for the previous year of £49 19s. 5d. Costs were adversely affected by the lower grade of ore mined, and other increases were caused by the higher cost of supplies, wages and power. No less than £5 6s. 3d. per ton rise in cost was due to the increase in royalty. The trend of costs on a unit basis continues to be a rising one.

THE ACCOUNTS

The revenue on our deliveries of copper, which were made entirely to the Ministry of Supply, was £115 10s. 7d. per ton, compared with £80 10s. 8d. during the previous year. The profit margin per ton of blister f.o.b. Beira was thus £51 16s. 2d.

The replacements reserve appropriation for the year has been increased to £450,000—that is, an increase of £100,000 over the previous year.

Taxation for the year amounts to £1,312,151, an increase of £685,000 over the previous year, which is a direct reflection of our increased gross profit.

After transferring to general reserve £600,000, which includes certain book profits on copper stock revaluation, there remains a net profit of £748,262. Adding the balance of profit brought forward from the previous year, there is a sum of £861,822 available. Out of this the directors recommend a dividend of 1s. 1½d. per share, less income-tax at 9s. in the £, absorbing a net amount of £617,904. The carry-forward will be increased to £243,918.

FINANCIAL RESERVES

I think it will be generally agreed that even on a conservative basis, the net reserve position is satisfactory. Attention has recently been focussed in the press and elsewhere on the increasing difficulties which many companies have had in financing their replacement expenditures without having recourse to new issues of capital. We have fortunately been able to avoid this position so far because we have for many years past provided for future replacements on the basis of estimated future costs instead of only charging depreciation on the basis of past costs.

Furthermore, we have either used prewar costs in valuing our copper stocks and therefore have not created book profits by writing up the stocks to current cost, or we have valued our stocks on a rising cost but have immediately eliminated the apparent profits resulting from the rise in costs.

These two essential points of our financial policy have had the result, by comparison with other book-keeping methods, of depressing our published profits in order to maintain a sound actual cash position.

INTERIM REPORTS AND DIVIDENDS

The Board has decided to revert to the prewar practice of issuing quarterly statements of production and profits. The Board will also give consideration in due course to the possibility of declaring an interim dividend if the profits so warrant.

ORE RESERVES

Ore reserves at June 30, 1948, were about 95,000,000 tons of 3.26 per cent. total copper, and the developed ore reserve position remains satisfactory.

POWER

As a result of a thorough survey of the Copperbelt power position, an agreement was entered into with the other Copperbelt companies providing for the installation of transmission lines interconnecting the four power plants of the Copperbelt. At the same time certain additions to the steam power plants were agreed upon.

This agreement covers only the first stage in the provision of more power.

GENERAL

The new pension and cash bonus scheme for European employees operated throughout the year. Under this scheme employees received a 29 per cent. addition to basic wages as their cash bonus which is based on a Copperbelt profit formula.

The health of employees continues to be excellent.

In conjunction with the other Northern Rhodesian copper mining companies we have sponsored the production of four films made by G-B Instructional, Limited. All are sound films. The first two are technical films which we believe will prove of interest to mining and metallurgical men throughout the world and will be of value and assistance to professional associations and technical colleges. The third film is in colour and deals with general living and working conditions on the Copperbelt, while the fourth is a documentary film. Arrangements will be made with a view to showing them to stockholders at some future date.

MARKET

Our copper continues to be sold to the Ministry of Supply for six months' forward delivery. The price basis is the world price for electrolytic copper, although payment to us is made on a blister basis, f.o.b. Beira. I should like to correct a misunderstanding which appears to be somewhat widely held regarding the relationship between the price received by us from the Ministry of Supply on this basis and the price quoted by the Ministry from time to time in this country. The latter price represents the Ministry's resale price for refined copper at consumers' works and therefore includes provision for transportation, insurance, refining, distribution, etc., incurred by the Ministry between receipt of the raw material from the producer overseas and delivery of the refined product to the consumer in this country.

Further, the Ministry's price is a composite one based on the intake from a number of producers, and thus has no direct connection with the price paid by the Ministry to any one producer.

ADMINISTRATION AND BOARD

During the year Sir Cecil H. Rodwell, G.C.M.G., retired from the Board. We are grateful to Sir Cecil for his valuable services during his years as a director. In his place Mr R. M. Peterson was appointed to the Board. Mr J. P. Norrie has been appointed consulting mining engineer and Mr R. H. Bauld consulting metallurgical engineer.

KOLOK MANUFACTURING COMPANY, LIMITED

A RECORD YEAR

MR E. S. DUMONT'S SPEECH

The fortieth annual meeting of Kolok Manufacturing Company, Limited, was held, on the 26th ultimo, at the company's offices, Tottenham, London, N., Mr E. S. Dumont (chairman and managing director) presided.

In the course of his speech the chairman said: It gives me particular pleasure to report that we have again achieved a new record of sales output and profit for the year. The net profit of the company amounts to £84,012, as compared with £59,071 for the preceding year, which, in turn, was a record.

The demand for our products—namely, carbon papers and inked ribbons—for which your company has a world-wide reputation, continued at a high level throughout the year both in home and export markets.

While I am sure you will agree that this is a very satisfactory result, I feel that it must be considered exceptional in view of increasing competition and import restrictions in many export territories which may affect the profit for the current year. However, I am glad to say that the volume of business in hand is satisfactory and, subject to the uncertainties of the future, there is no immediate reason to believe that we will suffer a setback.

The accounts submitted are generally self-explanatory, requiring little comment, but there are a few items to which I draw attention. It will be noted that trade investments are reduced by £3,000 resulting from a sale at a profit of £4,500 which we recommend carrying to realised capital profits reserve. The stock-in-trade is higher, partly on account of the rise in the cost of raw materials and of the substantial increase in sales.

STRONG FINANCIAL POSITION

We have had under consideration the institution of a superannuation scheme. Plans are not as yet completed, but, with a view to making an initial provision in this connection, we have transferred £10,000 to a superannuation reserve.

The financial strength of the group has been well maintained, as shown in the consolidated balance sheet by the current assets £315,730, less the current liabilities £105,128, leaving a surplus of £210,602.

Your directors feel that they should conform with the Chancellor's desire that dividends should not be increased for the present and, therefore, they recommend the same rate of dividends as was declared for the preceding year. You will remember that the dividend on the deferred shares was increased last year to a total of 150 per cent., as compared with 120 per cent. previously. The final dividends will absorb £8,801 net, leaving a balance of £35,774 to carry forward, as against £23,933 last year.

Incidentally, it will be seen that, whereas in the past gross dividends have been shown in the appropriation account, this year they are shown net, the tax on the dividends being included in the tax reserve.

Finally, you will desire to join with me in extending thanks to those in our service, executives, staff and all other employees, for their loyalty and the efficient manner in which they have carried out their respective duties. I also wish to thank my colleagues on the board for their support, and our local boards in South Africa and Australia for their continued efforts and assistance in our affairs.

The report and accounts were adopted.

At a subsequent extra-ordinary meeting new articles of association were adopted.

CONSOLIDATED AFRICAN SELECTION TRUST, LIMITED

ANOTHER SUCCESSFUL YEAR

The twenty-fourth annual general meeting of the Consolidated African Selection Trust, Limited, will be held on the 23rd instant, in London.

The following is an extract from the statement by the chairman, Mr A. Chester Beatty, circulated with the report and accounts for the year to June 30, 1948:—

As the accounts show, this company with its wholly owned subsidiaries has completed another successful year of operation. The combined profit for the year ended June 30, 1948, was £2,091,191, before providing for taxation and depletion. In addition, there has been brought back to the credit of the appropriation account £162,000 over-provided for taxation in respect of previous years.

A surplus of £973,941 is available for distribution after making appropriate provision for taxation. A sum of £310,000 has been allocated for replacements and extensions to fixed assets and for development. After making these allocations the directors recommend a final dividend of 2s. 6d., making a distribution for the year of 3s. 6d., which is the same as for the preceding year. These dividend payments of 3s. 6d. a unit involve a net distribution of £583,874.

REPLACEMENT RESERVES

Our replacement reserves now stand at £250,000 for the Gold Coast and £100,000 for Sierra Leone. Your directors have thought it proper to provide these relatively large sums out of taxed profits, in view of the very heavy increase in the cost of replacing or renewing equipment of all kinds, labour and transport. It is, however, to be regretted that the present taxation system, which makes no sufficient allowance for remissions on account of the capital cost of replacement equipment, thus renders inevitable the utilisation in this way of savings which should be available as capital for investment in new enterprise.

The programme of prospecting, which has been developed both in Sierra Leone and the Gold Coast since the end of the war, is now well under way, and certain areas, considered to be promising, have been outlined. The mining reserve position may in the circumstances be regarded as satisfactory.

Your directors continue to pay great attention to the improvement of the living standard and conditions of their African employees, and a construction programme, which includes improvements in the African hospitals, clubs for African employees and additional living quarters, is now making good progress.

SUPERANNUATION SCHEMES

It has always been the policy, both in the Gold Coast and Sierra Leone, to reward long service by our African employees with a gratuity on retirement. As the companies have now been operating for a considerable length of time, it became desirable to systematise thees arrangements to meet the growing number of superannuation cases. Schemes have therefore been introduced to provide for the grant of appropriate retirement gratuities, based on length of service. In order to meet the initial cost, the sum of £25,000 has been set aside in the Gold Coast, and similarly of £30,000 in Sierra Leone.

World sales, both of industrial and cuttable goods, again reached a very high level during the period under review, and the sales of your companies achieved a record. This was only rendered possible by the disposal of accumulated stocks, some of which had formed part of the wartime United Nations Reserve. These stocks are now greatly reduced, and the quantities available for delivery to the market will be dependent largely on current production. The indications for the current year's trading are nevertheless again satisfactory.

SIAMESE TIN SYNDICATE LIMITED

ENCOURAGING OUTLOOK

The forty-first annual general meeting of the Siamese Tin Syndicate Limited, was held on 1st instant in London.

Mr Kenneth O. Hunter, the chairman, presided.

The following is an extract from his statement which was circulated with the report and accounts for the year 1947.

An output of 316.69 tons of tin ore was obtained by three dredges during the periods from their respective dates of resuming work up to the close of the year; on this we have recorded a mining profit of £28,616. The net profit for the year before taxation amounted to £26,085.

Expenditure on repairs, replacements and restoration since we regained possession of our properties amounted to £203,963 up to December 31, 1947. Current assets include the sum of £368,861 as receivable from the Siamese Government. This is the amount we agreed to accept, and have since received, as compensation in respect of the depletion of our mining areas in Siam due to the extraction of ore from them during the period while they were in Siamese occupation. The settlement of this claim brought relief to our financial situation.

The information I have leads your directors to feel that the position is sufficiently encouraging to justify an interim dividend on account of the year 1948.

The report and accounts were adopted.

A hearty vote of thanks to the general manager and his staff in the East was passed.

At a subsequent extraordinary general meeting a resolution adopting new articles of association was approved.

BANGRIN TIN DREDGING COMPANY, LIMITED

POSITION STRENGTHENED

The twenty-eighth annual general meeting of the Bangrin Tin Dredging Company, Limited, was held on the 1st instant in London, Mr Kenneth O. Hunter, the chairman presiding.

The following is an extract from his circulated statement:

The working account reflects the results of the partial resumption of operations in Siam during the year 1947. An output of 106.76 tons of tin ore was obtained by our No. 2 Dredge, which resumed work on June 28, 1947; on this we have recorded a mining profit of £9,104. The net profit for the year before taxation amounted to £7,955. The amount required for United Kingdom taxation relative to the profits of the year 1947 is £5,154, less relief in respect of certain expenditure charged in our accounts to restoration, but regarded as allowable for taxation purposes; thus the net amount set aside for taxes becomes £2,127. Including the profit brought forward from the year 1946, £7,599, the balance at the credit of appropriation account at December 31, 1947, was £13,427, which we propose to carry forward to the current year. When the results for 1948 are known your directors hope that it may be possible to pay a small dividend for that year.

Current assets include the sum of £127,552 as receivable from the Siamese Government. This is the amount we agreed to accept, and have since received, as compensation in respect of depletion in value of our mining areas in Siam due to the extraction of ore during the period while they were in Siamese occupation. The settlement of this claim strengthened our financial position which had been affected by the heavy cost of restoring our plant and machinery.

The report was adopted and at a subsequent extraordinary general meeting new articles of association were adopted.

HERRBURGER, BROOKS, LIMITED

PROPOSED CAPITAL REDUCTION

The twenty-eighth annual ordinary general meeting of Herrburger, Brooks, Limited, was held, on the 30th ultimo, in London, Sir Louis Sterling, the chairman, presiding.

The following is an extract from his circulated statement:—

The directors are pleased to report an increase in the profit earned over that of the previous year. The balance sheet reveals a strong financial position.

Under the present conditions it appears to be doubtful as to whether building operations or the purchase of new factory premises will become possible or at any rate desirable for some time. They consider it right, therefore, that a portion of the cash represented by Government investments should be passed to the shareholders. They propose, therefore, that 5s. per share of the issued capital should be repaid to the shareholders and the issued capital of the company accordingly reduced. The shares of the company will then stand at the nominal figure of 10s. each, and the necessary steps will be taken to give effect to the proposal. After realising such investments as required to provide for this repayment approximately £51,000 will remain, and your directors are of the opinion that this sum will be sufficient to provide for any expenditure of a special capital nature, whether for factory premises or other purposes, which is likely to be necessary for some time to come.

The piano trade is still wholly devoted to export, and there does not appear to be any lessening in demand for British instruments, which are maintaining a very high standard of quality.

The report and accounts were adopted.

NOTICES

UNIVERSITY COLLEGE, EXETER

Applications are invited for the post of Lecturer in Economics. Further particulars may be obtained from the Registrar.

YOUNG man, 25, ex-RAF, recommended, B.Sc. (Econ) with honours, seeks interesting position in industry requiring energy and initiative, and with ample scope for advancement.—Box 892.

COMPANY Secretaryship required by Barrister (35), experienced in Company Law. Exhibitioner, Oxford University.—Box 895.

HAVE YOU A LONDON OFFICE? Company having premises in Victoria Street is prepared to act as London Agents for firm or organisation.—Box 887.

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

COMPANY SECRETARY (must be Qualified Accountant with commercial experience) required by old-established and progressive Company with turnover of over £1,000,000. London area. Minimum salary £1,250. Only first class men need apply.—Reply in first instance, giving full details of career, to Box E 860, c/o Streets, 110 Old Broad Street, E.C.2.

YOUNG man, at present assistant to Company Chairman and Secretary, seeks similar position of greater scope and responsibility.—Box 883.

ECONOMIST, journalistic and business experience, fluent French, German, some Spanish, interested research and statistics, now with economic periodical, seeks suitable position.—Box 890.

RUSSIAN—By qualified teacher (Mother tongue).—Box 888.

JERSEY, most southerly of the Channel Islands. Fly BEA in 85 minutes from London. Winter Resort Leaflet free from Room 23, States Tourism Committee, Jersey, C.I.

Statistical Summary

GOVERNMENT RETURNS

For the week ended November 27, 1948, total ordinary revenue was £78,132,000, against ordinary expenditure of £52,436,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £10,573,000, the surplus accrued since April 1st is £301,905,472 against £226,712,813 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948–49	Receipts into the Exchequer (£ thousand) April 1 to Nov. 29, 1947	April 1 to Nov. 27, 1948	Week ended Nov. 29, 1947	Week ended Nov. 27, 1948
ORDINARY REVENUE					
Income Tax	1309150	466,260	476,474	10,490	9,713
Sur-tax	90,000	23,455	29,850	350	1,050
Estate, etc., Duties	160,000	109,779	117,500	3,780	5,600
Stamps	55,000	34,180	36,713	1,900	1,200
Profits Tax	250,000	23,570	118,140	200	8,000
E.P.T.		172,213	65,950	2,550	750
Other Inland Rev.	1,060	120	109	...	...
Special Contributn.	50,000	...	23,400	...	1,200
Total Inland Rev.	1915150	829,577	868,136	19,270	27,513
Customs	820,600	528,594	542,713	17,108	15,501
Excise	726,550	411,300	510,511	23,300	24,911
Total Customs & Excise	1547150	939,894	1053224	40,408	40,412
Motor Duties	50,000	13,053	12,053	...	...
Surplus War Stores	102,000	131,059	75,510	4,182	4,657
Surplus Receipts from Trading	57,000	30,175	2,826	...	2,000
P.O. (Net Receipts)	...	4,080	...	*Dr.950*	...
Wireless Licences	11,000	6,370	6,505	1,200	1,145
Crown Lands	1,000	670	600	20	10
Receipts from Sundry Loans	14,000	18,863	10,596	...	...
Miscell. Receipts	68,000	191,522	105,201	1,884	2,394
Total Ord. Rev.	3765300	2165263	2134651	66,013	78,132
SELF-BALANCING					
Post Office	150,200	90,500	100,200	3,850	3,100
Income Tax on E.P.T. Refunds	16,000	15,536	5,285	280	182
Total	3931500	2271299	2240136	70,143	81,414

Expenditure	Estimate, 1948–49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Nov. 29, 1947	April 1 to Nov. 27, 1948	Week ended Nov. 29, 1947	Week ended Nov. 27, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	322,466	306,648	838	2,507
Payments to N. Ireland	26,000	13,776	15,038	666	1,047
Other Cons. Fund Services	8,000	3,873	3,921	17	17
Total	534,000	340,115	325,606	1,520	3,571
Supply Services	2442657	1588195	1496567	69,234	48,865
Total Ord. Expd.	2976657	1928310	1822173	70,754	52,436
Sinking Funds	...	...	10,573	...	...
SELF-BALANCING					
Post Office	150,200	90,500	100,200	3,850	3,100
Income Tax on E.P.T. Refunds	16,000	15,536	5,285	280	182
Total	3142857	2034346	1938230	74,884	55,718

After increasing Exchequer balances by £119,426 to £3,158,392 the other operations for the week decreased the gross National Debt by £12,874,278 to £25,685 million.

NET RECEIPTS (£ thousand)

Building Materials & Housing Act, 1945, sec. 4(1)	400

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Acts, 1946 and 1948	425
E.P.T. Funds	222
Overseas Trade Guarantees Act, 1939, sec. 4(1)	4
Housing (Temp. Accommodation) Act, 1944, sec. 8(1)	1,250
Local Authorities Loans Act, 1945, sec. 3(1)	3,750
Overseas Resources Development Act, 1948, sec. 17(1):—	
Colonial Development	100
Overseas Food	2,000
War Damage: War Damage Commission	5,000
Finance Acts, 1946 and 1947, Post-war Credits	351
	13,102

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
2½% Def. Bonds	368	Treasury Bills	29,260
Tax Reserve Certs.	948	Nat. Savings Certs.	650
Other Debt:—		3% Def. Bonds	*1,779
Internal	1,448	3% Ter. Annuities	1,643
Ways & Means Advances	16,475	Interest on the Nat. Debt	282
Treasury Deposits	1,500		
	20,739		33,614

* Including £1,256,725 paid off on maturity.

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Nov 29	2250·0	2561·0	338·6	...	1337·5	6487·1
1948						
Aug. 14	2210·0	2355·6	287·0	...	1429·5	6282·0
„ 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
„ 28	2210·0	2386·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
„ 11	2210·0	2378·7	297·0	2·0	1460·5	6348·2
„ 18	2210·0	2399·7	300·5	18·8	1460·5	6389·4
„ 30	463·7·3		256·5	...	1449·5	6343·3
Oct. 9	2220·0	2415·3	274·7	8·0	1452·0	6370·0
„ 16	2240·0	2446·7	277·5	5·5	1425·5	6395·3
„ 23	2250·0	2446·3	282·1	0·5	1438·0	6416·9
„ 30	2250·0	2424·6	278·5	...	1435·0	6388·1
Nov. 6	2250·0	2394·8	284·7	...	1435·0	6364·5
„ 13	2250·0	2402·5	278·0	5·8	1419·0	6355·2
„ 20	2250·0	2414·7	272·6	1·0	1430·5	6368·8
„ 27	2250·0	2385·5	283·1	7·0	1432·0	6357·5

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Nov. 28	170·0	269·2	170·0	10 3·02	53
1948					
Aug. 27	170·0	268·1	170·0	10 3·05	53
Sept. 3	170·0	295·8	170·0	10 2·43	41
„ 10	170·0	284·6	170·0	10 2·84	48
„ 17	170·0	263·8	170·0	10 3·31	56
„ 24	170·0	273·5	170·0	10 3·14	52
Oct. 1	180·0	277·5	180·0	10 1·72	54
„ 8	190·0	269·2	180·0	10 1·90	62
„ 15	180·0	269·4	180·0	10 2·09	59
„ 22	170·0	285·2	170·0	10 1·57	48
„ 29	170·0	291·1	170·0	10 1·45	43
Nov. 5	170·0	291·9	170·0	10 1·58	44
„ 12	170·0	272·9	170·0	10 1·97	53
„ 19	170·0	274·1	170·0	10 1·89	52
„ 26	170 0	275·8	170·0	10 4·35	48

On November 26th applications for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 48 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Monday were accepted at £99 17s. 5d. and above in full. £170 million (maximum) of Treasury Bills are being offered for December 3rd. For the week ended December 4th the Banks will be asked for Treasury deposits to the amount of £80 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended Nov. 22, 1947	Week Ended Nov. 20, 1948	Totals, Apr. 1 to Nov. 20, 1948
Savings Certificates:—			
Receipts	5,500	1,900	72,600
Repayments	3,150	2,350	83,500
Net Savings	2,350	*Dr 450*	*Dr 10,900*
Defence Bonds:—			
Receipts	1,715	845	25,805
Repayments	866	926	30,622
Net Savings	849	*Dr 81*	*Dr 4,817*
P.O. and Trustee Savings Banks:—			
Receipts	14,020	11,163	401,472
Repayments	10,910	10,082	392,684
Net Savings	3,110	1,081	8,788
Total Net Savings	6,309	550	*Dr 6,929*
Interest on certificates repaid	565	423	14,936
Interest accrued on savings remaining invested	2,290	2,363	77,197

BANK OF ENGLAND RETURNS

DECEMBER 1, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1241,992,823	Other Govt. Securities	1288,128,144
In Bankg. Department	58,255,010	Other Secs.	849,043
		Coin (other than gold)	7,713
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	332,718,941
Rest	3,430,704	Other Secs.:—	54,461,449
Public Deps.:—	25,167,811	*Discounts and*	
*Public Accts.**	*10,880,634*	*Advances*	*22,927,653*
H.M. Treas. Special Acct.	*14,287,177*	*Securities*	*31,633,796*
		Notes	58,255,010
Other Deps.:—	405,318,608	Coin	3,034,923
Bankers	*313,406,435*		
Other Accts.	*91,908,973*		
	448,470,323		448,470,323

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

COMPARATIVE ANALYSIS

(£ million)

	1947 Dec. 3	1948 Nov. 18	1948 Nov. 25	1948 Dec. 2
Issue Dept.:—				
Notes in circulation	1342·7	1234·0	1233·1	1242·0
Notes in banking department	107·6	66·3	67·2	58·3
Government debt and securities*	1449·6	1299·2	1299·2	1299·1
Other securities	0·4	0·8	0·8	0·8
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	19·3	15·3	12·3	10·9
Treasury Special Account	...	12·8	14·3	14·3
Bankers	291·4	313·4	302·7	313·4
Others	94·3	92·4	99·2	91·9
Total	405·0	433·9	428·5	430·5
Securities:—				
Government	292·4	331·0	324·1	332·7
Discounts, etc.	2·7	26·9	28·9	22·9
Other	19·0	24·6	23·3	31·5
Total	314·1	382·5	376·3	387·1
Banking dept. res.	108·8	69·3	70·2	61·3
	%	%	%	%
"Proportion"	26·8	15·9	16·3	14·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Nov. 25	45	Closed	176 4	112 13
„ 26	45	71¼	176 7	112 12
„ 27	Markets	Closed	176 13	112 12
„ 29	45	70	178 2	113 0
„ 30	42¼	70	177 12	113 2
Dec. 1	42¼	70	178 13	113 13

SERVICE

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RESERVE FUNDS STERLING - - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - - $20,000,000

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Chief Manager: The Hon. Sir Arthur A. Morse, C.B.E.

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ASSETS EXCEED £102,000,000
CLAIMS PAID EXCEED £189,000,000
(1947 Accounts)

CIVIL SERVICE COMMISSION

The Civil Service Commissioners invite applications from suitably qualified men and women for appointment as Economic Assistants in the Economic Section of the Cabinet Secretariat on the inclusive scale of £400-£750 (men) or £400-£650 (women). Age limits 20½-24 on January 1, 1949, with extension for regular service in H.M. Forces, and, up to two years for voluntary service in H.M. Forces otherwise than on a regular engagement or for compulsory national service under the National Service Acts. Candidates must have obtained a University degree in economic subjects with at least Second Class Honours, except that those taking a final degree examination up to the end of 1948 will be provisionally considered. Superannuation arrangements will be under the Federated Superannuation System for Universities.

Further particulars and forms of application from the Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1, quoting No. 2225, by whom completed applications must be received by December 15, 1948.

THE COUNCIL OF BRITISH MANUFACTURERS OF PETROLEUM EQUIPMENT invite applications for the post of Director. He will be required to implement the policy of the Council, and his duties, while mainly in London, will involve travelling at home and abroad. The salary contemplated is £1,500 upwards p.a., according to suitability and qualifications.

Qualifications for the post should include administrative ability, wide knowledge and experience of industry and preferably an engineering or similar background. Testimonials need not accompany the application in the first instance, but applications should, nevertheless, be detailed ; they will be treated as in confidence, and should be addressed to the Chairman of the Council, at 40, Palace Chambers, Bridge Street, London, S.W.1.

YOUNG man (28), taking final C.W.A. June, 1949 seeks administrative position in progressive business organisation. Knowledge of cost and financial accounts, budgetary control, and presentation of statistics. Enthusiastic hard-worker capable of assuming responsible post. Excellent opportunity for enterprising company to acquire first class potential executive. Box 891.

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SIX PER CENT SECOND CUMULATIVE PREFERENCE STOCK.

NOTICE IS HEREBY GIVEN that the Transfer Registers in respect of the above Stocks will be closed from December 8 to 14, 1948, both dates inclusive, for the purpose of preparing Warrants in respect of Dividends for the half-year ending December 31, 1948, to be paid on January 1, 1949.

By Order of the Board,
H. J. FLEWITT, Secretary.

Offices: Cunard Building, Liverpool, December 2, 1948.

CROWN AGENTS FOR THE COLONIES

Applications from qualified candidates are invited for the following post:—

ACCOUNTANT required by the Government of Nigeria for the Department of Commerce and Industries for one tour of 18 to 24 months in the first instance, with prospects of permanent and pensionable employment. Commencing salary according to war service, experience and qualifications in scale, £600, rising to £1,200 a year, including expatriation pay. Outfit allowance, £60. Free passages and liberal leave on full salary. Candidates should be Chartered or Incorporated Accountants or possess similar professional qualifications, and should preferably have had up to four years' professional or commercial experience since qualifying. Familiarity with Government procedure is also desirable, but not essential. Apply at once, by letter, stating age, whether married or single, and full particulars of qualifications and experience and mentioning this paper to the Crown Agents for the Colonies, 4, Millbank, London, S.W.1, quoting M/N/21257(3C) on both letter and envelope.

BUSINESS MAN (Wykehamist), of proved ability and adaptability, with fine record in peace (sales and advertising administration) and war (lieut.-colonel, staff), seeks scope for creative thinking, initiative and modern methods of marketing and sales promotion.—Box 820.

ECONOMICS writer for Ceylon newspaper. Must possess outstanding academic qualifications in Economics, literary ability, and preferably have had research experience. Interesting position; passage paid. —For details apply to Box 897.

EXECUTIVE Director, 44, seeks change similar. Exceptional experience administration, management, negotiation; chemical, foodstuffs, pharmaceutical, "proprietary," fermentation, processing industries. Home/Export trade. Chemist/Engineer. Substantial, reputable firms only.—Box 894.

FOR SALE: Volumes of Economist, 1935-39 (bound); 1939, 1942, 1943, 1944, 1945 (unbound); 1931-35, 1940-41 (unbound and incomplete). Apply, Library, 39, Cadogan Gardens, S.W.3.

OTHER NOTICES APPEAR ON PAGE 950

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The Economist

Established 1843

December 11, 1948 — One Shilling

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The Assembly Adjourns

THE General Assembly of the United Nations adjourns this week after three months of debate during which it has accomplished virtually nothing. An endless stream of reports has been considered. Major political problems—the civil war and foreign intervention in Greece, for instance—have been left in the air. A promising discussion of disarmament has petered out with only one positive result, the recall to life of the moribund Atomic Energy Commission. Probably no single issue has been so severely mauled as that of Palestine, which has occupied the bulk of the Assembly's later debates. Yet in spite of this record of futility, the Assembly is only to adjourn. It will meet again on April 1st—was there malice in the choice of date?—and the rendezvous is New York, where more dollars can be spent in less time than in any other place on earth. It is hardly surprising that the wisdom of this decision is being widely questioned—or even that some should ask whether the Assembly itself serves any useful purpose in international life.

Its defects are indeed painfully obvious. Among the first must be counted a truly appalling waste of time and energy on the part of men —Mr Marshall, Mr McNeil, Mr Vyshinsky—who must be presumed, from the offices they occupy, to have something better to do. While they or their deputies wrangle in the Political Committee and repeat the arguments virtually unchanged in the full Assembly—an exhausting duplication—they are dissipating energy which might have been devoted to careful and factual examination of the problems that confront them in the foreign field. But the precious hours have now gone by in the political atmosphere of the soap box and the thumping tub. It is hardly to be hoped that out of it should come solid policy or constructive diplomacy.

The debates do not only absorb precious energy. They generate avoidable friction. At times, the competition between leading statesmen to shout each other down has been positively unseemly. The deep cleavage in international life is only too palpable, but is it helpful to illuminate the chasm with so many flashes of vituperation ?

Yet these criticisms only touch the surface. Even if debates were speedy and the decencies observed, it would still be true that the General Assembly is failing to fulfil the functions mapped out for it in the original plans for the United Nations. The foundations of the United Nations were laid on the hope that the Great Powers would agree. The Security Council was to express their agreement and would act as a species of Executive Committee for the nations in general; these latter were to gain their chance to air their views in the Assembly, which would meet to receive reports and debate general issues of policy. But the pre-existing agreement in the Security Council was expected to give the Council the means of guiding, stimulating and controlling the Assembly's debates. In fact, this essential "committee work" on the part of the Council has been rendered impossible by the same reason that has divided the Assembly on most occasions into two rival camps. The division between East and West has left both the Council and the Assembly leaderless and floundering—a condition which is at the root of both the length and the inconclusiveness of their discussions.

The lack of unity in the Security Council has also had the result of saddling the Assembly with problems which should, for effective decision, have been handled in the Security Council alone. The need for Great Power unity has been nowhere so clearly demonstrated as over the issue of Palestine. Here the division did not follow the cleavage between East and West. The inability of Britain and America to concert their views proved almost as baleful as the much more publicised division between Russia and the West.

Must the conclusion then be that, given the existing division between East and West and the inability of the Great Powers to agree on lines of general policy, the General Assembly has no functions to perform and an indefinite adjournment is the best that can be hoped for the unlucky institution? Such a conclusion might be justifiable on a strict examination of its record, but the issue of the United Nations cannot be simply dismissed on the basis of its former and present behaviour. In times of tension and uncertainty such as these, an institution which both symbolises ordinary people's hopes for peace and also brings together the divided nations into some sort of fellowship, however minimal, cannot be voted into oblivion. Even if it does no more than unite the statesmen of the world in the same building, it does so under the visible sign of peace and must, therefore, be assisted to continue. But since it is to continue, some effort must be made to end those of its inefficiencies that can, even in the short run, be cleared away.

The split between East and West cannot be cured by any action inside the Assembly. In so far as its basic incapacity springs from that cause, inefficiency will continue. But some things can be done. In the first place, its meetings can be reduced to a maximum of once a year. It would have been infinitely wiser to have finished with the Palestine debate this week and to have adjourned the Assembly until September or October 1949 at the earliest. Secondly, a strict term can be set to its reunions—a fortnight is surely sufficient—and the duplication of debate in committee and in full Assembly can be cut out. Thirdly, the Secretary General can make a better effort to draw together and drastically reduce the material that is laid before the Assembly. At present, too many papers of too little importance are churned out, largely as a result of excessive resolution-making in earlier meetings. Since the error is in the first place an error of governments, they will give little or no lead in the direction of greater concentration of effort. It must, therefore, come from the secretariat and although it demands a degree of clarity and resolution not conspicuous so far, the task is not impossible.

Last of all, the statesmen themselves who frequent the Assembly can take a different and more constructive view of their own responsibilities. There is no law written into the Charter that the speeches made must be vindictive and inflammatory. If one side of the divided world sets a pattern of abuse, there is no reason why the other should follow so bad an example. If the great crashing waves of invective can be dammed up, a little trickle of common understanding may yet make its way to the surface. The Assembly's claim to continued existence lies in the fact that in spite of every defect and disadvantage, it is still a place where all the statesmen of the world can meet. It may yet serve a more constructive purpose if when they meet they make it their aim to talk and not to shout, to discuss and not to hurl abuse, to think and not to perorate. At present at least the Assembly's best hope of survival lies in this change of heart.

A Turn of the Screw

IT is just over a year since the Crippsian Revolution in the economic policy of the Labour Government began; and already voices can be heard asking whether the counter-revolution is not gaining the upper hand. There were months, earlier in the year, when fresh testimony of the effectiveness of Sir Stafford's disinflation could be collected almost daily. That is no longer true; but it does not follow that the policy has been reversed. The technical evidence was examined in an article last week. What it adds up to is that the British economy is certainly not back in the inflationary current of 1947; indeed, it may be that the net effect of official policies is still, by a small margin, on the right side. But there are a number of disquieting symptoms: the market prices both of gilt-edged and of industrial securities are rising together—which argues a "pressure of money" sufficient to force the hands and override the judgment of investors; and there is an uninterrupted rise in the total of bank deposits. And, whether it has exhausted its impetus or not, the disinflationary policy has certainly not attained the targets that were set for it in the transfer of manpower and of other economic resources from the less to the more essential industries. The present position may perhaps be summed up by saying that, if the British economy is probably not inflating, it is equally probably not disinflating. Many of the distorting pressures that existed a year ago are still present; the best that can be said is that they do not seem to be increasing.

There is very little room for doubt that Sir Stafford's policy of disinflation was right a year ago and is still right today. Many even of those who were sceptical a year ago must have been converted by the contrast between the gathering disaster of 1947 and the sober recovery of 1948. If the matter could be examined without any reference to political pressures, the right prescription for today would undoubtedly be to reinforce the policy, to make a second, and bolder, attempt to make it work. But with every week nearer the general election, the atmosphere gets more highly charged with politics. Another bout of disinflation would mean either cuts in expenditure or increases in taxation. Politicians can propose such unpopular things only when they are very firmly in office or when the public is badly frightened. Such willingness to accept heroic measures as there was a year ago has largely evaporated; in this sense Sir Stafford's policy has been its own undoing, and he is under considerable pressure from his own party to take the opposite course.

Since there is so little willingness at Westminster to consider another turn of the disinflationary screw, there is a noticeable tendency in Whitehall to seek some scapegoat for the fading away of the disinflationary policy—or at least to find some mechanical device for restoring it without hurting anybody. The most disquieting symptom in the present situation being the continued rise in bank deposits—the total passed the six billion mark for the first time in November—there is a certain desire in official quarters to hold the banks to blame ; they are said to be far too free in making advances to industry ; and there are rumours afloat of stricter controls on bank lending. But no such argument can stand up to the test of the figures. Although, in the seven months from the Budget to November, the increase in net bank deposits this year has been almost exactly the same as it was in the same period of last year (£178 million against £175 million), the total of bank advances has risen by only a quarter as much (£35 million against £141 million). Whatever it is that is causing the continued monetary expansion, it is not the lending policy of the banks. The Quantity Theory dies hard and the temptation to find the root cause of all economic phenomena in changes in the quantity of money is still very strong. But the size and shape of the banking figures are still today, as they have been for a decade and a half, mere consequences of the wider economic policies of the Government. To blame the banks for the recurrence of the inflationary threat is like blaming the thermometer for the relapse of a fever patient.

The real causes of what has happened are, in fact, fairly easy to identify. Inflation exists when the stream of money that the comunity is trying to spend, for all purposes combined, exceeds the supply of goods and services on which it can be spent; it is an excess of total demand over total supply, and it does harm to the community either (in the free economy) by pushing all prices up or (in the semi-controlled economy) by creating an intolerable congestion in which neither the offer of money nor the issue of priorities can protect essential work from being impeded. The disinflationary policy seeks to reduce demand relatively to supply and its chief weapon was intended to be the budget surplus that Sir Stafford created with so much political courage last April. But the surplus has been nibbled away, and meanwhile a number of factors have combined to frustrate its purpose. The total of demand has been increased. In spite of Sir Stafford's attempts to prevent it, one-third of the wage-earners have had their rates of wages increased. The programme of capital expenditure has not been kept within the bounds that were set for it. These have been the Government's misfortunes rather than its deliberate actions; but it is right to add that the "once-for-all" capital levy has certainly discouraged saving and may have encouraged the consumption of capital. On the other side of the equation, the supply of goods and services has either diminished or not increased as much as was hoped. The figures of total industrial production, which were so encouraging earlier in the year, have tended to level off. The success of the export drive has exerted an inflationary effect inside this country, for though the production of export goods generates British incomes, the goods are not available for the incomes to be spent on. The reduction in the supply of unearned dollars works in the same direction.

In short, the object of Sir Stafford's policy was to stop the country from trying to get more than a pint out of a pint pot. The pot has turned out to be a trifle smaller than was expected and the public thirst for expenditure has not been as successfully reduced as was hoped.

This being so, what is one to think about the campaign for "reductions in the cost of living" which Mr Maurice Webb, the chairman of the Parliamentary Labour Party, is leading ? Its political attractions are obvious—they are even creditable, in so far as the endeavour is to find some election programme for the party other than more nationalisation. But the economic logic of any such move is simply crazy. A "reduction in the cost of living" means an increase in the spending power of the mass of the people; Mr Webb's method for achieving this is by a reduction in indirect taxation. But one of the major difficulties in the present state of affairs is that the spending power of the people is already too large—too large, that is to say, for the supply of goods and services that is left over when the requirements of the Government, of the capital programme and of the export drive have been met. No doubt it is possible to prove by family budgets that a number of people are very hard up. But if Mr Webb wants to give these people more to consume, where will he find his balancing factor ? Will he take it out of Government expenditure—the education programme, perhaps ?—or out of capital—Mr Bevan's housing plans ?—or out of exports ? Or is it merely one more proposal that everybody with an income of more than £5 a week shall be mulcted for the benefit of those with less ? This surely cannot be Mr Webb's intention, unless he is as innocent in electoral strategy as he is in economics.

The public has so often been told that economics is a complicated as well as a gloomy science that it is difficult to secure acceptance of the very simple propositions that govern economic policy. There have been times in the past when it was right to insist that expenditure could safely be increased—indeed, that it ought to be increased—so long as resources were unemployed and those times will doubtless come again. But for the present, and for some time to come, the chief need is to insist that the community will only hurt itself if it tries to buy more goods and services than there are. Sir Stafford Cripps has, at best, achieved a precarious balance between demand and supply. There is no relief yet visible from external circumstances ; the greater part of any increase in the national output in the near future will be needed to replace the free goods that are now coming from America, but will not go on coming for ever. If, therefore, there is any relaxation in any domestic sector—whether it be a remission of indirect taxation on Mr Webb's constituents or an extension of the capital programme—there must be a tightening up somewhere else. No request for the one should even be listened to unless it is accompanied by proposals for the other.

This is a hard doctrine, and no one who enunciates it can take any pleasure in doing so. But it is no more inexorable than the facts on which it is based. There is, indeed, room for disagreement about the methods by which the objects of avoiding inflation should be achieved. There are those who would not bother about the total of money incomes or the balancing of the budget and would avoid the consequences of inflation by strict quantitative controls on everything and everybody—in short, by going back to a total war economy. There are those, like Sir Stafford Cripps, who would achieve the balance between demand and supply by reducing demand—that is, by reducing the flood rather than by erecting new dams against it. There is a case in logic for the "set the people free" school if it can prove (as will not be easy) that a grand act of economic liberation would increase the supply of goods and services just as much as it would increase the demand for them. The only school of thought for which there is nothing whatever to be said is the devotees of wishful thinking, either those who think that the great mass of people can be better off when the country is impoverished or those who simply say that the country is tired of austerity. Of course it is. But it would like the consequences of admitted bankruptcy even less.

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Germany and the Powers

IN recent weeks, the fear has grown in western Europe that in spite of devastation, in spite of occupation, in spite of plans for the level of industry, the German people may yet regain their former dominant position in European affairs.

Anxiety on this score is strongest in France, but the uneasiness is also infecting France's neighbours. It is to some extent the result of the snowballing effect of earlier decisions on Germany. The Americans and the British decided over a year ago to revive German industry and to include western Germany in the Marshall plan. Soon after, the permissible levels of industry were raised. Six months ago the currency was reformed and this gave economic expansion a tremendous fillip. This step was followed by two others: by the announcement that the management of the German coal and steel industries would be handed back to the Germans, pending a final decision —by a future German government—about their ownership; and by an American move to put an end to dismantlement on the grounds that the continued delivery of reparations would impair "the contribution Germany can make to the European Recovery Programme." The Humphreys Committee, appointed by Mr Paul Hoffman, has toured the Ruhr and now proposes that two-thirds of the present (already reduced) list of plants which are to be disposed of as reparations should escape dismantlement and remain in Germany. The cumulation of all these developments—all coming to a head within a few weeks—has been to bring about in Germany an industrial revival which in the crucial category of steel now surpasses France's own and to create a new mood of aggressive self-confidence among the Germans.

Unhappily the restoration of some freedom of action to the western Germans has coincided with the steady deepening of tension between the western Powers and Russia—a tension which is inevitably centred on Germany. The Germans are very naturally considering what their role should be in this struggle between east and west, and the Soviet decision to arm the police of the eastern zone has set off in the western zones demands for similar protection and speculations on the "value to the western cause" of a strong rearmed Germany. There has been no trace in the official Anglo-American attitude of any readiness to listen to this talk. On the contrary, the continued disarmament of the western police forces has been reaffirmed. But many Frenchmen—and other western Europeans—argue that, eighteen months ago, the control of German industry at a low level was the Allies' gospel. Yet the needs of European recovery have led to a revision of the whole programme. May not "the needs of European defence" have the same effect?

It is no use dismissing this fear of a resurgent Germany as panic-stricken and unrealistic, on the grounds that western Germany is a heap of ruins where the male population has been decimated into harmlessness. It is not Germany alone that people fear but the use Germany could make of a strong central position to manipulate the European balance of power in its own interests. A western Germany which was strong enough to offer any real increase in security to western Europe would also be strong enough to negotiate with Russia on its own terms. And nothing in Germany's past—neither the Treaty of Rapallo nor the Molotov-Ribbentrop Pact—suggests that German loyalty to "western ideals" is such that it excludes separate arrangements with the enemies of the west.

The crisis of confidence created by this sudden unfolding of possible vistas of German expansion and strength must be overcome with all speed. It has bred uncertainty and suspicion between the members of the actual Brussels Pact and the potential Atlantic Pact. It is sapping the psychological preconditions of partnership. It is a menace both to the hope of successful western defence and to the European Recovery Programme. But how can the atmosphere be improved? Where has the policy gone wrong?

The fundamental dilemma of western policy towards Germany has long been apparent. On the one hand, to impose all manner of restrictions and discriminations on the German people is to run the risk—indeed, the certainty—that they will one day resume Great Power status burning for revenge. On the other hand, after two German aggressions it is impossible to re-admit the Germans to an equal place among the nations on the sole guarantee of their promise to be good. But if the dilemma has long been clear, so has the only possible ultimate way out of it—that all the countries of western Europe should themselves submit to the same restraints on their sovereignty as they find it necessary to impose on Germany, which could then be free and prosperous without being dangerous. It was partly because it pointed in this direction that many Europeans welcomed the Marshall plan. But at the moment one aim of the plan—the quick restoration of prosperity—is being allowed to overshadow another—that western Europe should be sufficiently unified in political matters to prevent German recovery from being a menace to Germany's neighbours. What is needed at the present moment is a clarification and formal restatement of the western Powers' policy for Germany. At present, policy in Germany is coming up for discussion all over the place—in the Humphreys Committee on dismantlement, in the fusion plans for Bizonia, in western Germany's claims put forward to the Organisation for Economic Co-operation in Paris, in the Six Power talks on the Ruhr. But the result is not so much a policy as a piece of patchwork that is being pulled and picked in different directions by rival interests and diplomacies. What is needed to end this confusion is a Foreign Ministers' conference of the three major Powers of the west, together with the smaller countries concerned, to pull all these rough ends together into a coherent whole.

Such a clarification requires two things of the British and the Americans. The first is a clear statement that they do not intend to make western Germany a "military bulwark" and that the offer of a pact of demilitarisation put forward by Mr Byrnes eighteen months ago still stands. The second is more speed and inventiveness in securing a settlement for the Ruhr. The only solution which can at once reassure Germany's neighbours and avoid exasperating the Germans' aggrieved nationalism is one that extends to the steel industry in western Europe as a whole the forms of control which are to be imposed upon the Germans. A modest first step in the direction of an agreed statute for the Ruhr has been taken in admitting France to the Anglo-American boards of control responsible for German coal and steel in advance of the French zone's fusion with Bizonia. This step gives France an equal voice in the present essentially temporary organs of control and as such has been welcomed by the French Government. But the question of ultimate safeguard, when military occupation has come to an end, will still remain. Only if the international control of the Ruhr does not depend upon external agencies but is inherent in the structure of the steel industry will it last beyond the withdrawal of the Allies. It is agreement on this type of internationalisation that the Ruhr talks in London should aim to achieve.

A clarification of policy for Germany does not however depend simply on British and American action. The attitude of France is crucial. Geographically, politically and militarily there can be no solution of the German problem without France's concurrence, yet grave psychological difficulties still stand in the way of an agreed policy. French opinion itself is divided between those who hardly admit that Germany should revive at all and believe that permanent repression is still possible, and the rival opinion, of which there are strong traces in Gaullist circles, that if only France and Germany could form a firm alliance, Europe could be organised on an anti-Russian basis without the interference of the Anglo-Saxons. And through both extremes runs the crippling strand of profound distrust for France's two chief allies and best—indeed, only—friends, Britain and the United States.

From France, therefore, the present situation also demands two things. The first is to accept a German policy in which a measure of German revival and independence is rendered safe by including the core of the German economy—the Ruhr—in a wider European industrial framework. At present, French policy attempts to obstruct German revival and at the same time to impose external international control on the Ruhr alone. This policy doubly defeats the hope of French security, for on the one hand it ensures a resentful Germany and on the other, proposes a type of control which resurgent German nationalism will sooner or later easily throw off.

France's second task is even more urgent. It is to cement the alliance of the western Powers by making an act of faith in its efficacy. So much in France's relations with its allies is riddled with distrust. As a result, the French never reach the point of intimacy and confidence at which ideas can be freely exchanged and difficulties genuinely examined. By remaining in a sense psychologically apart from their British and American friends, the French miss day by day the chance to mould the alliance into a real instrument of security. M. François-Poncet, a wise Frenchman whose experience of Germany is unrivalled and who is now advising General Koenig in the French zone, put his finger on the real weakness in the French position when he wrote recently:

> If France artificially isolates itself out of sheer mistrust of itself and of the others, it will be undermining its security at the very moment when there is a general desire to give it a fresh foundation. There is one thing we should have learnt from our experience—France only owes its salvation in part to itself. The rest it owes to its foreign friends.

PRESENT PROBLEMS

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The Gospel of Work

HUMAN nature, it is often said, does not change. The proposition is obviously false if taken literally, needing to be qualified by the rider that such small changes as do occur may be of enormous practical importance. Such a change undoubtedly seems to be occurring, in this country at all events, in the very practically important field of the attitude to work and self-betterment. The British workman, it is said, does not work as hard as he did, could, or should; the British businessman lacks enterprise and energy. The former is sometimes excused on the grounds that he is inadequately fed, the latter invariably excuses himself on the grounds that no one can be properly enterprising and energetic when swaddled and strangled in red tape. There is substance in both excuses, but they do not go to the root of the matter. Any traveller abroad can observe workers much less well fed than the British working with incomparably more zest; and the decline in British business enterprise goes back far beyond the frustrated forties. Socialist teachings and the bureaucracy they bring in their train may rightly bear a share of the blame, but they cannot be saddled with the whole. On any wide view, both Socialism and bureaucracy (which is by no means of exclusively Socialist origin) must rank as symptoms, as well as causes, of the change.

There have, of course, always been ants and sluggards, idle and industrious apprentices, keen and somnolent business men. But social pressures, social climates, may favour one trait as against another. Readers of Professor R. H. Tawney's *Religion and the Rise of Capitalism* will remember his analysis of the change in moral and ethical climate, caused by the Reformation, which equated righteousness with economic self-betterment and made acquisitiveness respectable. At present a partial and dangerous reversal of the Reformation's climatic change is taking place. There is certainly no return to the pre-materialistic outlook of mediæval times—on the contrary, never has happiness been measured so exclusively in material terms. But individual acquisitiveness, the channel through which, for three hundred years or so, western humanity sought material betterment, is no longer really admirable. "Conspicuous consumption" in Veblen's sense, is in unmistakably bad taste. To outstrip and outbuy one's fellows is frankly unethical. To outwork them is bad practice. To "found a family" by the accumulation and passing on of a fortune is a piece of anti-social behaviour which the whole fiscal apparatus is successfully designed to frustrate. To own and enjoy luxurious and costly possessions, even inconspicuously, is something to apologise for. The outward and visible sign of the change of climate is the material shrinkage of rewards and the lightening of penalties, the whittling away of stick and carrot; but the inward reality is something deeper, a genuine reaction against the whole ethic of Acquisitive Man, which is by no means confined to the class-warrior champions of the underprivileged.

*

In this there is undoubtedly much gain. Acquisitive Man is not, and never was, a particularly exalted or attractive avatar of humanity. It is unfashionable today to talk of progress, other-than the two-edged progress of the physical sciences; war and revolution and their increasingly horrible concomitants have written an ironical gloss to the nineteenth century creed of optimism. But it can hardly be denied that in this country, at all events, there is more compassion and human solidarity, more mutual responsibility, respect and tolerance, less snobbery, avarice and callousness than a hundred years ago; and this gain is unmistakably linked with the decline from favour of the acquisitive instinct. Ethically speaking, the change is surely all to the good.

Its practical inconveniences, however, are obvious. It would

be too much to say that the mainspring of economic activity has been broken, but its weakness is undeniable. What, asked Mr Nigel Balchin at this year's meeting of the British Association, makes a man dig in his garden? In fact, why work anyway? Ideally, perhaps, for the fun of the thing and *ad majorem Dei gloriam*, but these motives are regrettably rare outside the pages of William Morris. Personal honour and glory, at any level from that of the appreciation of a few fellow-experts to that of world fame, is a spur relevant enough in the professions, in politics and administration, in the higher managerial and entrepreneurial ranks and, intermittently, among the rare Stakhanovs of industry; but it is hardly likely to be effective among the mass whose pace is set by the machine and whose personal contribution cannot be isolated. The desire for power, power over environment, power over other men, is another possible motive; but it is one which can apply only to few and whose implications may well be sinister. Or there is the desire for material gain, the old, reliable incentive of the Economic Man. Unquestionably, this is a powerful incentive, but it is one that shows in practice certain erratic and unpredictable characteristics. And under all these is the hardly analysable social drive, as it were an inertia of motion, appearing in each individual as a conviction that work of a certain intensity, concentration of a certain degree, is the done thing, the respectable norm. If that norm rises, all other incentives are intensified; if it drops, all lose force. But it would take a profounder and better documented social psychology than any now available to determine how far the norm is a mere resultant of the sum of isolated motives, and how far an independent substructure to these.

Some more general elements may be picked out. It is surely relevant that from the earliest days of the industrial and commercial revolutions the mark of the greatest business success has been success in getting out of the business environment. The successful British magnate has not, on the whole, aimed at becoming a merchant prince, an honoured burgess; he has aimed at becoming a country gentleman. His sons have had a public school and university education whose whole tone and bias has been set by the aristocracy and the professional class—a tone and bias strongly calculated to influence those subjected to it away from business and from a sense of the importance and dignity of business. This has been a most excellent thing for the aristocracy and the professions. But it has, generation by generation, creamed off from business life the pick of the country's economic ability, and impressed upon the national consciousness a conviction that business is an occupation for the second-rate.

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So far as the workers are concerned, the causes of the drop in the norm appear at once more numerous and more elusive. The lesson of the interwar decades—that he who works hard works himself and his mates out of a job—might be expected to fade from memory after nearly nine years of full employment. The fact that the norm remains low, lower than ever, and that in America, which over half the interwar period suffered far more acutely from unemployment than did Great Britain, little similar effect can be observed, makes one suppose that some other influence is at work. Disillusionment engendered by the discovery that Labour in power does not mean an immediate Elysium must be shared by the workers of plenty of other countries with governments of the left; but whatever undesirable things may be found in Poland or Jugoslavia, no one has ever suggested that lethargy is one of them. By the same token, it would be absurd to lay all the blame on postwar reaction against strain and over-exertion. The slackest members of the labour force are those new entrants who were too young to be concerned in carrying the wartime load. The time-wasting and shirking encouraged by Army routine have also been blamed; but countries which had conscription for generations before Britain finally accepted it have not visibly suffered from those ill effects. The general social components of the problem, in fact, baffle inquiry.

Not so, surely, the more specific questions of motive. Economic incentive has, for the last hundred and fifty years and more, increasingly filled the vacuum left by the progressive atrophy of the others. Joy in work, a sense of the sacramental in work, a sense of social and commercial responsibility in work, the achievement of mastery through work—all these have faded. Industrialisation, mechanisation, centralisation, proletarianisation and other cacophonously-named ingredients of modern life, have banished them from the normal worker's universe, leaving behind only the straightforward calculus of effort and reward. And the effort-and-reward mechanism has developed curious creaks and eccentricities under the pressure of new social ideals. The narrowing of the gap between skilled and unskilled labour, the levelling of the rewards of the assiduous and the slack under collective bargaining, the tempering of economic penalty by unemployment insurance, are all obvious influences.

Only a little less obvious is the weakening of material incentives by rationing, allocations, controls and shortages in general, of the things on which the worker could really be expected to be enthusiastic about spending his money. True, money will still buy many desirable things and make a great difference to one's standard of living; but outside the range where money is not allowed to make a difference at all, the range of control and social allocation, a great deal of money is needed to make a difference really worth noticing. It would take four or five times the average skilled worker's income to justify a move from an ordinary council house (to which more money gives no title) to something better rented on the private market; it would take a year's income or more to buy the car which his American counterpart takes for granted; new furniture, carpets and major household equipment generally are simply not practical politics. A too-distant carrot is no carrot at all. There remain, as practical spending outlets, the various forms of commercial entertainment which, as an incentive, have the obvious disadvantage that their enjoyment competes directly for the worker's time. Why earn the price of a football game by overtime which prevents you from attending it?

When to these considerations are added all those as yet little-investigated group and social forces which, in mine or factory, set the workers' loyalties or antagonisms in opposition to his individual self-interest, the decline of the material incentive is obvious. Nor is there any likelihood of that decline being drastically reversed. The British people are not going to scrap social insurance; heaven forbid that they should. Industry is not going to scrap collective bargaining. Much could be done to get the prices of controlled and uncontrolled goods into a relationship that would make the carrot really tempting, but this will take time. More goods on the home market must await precisely that increase of production which they themselves might help in eliciting. It would seem that the attack on the incentive problem must in the long run take other forms, working through industrial relations at all levels, educating workers and business men alike to general, as against sectional, economic realities, supplementing the old, narrow acquisitive drive with a self-interest more enlightened and more social. But the matter is too urgent for any means to be neglected. Hard work may no longer be an essential passport to individual respectability and the one self-evident means to individual betterment, but it remains as essential as ever it was. The gospel of more and more for less and less, of squeeze-the-boss and squeeze-the-public, letting Them see to it, is no better morally, and a great deal worse materially, than the nineteenth century gospel of plod, push, grab and hold; and behind them all there stands, in spite of all scientific and technical advance and all social ameliorations, the grim old gospel which events must in the end bring home—it is to be hoped not too late: he who will not work, neither shall he eat.

NOTES OF THE WEEK

After the Berlin Election

The people of western Berlin have given, by an overwhelming vote, their preference for freedom under the airlift—whatever its inconvenience—rather than for more normal conditions under possible Soviet control. About 88 per cent of the electorate went to the polls, and, whatever else their voting signified, its chief purpose was to demonstrate their dislike of Communism and their resentment of Russian tactics in Berlin.

In the short run, therefore, the Allies are now more committed than before to the policy of keeping the western sectors of Berlin supplied and of preventing the achievement of the Russian blockade's chief end—the exclusion of the western Powers from the city. Nevertheless, the vote does nothing to simplify the desperately serious problems presented by continuing to supply some two million people from the air. With the best will in the world, the airlift cannot provide normal conditions of work and food, and the newly elected German city council must consider the endurance test to which the people of Berlin are being submitted. The Socialists, who won over 60 per cent of the vote, already realise that something more than discontent with the Russians will be needed to keep morale high. Dr Reuther, the former Lord Mayor whom the Russians would not permit to take office in the old *Magistrat*—he is an ex-Communist—is now formally installed, and his first request has been for a doubling of the airlift to bring supplies up to a daily volume of 8,000 tons. General Clay believes that enough aircraft will be available, but it is a formidable undertaking.

It is also a very costly one. At what point will public opinion at home—particularly in the United States—begin to question the very great diversion of resources which the airlift represents? Senator Connolly, who will be chairman of the Senate Foreign Relations Committee, has already questioned the expense and confidently predicted a settlement with the Russians. The mood may spread. Altogether the problem of Berlin appears as intractable as it was the day the airlift began, and the alternatives before the Allies are not one whit more reassuring.

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The Vote on Palestine

Any visitor to the Palestine debate in the Assembly's political committee may be pardoned for coming away in a fine muddle as to who wanted what, and why. Again and again last week's voting offered the curious spectacle of the Russian and Latin American friends of Israel, and of the Arabs and their Moslem friends, voting on the same side for opposed reasons—the first because they would brook no truncation of Israel, the second because they wanted no Israel at all. The occasion of the voting was a last effort—attempted by the British and American delegations—to produce a compromise resolution which preserved the principle that disputes shall not be settled by force, nor settlements negotiated under duress. By the terms of the Anglo-American resolution as originally drafted, the Arabs had their last chance to negotiate for the retention of some of the lands allotted to them under the 1947 partition scheme, but since lost in war.

But by the time they had voted against every clause that admitted the fact of partition—their six votes, incidentally turned the scale, for the voting was close—they had mulcted the resolution of its three most advantageous clauses from their point of view. These were the clause providing a UN conciliation commission with specific terms of reference (lost by 22 votes to 25); the clause stating that alterations to the 1947 partition plan should be negotiated on a basis of reciprocity (lost by 23 votes to 23) and the one suggesting that the rump of Arab Palestine should be joined to Transjordan (lost by 18 votes to 26). Of the Anglo-American resolution there remained, therefore, only the clauses providing for a conciliation commission charged merely with encouraging the parties to agree, for the internationalisation and demilitarisation of Jerusalem, for free ports at Haifa and Lydda, for United Nations supervision of the Holy Places and for the restitution of property, or alternatively, for the provision of compensation to refugees. Even this emasculated text was passed only by 25 votes to 21 with nine abstentions—a majority that was sufficient in committee but does not promise the two-thirds margin that is necessary for acceptance in full Assembly.

To any western mind, the Arab vote was suicidal and incomprehensible. To many orientals it was logical. "They know only black and white, truth and untruth," wrote T. E. Lawrence, "without our hesitating retinue of finer shades." How, asks the average Arab politician, is he to go home and tell his people that he has compromised? If he does so, a shouting crowd will hound him from office. Better, therefore, to throw away the chance of half a loaf than to have to say he broke bread.

* * *

Arab Opinion Divided

To lessen the prevailing confusion, it is now best to call spades spades and to stop talking, in the singular, about "Arab opinion" and "the Arab view." The Arab states have no single common element of policy. They are not even all agreed that there should be no compromise with Israel, for King Abdullah (who is virtually an absolute monarch and has not the handicap of facing a half-educated electorate) can afford to take the common-sense view that the state of Israel is a reality.

At least four conflicting views are discernible in the *mêlée* of Arab speeches and recriminations. One is held by the supporters of the "perpetual war" faction who say they are ready to shout at and sabotage Israel in perpetuity. This is strongest in Syria but present also in Iraq and Egypt; it has a membership composed of students and the more ignorant and irresponsible politicians. A second view is held by those who accept the "practical realities." They believe that the annexation of the Arab hills to Transjordan is the only alternative to its annexation by Israel; this is, so far, little current except in Palestine and, of course, Transjordan. A third is the view of the foreign realists who would like to see their armies extracted from the expensive impasse in Palestine: whispers to this effect are current in both Cairo and Baghdad. A fourth view is held by the red herring and scape-goat seeking school, which asserts that the Egyptians lost the northern Nejeb only because the Jews attacked during the Moslem festival of Aid-el-Kebir and which is only waiting for some step towards settlement by King Abdullah in order to turn upon him as the man responsible for failure everywhere.

The events of recent weeks are all of them reflections of one or other of these states of mind. In Syria, the government has fallen to the shouts of the perpetual war party and none but nonentities can be found to take its place. In Egypt, the stability of the government is affected by its Palestine mistakes. Its many enemies have organised well-armed riots (in which the Cairo Chief of Police was killed last week) and it has been obliged to declare a state of siege. In Jericho, a congress of men-on-the-spot—the mayors and notables of the rump of Arab Palestine—has asked King Abdullah to take them over and "solve their problems by whatever means he thinks best." In Amman, the prudent Abdullah has said that he will consider giving effect to their suggestion "by constitutional international means and at the proper time." But in Paris his six fellow members of the Arab League have voted against any such extension of his territory. The further outlook for allies so divided is highly unpromising. The Iraqi and Egyptian Governments are the most likely to suffer by it. King Ibn Saud is too far away to be deeply affected, and the Lebanese, though voting *pro forma* with their Arab friends, have always—so far as the Christian half of the country is concerned—had an inner feeling that it would be no bad thing to see other non-Moslem element established with a state on the coast. Their Patriarch has publicly said so.

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Alarm and Confusion

If Mr Alexander is even half as uncertain and obscure in his discussions with the Chiefs of Staff as he was with the Commons on Monday, when military service was discussed in Committee, it is not surprising that there is confusion in the Services. By the time the division was taken on the clause extending the period of service from 12 to 18 months the Minister of Defence and Mr Shinwell had, between them, succeeded in leaving the House not only uncertain as to the reasons for its necessity, but had even aroused doubts about the whole basis on which the Government has introduced conscription.

Mr Alexander was urged on Monday from all sides of the House to clear up the confusion created in last week's debate as to whether he still envisages conscription as a method of training reservists, or of eking out the exiguous numbers of Regulars available for emergencies, and whether there was anything in Mr

Shinwell's hint that they intended to abandon conscription when the Regular forces were large enough. He responded with a *tour de force* of obscurity which deserves to be set beside some of the classic passages of Mr Ramsay MacDonald in his declining years. This stung Mr Crossman into a speech which expressed very well the feeling of a considerable section of the Labour members. He said that in supporting the Government on 18 months as a national necessity, he was giving no vote of confidence whatsoever in the Minister of Defence. But many of Mr Crossman's colleagues refused to go even so far as this. Seizing the excuse that it was a Monday (" sorry, I was delayed in my constituency ") and that the Whips, determined to avoid an embarrassing revolt, had sent merely a two line whip, only 138 Labour Members out of a voting strength of 390 voted for the Third Reading of the Bill.

The debates on the Service estimates next year will, however, provide a test of back bench opinion, for it will then be open to Labour Members, if they wish, to attack the administration of the Forces without challenging the immediate necessity for an increase in the period of service.

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A Mistaken Measure

The Agricultural Marketing Bill, published this week, is a disappointing and harmful measure. The Lucas Committee* pointed out that, now that three-quarters of the farmers' output is purchased at guaranteed prices, there can be no case for the continuation or revival of the producer-controlled Marketing Boards, whose main activity before the war was to manipulate supplies in the interest of raising the return to the grower. To do so would give the farmers a double protection at taxpayers' and consumers' expense. The Government has not heeded this advice. The new Bill proposes to continue the prewar system, with certain safeguards. Thus, not more than a fifth of the members of a Marketing Board may be appointed by the Minister of Agriculture, the remaining four-fifths being drawn as before from the producers. This puts the Minister's representatives in a tiny minority, while leaving the Minister of Food and the Chancellor of the Exchequer—supposedly the guardians of the consumer and the taxpayer respectively—completely unrepresented in matters vitally affecting the interests of their departments.

A stronger safeguard is contained in the Minister's power to overrule any Marketing Board which he deems to be acting against the public interest through its adoption of restrictive practices. Any such Ministerial intervention has further to be referred to an independent Committee of Investigation, which, in the case of non-guaranteed (i.e. horticultural) produce only, can in its turn overrule the Minister. But the most that this innovation can secure is to stop the producers' Boards from doing active harm—and whether it does that much depends on the courage of the farmers' Ministry. This clause may serve to inhibit the producers from reorganising marketing their way ; it will not help—and the Bill in no way helps—to ensure that the necessary technical reorganisation of marketing is in fact carried out.

This Bill may be regarded as the issue of a long tussle in which the National Farmers' Union is the victor and the Ministry of Agriculture comes second, having outmanœuvred the other departments on the theory that marketing is its responsibility. But agricultural marketing is only one link of the whole chain of food distribution, which collectively concerns the consumer buying food, and the taxpayer subsidising it, quite as much as the farmer growing it. This Bill may be less potent and less permanent than appears. At present two marketing schemes—bacon and potatoes—are in abeyance, one—hops—is in operation, and the most important—milk—is bent to the Government's will. By the terms of the new Bill these schemes can, under Defence Regulations, be suspended or modified and before they are put into full operation it is to be hoped that the Government will think again—or think at all—about the problem of food distribution as a whole.

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" We Got Rhythm "

The Fabian Society can be counted on to supply those straws which not merely show which way the wind blows but also get incorporated in Labour Party bricks. Much interest therefore attaches to its pamphlet " More Socialisation—or Less ? ", first of a " Challenge Series " of pre-election documents. As an indicator of blowing winds it is depressing. True, it leads off with the welcome recognition that the great game of soak-the-rich is practically played out and that only increased production can raise working class standards (no others matter). But from this novel discovery it proceeds, through successive non-sequiturs question-beggings, and displays of general unrealism to a thoroughly irresponsible conclusion, while the whole argument rests on the major premise that justice and truth are merely what, at the moment, the proletarian rank and file consider such—an argument stated with greater precision some time ago by a Mr Engels.

This conclusion is, in a word, that socialisation must be pushed on for fear of breaking the rhythm. The four familiar criteria for testing the fitness of an industry for nationalisation are restated—low efficiency calling for the use of state resources for modernisation ; need for unification ; monopoly powers actually misused ; and, most sinister in its vagueness, the existence in private hands of control over basic services " capable, with misuse, of threatening the continuance of democratic government." (It occurs to one that this would justify an immediate and ruthless *Gleichshaltung* of the unions). To these are added the general consideration that Governments must have sufficient power to plan effectively. But suppose no industries were found to fit any of the four categories, or that the Government should prove to have already all the power it can use ; should " consolidation " replace expansion ? No. The " moral and spiritual " basis of Socialism is invoked ; there must be " an ever-powerful moral force at work *strengthened by the sense of speeding towards an objective.*" Private enterprise must indeed be allowed some incentive, but " many organised workers " accept this necessity " only out of general loyalty and only under duress." Therefore the area in which these incentives operate must be increasingly narrowed. Whether industry will be efficient under public control, or whether (as the authors, blithely ignoring all the evidence, consistently imply) industrial relations will be improved, is immaterial. The organised workers don't like seeing people make profits. They will only " respond " (i.e. stop slacking, skrimshanking and striking) if they are sure no one but themselves will benefit. That settles the question. The " steady rhythm of change " must be maintained, regardless ; because otherwise the workers will be provoked to what most people would call sabotage. This headlong, unashamed and unregretted surrender to the combined forces of stupidity and spite is unworthy of the Fabian tradition.

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The Bizone Plan

The plan presented to the Organisation for European Economic Co-operation by the Bizone authorities, which has once again been secured and published by the Paris edition of the *New York Herald Tribune,* underlines the startling resemblance that now exists between the British and German economies. The fundamental problem is the same—how to earn enough by exports of manufactured goods to buy the food and raw materials which are not produced within the national territory—and the methods proposed for solving the problem are also virtually identical.

Western Germany, like Britain, has plans for a big increase in domestic production, which is to be based on a $12 billion investment programme, three-quarters ear-marked for industrial expansion. The result should be an increase in production of 64 per cent above the present level and 10 per cent above German production in 1936. Apart from the continued limitation of steel production to the present agreed figure of 10.7 million tons annually, there is little trace of the restrictions envisaged in the old level-of-industry plans.

Again like Britain, Germany hopes to increase its exports to a target 60 per cent above the prewar level. About 75 per cent of these exports will take the form of various types of manufacture ; mining (which accounted for 55 per cent of Germany's exports in 1947 and 45 per cent in 1948) will fall to 15 per cent. In return 75 per cent of Germany's imports will be devoted to food and raw materials. Finished products represent only 5 per cent of the imports for 1952-53. This trading pattern is expected to leave Germany with an adverse balance of only $72 million and this figure is believed to be manageable. But again the Germans, like the British, reach their conclusion only by assuming that all currencies will be convertible. The adverse balance with the United States will be $250 million, with Britain $142 million. But credit balances with Europe and the rest of the sterling area are to offset the unfavourable figures.

Like all the OEEC plans, the Bizone plan turns on a number of assumptions of which the assumption of convertibility is only one. Can so great an increase in manufactured exports be secured in the teeth of British, French and Benelux competition ? Can the raw materials and foodstuffs which everyone seeks be made available in sufficient quantities ? It is true that the proposed German trading pattern differs significantly from Britain's, in that eastern Europe plays a much larger role and the biggest credit balance is to be earned among its European neighbours in ERP. But these two provisos also rest on assumptions—the assumption that eastern Europe can be a large provider of primary products by 1952 and that western Europe, deprived of a favourable balance with Britain, can afford an unfavourable balance with Germany. The plan in short, like all the other plans published so far, states the problem rather than solves it. Valuable ground has been covered. The really rough country lies ahead.

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Uno Contemplates Korea

The Political Committee of Uno has now passed a resolution tabled by the United States, Australia and China calling for withdrawal of foreign troops as early as possible from Korea, conditional on the appointment of a permanent Uno commission with power to unify the country and build up its defence forces. It does not seem likely that this resolution is meant to serve any other purpose than to put on record the willingness of the United States to withdraw its forces from South Korea if the two halves of Korea can be brought together under the auspices of Uno. For there is no prospect of Korea being reunited except through civil war or of a new Uno commission receiving any more respect or consideration from the Communist-controlled regime in North Korea than did the previous commission sent out to supervise Korean elections. The attitude of the Soviet Union and its Korean *protégés* has been simply that they do not recognise any Uno jurisdiction in Korea and, whatever Uno may decide, it has no power of enforcement in North Korea. Any armed intervention there after the withdrawal of Russian troops would be liable to bring on a most dangerous crisis. The real question is whether American troops are to be kept in South Korea to support the regime which has emerged from the elections held under Uno supervision. It is not known what are the intentions of the American Government, but the problem facing President Truman and his advisers with regard to Korea is closely related to that of deciding whether to abandon, or give further aid to, the anti-Communist forces in China. There is a school of opinion which holds that America should not try to retain any foothold on the mainland of Asia, which would be untenable in time of war, but should concentrate on a purely oceanic defensive system in the Pacific ; implicit in this theory is the idea of Japan as the future bastion against a Communist-dominated continent. There is another, less defeatist, school which holds that it is possible to resist Communism and keep a balance of power in both China and Korea. A decision between these policies cannot be much longer delayed, if it has not been made already.

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Fresh Failure in Indonesia

After a promising start, the renewed negotiations between the Governments of the Netherlands and the Indonesian Republic have again broken down, and this time there seems little prospect of a fresh approach from either side. The Uno Committee of Good Offices, consisting of representatives of Australia, Belgium and the United States, has done its best to bring the two parties together, but its terms of reference have precluded it from any kind of arbitral procedure. The final breakdown of the talks apparently came on the question of the control of armed forces during the interim period before the inauguration of the proposed federal United States of Indonesia ; the Dutch insisted on appointment of a Dutch Commander-in-Chief, while the Republic refused to modify the military independence which it now has in the territory it administers by submitting its army to a supreme Dutch command.

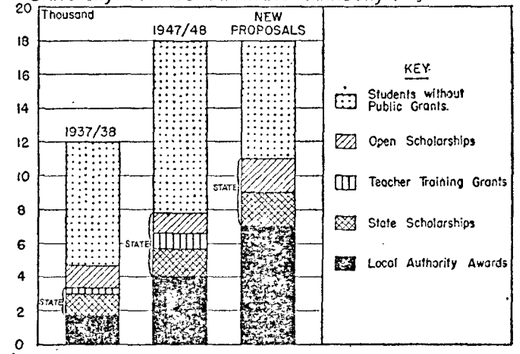
This dispute reflects a deeper opposition of aims which it has never been possible to bridge over. The Renville Agreement, on which the existing military truce is based, affirms the sovereignty of the Netherlands in Indonesia, and it is on this unabrogated right in international law that the Dutch take their stand, while the Republic claims all the attributes of sovereignty in the name of the Indonesian people and as a result of a successful revolution. The Dutch deny that the Republic has even a *de facto* reality, because in their view they could have put an end to it by force long ago if Uno had not intervened to stop the fighting, treating the Republic as a legally constituted Government, even though none of the nations on the Security Council had formally recognised it. What in fact happened when the Security Council intervened to halt the Dutch " police action " in Java was that Uno superseded existing international law by asserting a general right of intervention in any conflict within the admitted sovereign jurisdiction of a nation if it can be classified as colonial. The question today is whether the Dutch, who are confident of their ability to complete the reoccupation of Java by force of arms, will resort to a second " police action," now that negotiations have been broken off. If they do so, the Security Council will either have to take some vigorous action or accept the verdict of events, as it has done to a great extent in Palestine.

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Highway to the Universities—

The recommendations of the Working Party on university awards* published this week by the Ministry of Education would virtually open the universities to all who can reach a defined intellectual level and irrespective of their means. As such it is an extremely important document in the history of higher education. On the estimates which the working party provides, the percentage of university places for which public aid will be available annually will have risen from 28 per cent in 1937/8 to 61 per cent under the new scheme—or even higher if the number of people who can finance their university education independently proves to be lower than the working party calculates. Moreover, not only will the volume of awards increase, but their value will rise as well, so that the student too poor to reap the full benefits of university life should become a memory of the past.

University Awards Available Annually. (England and Wales)



As the diagram shows, the proportion of awards to places (which was discussed in greater detail in an article on July 17, 1948) has already increased over the past ten years from 28 to 45 per cent. According to the new scheme, the unpopular teacher-training grants will disappear, and it will no longer be necessary for students to sign a declaration morally committing them to teaching in return for the grant they receive. Instead, their fourth year's special training will be determined at a later stage, and they will receive the appropriate grant from the Ministry for it. Consequently there will now be only one kind of state university scholarship.

As the basis of its calculations, the report assumes an annual entry of 18,000 for England and Wales as against 12,000 before the war. Having recommended 4,000 state scholarships, it forecasts tentatively that there will be some 2,000 overseas students and 5,000 students who can pay their way. This leaves a residue of at least 7,000 places which are to be covered by local authority awards. This last figure is very speculative, and if paying students fall short of the estimates the number of county awards can be increased. The arrangements are elastic, since local authorities are urged

> to extend their arrangements to include all eligible students accepted and recommended by universities who have reached the advanced standard in two subjects in the examination for the General Certificate of Education. . . .

* Report on the working of the Agricultural Marketing Acts. (HMSO. 1947. 2s.)

*University Awards: HMSO. 9d.

In effect, this means that all the financial barriers are down. Some will quarrel with the continued predominance of county awards, with all the anomalies to which they have given rise. The working party has attempted to meet this criticism by clarifying the principles upon which the state awards are to be assessed; by recommending increased maintenance grants and allowance; and by raising the ceiling of parents' income, below which grants are paid, from £1,500 to £2,000. Having suggested such improvements for state awards, local education authorities are expected to follow suit. This may not satisfy the critics, but it is better than a single system of grants canalised entirely through a government department, and will foster local interest in the candidates. Taken as a whole, the new proposals are courageous and should go a long way towards providing equality of opportunity.

* * *

—And the Entrance

One particular feature of the report requires special emphasis. It is assumed throughout that both for state and county scholarships the recommendations of the universities will be the governing factor for the award of scholarships. In a sense this merely recognises an existing fact, for no county or state scholarship can be effective unless a university will accept the student. In practice, the universities are now required to take a much more active part in selection. For example, as the quotation in the Note above shows, before a county award is given by a local authority, the candidate must secure a provisional acceptance by a university, and the university must send its recommendations to the local authority. This will mean a heavy pressure of new applicants at the gates of the universities.

The burden on the universities in selecting students is already very heavy. It may be that there is no alternative to their carrying this additional burden as well. But the working party of sixteen contained only three members from the universities, and represented them inadequately. There are likely now to be many protests. It is to be hoped that before the Minister accepts the report he will consult the universities fully, and not repeat his precipitancy over the new school certificate proposals.

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Teething Troubles

The Minister of Health may well be right in claiming that some dentists are earning too much under the health service. The scale of fees laid down for each item of treatment roughly corresponds to what the average qualified dentist charges a private patient of middle-class income. But recognition that this scale is appropriate for the risks and rewards of private practice does not mean that it is also appropriate for the guaranteed receipts of public practice with a guaranteed flood of patients told that they are now entitled to free treatment and encouraged to take advantage of it.

Where Mr Bevan and his Ministry have apparently made a mistake is in not realising that the introduction of a free dental service would lead to the enormous demands now being made upon it, with the result that the 33 "chairside hours" a week recommended by the Spens Committee, whose report is the basis of the dentists' pay, are at present frequently exceeded. It was known that there was a shortage of dentists; it ought, therefore, to have been expected that too many teeth chasing too few drills would inflate dentists' incomes. Is the Minister right in attempting to check this inflation by halving gross earnings in excess of £4,800 a year? It will probably mean that fewer people will be treated in a week, and postponed treatment, as the private patient knows, means costlier treatment in the long run. It is certainly arguable that the amount of treatment necessary to bring in £1,000 gross (£500 net) a month, as a few dentists are said to be doing, cannot be performed with proper skill and care. But the remedy for shoddy work lies with the patient, who can always change his dentist, and with the executive councils and the profession itself, and not in an attempt to curtail all dentists' earnings and hours, which penalises those who can work both speedily and carefully.

The effect of Mr Bevan's decision, finally taken, it seems, in a high-handed manner, is that the dentists may claim that they were bribed into the health service by the offer of attractive pay, which was immediately cut as soon as it looked like becoming too expensive for the taxpayer. Nor does the decision, even had it been made with the profession's full consent, do anything to check the flow of dentists from the service of local authorities into ordinary practice. In view of the shortage of dentists, it was laid down as a principle of the health service that priority should be given to children and expectant mothers through the school dental service and antenatal clinics. But, now that dentists are leaving this work to earn the far higher pay authorised by the Ministry, which does not seem to have considered its effect on the local authority service, mothers and children will have to take their places in the queue.

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Disinflation in Sweden

In these days of docile, well disciplined, nationalised central banks, it is refreshing to see such evidence of central banking independence as has just been provided by the resignation of Mr Ivar Rooth, for nearly twenty years President of the Bank of Sweden. There is no shadow of doubt about the reasons for Mr Rooth's resignation. They are made abundantly and incisively clear in a statement to the Riksdag in which he explains his decision and severely criticises the economic policy of the present Swedish Government. The burden of Mr Rooth's accusation is that the Government's measures against inflation and in support of a sound currency are wholly inadequate and that the Bank of Sweden, far from being an element of stability in the situation, tends increasingly to become a passive instrument for carrying out the policy of the governing party. If the former President of the Bank of Sweden had his way he would first of all aim at a much bigger budget surplus to be used in repayment of debt. He would then reduce the capital programme and take new measures to stimulate exports. Finally he would go even so far as to raise the bank rate slightly.

In many respects the general economic position in Sweden is comparable with that in Britain but with this important addition: that the appreciation in the value of the Swedish crown in 1947 has lent even greater urgency to a disinflationary policy in Sweden. That urgency can be measured by the balance of payments difficulties into which Sweden has fallen. The import plan for 1949 shows that total imports must be cut by 500 million to 4,200 million crowns.

Imports from dollar sources will be kept down to 500 million crowns next year, as compared with 850 million this year and 1,750 million in 1947. These promises of curtailed imports have caused apprehension in Swedish industrial circles where it is felt that the cuts can hardly fail to have serious repercussions, particularly on the highly specialised Swedish export industries. The clash between Mr Rooth and the Government symbolises the conflict between those who would tackle difficulties of this kind by attacking the symptoms of the disease, i.e. by quantitative restriction of imports, and those who suggest more fundamental remedies designed to restore the conditions of equilibrium and thus establish a solid basis from which expansion can again take place. It is a conflict of views which has highly topical significance for Britain.

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Party Politics in Italy

Signor de Gasperi has returned from his visit to Brussels and Paris to face more political squabbles at home. The new foreign policy which he and Count Sforza have been vigorously pursuing and which amounts to a wholehearted drive to link up Italy's fortunes with France, Belgium and possibly Spain, has met with the approval of all Italians except the Communists. In the foreign affairs debate last week, Signor Nenni's motion of no confidence in the Government's foreign policy was defeated by 302 votes to 140. But the Government's domestic policy—or the absence of one—is causing serious dissensions in their own party, the Christian Democrats, and in the country at large.

The two chief evils in Italy—the pitiful state of the peasants and the ever-growing toll of the unemployed—have shown little sign of improvement since Signor de Gasperi won the eventful elections last April. As a result critics within the Christian Democrat party itself have become far more outspoken. Giovanni Gronchi, the President of the Chamber of Deputies and leader of one of the two left-wing groups in the party, has strongly attacked the conservative members of his party for their attitude to agrarian reform. The leader of the other left-wing group, Signor Dossetti, has also taken up the cry against his own party on the grounds that government posts should not have been given to Signor Saragat and his socialists. His argument is that there are enough left-wing members in the Christian Democrat party to fill what might be called "socialist" posts without calling in help from outside. As a result of these and other disputes the resignation of some eight Ministers has been predicted by political gossips. Even Count Sforza's disappearance has been foretold by all those who are prejudiced against him—Communists, Nationalists and Clericalists.

Signor de Gasperi's own prestige is increasing, thanks, perhaps, to the persistence with which he has put Italy's case abroad. But it is nevertheless true that he has not been able to follow up his success against the Communists last spring with any substantial improvement in Italy's economic health. His international successes will have to be very much greater if they are to turn the minds of Italians from the poverty and muddle which still surround them.

* * *

Greek Deadlock

Three months ago Mr Truman, in his fourth quarterly report on American aid to Greece, said that the aid programme had been "a conspicuous success." Now, in his fifth report, he says that an opportunity to bring the guerilla menace under control this year has been lost, that "much hard fighting lies ahead," and that Greek morale has suffered a serious blow. Three months ago the Greek Army was inflicting serious defeats on the rebels on Mount Grammos. Now renewed rebel activity is reported all over the country, from Macedonia down to the Peloponnese, while a large part of the Greek Army is being pinned down round Mount Vitsi, principally by those rebels who were able to extricate themselves from the Grammos debacle via Albania and Jugoslavia. The Greek reaction to this renewed activity is to seek permission from the Americans to enlarge the Army still further. In his report Mr Truman bluntly turns down this request. He says that the American authorities in Greece are convinced that the Greek armed forces are now strong enough and well enough equipped to restore internal security, and that they must now devote themselves to improving the quality of their training and leadership.

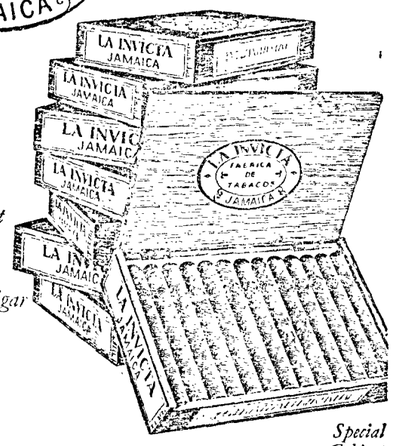
Mr Truman's cold douche will do no harm, for the Greeks must be made to realise that they cannot rely on American generosity for ever. Yet even if the Greek Army as it stands is capable of restoring internal security, it is certainly not also capable of performing the equally vital task of sealing off Greece's 500-mile mountain frontier. The Greeks must have help to deal with this problem; and the sort of help they need at the moment is not offers of mediation between the Greek Government and the rebels—a suggestion put forward by a group of Labour MPs, which Mr Attlee has quite rightly turned down—but military assistance under the ægis of the United Nations in closing the northern frontiers. All the lengthy debates on Greece in the Assembly, however, have resulted in nothing more than the initiation of mediatory talks in Paris between Greece and its three northern neighbours and the renewal for another year of the mandate of the Special Committee on the Balkans. Neither move will make much difference, and only an international force working under the authority of the United Nations can put an end to the endless frontier violations which make the Markos campaign possible. It is a measure of the Assembly that it has dispersed without even considering such a proposition.

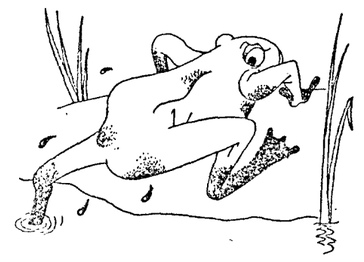
Although the Greeks may justifiably feel that they are to some extent the helpless victims of the cold war between East and West, and that economic reconstruction is doomed to failure until internal security is restored, yet they cannot be absolved from the necessity of making every effort they can to put their house in order. Civil war is no excuse for corrupt administration or incompetent government, and the recent Cabinet reshuffle holds out no hope that there will be any real improvement in either. An article on page 975 discusses this problem of internal reconstruction and assesses its chance of success. It is now clear that without some reform, not even a beginning of genuine pacification can be made.

* * *

South Africa's Loss

The death of Mr Jan Hofmeyr, at the age of 54, has left a gap in South African politics which cannot easily be filled. In a country divided by emotional hatreds and racial prejudice, his liberal and balanced views were unique. He was the appointed successor to General Smuts, and it is no exaggeration to say that

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the chief hope of a peaceful settlement of South Africa's complex and embittering problems rested in him.

Paradoxically, Mr Hofmeyr's death may lead to a temporary easing of the unpleasant situation which has been building up in South Africa. Dr Malan's determined pursuit of the policy of *apartheid*, or racial segregations, of abolishing the seats of the three representatives of the natives in the House of Assembly and of setting up the paramilitary organisation known as the *Platteland* army, depends on a small parliamentary majority which his electoral ally, Mr Havenga, controls. During the past few weeks there have been clear signs that Mr Havenga is dissatisfied with the route which Dr Malan is following and that he would be willing—at a price—to upset the Government by throwing in his lot instead with General Smuts's United Party. The obstacle to such an alliance was Mr Hofmeyr, who distrusted the Afrikaner Party's intentions towards the natives as much as he distrusted the Nationalists. Now that Mr Hofmeyr's death has—tragically—removed this obstacle, it is likely that Mr Havenga will speed up his negotiations with General Smuts. The results of the negotiations cannot be foretold, but it should be remembered that Mr Havenga wears the mantle of General Hertzog and that for some years General Hertzog and General Smuts governed the country amicably enough together. A coalition government of the United and Afrikaner parties would certainly put a stop to the more extreme measures of the Nationalists, but it will not mean a radical swing towards more liberal policies. The fear of the native which underlies Dr Malan's policy is felt throughout South Africa, and it is only the few men without fear—men like Jan Hofmeyr—who would risk the liberal reforms which are so urgently needed.

* * *

New Formula for Film Production

The British film industry has still to overcome its major economic difficulty: the lowest cost of producing a film of quality and the highest amount it can earn in British cinemas are roughly equal—too nearly equal for the nerves of possible backers. A new production technique for which the inventor claims that it can cut production costs by more than half is therefore of more than technical interest. This is the "independent frame" method, devised by Mr David Rawnsley, a consultant to the Rank Organisation and head of his own firm of production specialists.

It begins with the detailed planning of studio work, on lines which some American and other producers have already put into practice, to save time on the floor. All that can be done before actors are engaged and studio space required is carried out to the last detail: the script, for example, is prepared so fully as to become, with its sketches for each scene, almost a cartoon version of the finished film. Every piece of property, wardrobe and make-up is assembled and put where it will come most easily to hand. Beyond that is the "independent frame" itself. Not only are properties and make-up assembled, but so too is the background on film. The fullest possible use is made of such special devices as back projection. As much of the film as can be made without actors is prefabricated: the actors take their place in the frame only for the last and briefest phase of production. Even in this phase there are fewer technicians on the studio floor than there are in the usual method of production; the actors have been rehearsing whilst the floor was got ready; the film is already clear in the director's mind—thanks to the full script and the prefabricated frame. This phase should occupy the production floor for no longer than four weeks.

"Warning to Wantons," which has been made in this way at Pinewood for Mr Rank, is likely to be shown at the end of the year. Mr Rawnsley claims that it took half the time, half the studio space, and less than half the money (it was made in six weeks for some £100,000) that the film would have cost by traditional methods. He expects that familiarity with the method can bring this cost down to as low a figure as £25,000—which would mean not only a firmer financial basis for the film industry but a degree of artistic freedom hitherto unknown. If costs can be brought so low it should become possible to make films commercially for specialised audiences and not only, as at present, for the lowest common denominator of taste.

Shorter Notes

Correction: In the article on the Sudanese elections last week, the party representing the Independent Front was wrongly given as the *Ashigga*. This should, of course, have been the *Umma* party; the *Ashigga* are those who seek some form of union with Egypt.

Sir Stafford Cripps is the most famous member of a family distinguished for its political and personal courage. It was to be expected, therefore, that he would stand up, like St. Stephen the martyr, to the slings and arrows which the House of Commons launched against his decision to permit trade union and political funds to be remitted to similar organisations in France. His decision (which was commented upon in *The Economist* last week) is, in fact, indefensible, and Sir Stafford would have displayed even greater courage had he re-examined it and not attempted to defend it by arguments which were more suited to a professional advocate defending an impossible case.

*

The Ministry of Town and Country Planning has issued a draft designation order for the creation of another new town for the London region—this time at Bracknell, Berkshire. It will be a small one, absorbing no more than 200,000 persons from crowded areas in West Middlesex, which will no doubt require further outlets. Agricultural interests are complaining about the scheme, although it is claimed in reply that the alternative site, the one proposed by Sir Patrick Abercrombie at White Waltham, would absorb still better land.

*

By 29 votes to none, with seven abstentions, the Social Committee of the UN Assembly this week adopted a Universal Declaration of Human Rights. If it is allowed that there is some value in transmitting these rights to paper in a world that so variously interprets important words such as "freedom," the Declaration is a good one. It lists the most important of the rights of man. It is woolly only where it attempts to include among them rights that virtually defy definition, such as the right to "social security." The seven members who abstained from voting in committee were Canada (upon the constitutional point that the Federal Government cannot bind the provinces) and the Soviet Bloc. These last oppose the whole western conception of individual rights on the ground that the state, which comes first and knows best, is the proper and impeccable guarantor of all good things.

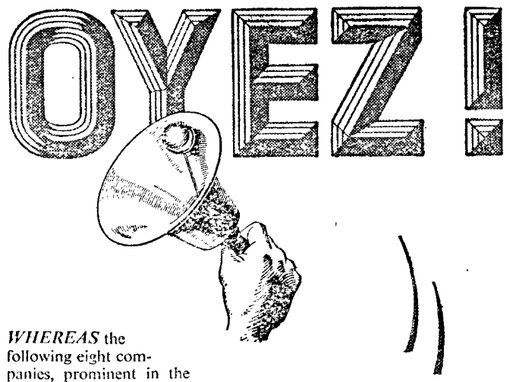
From *The Economist* of 1848

December 9, 1848

An event, equally horrible and astounding, has happened on the coast of Ireland. The *Londonderry* steam vessel left Sligo on Friday morning, and crossed the bar in the evening with 174 steerage passengers, three cabin passengers, and a number of cattle and sheep, for Liverpool, coming round the north of Ireland. She had a crew of twelve persons, including the carpenter, two boys, and the captain. After leaving Sligo, the vessel encountered a heavy storm, attended by hail, rain, and snow. From nine o'clock on Friday night till nine o'clock on Saturday night she was in imminent danger, and all the exertions of the crew were needed to save her. This was accomplished, and the vessel got into Moville on Saturday night in safety, but only then to reveal a calamity as appalling as the destruction of the *Ocean Monarch*.

At an early period of the voyage the steerage passengers were desired to go below, and in the evening, after some ineffectual attempts had been made to stop up the entrance to their cabin, that appears to have been effectually done about ten o'clock, and the next morning no less than 72 men, women, and children, were found heaped on one another stifled to death .... There was less space in the steerage of the *Londonderry* than in the Black Hole, and the victims were a fifth more numerous....

It is a matter of course that our contemporaries, who look to the Government as a great protective and guiding power, instead of that mediatory one, or judge, settling disputes and quarrels, which was its earliest character, should take the opportunity of urging it on to assume some more definite control over steamboats, and make itself responsible for preventing or for causing all such calamities. Betwixt them and us there can be no difference whatever as to the desirableness of avoiding all such horrors; but our unflinching adherence to the great principle of leaving the people to manage their own business makes us differ from them as to the means. For many years the tendency has been to substitute the regulations of the Government for the discretion of the people, and we cannot say that the results have answered expectations.



WHEREAS the following eight companies, prominent in the British Lead Industry, have hitherto carried on business under their individual names, to wit:— **The Cookson Lead and Antimony Company Ltd., Locke, Lancaster and W. W. & R. Johnson & Sons Ltd., Walkers, Parker & Company Ltd., Foster, Blackett and James Ltd., (Lead Departments only), The Librex Lead Company Ltd., The London Lead Oxide Company Ltd., A. T. Becks & Company Ltd., The Oidas Metals Company Ltd.** *NEVERTHELESS*, insomuch as these said companies have for many years worked together as members of a group... *BE IT KNOWN* that from the 1st day of January, 1949, they will cease to trade under their separate names and will share the single title of

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Letters to the Editor

The Cost of Justice

SIR,—Readers of the letter from Miss E. Arnot Robertson, published in *The Economist* of November 27th, would receive the impression that we had threatened an action of libel with a view to stopping people from subscribing to a fund instituted to assist Miss Robertson in fighting her appeal. Such an impression would be entirely wrong. The appeal made to members of the Critics' Circle, by the five persons named in Miss Robertson's letter, with a view to inducing people to subscribe, contained a number of statements which are plainly untrue.

The untrue statements are:

(1) That we had "so far succeeded in removing a critic from her post by alleging to her employers that she was incompetent."

(2) That Mr Justice Hilbery held that our letter to the BBC definitely imputed incompetence to Miss Robertsen.

(3) That Mr Justice Hilbery held that our letter was actuated by malice.

(4) That "The Fund now stands at over £2,000, without any appeal having been made."

With the exception of the figure at which the fund stands, as to which we have no knowledge, the whole of the remainder of the statements are directly contrary to the facts.

The appeal was also misleading in other respects, notably in its statement that the Court of Appeal allowed our appeal "by a majority of two to one." In fact, the Court was unanimous in allowing the appeal, the only difference of opinion being whether judgment should be entered for us or whether there should be a new trial.—Yours faithfully,

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S. ECKMAN, JR.,
Managing Director.

British Farming

SIR,—"Berkshire Farmer" says (*The Economist*, November 27, 1948) that if his landlord would and could afford to build him two modern cottages and modernize his existing ones, he could increase his production by 15 per cent.

From the owner's point of view, the question must be: is this an economic proposition? In the first place, the heavy capital expenditure entailed must be justified on the grounds that it will bring about a corresponding permanent increase in the value of the farm. In the second place, the tenant must be prepared to face paying adequate interest on the improvements in the form of increased rent. Given these conditions, the tenant would be justified in suggesting that the owner should, if necessary, borrow the money to finance the capital improvements. Should the latter disagree, the tenant can have recourse to the Agriculture Act and appeal to his County Agricultural Executive Committee for help. They will be in a position to judge whether his claims are reasonable and whether other farmers' needs are more urgent.

At the same time, it is only fair to this owner (as to every other) to point out that he will in any case have to go through a lot of hoops before cottages can be built or improved. Having employed an architect to draw up the necessary plans and specifications, he will have to go to his local authority to get planning consent, and building licences—which are still hard to obtain because of continuing shortages of labour and materials, and the handicaps imposed on private building. And the cottages will have to be assessed for development charge (although so long as they are occupied by agricultural workers the charge will be nil).

In fact it now takes approximately a year from the time when an owner applies for the necessary permits to build before the first brick can be laid. Is it surprising that there is a hold-up of schemes for increased production on farms which are contingent upon new housing accommodation for workers?—Yours faithfully,

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Books and Publications

Reality and Illusion

"Inquest on an Ally." By Paul Winterton. Cresset Press. 288 pages. 12s. 6d.

MR WINTERTON was *News Chronicle* correspondent in Moscow during the war, and he has already related in another book how he became disillusioned about the prospects of postwar Russian-Western friendship by observing the contrast between the wartime popular pro-Russian enthusiasm in the West and the studied hostility on the Russian side. In this book he has written an indictment of recent Russian policy. It is definitely a book "for the record"; it is slightly reminiscent of the piling-up of offences by the prosecution in the Nuremberg Trial. Mr Winterton is aware that he may be accused of "wearisome restatement" of well-known facts and justifies himself on the ground that so many people, "finding the facts distasteful, have refused to believe them." Actually, although there are few items in the book which will be unknown to anyone seriously interested in international affairs over the last five years, there has not been any other presentation of the whole story in so complete and orderly a form, and the facts gain in significance when seen in their sum total and not merely as fragmentary episodes. Any one act of Russian policy can perhaps be explained away as due to misunderstanding, diplomatic misdirection or the particular circumstances of the case, but Russian behaviour in bulk shows such constant repetitions of pattern that we can only attribute it to an overall plan and method.

Mr Winterton does not find a puzzle in Russia's actions; he considers them fully consistent with Communist doctrine and not otherwise to be explained. He quotes from authoritative text-books, such as Stalin's own *Problems of Leninism* and the official *History of the Communist Party (Bolshevik)* published in Moscow in 1939, to show that Russia's actions since the Teheran Conference have been just what they ought to be according to the political code which the rulers of Russia profess to follow. He recognizes that Russian nationalism has played its part, but he holds that, far from it being an alternative course to Communism, it simply reinforces and intensifies the urge of world-revolutionary Communist faith.

Mr Winterton thinks it is "a remarkable fact that while no one would attempt to understand a book without first learning the alphabet of letters, many people seek to understand the post-war behaviour of Soviet Russia without first studying the alphabet of Communism." He is ruthless in his criticism of western statesmen who, despite the ever-mounting evidence of Russian ill will, made so many sacrifices on the "unresponsive altar" of Big Three unity, and, above all, of "the political leaders, British and American, who for two and a half years—at enormous cost to their own countries—allowed western Germany to stagnate in a futile attempt to stave off the division of Europe." It is painful to be reminded of all these humiliating episodes, but it is also salutary to be shown how much of our present international troubles is our own fault for lack of a clear policy of our own and for gross misreading of Russia's.

"Soviet Politics." By Frederick Schuman. Robert Hale, 1948. 663 pages. 21s.

MR SCHUMAN'S lengthy conspectus of Soviet ideology and practice went to press in America at the time of the first meeting of the Council of Foreign Ministers in London in December, 1945. It has now been published in Great Britain. The book therefore antedates the important series of memoirs and of official documents dealing with the Soviet Union's role in the Second World War that have appeared during the last two years. But if Mr Schuman's book cannot claim complete authenticity as to events, it nevertheless makes interesting reading. For his own brand of idealism, much akin to that of Mr Henry Wallace, represents one typical American reaction to Soviet politics.

Mr Schuman writes hopefully and enthusiastically in terms of political and economic generalities, in which he totally submerges the real problem, that of Russia's extreme psychological and social immaturity. Thus his account of, for instance, Stalin's seizure of power or Molotov's foreign policy between 1939 and 1941 remains utterly unconvincing. The author is at his best, on the other hand, in his descriptions of the Revolution, the Civil War and the defeat of the Nazi invaders in which his dramatic sense of the heroic quality in Russians is entirely appropriate.

Whatever value, therefore, Mr Schuman's book may have for the student of diplomacy or constitutional theory (the author pays much attention to the juridical basis of Soviet Communism), it can scarcely be said to contribute to the "clearer comprehension of Russia" advocated on the dust-cover. As to international relations, Mr Schuman's prophecies in 1945 have proved as wildly erratic as those of the majority of mankind. His confident assertions regarding Stalin's burial of the weapon of Marxist Revolution have the ring of President Roosevelt's dogmatic optimism. Events have since shown us that in politics bygones cannot be made bygones through the mere agency of a handful of great personalities: that the destiny of great nations is guided not by the conscious machinations of the present but by the unconscious, massive accumulations of the past.

Europe: Past and Present

"The Unity of European History." John Bowle. Jonathan Cape. 383 pages. 18s.

MR BOWLE'S choice of title hardly does justice to the scope of his book. He has written a broad survey of European history from its beginning in the Mediterranean area. This survey provides the means of showing, as it were *ambulando*, the unity, or rather the unity in diversity, of European civilisation. Mr Bowle writes quietly and honestly; he is not obsessed by "pattern-making" and does not strain or distort facts. He realises that there are questions which, at all events in the present state of knowledge, no prudent historian will feel himself competent to answer.

Mr Bowle's facts are not new, and there is nothing new about the orderly sequence in which they are arranged. He has indeed maintained an unusually good sense of proportion; his craftsmanship in joining the chapters and sections of the book is excellent. The main thing, however, is that by taking this multitude of known facts and commenting upon them, Mr Bowle gains the reader's confidence and interest, and leaves him with the impression that, in spite of past or present crimes and follies, there is no reason to despair of Europe. Mr Bowle concludes with these two sentences: "Though the problems of our time are on a great scale, they are not mysterious. They are capable of practical solution in the light of the moral and political principles emergent in the history of Europe." To those sentences he might have added a wise saying by one of the noblest of French historians and statesmen: "God does not cheat the human race."

It may be that Mr. Bowle, looking serenely across the centuries, underrates the number and complexity of our problems. He cannot help us directly to answer our most urgent question: "Who will bell the cat?" He does not suggest any immediate way of ending the dangerous schism between the western and eastern traditions of European civilisation. Yet he could reasonably reply that his business is not to suggest remedies but to give the background or diagnosis which will convince others that remedies are possible. In the last few years we have had, perhaps, too much easy optimism from scientists who know too little history, and too much pessimism from learned humanists. It is encouraging to find a historian who can make so lucid and comprehensive a survey of the European past and, at the end, remain convinced that we are more likely to be entering upon one of the grander ages of civilisation than to be hurrying to utter destruction.

M. Halévy's Lectures

"Histoire du Socialisme Européen." Edited from Lecture notes by a group of friends and students of Elie Halévy. Librairie Gallimard, Paris. 367 pages. 440 Francs.

IN the summer of 1937 M. Halévy had decided to make a book out of the lectures on the history of European socialism which he had given regularly since 1898 at the Ecole des Sciences Politiques. He died in August, 1937, before he had done more than draw up the plan of the book. Only a few lectures, written out in book form at earlier dates, were therefore available for publication. M. Halévy was accustomed to speak from short

notes, and also to vary the treatment of his subject from year to year. Thus the editors who wished to carry out M. Halévy's project had to put the lectures together mainly from the notes taken by pupils. The editorial work was interrupted by the war; one of the most brilliant collaborators—M. Etienne Mantoux—was killed, and another died in 1940. The manuscript itself was destroyed by fire, but, fortunately, a copy had been made.

The labour spent on preparing the book for the press was more than an act of friendship in memory of a great scholar and teacher. The lectures are very good, and well worth preserving. The text obviously suffers from the circumstances in which it has been pieced together. Some sections are a little scrappy, or overloaded with the facts and dates which an audience of undergraduates tends to note more easily than the comments and *obiter dicta* of the lecturer. Other chapters—for example, a short account of historical materialism written by M. Halévy in 1910—would certainly have been revised.

On the other hand the lectures as a whole give a full and varied treatment of a subject upon which M. Halévy was a leading authority and there are pages in which, suddenly, one can hear him talking in his acute, friendly way, or summing up in a sentence his considered judgment of a man or a movement. Thus "*le parti communiste russe ressemble à un Pierre le Grand collectif.*" Or "*Marx, esprit puissamment systématique, n'est pas un grand créateur d'idées. Ce n'est pas à son originalité mais à son rôle historique que le marxisme doit son importance.*" Or again "*le syndicalisme révolutionnaire a réveillé dans la classe ouvrière le sens de l'héroïsme.*" Perhaps, however, the most interesting thing in the book is an extract from a letter written by M. Halévy in 1913: "*Pour ce qui est de moi, je reconnais bien que le socialisme renferme le secret de l'avenir. Mais je ne déchiffre pas ce secret et je suis hors d'état de dire si le socialisme nous conduit à la république suisse universalisée ou au césarisme européen.*"

South Africa's Resources

"Economics in South Africa." By N. N. Franklin. Geoffrey Cumberlege, Oxford University Press, Capetown. 253 pages. 15s.

THIS admirable book is packed with useful information about South Africa's resources, agriculture, industries and economic problems. The author has collected a mass of information from Blue Books and Government reports which he has put together in a clear, readable form, presenting a general picture of South Africa's economic health. He underlines the paradox of poverty in the midst of wealth, and he shows that in South Africa at least all that glitters is not gold.

The book is divided roughly into two parts. In the first few chapters, the author describes and analyses the complex structure of the South African economy. He shows, for example, that in Capetown five out of every ten Coloured households, five out of every ten Native households, two or three out of every ten Asiatic households and one out of every ten European households fell below a very rigorously defined poverty datum line—an income of £7 15s. per month. He stresses, too, the poverty of South African agriculture. Only 15 per cent of the land is arable and only about six per cent is in fact cultivated. On the other side of the balance sheet, the author points out that South Africa is particularly rich in mineral resources. Apart from gold, there are large deposits of coal, iron, copper and manganese ore, though there are no known oil deposits. Helped by substantial protection, the factories more than doubled the value of their output during the 17 years before the war.

The second part of the book is devoted to a closely reasoned argument for curing the economic diseases which are diagnosed. The training of natives in technical trades, the encouragement of the immigration of skilled workers, measures against monopoly and extensive borrowing from abroad are all recommended. The argument is sound, but, as the author himself admits, political difficulties will hamper it in practice.

Refresher Course

"A Survey of Contemporary Economics." American Economic Association. Edited by Howard S. Ellis. The Blakiston Company. 472 pages. $4.75.

VERY broadly, the purpose of this formidable but invaluable volume is to answer the question "What has been happening to economic theory over the last ten years or so?"—a question often and dispairingly asked not merely by laymen whose education included at some stage a nodding acquaintance with elementary theory, but by many indubitably qualified economists. The division of labour, as Professor Ellis points out in his witty preface, has reached a point where specialists may be appallingly ignorant of developments outside their own chosen field—the expert in monopoly theory being all at sea in econometrics, the monetary theorist finding himself completely foxed by discussions of national income, and so on. This *Survey* is designed to give a general conspectus or refresher course, summarising and relating to one another the theoretical advances in each special field; its authority is strengthened by associating with the author of each essay two critics distinguished in his own expertise; the result is not an official statement of the views of the American Economic Association, but a combination in almost ideal proportions (though these vary) of the venturesome and the "sound."

Detailed criticism, in the space of a short review, of work which is already a wonder of critical compression, would be virtually impossible, even were an Admirable Crichton among economists available to provide it. It is possible for an English reader to feel that a task of this importance might have been better shared between the American Economic Association and the Royal Economic Society, had this been administratively possible. British economists get a perfectly square deal from the AEA team, but in certain fields—e.g., the fiscal—it is arguable that British experience would have provided the more instructive background; and the admittedly "somewhat arbitrary" choice of subjects might, without net loss to the reader of high qualifications and with considerable gain to the near-layman, have been made so as to exclude higher mathematics.

A Study of Ceylon

"The Economy of Ceylon." By Sir Ivor Jennings. Oxford University Press. 217 pages. 10s. 6d.

FEW studies have hitherto been made of the economic condition and problems of that beautiful and romantic island—Ceylon—which is the first British "colony" (in a restricted sense) to achieve Dominion status. Ceylon is remarkable for its provision of free secondary and university education, and for the valiant efforts made, under the wise guidance of Sir Ivor Jennings its vice-chancellor, to establish for its university a standard equivalent to that of British universities.

Sir Ivor Jennings, although by his own submission "no economist," has performed the task of assembling, analysing and interpreting the available (though most incomplete) economic data, in a manner of which the most austere economist might well be proud. His object is to provide a textbook which will make students aware of the main factors affecting the economic and social life of Ceylon and determining the standard of life of its inhabitants. But no one should be deterred by the expression "textbook." This is no dry description of the material facts of life in Ceylon. The book provides vivid accounts of, for instance, the life of the peasants and the organisation and role of the plantation industries, whilst at the same time, it deals competently with such topics as national finance and employment. Indeed, in treating each of his twelve main subjects, the author contrives to enunciate and illustrate many of the fundamental principles which explain the functioning of economic society, and must be understood before an appropriate national economic policy can be devised.

The First Austrian Republic

"The Tragedy of Austria." By Julius Braunthal. Gollancz. 216 pages. 7s. 6d.

THE declared purpose of this little book is to sketch the history of the First Austrian Republic so that the prospects of its successor may be better understood. In fact, the work is an able and fervent defence of the record of the Austrian Social Democratic Party since 1918, and Mr Braunthal, one of its leading members, sees no anomaly in this. He argues that the Social Democrats alone among the parties in the First Republic genuinely believed in democratic government and sought to practise it. Their collapse after 1934 heralded the dissolution of the state, and now their revival is the only hope of its proper restoration. On this view the tragedy of Austria has been the tragedy of the Social Democrats.

Those who do not share the author's Socialist convictions will dissent from his rigid analysis in the sinister terms of the class

struggle. Apart from this, however, there is much of value in the book. A long appendix, contributed by Professor Paul Sweet, contains the text of letters which passed between Dollfuss and Mussolini from July, 1933, to February, 1934. These show beyond question that the Chancellor engineered the suppression of the Social Democrats in Vienna with full encouragement from Rome. Of more immediate importance is the author's reminder that the Austrian Social Democrats sought vainly for an *Anschluss* with Germany in 1919. Then they were moved by the millenary hope of joining a German Socialist commonwealth, but they also realised that the independence of their state had no other justification than the needs of allied policy. Subsequent events showed that in this, at least, they were not mistaken.

Location of Economic Activity

"The Location of Economic Activity." By E. M. Hoover. Economics Handbook Series. McGraw-Hill, 1948. 310 pages. 22s. 6d.

"THE time has come," the Editor writes in the introduction to this volume, "to redress the balance between the energies spent on the creation of new ideas and on their dissemination." The aim is to avoid the detailed analysis of a technical treatise, and produce good background reading for non-specialists in the Universities and material for adult education outside. This is the first of the series to appear, and it sets a remarkably high standard. Mr Hoover needs no introduction to students of location. His *Location Theory and the Shoe and Leather Industries* was a classic of economic research, a brilliantly successful attempt to turn the footloose theories of his predecessors into tools of analysis capable of handling practical problems. Having forged his tools and accumulated more general material over several years, he presents the results here in what is very much more than a popular exposition. He covers the complete range of location problems, including the effects of transfer and processing costs, the economics of land use, labour costs, the economic structure of communities, problems of change and adjustment, the effect of political boundaries on location, and questions of location policy. His style is clear, and the presentation of his material excellent. And it is rare and refreshing to one engaged, alas, in teaching Hicksian economics (since that is what examiners demand) to meet a textbook in which a cost curve means that costs do in fact look like that.

Mr Hoover's weakness belongs as much to his country as to himself. He is a little too quick to push sociological factors into the background, only to re-emerge in the last chapters. If the "provincialism" he attacks means the culture which inhabitants of Slough or Cowley left behind them in Wales, we need far more of it and not far less. And, since American experience of actually controlling the location of industry is so much smaller than ours, it is not surprising that his chapters on this lack the sureness of touch found where he is dealing with the experience of business in a *laisser faire* economy.

In effect, these criticisms mean that Mr Hoover has failed to take enough account of the special experience of this country. And it would be unfair to blame him for this; for no one has yet written this experience down in full, least of all the Government in its White Papers. To do this—so one feels after an evening with this excellent book—would at the moment be the best contribution that students in this country could make to the theory as well as the practice of location.

Greek Tragedy

"Report on the Greeks." By Frank Smothers, W. H. McNeill and E. D. McNeill. 226 pages, 13 illustrations. $2.50.

THIS book contains a comprehensive summary of the economic, social, political and historical background of the Greeks. It was compiled jointly by a team of three investigators—two of them already well acquainted with the country—who were sent to Greece for three months in the spring of 1947 by the Twentieth Century Fund, so that "the Fund should do what it could to give the American public a better understanding of the people of Greece." The report inevitably suffers from being well over a year out of date, but this does not affect its excellent account of the Greek economy, which rightly emphasises the very great difficulties involved in the long-term reconstruction of the country. The style of the book is not distinguished, probably because it is a joint compilation. Its value is impaired by the lack of an index, and its readability by the praiseworthy desire of the authors to omit no aspect of any situation which they are describing

Nevertheless, they are unable to remain completely impartial. The report is definitely more pro-Left than pro-Right. In fact, on one occasion, two of the authors admit in a footnote that the report "highlights" the violence committed by the Right, and glosses over that committed by the Left. And when visiting a band of rebels, the team seems to have allowed the charm and hospitality of the individual bandits to blind them to the folly and danger of the path they had chosen to pursue. However, it is now so common to regard the Greek civil war simply as an incident in the cold war between east and west that it can do no harm to be reminded of the tragic complexities of foreign occupation, economic ruin, and political extremism, which, far more than the tenets of Marx and Lenin, have driven many young Greeks to armed rebellion.

Shorter Notice

"Documents and Materials Relating to the Eve of the Second World War. Vol. II." Dirksen Papers, 1938-9. Moscow, USSR Ministry of Foreign Affairs. 243 pages. 2s. 6d.

THE second volume of Moscow's counterblast to the American publication of documents on Nazi-Soviet relations is a good deal more interesting than its predecessor. The bulk of the documents consists of the correspondence of the German Ambassador in London, von Dirksen. Even in the absence of corroboration they serve to throw some important light on the foreign policy of the British Government in the period, 1938-1939, and particularly on the perseverance with which Mr. Chamberlain pursued the policy of "appeasement"—not simply as a means of dealing with particular crises, but as the counterpart of building up British strength to a point at which an all-over agreement would be possible.

The editing of the documents seems to have been very competently done; but the "Dawson" mentioned among the pro-German publicists on page 98 is of course William Harbutt Dawson, and not Geoffrey Dawson, as the editor believes. The very low price of the book reveals the anxiety of the Soviet authorities to secure a public.

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AMERICAN SURVEY

The Good Creditor

(From Our US Editorial Staff)

FOR a generation, the United States has been warned that, since it is a creditor nation, it would do well to act like one. Acting like a creditor nation involves, among other things, a disposition to look for opportunity outside the United States, and also agreement on what constitutes a sound lending policy. Since the war, the United States has established, or taken part in the creation of, new institutions to direct the foreign investment of public funds. In addition, the private agencies of capital formation, the banks, the insurance companies and the large corporations, have explored or re-explored the possibility of putting their money, or their money in combination with their technical knowledge and business experience, to productive use abroad.

But over the new ventures, the cloud of memory hangs heavy. The first experiences of the United States as a creditor, in the decade after 1918, were neither greatly to its credit nor greatly to its liking. The unwise borrowing and unwise lending of that time embitter the present. Both the American banking community and the investors who took its offerings, wryly remember some of the loans of the "New Economic Era," which equipped the municipalities of the New Germany with swimming pools not wisely but too well. Public as well as private toes were stubbed. The record of government default on the war debts prompted the conclusion that "Finland is the only one that pays." If there is dragging of feet today, it is over the frictions of the past as well as the stumbling blocks of the present (though companies long accustomed to doing business abroad sigh for the unrestricted entry, unfettered operation, and unlimited profits, freely withdrawn, of an earlier period).

In the nineteen-twenties, foreign lending was gilded by the optimism of the domestic boom, and the lenders ignored the dependence of American prosperity not only upon that of the rest of the world, but upon that of the American farmer. Agricultural exports were neglected and tariffs raised with only a twinge of suspicion that they would affect the repayment and servicing of foreign loans. In varying degrees, private companies carried into remote places the pattern of exploitation which had opened up the American West.

During the nineteen-thirties, the Reciprocal Trade Agreements programme, the fore-runner of the International Trade Organisation, began the gradual retreat from protectionism. By 1949, the US Chamber of Commerce points out, the average *ad valorem* tariff on dutiable goods will have dropped from 53.2 per cent under the Hawley-Smoot Act to 15.3 per cent under the Geneva agreements signed last year. As part of the Good Neighbour policy, the Export-Import Bank was created, primarily to further trade in the Western Hemisphere. But little foreign trade and less foreign lending was undertaken during the depression years. The first major revision of the principles of foreign lending came with the invention of lend-lease, which recognised a distinction between credits granted for the non-economic purposes of war, and credits in the traditional economic sense of the term. This freed the world of a war debts incubus like that of the nineteen-twenties, and marked the progress from the time when President Coolidge met a request for war-debt adjustment with the classic retort, "They hired the money, didn't they?"

The institutions developed since the close of hostilities, the World Bank and the Economic Co-operation Administration, indicate the need of further distinctions, despite the difficulties of maintaining them in the no-man's land between war and peace. The climate of opinion in which the new principles of trade and finance are taking shape differs sharply from that of the first decade in which the United States realised it was a creditor power. During the depression, business and the profit system lost much of their moral and political influence in the United States and elsewhere. Workers driven to sell apples on street-corners and farmers who, unlike the industrialists, could not easily curtail production, turned to the ballot box and discovered that economic have-nots could become the political masters. The Wolf of Wall Street, battered in the subsequent encounter, licked his wounds reminiscently, even after some of them had healed, and ventured with increasing caution from his lair. The profit system is wholly endorsed, as an alternative to communism, not only by businessmen in trade associations assembled, but by labour leaders, the farm community, and professional groups. But to those who have discovered that economic aims can be furthered by large-scale political programmes, financed by taxes or government borrowing, its rigid standards of profit and loss seem unduly severe.

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Of the three institutions working out the new principles of foreign lending, the World Bank is doubly bound to business standards, first by its charter and again by its dependence on New York financial opinion for the sale and standing of its bonds. The Export-Import Bank is cut out of the same cloth, but financed by the Treasury. ECA, inaugurated from political motives, is primarily a postwar form of lend-lease, a device to provide goods for countries whose solvency and living standards affect the national interest of the United States. But because of the devotion of Congress to sound business principles, it is operating a programme of loans as well as grants.

It is clear that while the money of political origin is all at work, the money of economic origin is slow to emerge. The World Bank, with its galaxy of impressive officers, has made half a dozen loans, totalling about half a billion dollars, in its two and a half years of life. The possibility that there may be a difference between an economic loan and one from which the borrower may confidently expect political relief is one of which all these agencies are aware. How much right has a defaulting borrower to claim that the lender received, in return, something more valuable than repayment? And does Gresham's Law apply to loans as well as money?

The terms on which ECA makes loans undercut those both of the World Bank and the Export-Import Bank. In addition, ECA is lumping its grant and loan funds together for accounting purposes, and the part which it was anticipated the Export-Import Bank would play in extending loans under the Foreign Assistance Act has become little more than nominal. The gentlemen's agreement between the World Bank and the Export-Import Bank, under which the first handles longer-term and the latter short-term projects, has worked well. But if the World Bank is to proceed with its loans for reconstruction, some comparable arrangement regarding priorities for repayment will clearly have to be worked out with countries receiving ECA loans.

Yet the purpose of present political expenditures is to pave the way for a restoration of self-sustaining economic activity in European and other countries. Both the World Bank and the Export-Import Bank are planning ahead to that time. Much searching of heart is going on about how more projects of clear economic value may be stimulated, and how funds that are bound to be small in comparison with the claims upon them may best be placed to serve as centres of further capital formation.

One new development is the use of consultative missions, to analyse not only the specific project proposed by a potential borrower, but his other resources and those of the region involved, as well as the administrative skill with which they are handled. Another is the World Bank's effort to persuade applying countries burdened by past defaults to clear their credit records for a fresh start. The banks may also recommend, to carry out forthcoming projects, private firms with records of efficiency without exploitation. It is even possible that if a survey of a country for one project suggested that the time was ripe for another, the bank might induce a reliable firm to undertake it, offering as an inducement a guarantee of the transferability of its profits.

In the United States, the Export-Import Bank might develop the consultative industry committee along lines pioneered during the war, especially to develop foreign sources of materials increasingly required at home. The bank, in its search for sound economic ventures serving larger national purposes, might also support surveys and developments in the raw materials field too risky or too remote in their yields for a single corporation to attempt. The numerous private companies going ahead with foreign development, despite all their huffing and puffing about government red tape, suggest that industry would not oppose such initiative on the part of the bank.

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

American Notes

How Much for Defence?

The Service Departments have been warned by President Truman that their financial hopes and fears are not to be discussed publicly and this year's manœuvres for position and allies in the budget campaign will therefore have to go underground for the present. The Services have not yet succeeded in inducing the President to add to the $15 billion, about one third of the total, fixed some months ago as their share of government expenditure in the 1949-50 fiscal year. Defence is one of the more flexible items in the budget, as well as being the largest, and its share has been fixed at the highest level compatible, in the opinion of the Administration, with the maintenance of a healthy national economy. Dr Nourse of the Council of Economic Advisers, who is drafting the new anti-inflation programme, has recently endorsed the view that $15 billion is all that can be spent on defence if it is desired to avoid both inflation and extensive controls on materials, prices and labour; very heavy taxation and perhaps forced saving would be the only alternative to the latter, if this sum were substantially exceeded.

The threat of economic defeat—"defeat by bankruptcy"—in the struggle with Russia is taken as seriously as is that of military defeat. But Dr Nourse recognises that, without the defence programme, deflationary influences would be evident by now and there are some who believe that they will develop with such rapidity during the next year that higher defence expenditures will be a useful antidote. Others wonder why the President is so reluctant to impose controls and increase taxation, when the voters gave him a mandate to do both; a few go so far as to suggest that he is in danger of neglecting the international responsibilities of the United States for the sake of New Deal-as-usual.

On the other hand the demands of the Defence Department for a military budget of $23 billion—"a desirable figure"—or $17.5 billion—"an irreducible minimum"—seem to presuppose an imminence of war which is not felt to be justified. No one wishes to endanger the national security and it is taken for granted that Mr Truman's limit will be lifted if necessity arises. But that necessity must be proved and so far no evidence has been offered that $15 billion, if spent prudently and efficiently, is not enough. Admittedly, after $600 million has been used for strategic materials, the remaining $14.4 billion will be only a little more than was allocated for the current fiscal year, while the new defence programme, begun last spring, presupposed a steady annual increase in expenditure during the five years it was to last, and prices have gone up meanwhile. But Congress gave the President more than he asked for in the current fiscal year and expenditure is running at an annual rate of only about $12 billion.

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Once Mr Truman has presented his proposals to Congress in January, the second front will open in the budget campaign. The individual Service Departments will no longer have to rely on the Secretary of Defence to present their cases, but will be able to explain to more sympathetic Congressmen the desirability not only of an increased total expenditure on defence, but of a larger share for such cherished projects as the Navy's giant aircraft carrier or the 70-group Air Force (which will in any case not be a reality until 1952). A preliminary example of the lines on which such arguments may run was provided by the Army's announcement, followed immediately by the President's ban on such discussion, that the enlistment of conscripted men would have to be reduced as a result of the $15 billion limit, so that there might be only 667,000 men in the Army by the middle of 1949, instead of the 900,000 authorised by Congress.

If these customary tactics are a feature of the budget campaign this year, the first in which a unified defence budget is to be presented to Congress under the so-called Unification Act of 1947, those who advocate the strengthening of that Act will have new evidence that it is not fulfilling its purpose. It was hoped that under the Act Congress would no longer have to decide between the conflicting claims of the three Services or to pass judgment on the technical details of their efficiency and economy. If the legislative budget, set up under the Reorganisation Act of 1946, is abolished as is being proposed, Congress will have added difficulty in relating the Service demands to the national economy, since by means of this legislative budget Congress has been making an overall survey of the country's expenditure for the first time.

There is one further element of doubt this year, not only in the defence budget but in the national budget as a whole. Apart from the pressure for additional and substantial aid to China, which the Administration so far seems able to resist, there is the question of possible obligations under the North Atlantic Pact, which is unlikely to come before Congress until March. The current defence programme will probably cover any military commitments which the United States may assume, but Mr Forrestal has already promised that a "generous measure of equipment" will be given to Western Europe. Press estimates of the cost, at present only guesswork, vary between $1 and $3 billion, but there is no indication whether this is to come out of the defence budget or be in addition to it. If it is additional, and if Dr Nourse is right, a return of wartime economic controls will be hard to avoid.

* * *

The Pumpkin Papers

On this side of the Atlantic there is something irresistibly humorous in the harvest of ten-year-old secret state documents unearthed by Mr Whittaker Chambers in a hollowed-out pumpkin on his Maryland farm. Leading the investigators of the Committee on Un-American Activities up the garden path (literally, if not figuratively), Mr Chambers produced, at the eleventh hour, what might prove to be the pot of red gold at the end of the Communist rainbow for which the committee has been searching so long. The finds consist of microfilm of stolen State Department documents, one said to be a report from Mr Bullitt, former Ambassador in Paris, and another a statement conveyed by Mr Sumner Welles to the German Ambassador. More than this may never be known, for as one investigator darkly suggests, they may be such top secrets that they will never be made public.

What is perhaps the most extraordinary aspect of this bizarre episode is that the documents were brought to light only casually as a result of the libel suit brought against Mr Chambers by Mr Alger Hiss, the former official of the State Department whom Mr Chambers charges was a Communist. Some of the documents appear to have been produced at the trial in Mr Chambers's defence. The puzzle is how their existence escaped the eagle eyes both of the committee and of the Department of Justice during the months that the Hiss-Chambers case was a *cause célèbre*. According to Mr Karl Mundt, a member of the committee, the Department of State has been hunting its lost treasures for ten years.

The find is taken with immense solemnity, not only by the committee, which hopes, like the Phoenix, to rise from its ashes, but by responsible newspapers, particularly of Republican persuasion. Proof now exists, it is argued, that important informa-

tion was spirited out of the State Department to a Communist espionage ring (though whether it reached the Russians or merely vegetated in Mr Chambers's kitchen garden is another matter). It is said that the documents themselves are less important than the risk that they might have enabled the Russians to break the State Department code (though it is known that suspicions concerning the inviolability of the code existed during the war). Even Mr Chambers's own armour as a reformed Communist is now considered to have loopholes, for he is shown to have been a less than candid witness. What is not known is who it was who "fed" the papers out of the Department of State. On the eve of its reformation, the Committee on Un-American Activities has been enabled to renew its breathless spy serial and perhaps take on a new lease of life.

* * *

The Farmer's Reward

The farmer, as becomes the leader of the Democratic victory parade, has been the first to receive his reward, or at least a first instalment of it. The Administration has taken two steps designed to protect the export market for some part of the agricultural output. Exports of grain under the Marshall plan will remain in the hands of the Commodity Credit Corporation, instead of returning to private channels as had been expected. This is not only a severe disappointment to the grain traders, a disappointment which will not be unwelcome to the farmers, but it also guarantees that the CCC will be able to dispose of at any rate some of the quantities of grain which are now piling up under the farm price support programme. Secondly, Mr Truman has announced that Congress will once more be asked to approve the International Wheat Agreement and has suggested that similar agreements might be considered for other commodities. However, the necessary two-thirds majority in the Senate may not be easy to obtain if the ceiling price of $2 a bushel for wheat is reduced during the new negotiations.

The surpluses that have appeared this year (about 3,000,000 bales of cotton and nearly 300 million bushels of grain have already been placed under government loan) will be increased next year and may threaten the price support system with collapse, unless of course the harvest fails. In spite of government efforts to restrict wheat acreage and to restore a more satisfactory rotation of crops, farmers are planting more wheat this year than last. However, they frankly confess that they are doing this in order to take advantage of the last year of the high wartime price supports. The Agricultural Act passed by the Eightieth Congress extended these for a year, but in 1950 (in some cases before that) they will be replaced by a much more flexible system designed to develop an agricultural pattern more closely related to present day demands, and to limit the government's financial commitments under the farm price support programme. This new Act was approved by the Administration and Mr Truman was careful not to criticise it during his campaign attacks on the Republican Congress. The Secretary of Agriculture has just taken advantage of it to announce a reduction in the price at which potatoes will be supported. Potatoes have provided a classic example of how the present price support system can encourage overproduction and waste the taxpayer's money.

*

Mr Brannan's policy on potatoes may have been inspired by a desire to test the farmer's reaction to, as well as to build up the taxpayer's support for, the new Act in advance of the attack which is likely to be made upon it in the next Congress, and which will be embarrassing to the Administration. The Republican chairmen of the Agricultural Committees in the Eightieth Congress were very co-operative and ready to take a broad and constructive view of the farm problem, but the incoming Democratic chairmen, Senator Thomas of Oklahoma and Mr Cooley of North Carolina, particularly the latter, represent the entrenched but decaying cotton interests of the South, which are deprived under the new Act of the privileged position built up during years of Democratic control of Congress. The new chairmen have already announced their intention of maintaining permanently the present system of high price supports for the six basic crops, wheat, maize, rice, tobacco, cotton and peanuts, the last three of which are the staples of southern agriculture. They recognise, however, as the wheat farmers are demonstrating so convincingly at the moment, that these high price supports must be accompanied by strict acreage limitations if the country is not to be faced with bankruptcy as a result of them.

Such limitations have never been popular with farmers. New York dairy producers have just asked permission to reduce the price of their milk, since demand has fallen and supplies have increased. The majority of farmers would probably agree with them in preferring high income to high prices. Both the Farm Bureau and the Grange have come out since the election in favour of the new system of flexible price supports which they helped to draft. Even southern farmers, aware of the need for diversification of crops, may repudiate the legislators who seek to prolong the agony of the cotton economy. The farmer, who is, after all, a consumer and a taxpayer as well, must be aware that his present privileged position cannot last forever. The Administration's recipe for the prosperity which Mr Truman has promised the farmer is "realistic abundance," to be obtained by means of changes in types of crops, soil conservation, crop insurance, and better distribution and increased consumption of farm commodities. Many farmers, and perhaps most, will prefer this reward to the one which Senator Thomas and Mr Cooley propose to give them.

* * *

Reconstruction in the South?

When General Lee surrendered at Appomattox, there was ushered in the painful period of "Reconstruction"—the imposition on the prostrate South, by a Republican Congress, of army rule and the insistence that the Confederate States must redeem themselves by giving the Negro the vote and other rights before they could be readmitted to the Union. It was the harrowing nature of Reconstruction, rather than the abolition of slavery or the humiliation of defeat, which made the pattern of white supremacy impregnable and the South solidly Democratic.

The South met a second defeat this year in the Democratic Convention, which wrote an uncompromising bill of civil rights into the platform, and in Mr Truman's victory despite the intervention of Governor Thurmond's States Rights party. Once more the South has found that it is not free to maintain its "peculiar institutions"—once slavery, now discrimination—in defiance of opinion elsewhere. Southern liberals have been quick to interpret the election as a warning that the South must set its own house more nearly in order or submit to interference from Washington. Civil rights are not, however, indivisible. Most observers report that it would be disastrous—and unenforceable—for Congress to legislate complete equality for the Negro in the South. It is probably fortunate that the Democrats may be forced to temper their civil rights programme to the shorn South for the sake of other liberal measures on which southern co-operation in Congress is needed. There is room for manœuvre. The Democrats are committed to repeal the poll tax. But the poll tax, which is levied in the South as a condition of voting, and is therefore a convenient way of excluding Negroes, is today not much more than a symbol of southern resistance to northern meddling. The tax was established in times when the dollar was worth much more; today it operates to restrict voting in not more than three of the seven States in which it still exists. Repeal of the poll-tax—perhaps by the slower and more dignified method of constitutional amendment—as well as an anti-lynching law based upon co-operation between the state and Federal governments, might be acceptable to the South if it were assured that the issues of segregation and discrimination in employment were left to a later time.

The Southern Regional Council, a highly respected body, while approving civil rights laws, insists that race prejudice can be defeated only if economic improvement and equality in education go hand in hand with the law. It sees the provision of equal education for the southern Negro as a most urgent task. What "equalisation of educational facilities" might mean was demonstrated recently when a Virginian county—one of the poorest—under injunction to provide equal education for whites and Negroes, proposed to abolish all the advantages of the white school to meet the Federal ruling that Negro education must be equal, if separate. This prospect of "equalising down" so horrified white parents that a $150,000 bond issue has been approved for a new Negro school. The need for two schools—and two school buses travelling down the same road—for 250 black and white pupils demonstrates forcibly both the costliness of segregation and the determination of the South to perpetuate it. Even the victory recently won in Oklahoma, which has agreed to permit Negro graduate students to attend the white university when no comparable courses are offered by the Negro colleges, is conditional upon Negro students listening to lectures from adjoining rooms.

Electoral Reform

The presidential election, while a real debacle for the Republican Party, was not, according to post-election surveys, the easy victory for the President that it at first appeared. The game of "what might have been" is a favourite among political analysts but it is not an exaggeration to say that a very few reversed votes in the right places could have completely changed the result. With 35,300 additional supporters correctly distributed among California, Ohio and Illinois the Republicans could have carried these states and their combined electoral vote of 78 would have given the presidency to Mr Dewey. Even another 19,000 votes in Ohio and Illinois would have meant that neither party had sufficient electoral votes to win and the next President would have been chosen by the House of Representatives. On the other hand such speculations are double edged, for if the Wallace votes had been given to the Democrats in Maryland and New York, Mr Truman could have carried both States. The experts are now so involved in their post-mortems that the 2,000,000 people who gave Mr Truman his lead over Mr Dewey are almost forgotten.

The controversy as to how the electors in the states which gave a majority to the States Rights party shall cast their votes has provided the country with an example of the defects in the traditional procedure of the Electoral College. It was supposed that the electors from these states—South Carolina, Louisiana, Mississippi and Tennessee—would support the Dixiecrat candidates in the Electoral College. Now, however, Senator Ellender of Louisiana is publically campaigning to persuade them to repudiate their pledge and cast their ballots for the President. It is politically understandable that the Dixiecrats would like the best of both worlds—though they have had the pleasures of dissent, they do not relish its punishments. In the case of Alabama, where Mr Truman did not appear on the ballot, three citizens have petitioned the Supreme Court to grant a writ requiring that the State's eleven electors cast their votes for Mr Truman. The Court has decided that it has no power to force the electors to cast their ballots for the States Rights candidates, even though Mr Truman was the "duly nominated candidate of the Democratic party."

The risk that neither party would secure a majority in the Electoral College, the conspicuous courting of minorities during the campaign and the present wriggling of the Dixiecrats has revived a belief that there is need for reforming the electoral system. Many people are reminded for the first time since school days that that system is obsolete. Senator Lodge has proposed already a constitutional amendment intended to improve it. The electoral unit, which gives each state one electoral vote for each of its Senators and Representatives in Congress, would be retained, but it would be related proportionately to the popular vote; that is, New York's 47 electors would have been divided at the last election among Messrs. Dewey, Truman and Wallace in accordance with the popular votes they each received, rather than all 47 going to Mr Dewey who had only a few thousand more votes than Mr Truman. The direct choice of Presidents would be unpopular because some twenty small States benefit by the constitutional provision that they have one elector for each of their two Senators. However, the elimination of the Electoral College would remove the influence on national elections now enjoyed by minority groups in populous States. It would also prevent the present disfranchisement of the more than 2,500,000 New Yorkers who voted for the President. Though it is unlikely that the next Congress will actually legislate for these reforms, the subject deserves attention before the day when a President takes office with a minority of the popular vote.

Shorter Notes

Ship are now arriving regularly at east coast ports carrying Displaced Persons under the programme designed to resettle 205,000 refugees in the United States by 1950. Twelve nationalities and seven religions were represented in the first batch. Before leaving Germany they are instructed in such American practices as that cigarettes cannot be used for currency there.

*

A recent analysis of population trends in New York City states that 13½ million people live in the city and its environs, which include metropolitan districts of Long Island, New Jersey and Connecticut. This is an increase of over 1,000,000 people since 1940, and migration is responsible for one-third of it.

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THE WORLD OVERSEAS

Russia's Economic Revival—I

(By a Special Correspondent)

THE third year of Russia's postwar Five-Year Plan is nearing its end. This year has in many respects been decisive for the success or failure of the whole Plan; and its results are therefore watched with understandable eagerness. Unfortunately, it is not easy to evaluate those results on the basis of Russian statistics. This is so not because the statistics are essentially false, but because they are presented in propagandist fashion and because the sets of indices, published by the *Gosplan* at quarterly and annual intervals, are as a rule not related to one another. They therefore fail to reflect directly the dynamics of production and consumption, the size and distribution of the national income and the exact use of the national resources for divers economic and political purposes. Information on Russia's economic situation is like a crossword puzzle, to the solution of which too many clues, and at times contradictory ones, are offered. Yet the two or three crucial clues are usually withheld. This series of articles is intended to offer the results of an arduous attempt at a critical analysis, correlation and recalculation of such official Russian economic information as has been published since the war.

The margin of possible error seems to be reasonably small in the general comparison, given in the table below, between Russia's industrial production before and after the war.

INDICES OF GROSS INDUSTRIAL OUTPUT

	1940	1945	1946	1947	1948	1950 Planned
Output in the whole of the USSR	100	58	70	92	114	148
Output in western provinces formerly German occupied	100	—	40	53	73	115

The years 1945 and 1946 were those devoted to the conversion of the Russian economy from war to peace. In 1945 the total output of industry in the whole of the USSR was lower than the peak wartime output of eastern and central Russia alone. The conversion of industry had been completed by the end of 1946, but the plan for that year had, according to official admissions, not been fulfilled. Nor were the overall targets for 1947 reached, despite official claims to the contrary. This emerges from a comparison of the targets for the year announced by the government on March 1, 1947, and the *Gosplan* statement of January 18, 1948. Nevertheless, the percentage of non-fulfilment was, on the whole, not large. In the middle of 1947 the critical condition in Russian industry, caused by demobilisation and general postwar apathy, was overcome, to a large extent in consequence of emergency measures taken in the spring of 1947.

The story of that year shows a close parallel to the economic developments in several capitalist countries, despite the claims of Mr Voznessensky, the head of the State Planning Commission, that Russia has not had to contend with the economic consequences of war that have troubled the capitalist countries. Although officially no postwar unemployment has been recorded, the low figures of production clearly indicated the existence of considerable "hidden unemployment." The situation was especially difficult in the formerly occupied territories where, in view of the widespread destruction, industrial output rose only slowly to reach half the prewar volume. The figures for 1948 are based on the indices for the first three-quarters of the year, and they may overstate this year's advance. Mr Molotov, in his anniversary speech on November 7th, certainly overstated it when he claimed that industry was now producing 17 per cent more than before the war—his statement is disproved by the *Gosplan* itself. Nevertheless, the curve has been rapidly and steeply rising, and to this extent the tone of self-confidence of Russian official spokesmen seems to be justified. It contrasts sharply with their own alarming statements made in the beginning of 1947.

During the last eighteen months there has been a remarkable recovery. But it has been one-sided, because the main progress has been achieved in the eastern provinces, while in the formerly occupied lands the output of industry is only now approaching three-quarters of its prewar size.

The increase in the output of basic materials and fuels, with the exception of cement, has amounted to 40-50 per cent since the war. This is much lower than the overall index of industrial production, which now stands at 200 compared with 1945. This discrepancy between the rates of expansion in basic materials and in manufactures is a familiar and characteristic feature of the Russian economy: it reflects the Russian attempt to build up a vast manufacturing industry on a relatively narrow basis of steel and coal resources immediately available and the consequent chronic famine of steel and fuel in consumers' industries. The 50 per cent rate of expansion does not seem exaggerated in view of the fact that so much of the plant for the production of basic materials and fuel was located in the formerly occupied areas and in view of the continued industrialisation of the East. It roughly fits in with the *Gosplan* indices for rail freight which stand at 140-145.

OUTPUT OF BASIC MATERIALS, FUEL AND POWER

	1945	1946	1947	1948
Pig iron	100	112	128	150
Steel ingot	100	109	119	149
Rolled steel	100	113	130	164
Coal	100	110	123	140
Oil	100	112	133	145
Electricity	100	110	126	145
Cement	100	185	259	339
Timber	100	106	133	153

On the basis of some clues it is possible to estimate roughly the absolute figures of production for some of the basic materials. The estimates are more likely to underrate than to overrate the actual output.

PRODUCTION IN ABSOLUTE FIGURES

	1945	1948	1950 Planned
Pig iron (millions of tons)	7—8	11—12	19·5
Steel " "	12	18	25·4
Coal " "	120	170	250
Oil " "	15—16	22—24	35
Electricity (billions kWh)	40	60	82

The striking feature here is the wide gap between the probable present output and the targets set for 1950. It would, nevertheless, be rash to deduce that the Five-Year Plan targets will not be reached. Much new plant is now under construction or on the point of completion; and the output of that new plant may weigh on the scales before 1950. What is not likely to be achieved is the target for oil. Incidentally, most of the targets for oil production in the past Five-Year Plans were not reached either.

The table below shows the indices for some crucial items in engineering and chemicals.

ENGINEERING AND CHEMICALS

	1945	1946	1947	1948
Tractors	100	172	359	696
Agricultural implements	...	100	206	430
Lorries	100	138	180	257
Electrical Motors :—				
Of less than 100 kw.	100	169	257	385
Of more than 100 kw.	100	138	192	253
Machine tools	100	134	174	205
Weaving looms	100	3,200	...	...
Artificial fertilisers	100	152	205	293
Dye stuffs	100	129	186	251

Some unusually high indices for 1948 are explained by the fact that in the base-year, 1945, production in the relevant lines was negligible or nearly so. In those few items where it has been possible to relate the current output to that of 1940, instead of to that of 1945, the indices obtained are much lower. Thus, compared with prewar the present output of tractors stands at 280 and of agricultural implements at 200 and not at 696 and 430, as in the table. On the same basis the index for lorries is 200 and not 257. But even compared with 1940 the rise in output has been formidable; it reflects the great effort that is being made to re-equip collective agriculture, the technical basis of which was shattered in the years of the war. The probable output of tractors this year is 60-70,000 (30 h.p. units) with a target of 115,000 set for 1950. The greatly increased production of small electrical motors is also connected with the electrification of the countryside, in which the rural areas of the Urals have so far made the biggest advance.

The extraordinary expansion in the output of weaving looms in 1946 was probably an all-out effort to re-equip the textile mills, the Cinderellas of Russian industry; and, to judge from the fact that no indices were published for 1947 and 1948, that effort may have been discontinued recently. The increase in the output of machine tools has been less great, probably because output was relatively high in 1945. It is estimated that current production is of the order of 100-120,000 machine tools a year. The total number of machine tools in Russian industry is to reach 1,300,000 in 1950, which is, according to M. Voznessensky, what American industry possessed in 1943. It seems likely that reparations must have made an important contribution to this sudden increase in the total of machine tools.

While the indices for engineering range from 200 to 600, those for consumers' industries are roughly between 150 and 200 only, even though an extremely low level of output, that of 1945, is taken as basic:

CONSUMERS' GOODS

	1945	1946	1947	1948
Cotton fabrics	100	117	156	184
Woollen fabrics	100	130	173	218
Leather footwear	100	128	176	220
Paper	100	161	201	239
Meat	100	118	...	...
Sugar	100	100	210	...
Animal fats	100	169	189	223
Vegetable fats	100	119	167	178
Soap	...	100	128	174
Retail sales	100	130	152	200

The meat and fat position has been extremely critical. The increase in retail sales in 1946, the year of the drought, was due to a better supply of industrial goods, whereas the increases in the later years reflect mainly, though not exclusively, more abundant food supplies. The consumers' industry that seems to have completely disappointed the Russian townspeople is housing. According to all reports only one-fourth or at the most one-third of the housing programme for the towns for the whole five-year period will have been fulfilled in the first three years. This may or may not be made good within the next two years, when the plant, now under construction, for pre-fabricated houses will come into operation. Housing in the countryside is said to have made better progress.

Employment is reported to have risen from about 27 millions in 1945 to 33 millions this year, and to have thereby reached the target set for 1950. Effectively, employment is now about 25 per cent higher than before the war, because of both the increase in the actual number of employees and longer hours.

(To be continued)

American Responsibility in Greece

[BY OUR SPECIAL CORRESPONDENT RECENTLY IN ATHENS]

THE repeated accusations of Mr Vyshinsky and Mr Bebler that the western imperialist Powers are in occupation of Greece and are exploiting it as a colony, are in one sense untrue. British troops are very few, and America has no complete military units at all. The Greek Government moreover often obstinately and successful obstructs its American advisers in important matters. Yet in another sense the accusations are not unfounded. Since the departure of the Germans, Greece has been dependent on aid first from Britain and then from the United States. The representatives of both Powers have exercised great influence, and Greek governments have often found it convenient to hide behind their authority. "We really don't want to do this, but the British insist," or "We should like to do that, but the Americans won't allow it" have been admirable excuses towards disappointed supporters or impatient opponents. So most Greeks believe—they may approve or disapprove—that the "Anglo-Saxons" run their country, and international opinion outside Greece, whether friendly or hostile, agrees with them.

The Americans have, in fact, assumed an obligation to help Greece out of its troubles, which are greater now than when the Germans left. A brief survey of the consequences of British and American intervention may help to explain the problems with which the Americans are faced today.

In December, 1944, British troops suppressed the Communist army ELAS. For over a year various "non-party" or "middle-of-the-road" governments succeeded each other. Then the Foreign Office decided that elections must be held, and these resulted in a victory for the Populists and the return of the King. The trends of this period were a general movement of opinion to the Right. After the elections, the Communists once more took to the hills, and Markos' civil war began.

Then came the Truman Doctrine, and the Americans took first place. They broadened the government by bringing in the Liberal Party to share power with the Populists. More economic help poured into the country, and found its way down the same drain. Gradually the American economic mission began to tighten its grip, pursuing on the whole a policy of recovery through financial orthodoxy. The trends of this period were similar to those of the first. The Liberals have only the appearance of power: in Athens they have installed their followers in government offices, but in the provinces they are liable to be denied free speech by Populist bureaucrats. The civil war has swallowed up large funds for the care of refugees as well as the equipment of the army. Social tension increases as the cost of living rises and the rich refuse to disgorge. The extreme Right claims a monopoly of the patriotic virtues and does good business out of them. Lyrical outbursts of chauvinism cover up inefficiency and dishonesty.

Need to End Corruption

What ought to be done is easy enough to see. First, the bureaucracy must be both purged and improved. Corruption is of two types. At the top it is due to dishonest transactions with the big merchants and industrialists: at the bottom its cause is bad pay. The first type cannot be tolerated. Those who practise it must at all costs be removed from key posts. The purge must also extend to party fanatics, who use their positions to discriminate against all who do not subscribe to their peculiar brand of extreme right wing ideology. Neither technical skill nor charming manners can compensate for the demoralising effects of high level corruption and fanaticism. The second type of corruption can only be removed by the dismissal of redundant personnel and an increase in pay for those who remain. The chain of command must also be modified so as to encourage individual responsibility and initiative at all levels. The recent law on decentralisation, a result of American pressure, is a step in the right direction, but vigilance will be needed to ensure that it is enforced.

Second, some social reforms are urgently needed. The big merchants cannot be permitted to exploit the people. Unfortunately, this favourite phrase of Marxist agitators is a sober description of the facts in Greece. The American economic advisers are probably right to recommend orthodox financial measures—restriction of credit, increase of state revenues from recoverable indirect taxes, stability of wages. But social problems cannot be treated by economic means alone. As the fiscal administration is at present incapable of discovering hoards and collecting direct taxes, only crude measures can succeed. The Greek people must be shown, by a few drastic examples, that political connections and wealth will not save those who swindle the State and rob the consumer from punishment. Apart from this, a far more effective government control must be established over all exports and imports. Hitherto, behind the cover of various official bodies, the big merchants have feathered their nests undisturbed. Finally, something must be done about the trade unions. The strength of secret Communist influence makes this a dangerous task, but it must surely be possible to find better non-Communist leaders from among the Greek working class than the gang who at present make a laughing-stock of trade unionism.

How much of this can in fact be done? It is a question of leadership. The Greek people feel no firm hand at the top, see no clear aims of policy towards which it can strive. Reshuffles

of personnel within the present Parliament will bring no change. In Britain in 1940 Mr Churchill formed his government without undue regard to the election results of 1935. Greece's crisis is no less terrible than was Britain's eight years ago. New elections cannot be held with half the country menaced by Markos' bands. The only way out is for the King to form a government not based on a Parliamentary majority and composed of men chosen for ability alone.

Such men could be sought from various directions. The official opposition are more remarkable for rhetoric than for statesmanship, but need not necessarily be rejected without trial. There is much to be said for increased participation of the army in government at a time when national independence is in danger. But the obvious pitfalls should be avoided. Political generals have been the curse of Greece, and perhaps even more pernicious would be dependence of government on a junta of ambitious young staff officers perpetually squabbling for position. Third, there are younger men, both in government service and outside, with knowledge of economics and experience of administration, some of whom proved their patriotism under Axis occupation. Wherever the new leaders come from they should have certain minimum qualifications. They should not be ideologists and they should be more interested in work than in speeches.

If King Paul, on American advice, were to choose such a team, this would be a more flagrant act of foreign intervention than has yet taken place. But Greece's misery is too deep, and has lasted too long, to permit of false modesty. The fact must be faced that Greece can only be saved by still further intervention. There are great risks. The new team would have to purge the higher ranks of the bureaucracy and be ready to take drastic action against obstruction by business. There is a danger that under the pretext of "democratisation," fellow-travellers might infiltrate with the set purpose of disorganising, the state machine, thus to pave the way for Zachariades and his friends. But vigilance can detect the fellow-travellers, and at the highest levels the Greek police is neither politically illiterate nor ill-informed. The danger of change is less than the danger of stagnation. If the Americans cannot now see better leadership, they must search until they find it, and there is no time to waste. The salvation of Greece depends on three things—increased assistance by the United Nations on the northern frontier, intelligent political warfare by the Western Powers in the northern Balkans, and internal reorganisation in Greece. The first two are essential, but they will not suffice without the third. And initiative for the third cannot at present come from the Greeks.

ERP Exports to the US

THE dollar shortage promises to be the most unwieldy challenge facing the 19 ERP nations. Even the optimists among them doubt that Marshall aid can solve the problem in the next three years. Nevertheless, there is one direction in which the Marshall countries have made encouraging strides towards the goal of dollar solvency, and that is by the expansion of exports to the United States.

The value of this year's exports to the United States by the ERP countries as a whole is 36 per cent above last year's level, and for certain individual countries the increase is even more marked. Italian exports in the first seven months of this year are double the rate achieved last year. The Netherlands has raised its exports by 70 per cent, and the German record shows a more than fivefold rise—chiefly because the Bizone had more ground to regain than the rest.

In the three-year period before the war, the seven-monthly average of exports from what are now the ERP countries to the United States amounted to $354 million f.o.b. For the same period of 1947 their exports by value had returned to the prewar level, but by volume they had reached little more than half the prewar level. Twelve months later ERP exports to America had reached 65 per cent of their prewar volume.

Those who are responsible for the integration of the 19 four-year programmes aim not only to restore these exports to their 1936-38 level, but to boost them a further 50 per cent by 1952-53. In recent months exports to the United States have continued to expand, but, even so, the task ahead is formidable, since the target set for 1952-53 means that the volume of ERP exports must be double the 1948 achievement.

Two further questions immediately come to mind. First, can and will the American market absorb this expansion of imports from western Europe? United States officials have told the Paris delegates that in 1952 the United States might well import from all countries goods to the value of some $10 billion (for 1948 imports are running at about $7 billion). Theoretically, then, there will be no difficulty in taking the goods the ERP countries plan to sell on the US market—approximately $2½ billions' worth. However, it must be remembered that these goods will be largely manufactured articles.

EXPORTS TO THE US ERP COUNTRIES
(Thousands of Dollars)

	1936-38 7-mth. av.	Jan.—July 1947	Jan.—July 1948	1948 as % of 1947	1948 as % of 1947
Belgium	34,153	30,756	42,881	126	139
France	37,898	29,722	39,098	103	132
Germany	46,027	2,398	13,557	29	565
Italy	26,578	23,504	49,671	187	211
Netherlands	26,194	10,516	18,520	71	176
Sweden	29,547	44,857	63,485	215	141
United Kingdom	101,357	119,792	162,651	160	136
Total	300,402	261,945	389,861	130	165
Total all ERP countries	353,787	389,594	527,249	149	136

The second query is how far can the pressure to increase exports to the United States be relieved by reducing ERP imports from America. Many of the Marshall group have based their plans on such a transfer of purchases, mainly through developing alternative sources of supply. But this is a long-term project involving ambitious schemes in what are now backward areas. In the short run, therefore, ERP countries must depend for dollar solvency on expanding exports to the American market.

Industrial Development in Pakistan

[BY A SPECIAL CORRESPONDENT]

FOR a yardstick of Pakistan's industrial status at partition it is hardly necessary to go beyond the fact that out of a population of about 70 million only 26,000 persons were employed in factories. The industry of the Indian sub-continent had tended to concentrate near the coalfields and the major ports, while the area which was to become Pakistan remained predominantly agricultural. The new Dominion found itself self-sufficient only in one industrial product, cement. Its fourteen cotton mills, together with handloom production, accounted only for 90 million yards of the country's total requirements of 1,040 million. Its nine sugar factories produced only 25,000 tons against annual requirements of 245,000. There was very little else, beyond processes ancillary to export such as cotton ginning and pressing and jute baling; and these do not properly belong to the industrial field.

Pakistan, therefore, started with a virtually clean slate, which at least gave the Government the advantage of being able to plan industrial expansion on sound economic lines and to profit by the mistakes of others in framing its industrial policy. The main material obstacles to industrial development were a total deficiency of iron and steel, of which 200,000 tons are needed annually, and an almost complete lack of coal, of which 3,400,000 tons are required. On the side of assets must be placed abundant raw materials for developing the jute, cotton and woollen textile industries, and for the tanning and leather, paper and tobacco industries. The potentialities of these industries appeared to Pakistan so attractive that at the outset the Government found difficulty in understanding why foreign capital was proving so slow to exploit the Pakistan field. There was accordingly a good deal of impatience and British business in particular incurred the criticism of having lost its spirit of enterprise. Pakistanis showed insufficient appreciation of the numerous practical difficulties which the prudent business man would have to take into consideration, and were inclined to suspect that foreign capital was being deterred by doubts regarding Pakistan's political future. The truth of the matter was that the foreign entrepreneur really wanted to know what Pakistan's policy was to be in regard to such questions as nationalisation and admission of foreign capital, and required time to study practical problems of delivery dates and prices, marketing scope, power supply, skilled labour and similar matters the importance of which does not always occur to



John Dalton, an English Quaker, was the first to propound the theory that the atom was the smallest particle of matter imaginable—a theory that was not assailed until more than a century later. Even in Dalton's day, the idea that matter was composed of small indivisible particles was not new. A similar theory had been put forward by the Greek philosopher Democritus two thousand years earlier. Sir Isaac Newton had restated it as the "corpuscular theory" a hundred years before Dalton. Where Dalton excelled them was in formulating these theories in a way that explained known chemical processes, and enabled deductions to be made which could be submitted to the test of practical experiment. In short, he translated them from philosophical abstractions into a method for accurately forecasting and controlling chemical reactions and manufacturing processes.

Dalton, the son of a weaver, was born in 1766. He went to work at the age of 12, but studied in his spare time to such effect that in 1793 the Manchester Academy appointed him tutor in mathematics and natural science. Six years later he set himself up as a private teacher, devoting his leisure to research and the fashioning of his Atomic Theory, which was first published in 1808 in his book "A New System of Chemical Philosophy". Dalton's theory, unaltered in its essentials, is still used to explain the laws of chemical combination. Dalton's work was the basis of the knowledge which enabled British scientists to contribute so much to the startling developments of atomic disintegration.

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Valenta

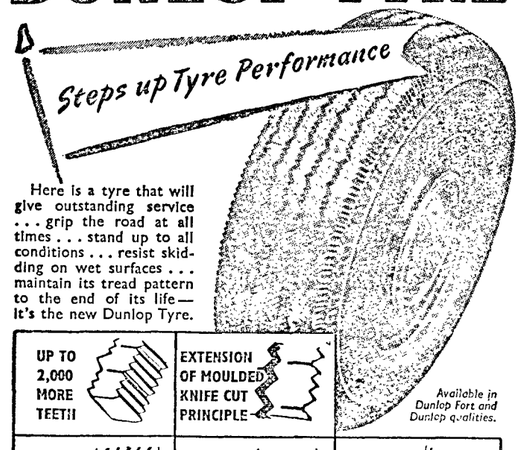
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official programme framers. The stage of early impatience and optimistic planning is now over; Government no longer expects to see factories springing up like mushrooms and is now soberly working out the practical aspects of development. It has, moreover, become evident that capital for industrialisation, whether foreign or indigenous, is not to be had for the asking.

Private Enterprise Encouraged

The industrial policy of the Dominion did not take shape until April, 1948. The Statement then issued had two great virtues: in the first place, it was realistic and free from ideological complications, and, secondly, it defined clearly the scope for private enterprise. The Posts and Telegraphs, Wireless and Broadcasting, and the Railways were already state-owned, and road transport was in process of nationalisation by the Provincial Governments. Besides these, the Government announced that industries relating to arms and munitions of war, generation of hydro-electric power, and manufacture of railway wagons, telephones, telegraph and wireless apparatus would be owned and operated by the state. The remainder of the field would be left to private enterprise, though the Government naturally reserved the right to take over or participate in any other industry vital to the security or economic well-being of the state. Private enterprise was given further encouragement by certain measures of tax relief. The special initial depreciation of 20 per cent allowed for income tax purposes on machinery and plant brought into use for the first time in Pakistan was made applicable also to secondhand machinery, and it was announced that new industrial undertakings would be exempted during their first five years from all direct taxation on profits not exceeding 5 per cent of the capital employed. Foreign capital was to be welcome, provided it did not claim any special privileges, but industrial concerns were required to offer a certain percentage of the share capital to nationals of Pakistan; in the case of thirteen specified industries, the percentage was fixed at 51, and the remainder at 30. With regard to remittance of profits to countries from where capital is drawn, the original policy statement was not encouraging as it contained no more than an assurance that facilities would be given for a "reasonable proportion" of the profits to be remitted, but later on, as a result of protests, this was modified and it was made clear that there would be no restriction on remittance of profits except to the extent necessitated by foreign exchange limitations.

The reactions of foreign interests to this statement of policy were, on the whole, favourable, but the percentage rules were found a deterrent to some classes of enterprise, particularly those in which the preliminary risks are great. It is, for example, manifestly unfair to require oil companies, which incur enormous expenditure on survey and prospecting operations in a country where over 25 years of prospecting have yielded very small results, to share the profits of success with those who have not shared the preliminary risk of failure. As a matter of fact, indigenous capital remains obstinately shy owing to the traditional Muslim reluctance to invest money in industrial shares. The ordinary Muslim will readily risk his capital in trading ventures or invest it in land and buildings, but would rather leave it lying on deposit (even sometimes refusing to draw interest on religious grounds) than buy industrial shares. This tendency has recently obtruded itself strongly on the Government's notice owing to the failure of some attractive industrial issues (at a time when the banks report a very great increase in idle money lying on deposit) and it is clear that the Government will have to rely largely on foreign capital. In the circumstances, they would be well advised to scrap the percentage rules altogether. In other ways, too, there is a feeling in business circles that the Government has not sufficiently appreciated the necessity of removing all obstacles to expansion of foreign enterprise in Pakistan. To take the case of the oil companies again, these could, if their prospecting operations are successful, make a valuable contribution to the economy of Pakistan, yet it is surprising that the Government has not hitherto been able to draw up final petroleum rules; the oil companies are anxious to extend deep-well prospecting operations in several parts of the country which may hold out prospects, but are unable to go ahead for this reason, and a year has been lost. Apart from a few such stray instances of bureaucratic myopia, foreign companies are generally accorded all reasonable facilities and encouragement, and the genuine spirit of goodwill which they encounter makes up for many practical headaches.

New Hydro-Electric Stations

What progress then has actually been made, in little over a year, against this policy background? The Controller of Capital Issues has sanctioned the issue of over Rs 15 crores for industrial purposes, but this is not much, considering that a single jute mill will require Rs 3 crores and, in any case, sanction does not necessarily mean that the capital is actually issued. There have, in fact, been very few important public issues, but nevertheless some advance is apparent. The Pakistan Government is attending to first things first and are giving highest priority to the development of hydro-electric installations, which must provide the main motive power for industry. The seven-year target is 500,000 kw, and the Government have wisely appointed a consortium of Consulting Engineers, consisting of two British firms and one Swedish, to advise them regarding this and other important engineering programmes. In the West Punjab, the Rasul scheme will make 14,000 kw available by the end of 1949, and the Mianwali project is to be developed, giving ultimately a firm power of 65,000 kw. In the North-West Frontier Province, work is to start as soon as possible on the Warsak and Dargai schemes, and the capacity of the Malakand station is to be doubled. In East Bengal, the multi-purpose Karnafulli project, which will yield 40,000 kw. of power and irrigate over 70,000 acres, is expected to be completed in about six years. Thermal plants are also being established in half a dozen places. In the supply of heavy electrical equipment, British manufacturers have hitherto held the field.

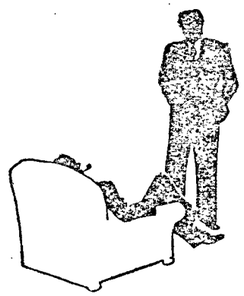
Growth of Textile Industry

Among the industries left to private enterprise the cotton textile industry is making the best progress, and by the end of next year the number of spindles will have doubled itself; even so at 332,000 it will still be far short of the ten-year target of 2,500,000 spindles. This industry is blessed with an ample supply of the raw material and an insatiable demand for the finished product, and it is not surprising that it has proved the most attractive to indigenous capital. Offers of textile machinery have been received from the United Kingdom, Japan, France, Italy and Czechoslovakia, and there are hopes that the rate of progress will be accelerated. On the other hand, steps towards establishing a jute industry are proving difficult, despite the fact that Pakistan produces nearly 7,000,000 bales of the raw material; the Government will probably find it necessary to give a lead and set up one or two mills as a national enterprise, though there is still a possibility of sufficient private capital being forthcoming. Similarly, the Government is determined to establish a paper mill, with or without co-operation of private capital, and has employed the services of Canadian and Swedish consultants to prepare plans. Two woollen and worsted mills have been sanctioned and five firms to spin yarn for the manufacture of rugs, carpets and blankets are to be established. The Government is also considering the grant of financial assistance for the development of the tanning and leather goods industries. A 50,000 tons sugar factory is now in process of erection in the North-West Frontier Province and this should be in production next year. In regard to heavy chemicals, the market will be limited until there has been a general expansion in industrial activity, but three sulphuric acid plants are being set up and one caustic soda plant. Soda ash is already being manufactured in the West Punjab. The tobacco industry is being developed by a British concern and has a great future.

Pakistan has thus made a modest advance in the short period of its existence, and it is really better that the rate of progress should be steady rather than spectacular. Speculative and unsuccessful ventures would tend to destroy what little confidence there is among Pakistan's investors. The Punjab, a land rich in rustic proverbs, has a saying that the fruit which ripens most slowly is the sweetest, and Pakistan can take comfort from this. Meanwhile, it is, and for some time to come will remain, a land of opportunity.

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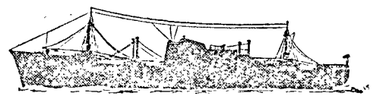
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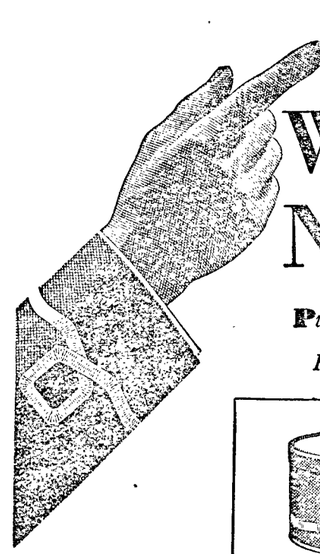
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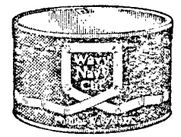
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THE BUSINESS WORLD

Challenge to Natural Rubber

RUBBER has been anything but stable this year. In July it touched 1s. 3d.—a postwar peak. Then the fall set in. For a time, the commodity was resistant, at 1s. or so, but in the last month a further fall has carried the price to 11¼d. There may be plenty of confidence in the commodity markets generally, but not in rubber. The unrepentant optimists—a dwindling circle—put great emphasis on the high level of consumption, on the strong Russian demand for natural rubber and on the purchases of the American Government for its stockpile. But at the moment the pessimists seem to be getting the better of the argument, for while demand is high, the consumption of general purpose synthetic rubber (GRS) in the United States has not declined as much as was expected, while the output of natural rubber from native holdings in Indonesia and from estates and smallholdings in Malaya is expanding faster than consumption is likely to expand. Add to these factors the political strains in south-east Asia, and it becomes clear that a particular kind of courage is needed at this moment to argue the case for shilling rubber.

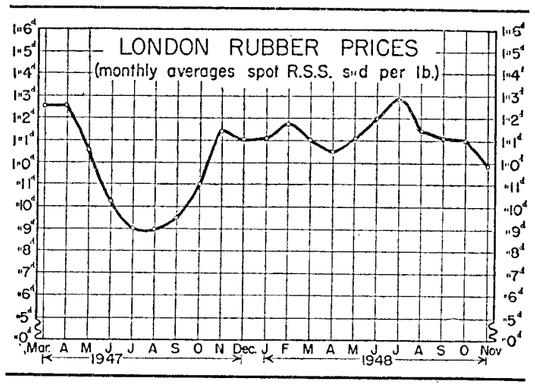
All the present signs, indeed, suggest that natural rubber faces a decisive trial of strength in the next year or two. The statistics already show the nature of the problem. World production of natural rubber for the first ten months of 1948 has recently been estimated at 1,247,500 tons—an annual rate of 1,500,000 tons. Consumption for the same period, however, is put at 1,145,000 tons or an annual rate of 1,375,000 tons. Thus if output of natural rubber continues to expand, even at a slower rate, surplus production may well become a serious matter in 1949. The world's potential production of natural rubber almost certainly exceeds 2,000,000 tons a year.

What of the potential demand? To assess it requires some careful dissection of the various components of demand. In the first place, little information is officially available about strategic purchases either by Russia or America. According to a Parliamentary answer given last week, Russia purchased 37,024 tons of rubber from Malaya in 1947 and a further 60,406 tons up to September this year. Russian requirements have been put at 80,000 tons a year, but this figure must reflect the limited amount of sterling which Russia is disposed to spend on rubber, rather than its total requirements of natural rubber—these must be far greater, even when allowance is made for Russia's own synthetic rubber production. Only the Russians know how these purchases are divided between current consumption and reserves.

America's strategic purchases are more important to the rubber market. In quantity, they may not be much larger than Russia's purchases have been this year, even though buying by the United States is not restricted by any shortage of foreign exchange. In the third quarter of this year, the US Munitions Board bought 25,000 tons of rubber through the market and also made a special purchase of 26,000 tons direct from the British Government under the ECA agreement. Total purchases in 1948 probably will not exceed 100,000 tons, though this quantity would equal nearly 17 per cent of America's current consumption of natural rubber. In any case, the United States is not counting on natural rubber to meet its full needs for defence; in an emergency, and even before, the United States will undoubtedly rely more on its own production of synthetic rubber.

It remains true that American and Russian purchases, whatever their primary purpose, have given appreciable support to the rubber market this year. Not all these purchases represent a net increase in demand for natural rubber. In the United States, for example, the consumption of synthetic rubber is above the minimum level of 222,000 tons prescribed by law and has exceeded it to the extent of 110,000 tons in the six months since April 1st. So long as the price of natural rubber remained above 1s. a lb. it apparently paid manufacturers to substitute synthetic for the natural product—given the fixed selling price of 18½ cents a lb. for GRS. Thus is American strategic purchases helped to keep the price of rubber above 1s. a lb for the greater part of this year; they also helped to divert supplies of natural rubber from commercial consumption to the government's stockpile. The interesting point is that GRS is competitive with natural rubber at a shilling a pound; if the promise of the new "cold" synthetic rubber is fulfilled, it may compete at an even lower price.

The United States still dominates the world demand for rubber. American consumption of natural rubber this year has equalled an annual rate of 630,000 tons, while consumption



of synthetic rubber has been running at an annual rate of 450,000 tons. Synthetic production has, however, been somewhat larger at 490,000 tons, and the surplus is available for stockpiling. Britain is the world's second largest consumer of natural rubber; its consumption has been running at 195,000 tons a year. (There is virtually no production of synthetic rubber in the United Kingdom.) A further expansion in the motor industry would increase the consumption of rubber in Britain, though the extent of such an increase could hardly affect world consumption very materially. Britain's share of world rubber consumption is only 14 per cent, while the United States accounts for 45 per cent. Thus, if the use of natural rubber is to be considerably increased, it will have to be directly competitive with GRS in price. Admittedly, if synthetic rubber were not specially favoured by American legislation, the advantages of natural rubber would have a better chance to show themselves. As it is, the American Government intends to preserve its capacity for producing synthetic rubber, and has safeguarded the industry by insisting on a minimum quota for its use, at a favourable price.

Natural rubber, like other primary commodities, is dependent in the last resort on the level of American demand. But unlike them it has to compete with a new material which, a few years ago, was a mere substitute and is now in many uses a satisfactory alternative. The adjustment of natural rubber to this new situation has scarcely begun, and it is likely to be prolonged. Some 85 per cent of the world's output of natural rubber comes from Malaya, Indonesia, Siam and Indo-China. Production has expanded in all these areas this year. In Malaya the increase in output has come largely from estates rather than smallholdings. In the period to the end of October, the estates produced 33,000 tons a month, equivalent to 57 per cent of Malaya's total output. Rehabilitation is virtually complete but much has still to be done to make good the ground lost during the war. Most of the stock of rubber trees has passed its best and less than 20 per cent consists of high-yielding varieties. In Indonesia, recovery has been retarded by political unrest, but as a greater proportion of the estates was already replanted with high-yielding stock before the Japanese invasion, expansion in output should be rapid as soon as conditions allow. Although many of the estates are still in the hands of the Indonesian Republicans, the course of exports shows that total output has made a welcome improvement during the year. And a further expansion may be expected in 1949.

Smallholder or native production vitally affects the rubber market. Mr P. T. Bauer contends both in his book and in a report recently published by the Colonial Office* that the smallholder in Malaya and Indonesia bore the brunt of the prewar restriction scheme and that the interests of the estates were relatively favoured. It may be argued whether native rubber can be produced as efficiently as plantation rubber; but beyond question it can be marketed more cheaply. There is room for argument too whether or not a higher price induces a smaller output from the smallholder (Mr Bauer suggests, contrary to general belief, that before the war this was not so). This is an important point, for there is no doubt that political and social development in south-eastern Asia is away from the large, foreign-owned estates and towards smallholdings, even though—as in Malaya—they too may be foreign-owned. This does not imply that there is no longer any place for efficient rubber plantations in these areas. But it might well mean that policies which under-estimated the part which the smallholder is likely to play in future could have serious consequences.

The outlook for natural rubber is now more clouded than at any time since the war. Production is expanding; in Indonesia it is expanding very rapidly. Natural rubber has drawn much support from strategic purchases, but sooner or later adequate reserves will have been built up. An immediate and large-scale expansion of commercial consumption seems improbable. Meanwhile, synthetic rubber production is being fostered for strategic and technical purposes. Thus there is a double set of competitive factors—the first between natural and synthetic rubber, and the second between estate and smallholder production of natural rubber If smallholders plant new areas—as they have been allowed to do in Malaya since April, 1947—and if they can plant high-yielding stock, their output is likely to increase considerably in the long run. But although smallholders' production is a threat to estate production, the one cannot replace the other. An accommodation has somehow to be secured within which both have a chance to live and to satisfy the needs of consumers efficiently.

It will be difficult, no doubt, to persuade smallholders to take part in a co-operative marketing scheme—their experience before the war has left its legacy of prejudice. In any case, any new scheme would have to provide the most adequate safeguards for consumers—and not least for British consumers who cannot obtain synthetic rubber in any quantity. The competitive threat of synthetic rubber, which seems likely to increase rather than diminish, makes no distinction between estates and smallholders: it is ranged against natural rubber, from whatever source.

ESTIMATED WORLD PRODUCTION AND CONSUMPTION OF RUBBER
('000 Long Tons)

PRODUCTION	1938	1946	1947	1948*
Natural Rubber:-				
Malaya	360	404	646	700
Estates	246	174	360	400
Smallholders	114	230	286	300
Indonesia	319	175	295	430
Estates	174	..	13	100
Smallholders	145	175	282	330
Ceylon	50	94	89	90
Indo-China	60	20	38	40
Africa	12	47	39	40
Other Countries	109	98	163	200
TOTAL	910	838	1270	1500
Synthetic Rubber:-				
United States	1	740	509	490
Canada	...	51	42	40
Germany	5	16	8	3
TOTAL	6	807	559	533

CONSUMPTION	1938	1946	1947	1948*
Natural Rubber:-				
United States	437	278	563	630
Canada	25	10	32	40
United Kingdom	107	97	154	195
France	58	30	61	84
Germany	98	2	8	24
USSR	27	10	35	100
Other Europe	95	28	98	130
Australia	13	16	23	24
Other Countries	95	84	126	173
TOTAL	955	555	1100	1400
Synthetic Rubber:-				
United States	...	762	560	450
Canada	...	30	29	20
United Kingdom	...	30	3	3
France	...	29	13	7
Germany	5	12	8	3
Other Countries	...	50	12	7
TOTAL	5	913	625	490

* Forecast based on first ten months of year.
Source: Rubber Study Group Secretariat.

*"The Rubber Industry," LSE: Longmans Green & Co., Ltd., and "Report on a visit to the Rubber Growing Smallholdings of Malaya," Colonial Research Publications, No. 1, HMSO.

European Recovery—VII

Who Supplies the Machines?

BEFORE the war, Germany was the largest European manufacturer of machinery, and by far the largest supplier to Continental countries. Since the war German supplies have virtually ceased; they are only now beginning to recover, and are still very small in scale. The difficulties of European industry in re-equipping itself are largely a reflection of the disappearance of Germany's output of machinery. Its extent before the war is not easy to measure in present-day terms. The statement that output of engineering and allied products in Germany in 1936 was valued at RM.9,400 million is accurate, but not very illuminating today. Its composition gives perhaps a better idea of what Europe now lacks. Of the total, about one-third consisted of prime movers, boilers, machine tools, bearings, electric motors, cranes and conveyors, agricultural and constructional machinery. Perhaps a third of the output in these classes was exported.

The entire British output of engineering and allied products in the same year, including repairs, amounted to £452 million, of which the groups mentioned above accounted for just over one-quarter; at most a quarter of this quarter was exported. Precise comparison between German and British output of machinery in 1936 is impossible, and would hardly be worth making even if it were. But roughly German exports were more than twice the British. Moreover, the greater part of British exports of machinery went to distant overseas markets; Europe was mainly supplied by the Germans. Thus any

attempt to assess Europe's needs and prospective supplies of machinery must begin with some estimate of the present state of the German industry and of what can be expected from it. A correspondent of the *Neue Zürcher Zeitung* has estimated that nearly 40 per cent of Germany's machine-making capacity before the war was in the Russian Zone and Berlin, and that about four-fifths of the capacity in those areas has been destroyed by war or removed by the Russians. Statements of this kind are hard to verify, but the scale of Russian dismantling in the western sectors of Berlin before the western Allies arrived, together with what is known of the removals from the Russian Zone itself, gives them some support, and if the losses in the ceded eastern territories are included, it is probably an accurate estimate. Removals in the French zone have also been proportionately heavy, but the French zone did not contain more than a small part of German capacity. Substantially, the German machinery industry is now the industry of the bizone.

The bizone housed 54 per cent of prewar German capacity for making machinery; during the war it was enlarged by war expansion and reduced by bombing, with the net effect that before dismantling for reparations began less than a tenth of it had been lost. The full extent to which the remaining plant is to be depleted by dismantling has still to be finally settled; the present revised level of industry plan is mainly distinguished by the unevenness with which it will fall upon different branches of machinery production. The most important reparations measures so far have been the dismantlings of single machines for the "multilateral deliveries" scheme. Such dismantling has been of more use to the receiving countries than the few large-scale dismantlings of heavy installations but, simply because it has naturally been concerned with the special-purpose machines which are most difficult to obtain, it has had disproportionate effects in dislocating German industry.

Material shortages, however, were mainly to blame for the fact that the existing machinery capacity in the bizone immediately before currency reform last summer was only employed to the extent of about 40 per cent. Since then, shortages of steel and labour have been greatly eased and, though the shortage of electric power persists, output has risen. Repair of war damage to buildings and plant has been accelerated, and defective equipment has become easier to replace. But even when the remaining plant is fully employed, output of machinery in western Germany is not likely in the next few years to exceed 50 per cent of the prewar output of Germany as a whole.

For some time to come production is likely to be unevenly distributed, for output is dictated less by what is economically necessary than by what is technically—and to some extent politically—possible. Machinery output in the bizone in 1947 represented 34 per cent by weight of production in the corresponding area in 1936. Within this total output woodworking machinery (by weight) reached 101 per cent of prewar output; pumps 63 per cent; food processing machinery 57 per cent; but machine tools and steel rolling equipment only 11 per cent.

*

Exports of machinery from the bizone last year, at RM.9,000,000, represented only 1 per cent of production. Holland and Belgium were the leading importers, followed by Britain and Switzerland. Such quantities, however, are trifling compared with prewar imports and with the pressing needs of most of the importers. Planned exports from the bizone in 1948 are substantially greater—$35 million, but for the first half of this year they were still below $6,000,000. The four-year export plan for the bizone provides for a rapid expansion, but the details have not yet been made public officially. Under the broad heading "equipment" in the four-year plan (as reported) bizonal exports in 1952-53 are to reach $990 million a year. But "equipment" probably includes a wide range of engineering and allied products. Of this total, $267 million is to go to the ERP countries.

Although many of the German makers are themselves anxious to resume their old export business, great difficulties still stand in their way. Even when the hindrances to full production are overcome, the factors which have raised home demand abnormally high will continue to operate, and it seems unlikely that a German or west German government would allow its machinery firms full freedom to export. If the bizone is to have half the former German machinery capacity, it will have more than half the former German population and far more than half the former German home demand. The need (also expressed in the four-year plan) for a higher total industrial production even to sustain a lower standard of living than before the war will tend to keep exports of machinery down so that production of consumer goods can be increased. The demands of repair and replacement seem at present inexhaustible. Political division in Germany has created abnormal and pressing demands. For example, important parts of the textile industry are in eastern Germany; if they are to remain cut off from trade with the west, some expansion of textile plants in western Germany can hardly be avoided. But the textile machinery plants in the Chemnitz area are also cut off. Western Germany must therefore import textile machinery.

TABLE I—UNITED KINGDOM MACHINERY PRODUCTION AND EXPORTS

Year	Production	Exports	Exports as Proportion of Production
	£ Million	£ Million	Per cent
1938	207	57·8	28·5
1947	560	180·5	32·0
1948 (mid-year rate)	690	250·0	36·0

Note.—The figures refer to machinery as defined in Group IIIG of Trade and Navigation Accounts.

TABLE II—UNITED KINGDOM MACHINERY EXPORTS AND IMPORTS
(Percentage Distribution by Tonnage and Value)

	1938		1948* (Third Quarter)	
	Tonnage	Value	Tonnage	Value
	%	%	%	%
Western Hemisphere :—				
Exports	9·2	9·7	13·0	14·7
Imports	40·3	50·9	73·2	75·8
ERP Countries :—				
Exports	18·7	20·1	27·5	27·4
Imports	42·7	36·8	16·5	19·4
Sterling Area :—				
Exports	53·7	50·8	45·2	44·7
Imports	0·6	0·5	4·3	2·3
Rest of World :—				
Exports	18·4	19·4	14·3	13·6
Imports	16·4	11·8	6·0	4·5
	100·0	100·0	100·0	100·0

* Provisional.
Note.—The figures refer to machinery as defined in Trade and Navigation Accounts.

TABLE III—ECA PROCUREMENTS OF MACHINERY
APRIL 3RD TO OCTOBER 31, 1948
(In $ Million)

	All Types of Machinery	Of Which				
		Agricultural	Electrical	Machine Tools†	Tractors ‡	Mining and Constructional
France	35·0	1·8	4·9	6·9	4·7	8·8
United Kingdom*	50·0	1·0	1·1	6·9	2·7§	8·1
Italy	22·4	...	0·9	...	0·2	1·8
Western Germany	10·2	...	4·5	...	...	4·6
Netherlands	18·1	1·8	2·3	2·7	2·8	0·8
Austria	3·8	0·1	1·2	0·6	0·1	0·7
Greece	5·5	...	0·4	0·1	...	1·5
Denmark	3·7	1·2	0·4	0·7	0·4	0·1
Norway	3·5	0·1	...	...	1·0	0·1
Belgium-Luxembourg	2·0	...	...	...	...	...
Total, including Others	167·9	5·7	15·8	17·9	11·8	26·6

* To November 30th. † Including metal working and wood working machines.
‡ Other than industrial tractors. § Non-Agricultural.

How is the loss of German exports to Europe to be made good? European countries are taking more machinery from Britain and from the United States, but they are getting much less than they need. This conclusion is supported by repeated complaints from Holland, Belgium, Denmark and other countries of the slow pace at which international trade with Germany has been resumed. Total British production of machinery has expanded substantially since before the war; the annual value of output in the machinery group (which is not identical with the classes listed in the first paragraph) has risen from £207 million in 1938 to £690 million in the middle of 1948, and the volume has increased by 60 per cent. In 1938, 28½ per cent of all machinery produced was exported. Today 36 per cent of the increased total goes abroad. Exports have more than doubled, and of these exports a larger proportion than before the war now goes to Europe.

The ERP countries took 18.7 per cent of the tonnage of British machinery exported in 1938. In the first nine months of 1948 this proportion was slightly over 27 per cent. The share of exports taken by the sterling area has fallen correspondingly; in 1938 it was 53.7 per cent, and in the first half of 1947 slightly over 41 per cent; it recovered to 45.2 per cent in the third quarter of 1948. This is, of course, only a relative decline; the export quantities are larger than before the war, and the quantity sent to Europe very much larger. As an importer of machinery Britain has suffered from the disappearance of German production. In 1938 40 per cent of British machinery imports (by volume) came from the Western Hemisphere. Recently this proportion has risen to 73 per cent, while imports from European countries, which were 42 per cent of the total in 1938, have fallen to 16 per cent.

ECA supplies of machinery cannot be expected to relieve these difficulties to more than a small extent. The accompanying table of ECA procurements (Table III) shows that purchases of machinery by ECA for Europe in the first seven months of Marshall aid were worth about $168 million. Mining and electrical machinery, machine tools, and textile machinery, are the largest items. If they are intelligently concentrated on particular machines which Europe finds it difficult or impossible to supply, the ECA contribution should be qualitatively important. It cannot solve bulk needs, and is not intended to do so.

It is when the individual groups of machinery are examined that the real difficulties become apparent. No recovery in German boiler exports seem to be in prospect, and so far as water tube boilers are concerned, European importers are obliged to rely largely on British exports. But the output of water tube boiler plant from Britain is allocated between home and export needs for some years ahead. Overseas countries of the sterling area get the bulk of what remains after the British Electricity Authority's needs have been met; the ERP countries and the British home market share the modest balance, as the following table shows:

BRITISH WATER TUBE BOILER PRODUCTION FORECAST
(Steam-raising capacity in thousands of lbs. per hour)

Year	For Home Market		For Export		Total
	British Electricity Authority	Industrial	ECA Countries	Sterling Area	
1948	9,000	400	600	5,000	15,000
1949	11,000	400	600	5,000	17,000
1950	14,000	400	500	4,100	19,000
1951	14,000	400	500	4,600	19,500
1952	14,000	400	600	5,000	20,000

The deficiency of German production is most heavily felt by purchasers of machine tools. German output of machine tools in 1938—454,000 tons—was more than twice that of Britain and the United States together. Germany exported 100,500 tons of machine tools in 1937 (the highest prewar year) and 71,000 tons a year over the average of the years from 1934 to 1938. Most of these went to European countries; in 1937 Germany supplied 77 per cent of the machine tool imports of the other countries of Europe excluding Britain and the Soviet Union. British output of machine tools is, in weight, little above the prewar level. The productive capacity which it represents has, however, increased, since more single-purpose tools and fewer general purpose models are now made. Of new machine tools made in this country, 40 per cent are exported, and second-hand machine tools have been shipped abroad from Britain to western Europe in not inconsiderable quantities. British machine tool exports have risen from £3,600,000 in 1938 to over £16 million in 1948; the price has risen 2½ to 3 times.

*

As for textile machinery, the division of Germany, the lack of exports from Japan, and the shortage of hard currencies have forced European buyers to rely increasingly on British makers. Delivery of Lancashire looms now takes hardly longer than before the war. Flax and hemp machines are in good supply, and both American and European demands (the latter restrained by sterling shortage) are being met without much delay. British home demand for spinning machinery has never risen to the level which was anticipated two or three years ago; the spinning re-equipment subsidy has not proved an effective inducement. But automatic looms are still strictly rationed, and British output is divided equally between home requirements and exports.

In one machinery group after another the same general

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difficulties repeat themselves: the lack of German capacity, the almost universal restriction of steel supplies, and the loss of the industrialist's freedom to buy machinery of his own choice in the market of his choice. The recovery of industrial production in Europe as a whole shows that in one way or another the bare needs for industrial equipment are being met. Some of the unreal pressure produced by the large and optimistic orders placed in the immediate postwar years is being deflated, and a quantitative balance between supply and demand, though it is not yet reached, promises to be in sight by the end of the four-year period. But no recovery of productivity has become evident to justify any belief that the European factories are getting exactly the machines they want. They get the machines which can be delivered first, or which the particular foreign exchange difficulties of their country permit them to buy. The resumption of industrial progress in Europe will depend on the return of a free flow of the equipment of industry; and that is still distant.

Business Notes

Depreciation and Replacement of Capital

The inability of large industrial concerns to provide from their taxed profits sufficient resources to finance their increasing commitments in stocks (reckoned in monetary, not real terms) and to replace their fixed assets at prices which have far outstripped the value of depreciation allowances based on original cost, has been a recurrent concern of company chairmen in recent months. Their exposition of the problem has necessarily been in simplified terms. A paper profit is made on stocks bought at lower prices; half of the profit is taxed away; the company then has to find more money—that is, to raise new capital in one form or another—if it is to keep the real volume of its stocks intact. The point on depreciation is analogous. Allowances for depreciation are based on first (or "historical") cost; when prices rise, these accumulated allowances will be insufficient to replace the asset; and part of the "profits" arising from higher prices will represent the draining away of real capital, of which the Exchequer takes half as "income" tax.

In an article in the latest issue of *Lloyds Bank Review*, Mr S. P. Chambers examines the dangers of these developments to the supply of capital for British industry. Mr Chambers writes with double insight in these problems, for he is a former Commissioner of Inland Revenue, and now is finance director of Imperial Chemical Industries. His conclusions are blunt. The accounts of "many if not most industrial concerns give a false picture," because they include provision for depreciation based on historical cost, and not on current cost of replacement. After examining the figures for capital formation of all kinds, Mr Chambers declares that the amount spent on capital formation in industry is almost certainly less than what is necessary to replace worn-out equipment at today's prices.

What are the remedies? Mr Chambers argues powerfully for a complete revision of "the disgraceful muddle of our obsolete taxation code." That indeed is a fundamental remedy. He rejects, however, the frequently-heard proposal that depreciation allowances should be based on replacement costs. "Accountancy has not yet reached the stage at which responsible professional accountants will trust their reputations on such guesses instead of . . . known figures of actual expenditure." There are other practical difficulties—the possibility that costs of replacement might occasionally fall, and the fact that "replacement" rarely involves the installation of an identical machine. A broadly similar conclusion is reached by Mr Leo T. Little, though by a more theoretical route, in an article in the new publication *Accounting Research*.

Mr Chambers's practical solution is to grant a special allowance for depreciation, equal to the allowance made in respect of 1945-46, on the assumption that the rise in prices since that year is virtually at an end. The allowances for 1945-46 totalled £186 million, so that the net cost of the proposal would be of the order of £100 million a year during the period of its application, though it might be somewhat more if certain other claims were admitted. He argues, too, for the end of the profits tax—"it is in every way a thoroughly bad tax, and should be abolished." There is, finally, "an unanswerable case" for relief of taxation on undistributed profits "at the present time." It is, presumably, in the broad relief of taxation on business profits that Mr Chambers seeks a remedy for the draining away of real capital through the taxation of fictitious inventory profits. It may be argued that these losses are "over the dam" and cannot be made good now, whereas some partial remedy can still be found to augment the depreciation allowances on fixed capital during the remaining years of its life. But the two problems, though technically dissimilar, are economically and fiscally contiguous.

Steel Bill in Committee

The Committee stage of the Steel Bill has opened sedately, as is fitting, and the proceedings have been only slightly ruffled by arguments about the Government's extending power of patronage in the making of appointments to this and other nationalised undertakings. The two days' proceedings which had been officially reported when this issue of *The Economist* went to press brought two important statements from the Minister of Supply. First, he accepted an amendment to raise the minimum size of the Iron and Steel Corporation from four members (excluding the chairman) to six members, with ten members (again excluding the chairman) as a maximum. Mr Strauss argued the wisdom of retaining the minimum of four "in case it might be found in the future that a small, compact, homogeneous Corporation is best fitted to deal with the industry." But since this is at best a remote hope, and more than four members will be appointed in the first place, the Minister's acceptance of the amendment was reasonable.

But he was unmoved by a proposal to limit his selection of candidates to the Corporation to a panel of persons named by the British Iron and Steel Federation and the Iron and Steel Trades Confederation. He has in mind a non-functional type of Corporation, and "it would be wholly wrong and upsetting to put on it anybody who had a special allegiance to a particular interest." There is, indeed a strong case that the responsibility of the Minister in making appointments should be free, subject to a broad definition of the field of choice and to the power of Parliament to review his appointments. Equally, the decision in favour of a non-functional Corporation is clearly right—and in truth, inevitable. For whatever may be the case of other nationalised bodies, the Iron and Steel Corporation will be concerned solely with the broadest questions of policy, and not with questions of working technique. That, after all, is the argument for leaving the companies as separate entities.

Mr Strauss has declared that, in his opinion, the 88 hours to be devoted to the Bill in Committee are adequate. There are to be 35 sittings, of which seven are allotted to the first four clauses dealing with the constitution of the Corporation, four to the compensation clauses, and four to the schedules and final proceedings. There is, indeed, no hope that under the guillotine procedure, the Iron and Steel Bill will emerge as a polished measure, to which mature consideration has been given. And this time, it will not be possible for the House of Lords to complete the task of revision, as it has done so successfully for earlier nationalisation measures.

* * *

Steel Bill Critics

Outside the Standing Committee, two other critics have attacked the Bill for different reasons. At the annual meeting of Redpath Brown last week, Sir Ellis Hunter referred to the peculiar position of that company whose entire ordinary share capital is held by Dorman Long, while the preference shares are publicly owned. As the measure now stands, only the ordinary shares would vest in the Iron and Steel Corporation. Apart from his objection to the acquisition by the State of some 30 per cent of the structural engineering capacity of the country, Sir Ellis fears that the benefits of the traditional "commercial integration" between Dorman Long and Redpath Brown would be jeopardised. This he sharply distinguished from "physical or technical integration" which is usually put forward as the main argument for taking over steel groups, including their subsidiaries. In the past, both companies have benefited from an arrangement "by which in times of reduced demand orders from Redpath Brown have been a valuable outlet for the products of Dorman Long's rolling mills, and when the demand has been high the arrangement has been of great value to Redpath Brown." It is easy to envisage that the benefits of such an arrangement would lapse under nationalisation, when presumably consumers would have to be supplied on equal terms (though this is not quite explicit in the Bill). And if they did lapse, it would be to the obvious detriment of preference shareholders.

A well-reasoned argument against using Stock Exchange prices to fix compensation has been addressed to the Minister of Supply this week by the Association of Investment Trusts and the Investment Protection Committee of the British Insurance Association. These bodies recognise that the method is "superficially convenient," but they declare that it is at the expense of "that equitable dealing which expropriated owners are entitled to expect." Their first point is that Stock Exchange values are marginal values relating to a small quantity of stock, and not the total issue—a fundamental objection which has been put forward in *The Economist* and elsewhere. They then dispose of the argument (put forward by the Chancellor) that what is fair for death duty purposes is equally fair for compensation, by declaring that any alternative basis for death duties would be "unworkable in practice," not that the method is justifiable *per se*. Thirdly, they point out that "the relationship between earnings and dividends paid is a capricious element which does not always exert its proper influence on market prices"; hence, to use Stock Exchange prices for compensation is likely in practice to prejudice the shareholders in those companies which have in the past followed a conservative dividend policy. The writers deplore the possible consequences of this discrimination on company finance in the future—"consequences which may easily extend far beyond our interests as investors." This protest, coupled with that of the Stock Exchange Council, is an important contribution to the general discussion on the Steel Bill, and it deserves the Government's close consideration.

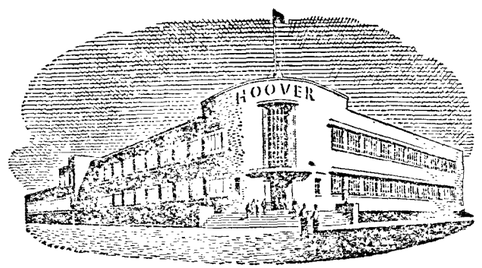
Coal Export Prices in Question

Price policy for coal exports is, under the Coal Industry Nationalisation Act, in the hands not of the Minister of Fuel and Power but of the National Coal Board. The Board takes advice from the Minister, but the advice up to the present has been in general to let commercial considerations govern the policy—in short words, to charge what the market would stand. This idea, no doubt, was what governed the increase of 25s. a ton in export prices towards the end of last year. The increase was unpopular, but it has not prevented European purchasers from buying the coal. Now, however, the purchasers are growing restive, and members of the Economic Commission for Europe have been commenting unfavourably on the fact that British coal prices to foreigners (between 80s. and 90s. f.o.b.) are far higher than to home buyers. Coal exports from the bizone of Germany are between 5s. and 10s. a ton cheaper than British exports, and Polish coal is also cheaper. British coal in Europe is only a few shillings a ton cheaper than American, in spite of the much lower freight costs it has to bear.

It is probably true that there has been no formal American approach to Britain on the subject, but American representatives at Geneva and Paris have raised it with the suggestion that the Coal Board should reduce its export price even if this necessitates an increase in the home price. This suggestion was discussed in London last week by representatives of the Coal Board, the Economic Commission for Europe, and (since the criticisms are based largely on a comparison with prices of Ruhr coal) the bizonal authorities. The comparison with the bizone is a difficult one, since the finances of the Ruhr coal industry, its home sales policy, and its foreign sales policy are all governed by artificial and arbitrary factors. The Ruhr mines have run for a long time at a loss, the home price for Ruhr coal is artificially low, and the conversion rate between the German currency and foreign currencies is still largely notional.

It is, therefore, a little difficult to say to the Coal Board that it should (so long as its coal will sell) trim its price policy to the German standard. But there are other considerations. The question is not a straightforward commercial one.

Hoover Limited
open a new factory
at Merthyr Tydfil



On October 12th the new Hoover factory at Merthyr Tydfil was officially opened. This is the third new Hoover factory to be opened since the end of the War — the others being at Cambuslang, Scotland, and at High Wycombe.

The Merthyr Tydfil factory has been built for the manufacture of electric washing machines and is the largest factory in the country to be devoted exclusively to this purpose.

At the Company's principal factory at Perivale the entire production facilities are required to meet the huge demand for the world-famous Hoover Cleaners. The factory at Cambuslang, Scotland, is manufacturing Hoover Fractional Horse Power Motors in ever-increasing quantities, while the High Wycombe factory is working at full capacity producing Hoover Shaded Pole Motors, Commutators and Switches, all of which are used extensively by the Electrical Trades. Both for home and overseas markets Hoover production is constantly expanding, thus playing an ever-increasing part in the effort to raise the nation's standard of living.

HOOVER LIMITED

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Fractional Horse Power Motors: CAMBUSLANG, SCOTLAND
Electric Washing Machines: MERTHYR TYDFIL, SOUTH WALES
Shaded Pole Motors, Commutators & Switches: HIGH WYCOMBE, BUCKS

Politically there are drawbacks in embracing high prices too firmly in the face of the difficulties of the purchasing countries and the declared policy of co-operation in recovery. Even commercially, if it is possible to take the long view, it may be advisable not to accumulate resentment. More German coal, and more Polish coal, is on the way.

* * *

Coal Costs and Production

The profit on exports helped the Coal Board to balance its accounts in the second quarter of 1948, when it showed a surplus (after charging estimated interest and interim income) of £1,000,000 for the quarter. But costs have risen again, and the statistical statement for the third quarter of 1948, published this week, shows a deficit of £372,900. Colliery profits in the third quarter were £3,417,000 (compared with £4,900,000 in the second quarter). Estimated profits of ancillaries fell from £500,000 to £150,000; this fall concerns largely the coke-oven undertakings, and the Board attributes it mainly to holidays, retrospective wage increases, and "heavy costs of repairs to workmen's houses."

Coal, which cost 37s. 11.4d. a ton to produce in the first quarter-year of the Board's operations, cost 46s. 2.2d. to produce in the third quarter of this year. Proceeds, in spite of exports did not keep pace with costs.

COAL COSTS, PROCEEDS, PROFITS AND LOSSES.

	1947		1948		
	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.
Output (mn. tons):—					
Commercially disposable	39·3	45·9	44·5	45·5	42·1
Saleable	42·8	49·9	48·6	49·3	45·8
Costs (per ton saleable):—	s. d.	s. d.	s. d.	s. d.	s. d.
Wages	27 8·8	28 8·2	29 4·8	29 8·4	30 3·5
Root supports, stores, repairs	6 4·0	6 3·5	6 1·9	6 5·6	6 8·8
Coal and power	2 7·6	2 5·9	2 10·6	2 9·0	2 9·6
Other costs (incl. depreciation)	6 1·5	6 2·8	6 3·5	6 5·3	6 4·3
TOTAL COSTS	42 9·9	43 8·4	44 8·7	45 4·3	46 2·2
Proceeds	40 3·4	42 10·7	46 3·5	47 1·9	47 8·1
Profit (+) or Loss (−) (before charging interest)	−2 6·5	−0 9·7	+1 6·8	+1 9·6	+1 5·9

It would be idle to expect British consumers of coal to regard cheerfully any further increase in the home price. But equally clearly, high export prices are not likely to avert an increase in the home price if costs go on rising. Improved efficiency and higher output per man-shift are the only remedies; and if they cannot be achieved the home market will have to bear its share of the burden.

Deep-mined coal output last week was 4,146,500 tons—an increase of 60,500 tons over the week ended November 27th, and the highest since the week before Christmas last year. Open-cast output improved from 179,000 to 193,600 tons, and the total open-cast output in the 48 weeks to December 4th was 90,000 tons over the target of 11 million tons for the year. But deep-mined output for the 48 weeks was 18 million tons short of the year's target of 200 million tons.

* * *

A Turmoil of Trade Talks

The system of bilateral trading is imposing a severe strain on British officials. At the moment, negotiations are proceeding with at least seven different countries and not all are being held in London. The Russian discussions are still in a preliminary stage and as yet no basis for a new trade agreement has been discovered. Negotiations with Jugoslavia have lasted nearly two years and the Polish talks for three months; in both instances the stumbling block is the compensation to be paid for British properties in the two countries. The trade items have been agreed on both sides, but the British delegations maintain that since compensation payments will affect the foreign exchange accounts of the two countries, this matter must be settled before implementing the agreement. This attitude has produced impatience—reflected last week in the House by Mrs Leah Manning. Clearly if Britain gives way on this point its future bargaining position would be irreparably weakened—in return for the short-term benefit of more bacon now.

The problem with Spain is more straightforward but still no easier to solve. Britain considers Spanish prices for her exports exorbitant. Spain, on the other hand, says it has no sterling and that unless it can acquire sterling by charging high prices it will not be able to afford British goods. In the Swedish negotiations, the same difficulty is differently clothed. British exports to Sweden have increased more rapidly during the year than was originally planned, and Sweden now has an adverse visible trade balance. While Britain would like to maintain trade at this high level next year, the Swedish Government wants to reduce its imports of British goods, particularly of textiles. Discussions with Denmark are not so controversial and mainly cover the examination of the Danish import programme for 1949. Under the recent trade agreement, Denmark is to take up to £45 million of British goods in 1949. The Norwegian negotiations bring up the same point—an attempt to discover a suitable way of spending sterling.

Other negotiations are afoot which equally affect Britain's balance of payments but which do not fall into the category of trade agreements. Such are the negotiations for the new Canadian food contracts, and for a Mexican meat contract. These latter discussions have been continuing for many many months, and there is still no sign of any contract being signed. The problems of bilateral trading for a country like Britain which is so dependent on foreign trade, are now becoming apparent. Agreement has to be reached with each individual country, and each agreement has then to be dovetailed into the other. The task of the negotiators is not to be envied.

* * *

Canadian Food Contracts

Agreement was reached with Canada this week on the new food contracts. The wheat price for the 1949-50 season has not yet been settled, but prices and quantities of livestock products for shipment in 1949 have been determined. Britain is, in fact, taking less at the same or lower prices; it has agreed to purchase 160 million lb. of bacon compared with 224 million lb. in 1948; 50 million lb. of cheese, or the same quantity contracted for this year; and 1,533,000 cases of shell eggs or their equivalent in dried or frozen whole eggs against 2,200,000 cases this year. Bacon and cheese prices have been unaltered, but eggs have been slightly reduced. As the bacon and cheese contracts will be regarded as "off shore" purchases, they must first be approved by the ECA authorities in Washington.

A workable compromise has thus been found which may allow Britain to pay a slightly higher price for Canadian wheat. Reduced quantities of bacon and eggs may not cause any further reduction in British rations next year as larger supplies are expected from Denmark and possibly from Poland and Hungary too. Nor will the new contracts cause any great hardship to Canadian farmers. The 160 million lb. of bacon is likely to be the total quantity available for export, and Canada may experience difficulty in meeting the cheese contract.

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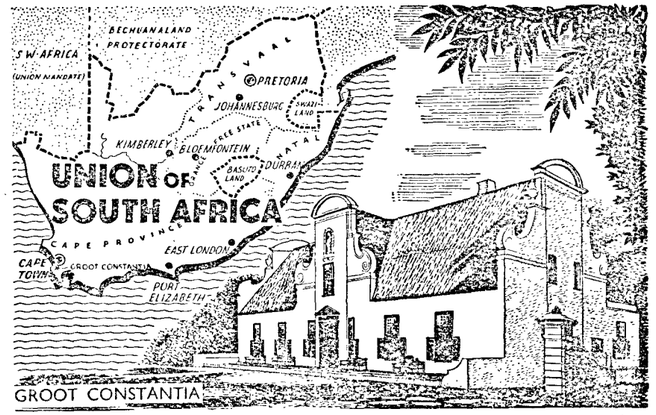
NIC—*RIP*

The Chancellor this week confirmed, what has long been suspected, that Dr Dalton's grandiose creation, the National Investment Council, has been allowed to expire unobtrusively—unwept and unsung. Yet now that the sad news is out, a few tears may be shed for what might have been. Some Socialists, no doubt, had still cherished the hope that the Council would one day become the investment "board" which is enshrined in prewar socialist theory. Others had hoped for a precisely opposite development—that the Council might become the means of bringing City opinion and business experience to bear upon Government policy in the planning of the investment programme. The original City members of the Council included the Governor of the Bank, Chairman of the Stock Exchange, Chairman of the CIC, Sir Clarence Sadd (of the Midland Bank) and Sir Clive Baillieu (then chairman of the FBI). This "high power body of collective wisdom," as Dr Dalton described it, was, according to him, to be consulted on all large questions of principle affecting the investment programme as well as upon important practical questions. Its role was not to be the actual control of investment or of capital issues; that is achieved by executive bodies, principally the CIC, which interpret and apply Government decisions on policy. It was to advise upon the policy itself.

Few City men ever believed that Dr Dalton would give the Council much scope for acting in this way; but this final confirmation of their belief that the Council would be a dead letter will perhaps arouse a shade of disappointment that Sir Stafford Cripps has not taken a different view. To the Government, since the institution of the Planning Board, the machinery for formu-

A casual observer of the architecture of the Union of South Africa would probably place more emphasis on the sky-scrapers of the Rand than on the spacious old Early Dutch houses which form such a pleasant decoration to the countryside of Cape Province.

There are, however, numerous examples of this attractive form of architecture still remaining. Many of them, as in the case of Groot Constantia near Cape Town, were designed as chateaux for the vineyards which still surround them and have served as centres for the wine industry ever since the seventeenth century. The wine industry in turn has done much to contribute to the prosperity of the Union in general and of the port of Cape Town in particular, and continues to hold its own to-day in the busy and expanding commercial life of the Union.



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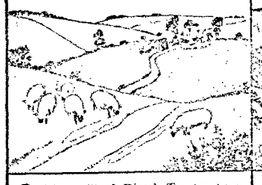
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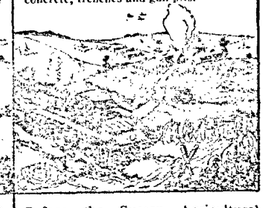
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RECLAIMING 30,000 ACRES

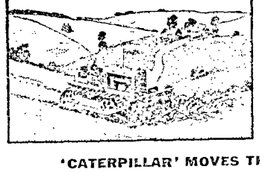
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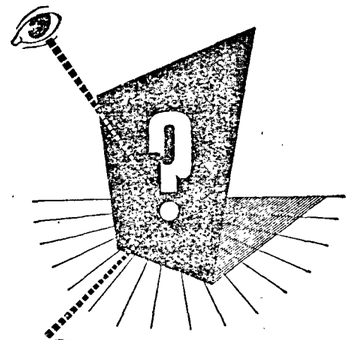
Offer price, 6th. Dec. 22/6. Yield (conservatively calculated on net cost which includes commission and 2% Government Stamp Duty), is £3|5|6%, subject to reduced rate of tax allowing for D.I.T. relief.

TRUSTEES: MARTINS BANK, LIMITED
BANKERS: BARCLAYS BANK, LIMITED
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The Royal Bank of Scotland, Glyn, Mills & Co., and Williams Deacon's Bank Limited, constitute a banking group whose resources rank them sixth among the banks of Great Britain. Their resources are large enough to meet the requirements of any customer. These three banks, each with a famous banking tradition, each still retaining its individuality, can give to every customer the advantages of their pooled facilities and diverse financial experience.

ROYAL BANK OF SCOTLAND
Founded 1727 Edinburgh, London & Branches
GLYN, MILLS & CO.
Founded 1753 London
WILLIAMS DEACON'S BANK LIMITED
Founded 1771 Manchester, London and Branches



Do you trade with

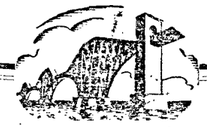
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STANDARD LIFE
ASSURANCE COMPANY

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Established 1825 — *Assets exceed £54,000,000*

SPECIAL ATTENTION IS DRAWN TO THE FOLLOWING CONTRACTS:—

1. **BUSINESS MAN'S POLICY** Inexpensive Life Assurance with options to convert at a later date to an endowment assurance either with or without profits.

2. **FAMILY INCOME POLICY** The ideal contract for a young married man: maximum life cover at minimum cost.

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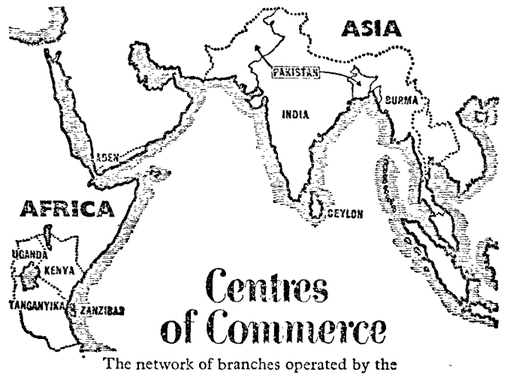
(*c*) "Family Protection" Policy. A policy on the life of a parent incorporating valuable options on the life of his child at age 21. Income tax rebate is allowed on the premiums.

An enquiry will bring full particulars.

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BANKING IN TWO CONTINENTS



Centres of Commerce

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With this geographical distribution the National Bank of India Ltd. is particularly well placed to provide market information and a full range of banking facilities for all those interested in trade or industrial development in these territories. Enquiries are welcomed at the Head Office of the Bank at the address given below.

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HEAD OFFICE: 26, Bishopsgate, London, E.C.2.
General Manager: T. T. K. Allan. Deputy General Manager: N. W. Chisholm.
London Manager: W. Kerr.

lating investment policy no doubt looks adequate. Yet even the Governor of the Bank has lately voiced his doubts about the wisdom and economic merits of some of the projects now afoot; and many others, while not necessarily accepting all the implications of Lord Catto's arguments, are convinced that an objective survey of the whole programme is now urgently needed. In such a survey the advice of City men, and especially of commercial bankers who may see much that is hidden from high-level planners, could be of real value. But, if the NIC was not to be used in this way, there is no reason to regret its disappearance. It had not met since Dr Dalton's departure from the Treasury and, so far as is known, the only specific matter ever remitted to it was the question, in 1946, of the bonus element permissible in the price of issues sanctioned by the CIC. But although on this question it apparently gave useful guidance on market technique, the sequel to the improved procedure then adopted was the notorious bonus issues tax. That, of course, was not the fault of the Council; but if the Government, having taken practical advice, then proceeds to fly in the face of it, it is hardly worth seeking it at all.

* * *

Finance for Films

Mr Harold Wilson announced in the Commons on Wednesday the composition of the committee which is to inquire into the distribution and exhibition of films; Lord Portal of Laverstoke is the chairman. The Cinematograph Film Production (Special Loans) Bill is having a fairly smooth passage, largely because neither side of the House can think of an alternative policy. In the second-reading debate last week the President of the Board of Trade sought to show that the borrowing powers of £5,000,000 which the Film Finance Corporation is to have would, with reasonable luck, be enough. He explained that the Corporation would not normally put up more than a quarter of the cost for any one film. He expected the banks to play their customary part by financing up to three-quarters of the cost; this is probably an over-estimate of what the banks are prepared to do at present, but Mr Wilson also pointed out that the distributing companies through which most of the Corporation's advances would be made would still find some of the money themselves.

These distributors would also perform two other services which are in the normal course of their business; they would control costs and they would usually provide a distribution guarantee. In this way the Corporation's £5,000,000 may, as Mr Wilson said, be able to finance more than the 15 to 20 films a year which one member calculated as its limit, though much will depend on the average number of months or years taken to recover the investment. Mr Wilson indicated that he would be prepared to consider asking for more if the £5,000,000 proved inadequate—provided that the scheme was otherwise working well.

He is not likely to come back for more if the generally gloomy mood of the House about the nature of the risks involved proves justified. Many sets of figures were produced by members to show how difficult it is for the producer to get back his costs. Mr Eric Fletcher gave some which are worth reproducing about "My Brother Jonathan," a relatively successful recent film on which, through his connection with Associated British Pictures, Limited, Mr Fletcher doubtless spoke with exact knowledge. From his figures it appears that the £1,020,000 which the British public paid to see "My Brother Jonathan" was distributed as follows:

	£
Entertainment Tax	416,000
Exhibitors	375,000
Renter	57,000
Producer	192,000
Total UK box-office receipts ...	1,040,000

The producer's costs were £198,000, so that the producer was dependent on overseas earnings to cover the last £6,000 of his costs and to clear any profit. Either the committee on film distribution or the new working party on production costs which Mr Wilson announced during last week's debate may have something to contribute towards solving the dilemma. Not less important would be some hope of better relations with the American film industry to end the present virtual exclusion of British films from American cinemas. Mr Wilson could not hold out any prospect of this. His statement that the industry, if it can reduce production costs without reducing quality, can look forward to "an extremely rosy future" is surely too hopeful to bear examination. The outlook is rather that unless it can reduce costs and improve the quality of its average product the industry can barely expect to survive.

Government Trading

Some further information about the Government's bulk buying operations was given this week in a Parliamentary answer. This shows the quantity and value of raw materials purchased by the Board of Trade during 1947 and the amount which arrived in the United Kingdom during the year; some of the arrivals represented purchases made in the previous year. The statistics also include metals bought by the Ministry of Supply and commodities purchased by the Ministry of Food. The full tables are included in this weeks issue of the *Records and Statistics* Supplement.

Last year the Board of Trade spent £256 million on raw materials, consisting mainly of textile raw materials, timber, hides and skins, paper, board and paper making materials. The Ministry of Supply's bill amounted to £72 million, the largest items being copper (£32 million), lead (£14 million), and zinc (£8,000,000). The Ministry of Food's purchases were naturally largest. They totalled £615 million, of which £191 million was spent on dairy produce, oils and fats, £135 million on cereals and animal feeding stuffs and £125 million on meat and bacon. Taking the purchases of the three departments together, they represent almost 59 per cent of the approximate f.o.b. value of Britain's imports in 1947. This figure is close to the estimate (on less exact information) of 57 per cent which was given in *The Economist* of November 20th.

These disclosures reveal very little additional information but it is, nevertheless, possible to make certain calculations from them. For example, by dividing the quantity purchased into the f.o.b. value, an approximate average price is obtained for the various commodities. Thus for copper the average purchase price last year works out at a little over £105 a ton; this includes blister and electrolytic. But the margin between this and the Ministry's selling price (£132 a ton) which admittedly includes cost of freight, insurance, storage and delivery to consumer's works, is surely sufficiently large to prompt the question of what profits were being made by the Government on buying and selling copper—or what earlier losses were being recouped. Similarly, the average purchase price for zinc was £59 a ton and for lead £70 a ton; their corresponding selling prices were £70 and £90 a ton.

The Government is apparently becoming more aware of the need to reveal details of its trading operations. But the information at present published is often misleading because it generally tells only half the story. In most cases it gives the impression that the Government's operations have not been too successful, but this may be due to the inadequacy of information available. If this is so, surely the Government departments could present full and detailed accounts to enable their efficiency to be judged.

* * *

South Africa's Reserves

South Africa's Finance Minister, Mr Havenga, caused some surprise last week by a statement implying that the Union is again experiencing a net inflow of investment funds from Britain. In a euphemistic reference to the uneasiness aroused among investors by the advent of the Malan Government six months ago, he remarked that though "there might be isolated instances of nervous British capitalists who, under the influence of the Opposition's propaganda, had withdrawn their money, capital in appreciable amounts was still coming to the Union from Britain." The implication, plainly, is that the South African authorities believe that the Union is now again gaining sterling funds on balance—a tendency which is not easy to reconcile with the recent trend of sterling reserves. As the accompanying table shows, the initial decline in these had spent its force by end-July, the month in which the current strain was augmented by the special payments, totalling about £14½ million, for the taking over of the electricity interests in the Union of the Victoria Falls and Transvaal Power Company. During August and September the Reserve Bank's sterling holdings were falling at the rate of about £1 million per week, while in the ensuing five weeks, to end-October, they actually rose fractionally to just under £51 million. Since then, however, the decline has been sharply accelerated. By end-November, the total was down to under £42 million, making a decline of £9,000,000 on the month; and only £2,000,000 of this loss was made good in the following week, by the monthly adjustment with the Bank of England. Hence there has been a net loss of over £37 million since the Malan Government assumed office.

SOUTH AFRICAN RESERVE BANK
(Reserves of Gold and Exchange)

1948	Gold	Foreign Bills*	Total	1948	Gold	Foreign Bills*	Total
End-							
May	97·2	81·2	178·4	October 22..	63·5	47·5	111·0
June	91·6	71·3	162·9	,, 29..	57·5	50·8	108·3
July	83·0	57·6	140·6	November 5..	56·5	48·3	104·8
August	75·6	53·6	129·2	,, 12..	55·2	46·0	103·2
September	65·1	55·4	120·5	,, 19..	55·4	44·3	99·7
October 8	66·6	51·4	118·0	,, 26..	53·6	41·7	95·3
,, 15	64·0	49·3	113·3	December 3..	45·3	43·8	89·1

* Mainly sterling.

If, therefore, it is true that the Union is now gaining sterling on capital account, the commercial deficit with the sterling area must be even larger than has been generally supposed. To judge from the latest Bank return, only a moderate part of the accelerated decline in the sterling reserve has resulted from South African drafts on the sterling area dollar pool for the purpose of meeting its hard currency deficit or from other non-sterling payments effected through London. It is true that since the beginning of this year the Union has agreed to make good any such "third" currency payments by sales of gold to Britain, but these reimbursing transactions do not coincide with the dollar drawings. This explains why, in recent months, the last bank return in each month has shown an exceptionally heavy fall in the gold holding and, simultaneously, some replenishment of the sterling reserve. Last week's gold loss, including the November "reimbursement" sales to the Bank of England, amounted to no less than £8,300,000, yet the gain in sterling balances was only £2,000,000. At £45.3 million, the gold reserve is nearly £52 million below the level at which it stood six months ago, making a total depletion of exchange reserves by £89 million over this period. According to a recent statement by the Department of Customs in the Union, the adverse trade balance, after crediting the value of newly mined gold, amounted to £46 million in the four months to end-October, which is equivalent to a monthly rate of drain slightly less than the past month's decline in total reserves. Presumably, the reserve position has only just begun to feel the effects of the import restrictions announced in early November; but it will be surprising if these measures suffice by themselves to arrest the decline.

* * *

No Black Sterling for Vatican

The financial agreement reached with Italy and described in *The Economist* last week does not extend to the Vatican City. The undertaking to maintain the cross rate between sterling and the dollar at the official parity of 4.03 could not apparently be implemented by the authorities in Vatican City, where the control mechanism is somewhat primitive but international transactions and contacts are highly developed. If, therefore, the City had been included with the rest of Italy in the transferable account group of countries, one of the inevitable results would have been not only to transfer the whole of the Italian black market in sterling to the Vatican City but to give it the benefit and advantages of transferability enjoyed by no other such market.

In order to prevent this, separate arrangements have had to be made to differentiate the treatment of Vatican City sterling accounts from that of Italian transferable accounts. The former are to be operated on a bilateral basis. The sterling held on Vatican City account will be available for making payments only to residents in the scheduled territories, i.e. the sterling area, and for transfer to other Vatican City accounts. For all other uses of sterling in these accounts, prior consent of the Bank of England will have to be obtained. Detailed instructions for the operation of the new Italian transferable accounts were published this week. The Bank of England is indicating by letter, to the United Kingdom banks concerned, which Italian sterling accounts are to be designated as Italian transferable accounts. These accounts will be conducted in accordance with the normal procedure which allows freedom of transfer for current operations as between transferable account countries and as between each of these and the whole of the scheduled territories.

* * *

Austin Motor Issue

By his exposition of the recent trading experience of the company at the annual meeting of Austin Motor this week Mr L. P. Lord was able to allay some of the doubts which had caused a decline in Austin Motor shares since the new issue was announced. Five months were needed, instead of the expected two, in retooling for the new models last winter. This delay accounted for the fall in trading profit from £2,256,930 to £1,613,304 in the year to July 31, 1948, and its consequences are now being made good. Average weekly output has been stepped up from 2,281 vehicles and 175 tons of spare parts in the first three months of the current year to an average of 2,722 vehicles plus 197 tons of spare parts in October and November. Present capacity would allow for an output of 3,400 vehicles per week if there were sufficient steel.

The chairman also gave a favourable account of sales to North American countries, which have now brought in some $22 million. This satisfactory contribution to the dollar problem is being supplemented by the establishment of an assembly plant at Hamilton, Ontario. Part of the proceeds of the new issue will be required to finance this project, for which £200,000 of new British plant is to be provided.

Apart from the expansion in North America and at Longbridge, funds are required to finance the development of the com-

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: South Durham Steel and Iron; Mufulira Copper; London Express Newspaper; Great Universal Stores; Dennis Brothers; Allen and Hanburys.

Prices, Year 1948 Jan. 1 to Dec. 8 High	Low	Name of Security	Price, Dec. 1, 1948	Price Dec. 8, 1948	Net Yield Dec. 8, 1948 (n) £ s. d.	Gross Yield, Dec. 8, 1948 £ s. d.
		British Funds				
101⅛	100⅞	War Bonds 2½% August 1, 1949-51	107⅞	100⅞	...	1 6 5e
101¼	100⅜	Exchequer Bonds 1¾% Feb. 15, 1950	100⅜	100m	0 3 3	1 3 2
102⅛	100⅜	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 2 9	1 7 9e
103¼	100	War Bonds 2½% March 1, 1952-54	103⅛	103	0 11 1	1 15 2e
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	103½	103⅛	1 1 4	2 12 6
103⅛	99½	War Bonds 2½% Aug. 15, 1954-56	103⅛	103⅛	0 16 8	2 0 1e
103⅛	100⅜	Funding 2½% June 15, 1952-57	103⅛xd	102⅛xd	1 2 11	2 7 3f
106⅛	100⅜	National Def. 3% July 15, 1954-58	106⅛	104⅛xd	1 2 2	2 8 2f
105⅛	101⅛	War Loan 3½% Oct. 15, 1955-59	105⅛	105m	1 2 4	2 9 0f
101⅛	100	Savings Bonds 3% Aug. 15, 1955-65	104⅛	104	1 8 4	2 15 5f
102⅛	96⅛	Funding 2½% April 15, 1956-61	102⅛	101⅛	1 4 6	2 7 1f
104	98⅛	Funding 3% April 15, 1959-69	103⅛	103⅛	1 8 11	2 2 8f
114⅛	110¼	Funding 4% May 1, 1960-90	114⅛	114⅛	0 18 5	2 15 2e
103⅛	97⅛	Savings Bonds 3% Sept. 1, 1960-70	103⅛	103	1 10 3	2 17 4f
99	92⅜	Savings Bonds 2½% May 1, 1964-67	98⅛	98⅛	1 9 8	2 12 6f
116¼	112½	Victory Bonds 4½% Sept. 1, 1920-76	116⅛	116⅛	1 2 6	2 15 9e
102⅛	96⅜	Savings Bonds 3% Aug. 15, 1965-75	102⅛	102⅛	1 11 2	2 18 4f
111⅛	107½	Consols 4% (after Feb. 1, 1957)	111⅛	110⅜	0 18 6	2 14 4f
106⅛	102⅛	Conversion 3½% (after April 1, 1961)	106⅛	106⅛	1 8 1	2 19 1f
85⅜	74⅛	Treas. Stk. 2½% (after April 1, 1975)	79⅛	78⅛	1 14 11	3 3 9f
99	91⅛	Treas. Stk. 3% (after April 5, 1966)	97⅛	96⅜	1 14 2	3 3 2 3f
100⅜	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	99⅛	99⅜	1 13 5	3 0 9f
83⅛	74⅛	Consols 2½%	79⅛xd	79⅛xd	1 14 9	3 3 1f
103⅛	96	Brit. Elec. 3% Gtd. April 1, 1968-73	102⅛	102⅛	1 10 9	2 17 9f
101⅜	99⅛	Brit. Elec. 3% Gtd. Mar. 15, 1974-77	101	100⅛	1 12 5	2 19 4f
101⅛	93⅛	Brit. Trans. 3% Gtd. July 1, 1978-88	99⅛xd	99⅜xd	1 13 3	3 0 3f
103⅛	95⅛	Brit. Trans. 3% Gtd. April 1, 1968-73	102⅛	102⅛	1 11 0	2 17 11f

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'c'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (l) Flat yield. (n) Net yields are calculated after allowing for tax at 9s. in the £. * Assumed average life 15 years 6 months.

Prices, Year 1948 Jan. 1 to Dec. 1 High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Dec. 1, 1948	Price, Dec. 8, 1948	Yield, Dec. 8, 1948 £ s. d.
		% (d)	% (d)		**Other Securities**			
106	101⅛	96	90	(d)	Australia 5½% 1965-69	106	106	2 17 0e
				(d)	Birmingham 2½% 1966-71	95½	95½	2 15 3f
		8¼	5½	50 c	Anglo-American Corp. 10s.	6⅞	6⅞	4 3 4
		10⅛	7⅜	25 b	Anglo-Iranian Oil £1	8⅛	8⅛	3 8 6
		87/6	69/-	10 b	Assoc. Electrical Ord. £1	78/-	78/-	3 16 11
		77/3	62/4	15 c	Assoc. Port. Cem. Ord. Stk. £1	75/6	74/6	4 0 6
		38/6	29/6	40 c	Austin Motor 'A' Ord. Stk. 5s.	33/9	31/10½	6 5 6
		84/-	72/9	7 b	Barclays Bank Ord. 'B' £1	80/-	78/-	3 11 10
		10⅜	8⅞	†20	†12½ a Bass Ratcliff Ord. £1	8⅛xd	8⅛	2 15 11†
105/-	85/-	12	8	b	8 a British Oxygen Ord. £1	105/-	101/3	3 18 9
		46/1½	36/-	2½ a	5 b Courtaulds Ord. £1	39/6	38/9	3 17 5
		32/6	25/1	20 a	7½ b Distillers Co. Ord. 4s.	29/10½	29/7½	3 14 3
		34/10½	27/9	8 c	8 c Dorman Long Ord. £1	33/-xd	32/6xd	4 18 6
		79/9	68/-	15 c	15 c Dunlop Rubber Ord. £1	75/9	74/-	4 1 1
		53/-	43/7	7 b	3 a Imp. Chem. Ind. Ord. Stk. £1	49/-	48/3	4 2 11
		6⅜	4⅞	19½ b	13½ a Imperial Tobacco £1	5⅞	5⅜	4 15 1
		48/9	40/3	10 c	10 c Lever & Unilever Ord. £1	46/10½	46/10½	4 5 4
		56/6	43/9	10 c	10 c Lever & Unilever Ord. £1	51/3	51/3	3 18 1
		61/3	47/6	12½ c	10 c London Brick Ord. Stk. £1	53/9	53/9	3 14 5
		66/1½	47/-	25 c	31½ m P'chin J'nson Ord. Stk. 10s.	57/-	55/-	4 10 11
		63/4½	49/6	12 c	12 a P. & O. Def. Stk. £1	54/6xd	53/6xd	4 9 9
		35⅜	30½	†74¼ c	†77½ c Prudential 'A' £1	33	33	2 6 8†
		59/9	49/9	12½ c	12½ b Stewarts & Lloyds Def. £1	56/9	56/3	4 8 10
		85/7½	71/6¾	12½ a	†5 b 'Shell' Transpt. Ord. Stk. £1	76/10½	75/-	2 0 0†
		7⅞	5⅜	12½ a	12½ b Tube Invst. Ord. Stk. £1	6⅞	6½	3 16 11
		90/9	72/6	11½ b	3½ a Turner & Newall Ord. Stk. £1	80/-	80/-	3 15 0
		93/3	76/-	55 b	5 a Woolworth (F. W.) Ord. 5s.	84/3	83/6	4 3 11

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) To latest redemption date. (m) 15 months. Yield basis 25%. † Free of tax.

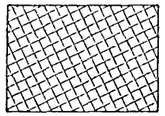
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pany's business in South Africa, where a new site has been purchased for the erection of a factory. In all, some £2,589,000 is expected to be raised by the new issue of 2,071,556 5s. ordinary shares which are being offered at 25s. a share to existing shareholders at the rate of four new shares for every five held. Austin Motor 5s. ordinary shares became firmer at around 32s. on Thursday on the chairman's declaration that the company should be able to maintain the present dividend of 40 per cent on the increased capital.

Shorter Notes

A Board of Trade Inspector is to inquire into certain matters connected with A. Reyrolle and Company Limited. The matter was raised in the High Court on behalf of Equatorial Trust Limited, a shareholder in the company, whose complaint was entered on grounds of alleged misfeasance on the part of a director. Both the company and the Board of Trade felt that the case should be examined by an inspector, under the powers provided in the new Companies Act, and Mr Justice Vaisey accordingly made the order. It has since been announced by the company that it welcomes the fullest inquiry, and that the chairman, Mr George Wansbrough, has vacated the chair (while retaining his seat on the board) in order to facilitate the inquiry.

★

The total amount of sterling which can be released out of Egypt's accumulated sterling balances for expenditure in 1948 is £21 million, with a further £11 million to strengthen working balances making a maximum of £32 million. In *The Economist* last week the total was brought up to £39½ million by adding to these figures the £6,250,000 million hard currency allocation for 1948 and the additional £1,000,000 of gold allowed to Egypt for payment of its subscription to the International Monetary Fund. In fact these gold and hard currency allocations, insofar as they are financed out of accumulated balances, will have to be provided out of the release of £21 million and their addition to the maximum of £32 million therefore involved a measure of double reckoning.

★

Further progress has been made towards the adoption of a new universal wage list for mule spinning operatives in the Lancashire cotton industry. The remaining objections of the Bolton spinning operatives have been removed in recent discussions, and the Bolton workers in a ballot have adopted the revised terms. The agreement, which will substantially implement in this section of the spinning industry the recommendations of the Evershed Report for a more up-to-date wage structure, is now almost ready for signature by the master spinners and the Operative Spinners' Amalgamation.

★

The Order to establish a Jewellery and Silverware Development Council was approved by the House of Commons on Wednesday. The President of the Board of Trade explained that the general lines of the measure had the approval of the greater part of the trade, but that objections had come from the silversmiths. A Sheffield member, Mr Jennings, made it clear that the Sheffield silversmiths maintained their objection to being classified with the jewellery trade; they would pay their levies to the Development Council and would provide information required, but would take no active part in the Council's work.

Exports in November reached a new postwar peak. Their provisional value at £147 million is £1,400,000 higher than the July figure, the previous best, and £7,000,000 more than in October. As November had only 26 working days against 27 in July, its daily rate of exports was some 5 per cent higher. According to Mr Harold Wilson who announced these provisional figures, "the nation has achieved the export target set for the end of 1948." But despite this achievement, the adverse balance of visible trade was only very slightly reduced compared with October; it was, nevertheless, the lowest for any month since January, 1947. Imports amounted to £181 million or £6,500,000 more than in October and were the highest since the war except for last April and July.

★

Proposals to secure the further standardisation of accessories and components used in the motor industry were announced last week jointly by the Society of Motor Manufacturers and Traders and the Ministry of Supply. The six large motor manufacturing firms—Austin, Ford, Nuffield, Rootes, Standard and Vauxhall—have agreed that "immediate steps shall be taken" to make more use of common accessories and components, and representatives of the six firms, together with the producers of the equipment, will maintain regular contact. This is one part of the motor industry's contribution to the campaign for higher productivity. The other is an agreement to pool production experience, each firm making available for inspection to others not only its workshops, but its other "technical and administrative resources."

★

Terms of the purchase by Brush Electrical Engineering of Mirrlees, Bickerton and Day, and J. and H. McLaren, two wholly owned subsidiaries of Associated British Engineering, have been announced this week. Subject to the approval of shareholders, Brush Electrical will issue, in consideration of the purchase, £530,000 5½ per cent cumulative £1 preference stock at par and £800,000 ordinary stock at 6s. 8d. per 5s. unit plus a cash adjustment payment of £1,652. As a result Associated British Engineering will hold 50 per cent of both classes of the capital of Brush Electrical. Pending a new issue of capital (not expected until mid-1949) Brush Electrical has obtained bank accommodation for £4,000,000 to finance the expansion in the group's trading.

★

New life assurances written by Standard Life in the year ending November 15, 1948, show a further increase to £18,606,008 against £16,445,187. Sums received for immediate life annuities were £2,160,693 against £1,255,970, but deferred annuities are slightly lower at £4,609,658. The new business figures of Standard Life anticipate those of other life offices by some six weeks. When the results of other offices become known in the New Year it may be found that the total of new business done in 1948 was larger than in 1947, but that individual results have varied.

★

The revised estimates of this season's cotton crop in the United States have fallen; the latest figure announced by the US Department of Agriculture is 14,937,000 bales. The November estimate was 15,166,000 bales. The current crop is, however, still the largest cotton crop since the record of 18,946,000 bales in 1937.

NOTICE TO INVESTORS

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COMPANY MEETINGS

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

BUSINESS ACTIVE AND GROWING

MR J. S. CROSSLEY'S STATEMENT

The twenty-third ordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) will be held at 29, Gracechurch Street, London, E.C., on the 29th instant.

The following is an extract from the statement by the chairman, Mr J. S. Crossley, which has been circulated with the report and accounts for the year to September 30, 1948:—

On the liability side of the balance sheet, current, deposit and other accounts have increased by about £32,000,000. On the assets side the main feature is again advances to customers which have increased by a further £28,000,000; investments are lower by some £10,000,000.

The profit for the year is £649,873. We have made a further addition of £231,000 to the reserve fund and we have allocated £100,000 to premises reserve account. The year's dividends, if you approve the recommendations which will be placed before you at the general meeting, will cost an additional £47,212 as the whole of the increased capital of the bank has ranked for dividend for the full year.

DEVELOPMENT CORPORATION'S PROGRESS

Except in Palestine, to which special reference is made later in this statement, the business of the bank has remained very active and has continued to grow. Substantial progress has been made during the year by Barclays Overseas Development Corporation, Limited, and the balance sheet as at September 30th shows that its resources were almost fully employed by that date. Permission has been received from the Capital Issues Committee for an increase in the capital of a further million pounds at a premium of 50 per cent. This will double the corporation's existing resources, and since the date of the balance sheet the new capital has been provided by the bank.

POLITICAL SECURITY

Before turning from the subject of colonial development, perhaps I may be permitted to touch very lightly upon a matter which has an important bearing on the subject and which is already causing some concern. I refer to the question of security in its political aspect. Some measure of political stability is clearly essential if all the plans and policies on which so much emphasis has been laid in recent years are not to be stillborn.

We can do no greater disservice to the people of the Colonial Empire than to encourage them in the belief that political independence is in itself the key to a prosperous and carefree life, or that it can be anything more than a meaningless phrase unless based upon a sure economic foundation. The steps now being taken to stimulate economic progress can only bear fruit over a long period and unless a measure of political stability can be assured, the work of economic development may be rapidly undermined.

POSITION IN PALESTINE

In recent months stockholders have, no doubt, been feeling some anxiety about the position in Palestine. I therefore welcome this opportunity of saying something about our affairs there. The termination of the British Mandate on May 15th of this year is a landmark in the troubled history of that country, and, perhaps I may be allowed to express on behalf of the bank our feelings of respect for, and sympathy with, those men, British and locally recruited alike, who have worked so patiently during these last thirty years in the government of Palestine. The failure to reconcile conflicting political claims should not be allowed to obscure the many valuable achievements which have been accomplished in other directions.

It is an ironical thought that had the British administration pursued a policy actuated by nothing except greed and self-interest, it might well have turned out that they would have incurred less hostility than in their unsuccessful attempt to balance conflicting claims. Nevertheless, the British administration has brought much that was good into the country and some of this we may well hope will remain as a permanent contribution to its future.

It is not my purpose to say soothing words about our affairs in Palestine. It was only to be expected, in present conditions, that business activity would decline sharply and there will certainly be many difficult and novel problems to confront us in the future but this itself is hardly a new experience for our bank. While we must expect to suffer some losses, I think it can be said that no bank, however prudent, could go through such a period entirely unscathed. It is important, however, to maintain a proper perspective in this matter. Great care has been taken in our lendings in Palestine, which have never been large in relation to the bank's total lendings. The figures involved are, therefore, not of such magnitude as to prejudice the bank's operations in any way, even in the most unfavourable circumstances, and we have taken the precaution of allocating a substantial sum this year to meet contingencies.

THE FUTURE

As regards the future, you will not expect me to indulge in political forecasts. In spite of temporary difficulties, we hope it will be possible for us to continue to serve the needs of the people of Palestine, as we have tried to do in the past. Meantime, the difficulty of communication with some of our branches constitutes a serious problem, and our main anxiety has been in regard to our staff. I regret to say that there have been several casualties in the ranks of our local staff, both Jew and Arab, and we shall not easily forget our debt to those who have lost their lives in the course of doing their normal business and their duty to the bank.

I would like also to take the opportunity especially to thank the members of our staff in Palestine who have shown their loyalty and devotion to the bank through many difficult years. It has been a matter of deep concern to us, as well as of the most profound personal regret to the members of our British staff in Palestine that, acting under strong pressure from the Mandatory Government, we were obliged to withdraw them just prior to the date of the termination of the mandate. I am pleased, however, to be able to tell you that Mr Clark was able in October to visit some of our branches, and the value of regaining personal contact by this means cannot be over-estimated.

A CHAPTER CLOSED

May 15th closed a chapter of history, a chapter, too, in the history of this bank, into which so much that is unusual has been crowded within so short a time. It is 30 years since Mr Clark first went up to Palestine following General Allenby's entry into Jerusalem. We have the satisfaction of knowing that our bank has played a useful part in helping in the tremendous development of the country since that date.

THE NATIONAL BANK OF AUSTRALASIA, LIMITED

BANK'S NINETIETH ANNIVERSARY

The annual meeting of the National Bank of Australasia, Limited, was held in Melbourne on the 24th ultimo.

Mr H. D. Giddy, the chairman, said that it was the ninetieth anniversary of the bank. The first balance sheet published in 1858 recorded a capital of £90,563 and total assets of £97,924. Today, shareholders' Funds stood at £12,153,625 and total assets at £158,044,010. The union with the Queensland National Bank, Limited was almost completed and the goodwill of the customers of that bank had been retained to a remarkable degree.

Referring to the struggle against nationalisation of the Australian Trading Banks, he pointed out that although final victory had not yet been won valuable successes had been achieved. He felt that ultimately the decision would be made in the political field by the Australian people. The bank's staff were wholehearted in their determination to fight nationalisation.

TOWARD A "BUYERS' MARKET"

He believed that the domestic market was swinging slowly but surely from a "sellers' market" to conditions nearer to a "buyers' market," but he did not think that Australia was heading for a slump. The buoyant economic conditions reached after three years of peace were by no means "Utopian" because new conditions bred new problems. Perhaps the most immediate problems were an acute shortage of labour and a low volume of production, though everyone desirous of working was able to earn a fairly good income—in terms of money. Yet most people were feeling the sting of high prices. Hours of work might be shorter but facilities for comfortable recreation were miserably inadequate. Australia's postwar economy seemed to have a bias towards higher and higher monetary incomes, with poorer and poorer results when people spent them. This phenomenon was baffling the community and leading to frustration and disappointment.

As a result of this atmosphere the moral code of the community had been affected. Men and women failed to derive full satisfaction from their daily task and doubts about one's daily task meant doubts about life itself.

PLEA FOR A NEW FREEDOM

Continuing, he said: Unless we are to remain bogged in a morass of socialistic inefficiency with a mounting crisscross of controls and counter-controls and their resulting "economics of poverty," sturdy strides will have to be made, and made rapidly, toward the cleaner atmosphere of a new freedom for individual development, for the exercise of enterprise and initiative, and for a full restoration of the competitive effort in industry and commerce.

Our country's experiments of late years show clearly that Government attempts in peace-time to plan the whole economy and to control business and the individual create problems which do not diminish but which add to the average person's struggle to improve his standard of life. My urgent plea is that instead of stubbornly trying to remedy the proved defects of centralised state control by venturing further in with a socialist programme of nationalisation, our leaders revise their present outlook and set about establishing such conditions as will permit the rightful expression of the individual's energy, initiative and personal ambition and give him every opportunity for reasonable reward.

The report was adopted.

AUSTIN MOTOR COMPANY, LIMITED

EXPORT SALES £18,000,000

The thirty-fourth annual general meeting of the Austin Motor Company, Limited, was held, on the 8th instant, at Longbridge Works, Northfield, Birmingham. Mr L. P. Lord (chairman and managing director), who presided, in the course of his speech said:

First, may I draw your attention to the item in the current assets of "Stock and tools" shown at £4,521,600. The increase over last year reflects the higher level of production in the later months of the period. No doubt you have wondered how much of this represents stock and work in progress and how much tools. I am sure you will be pleased to know that tools, dies, jigs, fixtures and press tools are included at less than £200,000. In common with others, your directors are concerned at the problem of financing the replacement of prewar fixed assets at the higher price levels now ruling. In order to provide the cash resources for this increase the sum of £500,000 has been transferred from special depreciation appropriated during the war to a capital reserve and a further £200,000 has been allocated to this reserve from profit and loss account. The general reserve has at the same time been increased and now amounts to £1,450,000.

By the appropriation of a further £100,000 the sum available as a reserve for the equalisation of dividends is now £400,000. The company's contribution to staff pension and benefit schemes has reached a total of £595,931 by the expenditure of £66,372 during the year under review.

PRODUCTION

In my statement last year I forecast that during the change-over of production from the old 8 h.p and 10 h.p. models the lowest point in the production curve should be during November.

The change-over started according to programme, but instead of production getting under way and rising after November, output continued low during December and January, and it was not until February that the factory settled down to a steady and rising flow of production. By July we were exceeding all previous weekly records of the company.

The causes of this delay were quite beyond our control, and are a reflection of the conditions and restrictions under which industry is labouring to-day. In spite of the most careful planning and scheduling on our part, the change from start to finish took five months instead of the normal two, with a consequent loss of export sales, loss of wages to our employees, increase of costs and loss of turnover to the company, and finally loss to the Exchequer of foreign currency from exports and revenue from taxes on wages and profits.

Since the end of the financial year, July 31st, production has been maintained at a high level. The average for August, September and October was 2,281 cars and commercial vehicles a week, plus 175 tons of spare parts per week. During the six weeks from October 4th to November 15th, the average was 2,722 per week, plus 197 tons of spare parts. This may be considered satisfactory, although allocations of materials are restricting us below our capacity of 3,400 per week.

With regard to the actual models we are making, the "A.40" announced last year has built up for itself a world-wide reputation for quality of workmanship and economy of operation, and is undoubtedly the most popular car we have ever produced. The new "A.70 Hampshire" and the "A.90 Atlantic Sports," which are just coming into production, have been extremely well received everywhere, and our output has already been covered by orders a long way ahead; in fact, the demand for all our products—cars, commercial vehicles, utility models, pick-ups, marine engines, etc.—is so phenomenal that figures giving the value of these orders become meaningless. If we sought more orders these figures, and our consequent embarrassment, could easily be increased. At the same time, manufacturers cannot estimate the true value of the business on their books because everyone is tempted to order far ahead of possible delivery.

INCREASED EFFICIENCY

The process of increasing production efficiency at Longbridge continues as rapidly as circumstances permit. New machinery is arriving constantly, although not as quickly as we could wish. The site for the new chassis erecting and body mounting and finishing shop is being levelled and prepared. When completed next year we believe this shop will be the most modern of its kind in Europe, and will certainly compare most favourably with anything of its kind in the United States.

Your staffs were gratified and encouraged by the very favourable comments passed on the Longbridge plant by the American members of the Productivity Council. We are indeed fortunate in the very friendly contacts we have preserved through the years with the large American automobile manufacturers, and in the kindness and courtesy with which they always welcome our engineers on their frequent visits to the United States.

EXPORTS

Your company is proud to continue to play a leading part in the country's export drive. We have over 200 main Austin distributors operating in the world markets, and their good will and their orders continue to grow. During the year under review we sold overseas £18,000,000 worth of vehicles and spares, and, most important of all perhaps, this included $12,000,000 for products sent to USA and Canada.

During the week ended December 4th, the Minister of Supply visited the works and saw a batch of cars leaving for the United States which brought our despatches to the North American Continent up to $22,000,000.

Our most important development in that Continent during the year was the purchase in Hamilton, Ontario, of 30 acres of land with very fine buildings of 135,000 square feet. We have options on the remainder of the site which, if taken up, will make a total area of about 100 acres. Chassis and bodies will be assembled from parts sent initially from here, and the planned output of vehicles to be painted, trimmed, finished and tested there is 500 per week.

The value of the new British plant to be shipped is £200,000, and when completed next year this, the first British automobile plant in North America, will be as up-to-date as any to be found there, and we believe will enhance the reputation of British products in that all-important Continent.

You will also have noted that our Australian factory in Melbourne is doing well, and that we have just bought a 112-acre site near Cape Town in South Africa in readiness for further developments in that country.

NEW CAPITAL ISSUE

You will have received with the notice of meeting a resolution to sub-divide 625,000 of the unissued shares of £1 each into 2,500,000 shares of 5s. each and authorising the directors to issue them as ordinary shares or "A" ordinary shares as they may think fit.

Arrangements have now been completed for the issue of 2,071,556 ordinary shares of 5s. each, subject to the passing of this resolution.

The report was adopted and the proposed sub-division of shares approved.

WALLPAPER MANUFACTURERS, LIMITED

CHAIRMAN'S ADDRESS

At the forty-ninth annual general meeting at the Midland Hotel, Manchester, on the 1st instant, the chairman, Mr Alfred Whittle, F.C.A., dealt in detail with the accounts, which showed a net profit for the group of £3,042,251, an increase of £154,747. Mr Whittle said that the directors recommended the same rates of dividend as last year. An increased dividend would have been recommended on the deferred stock had it not been for the standstill request made by the Chancellor of the Exchequer and sponsored by the Federation of British Industries.

The directors, Mr Whittle said, had long had in mind the difficulty and uncertainty of providing vital raw materials for some of the manufacturing units, and, as previously reported, the whole of the share capital of the Darwen Paper Mill Company and that of James Ferguson & Sons had during the past two years been acquired by the company.

Continuing the policy of ensuring reasonable supplies of vital raw materials, and particularly paper, the main raw material for wallpaper, the company purchased in March last, in conjunction with another paper maker, buildings and plant capable of producing pulp from home-grown straw, of which there was an abundance in this country. The undertaking operated under the name of Straw Pulp Manufacturing Company, Limited and the company held a controlling interest.

TAXATION AND SALES

The board was very anxious to see the purchase tax removed. The product of the industry could very properly be regarded as essential to homes, both large and small, throughout the land. The abolition of the tax on wallpaper would have a direct effect on the cost of living, and the directors felt that brighter and cleaner homes were most desirable from a psychological and hygienic point of view.

An outstanding feature of the period under review had been a substantial fall in production due to the cuts in supplies of paper for the home trade. As regards the future there seemed some ground for hope that production would run at a higher rate, following a recent increase in the wallpaper quota which will bring production up to 50 per cent. of the 1939 level.

The profits tax of 25 per cent. on the amount distributed is intended to act as a deterrent to the payment of dividends. One appreciates the reason for it, but questions the wisdom of levying 10 per cent. on profits retained by companies, because with the heavy additional burden of income tax there is very little left to allow companies to build up reserves for expansion, restocking and replacement of fixed assets.

As reported last year, very serious consideration has been given to the future of our export trade, and after intensified market research a policy has been adopted of producing special collections of wallpaper for individual markets, and this policy is still being pursued at the present time. There are indications that it is meeting with some measure of success, particularly in the United States, although efforts of this nature tend to increase manufacturing costs. Moreover, there are signs of improving demands from the Dominions, but there seems little scope for optimism as to the Continent.

The report and accounts were adopted.

MUFULIRA COPPER MINES

The following is an abridgment of the statement by the chairman, Mr A. Chester Beatty, issued with the directors' report and accounts for the year ended June 30, 1948:

The production of blister copper for the year ending June 30, 1948, was 53,360 tons, compared with 47,498 tons during the preceding financial year. The year was once more seriously affected by the shortage of coal supplies. As a result of this shortage the mine was shut down for fourteen working days, the mill for twenty-one days and the smelter for sixty days.

As from April 1, 1948, the copper mining companies entered into a new arrangement among themselves for the pooling of coal and wood-burning facilities.

The cost of production was £56 3s. 4d. per ton of blister, f.o.b. Beira, compared with £46 8s. 10d. for the previous year. The trend of costs on a unit basis continues to be a rising one, but we have hopes of offsetting this by increased production once fuel is available without restriction.

The revenue on our deliveries of copper, which were made almost entirely to the Ministry of Supply, was £115 8s. 9d. per ton, compared with £83 7s. 7d. the previous year. The profit margin per ton of blister, f.o.b. Beira, was £59 5s. 5d.

COPPER STOCK VALUATION

Last year I reported that the City Commissioners had dismissed the company's appeal on the question of the method of copper stocks valuation and that we were considering an appeal to the High Court. After the fullest consideration and discussion with the company's legal advisers the directors have regretfully come to the conclusion that the prospects of establishing an error in law are so remote as not to justify an appeal to the High Court.

THE ACCOUNTS

The replacements reserve appropriation has been increased to £400,000, an increase of £100,000 over the previous year.

Taxation for the year amounts to £1,612,000 an increase of £790,000 over the previous year, which is a direct reflection of our increased gross profit. The sum of £850,000 has been transferred from appropriation account to general reserve. The net profit is £1,025,302 and adding the balance of profit brought forward from the previous year there is a sum of £1,218,760 available. Out of this the directors have declared a dividend of 7s. 6d. per share, less income-tax at 9s. in the £, absorbing a net amount of £1,008,330 and increasing the carry-forward from £193,458 to £210,430.

FINANCIAL RESERVES

It is a matter of opinion as to how the net financial reserves may be calculated from this balance-sheet. I think it will be generally agreed, however, that even on the most conservative basis, the net reserve position is not unsatisfactory. This matter is specially important under present conditions when the costs of new capital works are so greatly inflated and when there is so large a volume of such work ahead of the company. The replacements reserve now amounts to £1,600,000.

The Board has decided to revert to the prewar practice of issuing quarterly statements of production and profits before taxation. The first of these statements will be published as soon as possible in the New Year. The Board will also give consideration in due course to the possibility of declaring an interim dividend if the profits so warrant.

THE MINE

Ore reserves at June 30, 1948, were estimated to be 86,197,000 tons of 4.05 per cent. total copper at Mufulira or 132,197,000 tons of 3.85 per cent. total copper if we include Chambishi and Baluba.

Given adequate fuel, the mine is in a position to reach maximum output of 7,000 to 7,500 tons of blister copper per month, depending on grade, within a short period of time.

REFINERY

The Board has decided to proceed with the construction of an electrolytic copper refinery to be erected at Mufulira with an initial capacity of 36,000 long tons of electrolytic copper per annum. The refinery is expected to commence production of cathodes in 1952.

The cost of the refinery is estimated to be about £1,500,000, of which £1,140,000 will represent the cost of materials, construction and labour, and £360,000 the tie-up of copper which will be necessary for its operation. The Board still have under consideration the question of financing this refinery.

POWER

As a result of a thorough survey of the copperbelt position, an agreement was entered into with the other copperbelt companies providing for the installation of transmission lines interconnecting the four power plants of the copper companies. At the same time certain additions to the steam power plants were agreed upon.

PROSPECTING

The programme of prospecting and drilling on the outside properties of Mufulira represented by special grants got under way during the year. Interesting results have been obtained by the use of geophysical prospecting methods, which have led to recommendations for the prospecting of further areas which are not yet covered by prospecting licences. This matter is the subject of discussions with The British South Africa Company and other interested parties.

GENERAL

The new pension and cash bonus scheme for European employees operated throughout the year. Under this scheme employees received a 29 per cent. addition to basic wages as their cash bonus, which is based on a copperbelt profit formula.

In conjunction with the other Northern Rhodesian copper mining companies we have sponsored the production of four films made by G-B Instructional, Limited.

MARKET

Our copper continues to be sold to the Ministry of Supply for six months forward delivery. The price basis is the world price for electrolytic copper, although payment to us is made on a blister basis, f.o.b. Beira. I should like to correct a misunderstanding which appears to be somewhat widely held regarding the relationship between the price received by us from the Ministry on this basis and the price quoted by the Ministry from time to time in this country. The latter price represents the Ministry's resale price for refined copper at consumers' works and therefore includes provision for transportation, insurance, refining, distribution, etc., incurred by the Ministry between receipt of the raw material from the producer overseas and delivery of the refined product to the consumer in this country. Further, the Ministry's price is a composite one based on the intake from a number of producers, and thus has no direct connection with the price paid by the Ministry to any one producer.

HARRIS LEBUS, LIMITED

FURNITURE POSITION

The first annual general meeting of Harris Lebus, Limited, was held on the 2nd instant, in London, Sir Herman Lebus, C.B.E., J.P., chairman and managing director, presiding.

The following is an extract from his review circulated with the report and accounts for fifty-three weeks to July 16, 1948:—

The profits (before charging profits tax and income tax) are £421,148 as against the comparable figure of £455,350 computed from the provisional estimate in the Offer for Sale of July, 1947. This is the first trading period of the company and the final position is that, out of the profit of £421,148, profits tax and income tax together absorb no less than £262,250; this leaves a net profit of £158,898. The preference dividend of 4 per cent. has been paid. A dividend of 8 per cent. on the ordinary stock is recommended by the directors.

THE FUTURE

If I were to refer to the long-term prospects of your company I could speak with considerable confidence, conviction and satisfaction, but the trading conditions today are still similar to those which obtained in July, 1947. Your directors said at that time and desire to repeat now, "as regards the future, the furniture industry is still under the control of the Board of Trade and is dependent upon the Government for the supply of most of its materials, in particular timber which is allocated to individual manufacturers by licence to purchase and consume. The demand for furniture and other goods far exceeds supplies, but the manufacturer is not at liberty to purchase his own timber in the world's markets, or design, make and sell domestic furniture without restriction. In such circumstances, the decisive factors in productive activity are outside his control."

It must always be remembered that your company, employing as it does mass and flow methods, can only achieve the maximum efficiency and economy in production if it has an adequate supply of suitable timber and can plan months ahead. In today's circumstances, when the amount of timber that the company may consume is seriously limited and only allocated by the Board of Trade from quarter to quarter, and when much of the timber available is unsuitable for large scale production of furniture, you will appreciate that the nature of the problems your directors have to deal with from month to month is formidable.

EXPECTED CHANGES

Another factor has to be taken into account for the immediate future, namely, the changes the Board of Trade are expected to announce at an early date to the utility furniture scheme. These changes, it is believed, will give the industry a certain measure of freedom of design and construction, but since so far as is known the individual manufacturer will not be free to acquire and consume the quantity and kind of timber he needs to fulfil the volume of orders he may receive, it is difficult to say at this time to what extent your company's business may benefit or suffer.

It has always been the aim of Harris Lebus to provide, especially for the low income groups, an ever growing volume of better furniture, of better design and of better value, whilst maintaining a high standard of conditions for its workers. When your company is permitted to purchase the volume and kind of timber it needs, and when freedom from hampering restrictions returns, then further development of your company's affairs can be confidently expected, and a fair return to the stockholders be maintained.

The report was adopted.

CALCUTTA TRAMWAYS COMPANY, LIMITED

DIVIDEND PROSPECTS

The annual general meeting of The Calcutta Tramways Company, Limited, was held, in London, on the 7th instant.

Sir Geoffrey R. Clarke, C.S.I., O.B.E., the chairman, said:—Mr D. E. Webb joined the board last year, and we have sent him to Calcutta, where he is at present, in order to gain first-hand knowledge of the working of our undertaking and make the acquaintance of our staff. There are also many very important matters that Mr Webb will have to consider and report upon. As he knows the views of the board on all outstanding questions, he will have an invaluable opportunity of discussing them with the heads of the Government in Bengal.

The position at present is not very clear to us, and I am doubtful if the Bengal Government itself has any settled policy, so that it is of the utmost importance that Mr Webb should try to get the whole position clarified, and his visit will, in my opinion, be of the greatest service to the company.

NEGOTIATIONS WITH BENGAL GOVERNMENT

Since the printing of the directors' report and accounts the company's application for the approval of the Bengal Government for the proposed increase in fares has been submitted by the Premier to his cabinet, with the result that they have decided that they cannot accept any increase in the second-class fares, but they have proposed that the company should introduce an all-round increase of one pice in all first-class fares. This, of course, will be a help, but the restricted increase means that the company will take longer to build up its revenue reserves, which were so seriously depleted by the strike and communal rioting, and consequently it will take longer to implement in full the extensive programme of renewals.

As I have said, Mr David Webb will have many matters to discuss in Calcutta, especially that of the intention which the Government announced some time ago of forming a Transport Board for Calcutta. Up to date no definite steps have been taken to create such a Board, but the Government have ordered two hundred motor buses to be put on the streets as quickly as possible, of which I understand there are only about fifty in operation. The rest will undoubtedly be procured, and we, at the request of the Government, are assisting them to train drivers and conductors. These buses naturally run in competition with our trams, but as we are already overloaded and unable to collect all our fares, I do not think the revenue will be materially affected.

For two years now, the ordinary shareholders have been without a dividend, although in normal times the earnings of the year 1946 would have warranted the payment of a dividend of 10 per cent. for that year. I explained at the time our reasons for passing the dividend, in order to conserve our cash resources, and it is as well that we did so, otherwise our finances would have been seriously embarrassed by the disasters of 1947.

I am glad to say that during the current year traffics have recovered, and it is estimated that a reasonable surplus will be earned after paying prior charges. In the circumstances, it is hardly fair to ask the ordinary shareholders to remain without any dividend for a further twelve months, and the board are examining carefully the possibility of paying an interim dividend in the near future.

The report was adopted.

ANGLO-SCOTTISH AMALGAMATED CORPORATION LIMITED

PROBLEM OF UNPRODUCTIVE WORKERS

The twenty-third ordinary general meeting of the Anglo-Scottish Amalgamated Corporation, Limited, was held on the 9th instant, at Winchester House, London, E.C., Mr H. C. Drayton, the chairman, presiding.

The Chairman said:

The gross profit of the Group for the year ended September 30th amounts to £102,090; deducting therefrom directors' remuneration and the auditors' fees, leaves a sum of £92,760. The best comparable figure I can give you is that last year the balance was £69,000. From the figure of £92,760 has to be deducted income tax and profits tax totalling £41,900, leaving £50,800 as the net profit of the Group. £16,000 must be deducted from this, being the profits retained in the accounts of the subsidiary companies, thus leaving £34,500 as the net profit of this company. The amount brought forward from the previous year was £35,900, making an available balance of £70,400.

As a finance company we are in close touch with the industrial life and problems of the country. One of the greatest problems today is the need for higher production and consequent increased exports to allow this country to buy its food, and to achieve that it is estimated that we are short of 150,000 personnel in productive industries. Before the war we managed to grub along on about 380,000 civil servants; today the number is approximately 800,000. *The Economist* newspaper a short time ago made an estimate of the non-industrial civil servants and municipal employees, and brought the figure out to approximately 2,000,000 people. A great number of these are busy enforcing controls. In addition, there are a great number of employees non-industrial in industry today whose sole job is to make applications and work the control systems put in force by the Government.

RELAXATION OF CONTROLS

Certain controls have been relaxed lately, and it would be understandable if one saw a reduction in these non-productive civil servants and municipal employees and that they were re-employed on productive work. I know to transfer men from one industry to another means that one has got to fight vested interests, especially in the trade unions, where it means leaving one trade union and joining another, with a consequent decrease and increase respectively in the contributions to those unions. Nevertheless, it is necessary that these vested interests should be fought, and I am quite certain that if we could see that movement, it would be the greatest fillip this country could receive, and I am certain it would be a big fillip to everyone engaged in industry.

The position today is that all of us in industry, before we can either feed ourselves or our families, have got to put in a certain amount of work to see that these non-productive workers and their families are fed. I leave out the question of taxation, but that is an added burden to industry, and arises, to some extent, through paying the wages of these non-productive workers.

The Chairman concluded by moving the adoption of the report and accounts.

Mr Douglas Hewitt, managing director, seconded the resolution, which was carried unanimously.

A dividend of 6 per cent. and a cash bonus of 8 per cent., both less tax, were declared, and the meeting terminated with a vote of thanks to the chairman and directors.

IDEAL BUILDING AND LAND DEVELOPMENT COMPANY, LIMITED

SATISFACTORY OPERATIONS

The fourteenth annual general meeting of this company was held on the 7th instant in London, Sir Thomas Keens, D.L. (the chairman), presiding.

The following is an extract from the circulated statement by the chairman:

The combined trading profit of the group was £164,547, to which has been added the profits, less losses, on the sale of fixed assets and the income from investments, making a total of £172,932.

The board again recommend the payment of an ordinary dividend for the past year of 5 per cent., less income tax, which entitles the preference shareholders to an additional dividend of ½ per cent., less tax, in respect of their shares. £24,280 is left to be carried forward to the current year.

The trading operations of the company during the present year have been satisfactory and indicate that the profits for the year are not likely to be less than those of the past year. The outlook is still obscure, and I cannot forecast to what extent private enterprise may in future be permitted to play its part in providing the houses which the country still so badly needs. At the present time, however, some small amelioration has been provided by a recent Ministry of Health instruction to local authorities which has reinstituted the ratio of one house built by private enterprise to every four built by a local authority.

As reported at our last meeting, New Ideal Homesteads, South Africa (Pty.), Ltd., was incorporated in the Union during 1947. A nucleus organisation has been formed and steady progress has been maintained.

The report was adopted.

PRICES TAILORS, LIMITED

PROMISING FUTURE

The twentieth annual general meeting of *Prices Tailors, Limited*, was held on the 6th instant, at Leeds, Sir Henry Price (chairman and managing director) presiding.

The following is an extract from his circulated speech:—

The Board has given very considerable attention throughout the year to the building up of adequate stocks which are indispensable to continuity and expansion of trade. The balance sheet reflects our efforts in this direction. The trading profit is £607,491, and having regard to prevailing conditions your Board considers this satisfactory.

The net profit of the Group amounts to £247,007. After deducting the dividends payable and after crediting sundry taxation reserves, there remains a balance of £207,117 of which, as in the previous year, approximately 57 per cent. has been appropriated as ordinary dividend and 43 per cent. has been retained in the Group.

Our efforts have succeeded in keeping out trading in a virile condition and where possible there has been no halt in our work of planning for large-scale expansion of our business in the future. Our large new factory at West Hartlepool is now fully staffed and is producing clothing of a high quality. Our new factory at Sunderland which was opened in July, 1947, is also developing well and gives promise of becoming a keen rival to West Hartlepool. The third of these new factories is now nearing completion at South Shields and we anticipate moving in from our small training factory there early in 1949. I cannot overstress the importance to the business of having these new factories equipped with the latest and most scientific machinery.

On the whole, the future is full of promise for all of us.

The report was adopted.

WALTER SPENCER AND COMPANY, LIMITED

INCREASED TURNOVER

The twelfth annual general meeting of Walter Spencer and Company, Limited, was held at Sheffield, on the 8th instant, Mr E. Ransom Harrison, F.S.A.A. (the chairman), presiding.

The following is his address which has been circulated with the report and accounts for the year to September 30, 1948:—

Considering that the press and hammers were out of production for a considerable part of the year, due to a complete overhaul of the press being necessary and a renewal of the foundations for two of the hammers, the cost of which is included in the accounts, it is highly gratifying that the results of last year have been maintained through this extremely difficult period.

Expenditure on new plant during the year has been considerable, and while the complete scheme of reorganisation will not be possible for some considerable time, temporary improvements have been carried out during the year and put into operation towards the end of the period under review, and the results already justify the anticipation of considerable saving in the consumption of fuel and greater efficiency in production. The commitment for new capital expenditure is approximately £30,000, and I feel sure that the financial resources of the company are adequate to meet this.

With regard to taxation, members will observe that estimated taxation on profits earned for the year to September 30, 1948, has been charged in the profit and loss account and excess profits tax refunds to September, 1946, have now been received and credit taken. The allowance in respect of deferred repairs has not yet been agreed. A substantial increase in turnover for the year has again taken place and our export trade, although hindered by restrictions of import licences, has proportionately increased.

SUBSTANTIAL ORDERS IN HAND

The volume of orders in hand is substantial and we look forward to the future with confidence, although it is impossible to predict what the effect of political policy will have upon business. We have inaugurated during the year a scheme whereby our employees benefit in the prosperity of the firm and this is greatly appreciated, as is indicated by the increased production.

It is with great regret that we have to record the death of Mr Walter S. Thompson, deputy chairman, and grandson of the founder of the firm. We have also to announce the retirement of Mr Joseph Harrison, through ill-health. He had many years of service with the company and we trust his health will improve and enable him to enjoy his leisure. The directors desire to retain the services of Mr Winskill, and to comply with the new Companies Act a special notice of resolution has been received from two shareholders, which will be submitted to you. In this connection, I must mention the great help given by Mr Winskill during this very difficult year of trading.

Your directors recommend a final dividend of 10 per cent., less income tax (making with the interim dividend of 5 per cent., less income tax, paid on May 28th last), a gross dividend of 15 per cent., less income tax, leaving a sum to be carried forward of £7,640. The board wish to place on record their appreciation of the service and co-operation rendered by the staff and workpeople during the year.

The report was adopted.

PEERLESS AND ERICSSON, LIMITED

HEALTHY ORDER BOOK

The twentieth annual general meeting of Peerless and Ericsson, Limited, was held, on the 8th instant, in London, Mr W. J. Merifield (the chairman) presiding.

The following is an extract from his circulated speech: Notwithstanding obstacles, the output from the company's works during the year reached a very substantial total.

In 1947 the company purchased the old-established business of Holbrooks Foundry, Limited, of Coventry. This purchase has been justified in full measure.

The disposal of the company's works at Watford owned by this company's subsidiary, Novobax, Limited, has been completed, resulting in a net purchase price of £152,625 being received subsequent to December 31, 1947. The company's subsidiary, Novobax, Limited, together with that company's two small subsidiaries, Watford Metal Pressings, Limited, and Electro-Plastics, Limited, which operated within the Watford works and were not engaged upon the production of feed preparation machinery, have ceased to trade as a result of the sale of the Watford factory.

Throughout the year under review the order book of the company remained healthy, both for home and export markets.

Production during the present year has been 50 per cent in excess of that of 1947. Sales have been maintained and are being secured at a rate well in excess of the target figure originally set—that is, £1,000,000 per annum. The company has a very large potential market in many countries of the world, and much attention is being paid to expansion of business in these markets.

Your Board feel justified in saying that the results for the present year, 1948, will be ahead of those disclosed for the past year.

A dividend of 30 per cent. less tax was declared, and the report was adopted.

MALAYALAM PLANTATIONS, LIMITED

STRONG POSITION

The twenty-seventh annual general meeting of Malayalam Plantations, Limited, was held, on the 9th instant, in London, Mr H. J. Welch, the chairman, presiding.

The following is an extract from his circulated address:—

Trading profit, before taxation, increased by £36,921, but this increase was more than absorbed by the considerably higher amounts required for taxation. The Board again recommends the payment of a final dividend of 10 per cent., making 15 per cent. for the year. If the current liabilities at March 31st last plus the reserve for the estimated future liability for Indian and U.K. income tax are deducted from the total of the liquid assets the surplus assets amount to £707,784. Subtracting these from the amount of the total issued capital, the properties and equipment, etc., of the company are seen to stand in the balance sheet at the record low net figure of £27 per planted acre. Their replacement value would, of course, amount to many times this figure.

13,204,600 lb. of tea were manufactured during the year and 5,423,793 lb. of rubber. The cost of our tea shows a further rise of about 2.82d. per pound, and that of rubber about 0.36d.

We estimate to produce during the current year 14,400,000 lb. of tea and 5,840,000 lb. of rubber. On the facts known to the Board at present it appears the current year's results should not be unsatisfactory to the members. It is consoling to know that the company has never been in a stronger position than it is today to meet whatever fluctuations of fortune it may experience in the future.

The report was adopted.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

THE INDUSTRY'S PROBLEMS

The annual general meeting of this company was held, on the 9th instant, in London.

Mr Robert Annan, the chairman, in the course of his speech, after expressing regret at the death of Mr Guy Carleton Jones, said: The operating company, New Consolidated Gold Fields, Limited, having declared a dividend of 12½ per cent., less tax, on its ordinary shares, your directors recommend the payment of a like dividend to members of the parent company.

The gold-mining industry throughout the world has had to face a steady advance in working costs with no increase in the value of its product. Everywhere the margin of profit has continued to decrease and the output of gold to decline. It is no exaggeration to say that the industry, so far as its earning capacity is concerned, is now back to the position in which it was 16 years ago, and that increasing costs have completely offset the rise in the price of gold which has taken place in that period. Only a general decline in costs or an increase in the monetary value of gold can alter this situation, and there is no present indication that either is likely to occur in the near future, though some adjustment seems to be inevitable in the long run.

The producing mines managed by our group showed in the aggregate higher figures for tonnage milled and gold produced than in any of the previous five years. The total profit earned, though better than in the previous period, still shows a declining tendency, but the dividends paid by these companies, due mainly to tax reductions, were the highest since 1942.

The report was adopted.

DICTOGRAPH TELEPHONES, LIMITED

RECORD NET PROFIT

The twelfth ordinary general meeting of Dictograph Telephones Limited was held on 9th instant, in London, Mr. Philip V. Summer (the chairman) presiding.

The following is an extract from his circulated statement for the year ended 31st August, 1948:—

In spite of increased international tension and continued austerity at home, your directors are able to place before you trading results which are substantially better than those of any previous year. Although the flow of supplies has been irregular, the rate of production has steadily increased, and during October a record number of telephones was produced.

Having regard to the heavy calls on the liquid resources of the company, caused by increased taxation and expansion of the rental business, the directors recently decided to issue one half of the remainder of the unissued Ordinary shares. There should be no difficulty in maintaining the current rate of dividend on the increased capital.

After providing £54,955 for taxation, there remains a net profit of £48,128. This net profit constitutes a record in the history of the company. A first interim dividend of 6 per cent., less tax, was paid in June last and the directors decided to declare a second interim dividend of 10 per cent., less tax. Thus a distribution of 16 per cent. has been made (same). The directors do not recommend any final dividend.

Given freedom from international complications and the maintenance of normal trade relations and supplies, I look forward with confidence to even more satisfactory trading results for the current year.

The report was adopted.

Statistical Summary

GOVERNMENT RETURNS

For the week ended December 4, 1948, total ordinary revenue was £57,688,000, against ordinary expenditure of £90,489,000 and issues to sinking funds £260,000. Thus, including sinking fund allocations of £10,833,000, the surplus accrued since April 1st is £268,844,217 against £196,266,748 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate 1948–49	Receipts into the Exchequer (£ thousand) April 1 to Dec. 6, 1947	April 1 to Dec. 4, 1948	Week ended Dec. 6, 1947	Week ended Dec. 4, 1948
ORDINARY REVENUE					
Income Tax	1309150	473,911	485,511	7,651	9,033
Sur-tax	90,000	24,305	31,400	850	1,550
Estate, etc., Duties	160,000	112,579	121,800	2,800	4,300
Stamps	55,000	35,280	38,015	1,100	1,100
Profits Tax	250,000	24,020	123,640	450	5,500
E.P.T.		178,085	67,150	5,872	1,200
Other Inland Rev.	1,000	120	105	...	...
Special Contributn.	50,000	...	25,500	...	2,100
Total Inland Rev.	1915150	848,300	893,119	18,723	24,983
Customs	820,600	545,358	566,888	16,764	24,175
Excise	726,550	414,400	514,520	3,100	4,009
Total Customs & Excise	1547150	959,758	1081408	19,864	28,184
Motor Duties	50,000	13,229	12,192	176	159
Surplus War Stores	102,000	131,340	75,557	291	46
Surplus Receipts from Trading	57,000	30,175	2,828	...	...
P.O. (Net Receipts)	...	4,730	...	650	...
Wireless Licences	11,000	6,370	6,500	...	...
Crown Lands	1,000	670	600	...	...
Receipts from Sundry Loans	14,000	19,172	10,694	309	93
Miscell. Receipts	68,000	193,847	109,438	2,325	4,237
Total Ord. Rev.	3765300	2207592	2192339	42,329	57,688
SELF-BALANCING					
Post Office	150,200	92,350	102,550	1,850	2,350
Income Tax on E.P.T. Refunds	16,000	15,945	5,474	409	189
Total	3931500	2315887	2300363	44,588	60,227

Expenditure	Estimate, 1948–49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Dec. 6, 1947	April 1 to Dec. 4, 1948	Week ended Dec. 6, 1947	Week ended Dec. 4, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	355,401	336,924	32,935	30,277
Payments to N. Ireland	26,000	14,540	15,976	764	938
Other Cons. Fund Services	8,000	3,878	3,945	5	24
Total	534,000	373,820	356,845	33,705	31,239
Supply Services	2442657	1626795	1555817	38,600	59,250
Total Ord. Expd.	2976657	2000615	1912662	72,305	90,489
Sinking Funds	...	...	10,833	...	260
SELF-BALANCING					
Post Office	150,200	92,350	102,550	1,850	2,350
Income Tax on E.P.T. Refunds	16,000	15,945	5,474	409	189
Total	3142857	2108910	2031518	74,564	93,288

After increasing Exchequer balances by £175,235 to £3,373,627 the other operations for the week increased the gross National Debt by £10,127,630 to £25,725 million.

NET RECEIPTS (£ thousand)

Tithe Act, 1936, sec. 26	270

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Acts, 1946 and 1948	560
E.P.T. Refunds	232
Overseas Trade Guarantees Act, 1939, sec. 4(1)	1
Housing (Scot.) Act, 1944, sec. 4(2) and Housing (Fin. Provisions) (Scot.) Act, 1945, sec 13(2)	750
Local Authorities Loans Act, 1945, sec. 3(1)	3,200
New Towns Act, 1946, sec. 12(3)	100
War Damage: War Damage Commission	2,000
Finance Acts, 1946 and 1947, Post-war Credits	318
	7,161

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	4,763	Nat. Savings Certs.	600
2½% Def. Bonds	251	3% Def. Bonds	513
Tax Reserve Certs.	6,878	Other Debt: —	
Ways & Means Advances	14,975	Internal	526
Treasury Deposits	15,000	External	100
	41,867		1,739

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Dec. 6	2250·0	2582·2	310·3	...	1372·5	6515·0
1948						
Aug. 21	2210·0	2398·0	280·1	6·8	1441·0	6335·9
„ 28	2210·0	2380·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
„ 11	2210·0	2378·7	297·0	2·0	1460·5	6348·2
„ 18	2210·0	2399·7	300·5	18·8	1460·5	6389·4
„ 30	4637·3		236·5	...	1149·5	6343·3
Oct. 9	2223·0	2415·3	241·1	8·0	1452·0	6370·0
„ 16	2240·0	2446·7	277·5	5·5	1425·5	6395·5
„ 23	2250·0	2416·5	282·1	0·5	1438·0	6416·9
„ 30	2250·0	2424·6	278·5	...	1435·0	6388·1
Nov. 6	2250·0	2394·8	284·7	...	1435·0	6364·5
„ 13	2250·0	2402·5	278·0	5·8	1419·0	6355·2
„ 20	2250·0	2414·7	272·6	1·0	1430·5	6368·8
„ 27	2250·0	2385·5	283·1	7·0	1432·0	6357·6
Dec. 4	2250·0	2390·3	296·6	8·5	1447·0	6392·4

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Dec. 5	170·0	300·6	170·0	10 2·26	38
1948					
Sept. 3	170·0	295·8	170·0	10 2·43	41
„ 10	170·0	284·6	170·0	10 2·84	48
„ 17	170·0	263·8	170·0	10 3·31	56
„ 24	170·0	273·5	170·0	10 3·11	52
Oct. 1	160·0	277·5	160·0	10 1·72	54
„ 8	190·0	269·2	190·0	10 1·90	62
„ 15	180·0	269·4	180·0	10 2·09	59
„ 22	170·0	285·2	170·0	10 1·57	48
„ 29	170·0	291·1	170·0	10 1·46	43
Nov. 5	170·0	291·9	170·0	10 1·58	44
„ 12	170·0	272·9	170·0	10 1·97	53
„ 19	170·0	274·1	170·0	10 1·89	52
„ 26	170·0	275·8	170·0	10 4·35	48
Dec. 3	170·0	320 8	170·0	10 3 34	31

On December 3rd applications for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 31 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Monday were accepted at £99 17s. 5d. and above in full. £170 million (maximum) of Treasury Bills are being offered for December 10th. For the week ended December 11th the Banks will be asked for Treasury deposits to the amount of £60 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended Nov. 29, 1947	Week Ended Nov. 27, 1948	Totals, Apr. 1 to Nov. 27, 1948
Savings Certificates: —			
Receipts	4,250	2,050	74,650
Repayments	2,350	2,700	86,200
Net Savings	1,900	*Dr* 650	*Dr* 11,550
Defence Bonds: —			
Receipts	1,260	715	26,520
Repayments	723	829	31,451
Net Savings	537	*Dr* 114	*Dr* 4,931
P.O. and Trustee Savings Banks: —			
Receipts	15,575	12,688	414,160
Repayments	11,636	10,745	403,429
Net Savings	3,939	1,943	10,731
Total Net Savings	6,376	1,179	*Dr* 5,750
Interest on certificates repaid	423	486	15,422
Interest accrued on savings remaining invested	2,290	2,363	79,560

BANK OF ENGLAND RETURNS

DECEMBER 8, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued: —		Govt. Debt	11,015,100
In Circulation	1250,212,737	Other Govt. Securities	1248,262,441
In Banking Department	40,035,096	Other Secs.	713,284
		Coin (other than gold)	9,177
		Amt. of Fid. — Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,855
	1300,247,833		1300,247,855

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	355,818,941
Rest	3,467,412	Other Secs.	41,577,252
Public Deps: —		*Discounts and*	
*Public Accts.**	*9,775,433*	*Advances*	*17,661,857*
H.M. Treas. Special Acct.	*14,287,177*	*Securities*	*23,913,582*
Other Deps: —	398,530,625		
Bankers	*308,699,117*	Notes	40,035,096
Other Accts.	*89,831,508*	Coin	3,162,578
	440,613,647		440,613,647

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

COMPARATIVE ANALYSIS

(£ million)

	1947 Dec. 10	1948 Nov. 25	1948 Dec. 2	1948 Dec. 9
Issue Dept. —				
Notes in circulation	1353·4	1233·1	1242·0	1260·2
Notes in banking department	96·8	67·2	58·3	40·0
Government debt and securities*	1449·3	1299·2	1299·1	1299·3
Other securities	0·7	0·8	0·8	0·7
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept. —				
Deposits: —				
Public Accounts	18·9	12·3	10·9	9·8
Treasury Special Account	...	14·3	14·3	14·3
Bankers	294·2	302·7	313·1	308·7
Others	92·9	99·2	91·9	89·8
Total	406·0	428·5	430·5	422·6
Securities: —				
Government	299·7	324·1	332·7	356·8
Discounts, etc.	16·2	28·9	22·9	17·7
Other	19·3	23·3	31·5	23·9
Total	335·2	376·3	387·1	397·4
Banking dept. reserve	97·8	70·2	61·3	43·2
"Proportion"	24·0	16·3	14·2	10·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927 = 100)

1927 = 100	Dec. 2, 1947	Nov. 16, 1948	Nov. 30, 1948
Cereals	113·1	124·1	124·1
Other foods	138·7	138·8	138·8
Textiles	157·0	177·9	180·5
Minerals	233·9	264·0	264·0
Miscellaneous	154·3	153·3	153·0
	153·7	164·1	164·3
1913 = 100	*211·5*	*225·8*	*226·0*

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows: —

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Dec. 2	42⅛	70	179 0	115 14
„ 3	42⅛	70	178 12	115 13
„ 4	Markets	Closed	177 11	115 13
„ 6	42⅛	70	178 6	114 0
„ 7	42⅛	70	178 2	114 4
„ 8	42⅛	70	178 00	114 00

NOTICES

BURSARSHIP AT ST. JOHN'S COLLEGE, OXFORD

The College proposes shortly to elect a Bursar who will be eligible for an official Fellowship. The qualifications desired are experience of administration and finance, and of the management of urban and rural property. The salary offered will be not less than £1,000 per annum, rising to a maximum of £1,500, with children's allowance, the initial salary being fixed according to age and experience. The holder of the office qualifies for a pension at the age of 65. The College is in a position to find accommodation. The person elected will be expected to take up his duties on August 1, 1949. Applications, which should give the names of three referees, should be made to the President not later than February 1, 1949.

UNIVERSITY OF CAMBRIDGE

UNIVERSITY LECTURESHIP IN ECONOMIC HISTORY.

The Appointments Committee of the Faculty of Economics and Politics give notice that they intend to appoint a University Lecturer in Economic History to take office from October 1, 1949. The appointment will be subject to the Statutes and Ordinances of the University. Further particulars can be obtained from the Secretary of the Faculty, the Marshall Library, Downing Street, Cambridge, to whom applications should be sent so as to reach him not later than December 31, 1948. Eight copies of the application should be sent, and, if so desired, one copy of any published work. Testimonials are not required, but a candidate may give the names of two persons to whom reference can be made.

UNIVERSITY OF CAMBRIDGE

UNIVERSITY LECTURESHIPS IN ECONOMICS

The Appointments Committee of the Faculty of Economics and Politics hope soon to be in a position to appoint at least two University Lecturers in Economics. The appointments will be subject to the Statutes and Ordinances of the University.—Further particulars can be obtained from the Secretary of the Faculty, the Marshall Library, Downing Street, Cambridge, to whom applications should be sent so as to reach him not later than January 31, 1949. Eight copies of an application should be sent, and, if so desired, one copy of any published work. Testimonials are not required, but a candidate may give the names of two persons to whom reference can be made.

UNIVERSITY OF LONDON.—The Senate invite applications for the Readership in Demography tenable at the London School of Economics and Political Science (salary £800-£1,000-£1,200). Applications (10 copies) must be received not later than January 20, 1949, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN ECONOMIC STATISTICS in the Faculty of Economic and Social Studies. Salary £450 per annum. Membership of F.S.S.U. and Children's Allowance Scheme.—Applications should be sent not later than January 14, 1949, to the Registrar, the University, Manchester, 13, from whom further particulars may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the newly created post of READER IN SOCIAL ANTHROPOLOGY in the Faculty of Economic and Social Studies. Candidates should be interested both in Modern and in Primitive Societies, but their main interests may lie in either field. Salary scale £950 to £1,100 per annum. Initial salary according to qualifications and experience.—Applications should be sent not later than January 14, 1949, to the Registrar, the University, Manchester, 13, from whom further particulars may be obtained.

ASSISTANT COMMERCIAL OFFICERS

Vacancies exist for three Assistant Commercial Officers in Nigeria. Candidates for the first vacancy should possess general commercial experience connected with small industrial enterprises, preferably in a managerial capacity. The chief duties of the post will be to analyse propositions from individual Nigerian business men for the loan of money from the Nigeria Local Development Board to establish new industries, and also to pick out potential new industries capable of being developed by Nigerian capital and to persuade Nigerian operators to invest money therein. Sound commercial judgment and a knowledge of manufacturing processes are essential. For the second post the duties will be to edit a Trade Journal, to write occasional articles on business aspects of the African import and export trade and to guide and generally to advise African exporters and importers. A wide knowledge of business practices, banking, shipping, etc., will therefore be required. For the third vacancy, the duties will be the general supervision of established Government industries such as Palm Oil Mills, Dairies, and Restaurants or the investigation and establishment of new schemes such as Rice Mills and Textile Mills. All three posts are permanent and pensionable, and the salary for each would be at a point on a scale £600—£1,200 (including expatriation allowance) according to qualifications and experience. Candidates should be under 45 and should preferably possess a University degree in Commerce or Economics. —Write for application form, giving *brief* details of qualifications and experience to Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, S.W.1, within two weeks of the appearance of this advertisement.

MARKET RESEARCH MANAGER required by manufacturer in Home Counties. Applicants should have had experience in, if not sole responsibility for, planning questionnaires, controlling field work and writing reports. Salary according to experience, but not less than £850.—Write, Box 906.

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LONDON COUNTY COUNCIL

Applications are invited for the post of principal of the L.C.C. College for the Distributive Trades, 107, Charing Cross Road, London, W.C.2.

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Scale of salary: Men £966—£25—£1,050; Women £720—£20—£840.

Application form and further particulars (stamped addressed envelope necessary) obtainable from Education Officer (T.1), County Hall, Westminster Bridge, S.E.1. Form to be returned to the Education Officer by January 15, 1949. (2225)

APPLICATIONS are invited for position of the Executive officer on the International Wool Secretariat. The duties of the post require administrative ability of the highest order, experience in business management and a knowledge of world affairs. The ability to speak French will be an advantage.

The work of the International Wool Secretariat is to promote the use of wool throughout the world by means of a fund provided by Dominion woolgrowers. Branches of the Secretariat are established in Europe, India and North America.

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Applications, stating age and giving full particulars of qualifications and experience and including photograph, should be addressed to Jaques and Co., 8 Ely Place, London, E.C.1, not later than December 31st.

APPLICATIONS are invited for the post of General Works Manager of a large, well-known and progressive manufacturing concern in the Home Counties. The successful candidate will be appointed to the Executive Board of Directors after a probationary period. Applicants should have Hons. Degree in Engineering, Maths. or Chemistry, wide technical and executive experience in process type of industry (preferably foodstuffs). The position will involve the co-ordination at highest level of the work of an executive team of high calibre and proven ability in similar capacity is necessary. The position will carry a big salary as well as pension, life insurance and other benefits. Only men with drive, wide executive experience and a flair for getting things done can be considered. The vacancy is already known to all executives within the Company.—Applicants, giving full statement of education, career and current salary level, should be marked "Confidential" and should be addressed to the Managing Director, c/o Masius and Fergusson Ltd., 40 Berkeley Square, London, W.1.

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OTHER NOTICES APPEAR ON PAGE 999

NATAL UNIVERSITY COLLEGE

DEPARTMENT OF ECONOMICS

Applications are invited for a Lectureship in *Economics* which will be either in Pietermaritzburg or Durban. Duties will include encouraging and taking part in Departmental research schemes.

Should the post be in Durban, duties will also include giving lectures to non-European students.

The salary scale is as follows:

Men: £550 x 25—£725
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In addition a cost of living allowance will be paid. The commencing salary will depend on qualifications and experience.

Membership of the University Teachers' Provident Fund is compulsory.

Further particulars and information as to the method of application can be obtained from the Secretary, Association of Universities of the British Commonwealth, 32, Woburn Square, London, W.C.1. The closing date for the receipt of applications is January 7, 1949.

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The Economist

December 18, 1948 Established 1843 One Shilling

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Conciliation in Palestine

TO all intents and purposes, the United Nations has washed its hands of the Palestine problem. The office of Mediator has been brought to an end. In its place a three-power commission—consisting of the United States, France and Turkey—is entrusted with the task of securing a peaceful settlement. But the commission has virtually no instructions and no terms of reference. True, it is to attempt to find a solution for the refugee problem and it has also been asked to work out an international regime for Jerusalem. Otherwise, the Assembly has carefully deleted all reference to any previous recommendations put forward in the name of the United Nations. The partition plan proposed by the first United Nations Commission is not mentioned. The proposals put forward by Count Bernadotte are specifically excluded. The Commission must therefore put out into the stormy seas of Palestine without a compass or a chart.

It is difficult to be optimistic over its chances of securing a settlement by consent. The situation inside Palestine is unsettled and explosive. Rival armies are in the field, sporadic fighting flares up in the Negeb, one dividing line between Arab and Jew runs across the very centre of Jerusalem. Since all previous efforts at mediation have done nothing either to check the victorious advances of Israel or to convince the Arabs that the enemy who is conquering them is a force they must recognise and reckon with, why hope that the present emasculated version of previous policies will have better effect? There do seem, nevertheless, to be two reasons for hope of some kind of settlement. The first is the degree to which both sides are growing weary of fighting. On the Arab side, it is the weariness of disaster, on the Jewish, it springs from the economic strain of maintaining armies in the field. There is, therefore, a mood for at least prolonging a truce, and perhaps it can be exploited. The other factor is the possibility that, in an agreement between Israel and Transjordan, the basis of a settlement exists.

King Abdullah has taken a more realistic view of the Palestine problem than any of his Arab colleagues. His interests are more directly involved. If he looks out from his own mountains of Moab, he can see the tents of Israel on his western skyline. The ostrich attitude of his neighbours—who still refuse to recognise even the physical existence of Israel—is a luxury he can hardly afford. Moreover, he realises that however much the Arab "Government" set up at Gaza under Egyptian and Syrian influence may proclaim the independence of an Arab rump state in Palestine, such a territory could not be self-supporting and would be swallowed up by Israel. That an influential part of Arab opinion in Palestine shares his opinion was shown on December 10th when a congress of Arab mayors and notables held at Jericho invited him to extend his rule to Arab Palestine. More recently his own parliament has agreed that such a solution should be sought "by constitutional methods at the proper time and in accordance with the principles of self-determination." These moves are of course written off by Abdullah's enemies as a mere lust for aggrandisement. But, for lack of other ways out of the wood, ought not this argument to be discounted? Is there not

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the outline of a solution to be found in them, and is it not perhaps here that the Conciliation Commission should concentrate its attention and influence?

If a settlement by agreement, and not by conquest, can be assured at all—which is still by no means certain—it is difficult to think of any other basis than that of a compromise between Transjordan and Israel. But no one should underestimate the difficulties in the way of its achievement. The great obstacle on the Jewish side is the fact that Israel is victor—though not over King Abdullah's forces—and may still be unwilling, in spite of the cost, to abandon the military methods which have brought so many gains in recent months. It is a disturbing fact that Israeli opinion regards Transjordan itself, as well as the Arab part of Palestine, as belonging to the area originally promised to the Jews, and Mr Moshe Shertok has mentioned the claim in recent weeks. A Jewish invasion of Transjordan would have to overcome the opposition of Transjordan's still unbeaten army. It would also involve consideration of Britain's military commitments to Transjordan. But the Jews are elated by victory. They are new to statecraft. They are under extreme pressure from the extremists inside Palestine. Their American supporters are not among the more moderate sections of public opinion in the United States. While it is true that every hope of a peaceful settlement now turns on the wisdom and modesty of the Jews' intentions, it is not easy to find much evidence of either in recent manifestations of their policy.

Great as are the obstacles on the Jewish side, it begins to look as though Arab objections will prove even more formidable. If King Abdullah goes forward to negotiate what is—given the wreck of the Arabs' hopes—the only reasonable compromise left open to them, he will do so in the teeth of the opposition of all his fellow leaders. In the first place, it is impossible to reach a compromise with Israel without recognising its existence as a state. This the Arabs have determined not to do, and if King Abdullah "breaks faith," he will incur the wrath of men whose anger is easily directed by religious zeal or tribal fanaticism towards a policy of assassination. King Abdullah's neighbours are also moved by ancient grievances and by their present need to find a scapegoat for the debacle in Palestine. In the past, the King has not always been wise in his attempts to extend his own Hashimite dominion. He has intrigued with the tribes in Syria against the government at Damascus. He has offended Ibn Saud, and, despite a recent rapprochement, a long standing dispute divides them over the ownership of the Transjordan roadstead at Akaba. These difficulties are not confined to the monarchs themselves. The excitable "democracies" of Syria, Iraq and Egypt must explain to an ignorant electorate why Israel has not been driven into the sea, and there will be no easier explanation than that "Transjordan betrayed the Arab League."

All the Arab countries will also be at one in accusing King Abdullah of "selling out" to the British, of being their "stooge," and of providing an opening for that well-worked catchphrase, British imperialism. It is therefore difficult at this stage to see how Arab opinion can be won over or how King Abdullah can fail to become isolated in the heart of the Arab world, an isolation which will be all the more dangerous to him since his outlets for trade must pass through neighbouring Arab or Israeli territory. His only seaport on the Red Sea, Akaba, is no more than an anchorage linked to the main highlands by a single road which is long, bad and uneconomic to maintain because it passes through the desolate Wadi Akaba.

*

The task which faces the Conciliation Commission is thus formidable. On the one hand, they have the Jews confident and ambitious as a result of victory, on the other, a majority of the Arabs who do not accept defeat and therefore can see no point in seeking a settlement. In between lies a possible basis of agreement with Transjordan which moderate Israeli opinion might consider, which King Abdullah would almost certainly accept but which, in their present mood, the rest of the Arabs may violently reject, thus opening the door to further fighting and to an Israeli absorption of all Palestine and possibly more. What, in such a situation, is the Conciliation Commission likely to accomplish?

They appear to have three cards to play. The first is to bring home to the Arabs the consequences of a further Israeli advance. The second is to persuade the Jews that internal stability and international and particularly American support will depend on not extending Israel's frontiers to a point at which King Abdullah himself will be forced to turn and fight again. The third is to convince non-Communist opinion in Israel and educated Arab opinion—what there is of it—that the continuance of war and turmoil can have one consequence only—the despair of the masses, the rise of Communism and the extension of direct Soviet influence into the Middle East. Already, particularly among the refugees, social dissatisfaction is flaring up and taking either of the two available forms—Utopian Communism or Moslem fanaticism. The whole ground is beginning to quake, and the various states' only hope of peaceful evolution is to put an end to the present disorder and to begin, with all the assistance western capital can offer, to rebuild a more prosperous and inviting future for the mass of the people.

These are not, admittedly, strong cards to play. They demand from the Jews a moderation and from the Arabs a logic which are not conspicuous at present. Above all, they demand the utmost unity and forcefulness within the Conciliation Commission. The Turks will certainly see the absolute necessity of pacifying their Middle Eastern hinterland. The French are a doubtful factor since their resentment at British mishandling of their Levantine aspirations in the past may prove stronger than the solidarity which Western Union might be supposed to create today. The Americans are at once the key and the question mark of the whole Commission. Their influence with Israel could be immense. It is from them—and particularly their oil interests—that capital for the peaceful development of the Middle East could come. But on no subject have the Americans proved more unpredictable than in their dealings with the Palestine problem. All in all, there seem to be very few grounds for supposing that the Commission will fare better than has any previous effort of pacification initiated by the United Nations and if this disappointing possibility in fact proves true, the situation in Palestine will be determined, as it has been throughout 1948, by force of arms—with incalculable and disastrous consequences not only for the Middle East, but for the west.

PRESENT PROBLEMS

We all number among our friends at least one who seems to have everything he could want: the Christmas present for him is the most difficult of all to choose.

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The Cost of Parenthood

RATHER reluctantly and with a sense that there are much more important things to attend to, public attention is being focused again on the status of the family. Between the wars, the connection between family size and primary poverty was made painfully clear by successive surveys; now interest is stimulated by the equally evident connection between the decline of family life and the growth of juvenile delinquency. Experts on population, intent throughout on the long perspective of demographic trends, are renewing the warnings of the inter-war years as, quarter by quarter, the evidence emerges that the war and postwar boom in births is over. Within a few months the long-awaited report of the Royal Commission on Population will bring the subject right back to the centre of the stage.

The elements in modern industrial society which are hostile to the family have been generally recognised for a long time, and successive governments of recent years have been trying to counter them. Family allowances, income tax relief, food subsidies, free school meals and milk, housing subsidies, maternity benefits and other social services, not to speak of the double-edged institution of free education, have all been directed to this end. The "disinherited family" has received an earnest of reinstatement. But it is far from certain that the state has been clear about its motives in so acting; on the contrary, two quite distinct motives have been hopelessly confused. The first of these motives, which is the older and still the stronger influence on social legislation, springs from the desire to prevent poverty. It is in the large families of the wage-earners that the bitterest, and least deserved, poverty appears. So long as it is impracticable to vary wages according to the size of the employee's family, standards of living must necessarily be lower in the large family. It is therefore the children who feel the keenest edge of poverty and the humanitarian state must step in to assist.

The second motive, more recent in origin but gathering in power as population problems come to the fore, is an attempt to influence the birth rate—not, indeed, to bribe parents into having children, but to remove some of the heavy economic burdens that might deter them from doing so. From this aspect, absolute needs are less important than relative disadvantages. If the object is to influence the birth rate, it is not enough—except at the very lowest income levels—to assure the parent that the child will not actually starve; the father and mother must also be assured that the child's standard of living—and their own—will not fall disastrously below what they are accustomed to, or below what they could achieve if they limited their family.

Thus both policies—the relief of destitution and the influencing of the birth rate—require the support and rehabilitation of the family. But they require very different methods of accomplishing this purpose. The two policies do coincide, it is true, in the case of the very poorest families. Five shillings a week for each child is an important addition to the family income where the breadwinner's wage is only £5 a week. Indeed, it has been calculated that the five shillings fairly exactly equals the extra cost, to such a family, of a second child. If this is so, the family standard of living is not lowered as the family grows—not, that is, in terms of money, though it well may be in terms of congestion and lost leisure. But if the policy of rehabilitating the family stops short at this point, it will influence the birth rate only at the lowest levels, where an increase is least necessary and often least desirable.

This, perhaps, is the most compelling reason why the policy of family rehabilitation, if it is to exist at all, needs to be thought out again from the start. It would be wise to recognise that there will be strong resistance to any suggestion of helping the large families of the more well-to-do. It is so easy to miss, or to misrepresent, the essential point. If, for example, it were proposed that the children's relief from income tax, instead of being a fixed sum of £60, were to be a given proportion of the taxpayer's income, so that a man with £1,500 a year would get a bigger relief than one with £500, then the cry would go up that the children of the rich were to be subsidised at the cost of the poor. But that would not be so; for larger allowances would mean that the standard rate of tax would have to be higher than it would otherwise have been; and that in its turn would mean that the childless taxpayer with an income of £1,500 would find the relief for his quiverful colleague.

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The test of any policy, after all, is in its effect. If, for the £1,500-a-year man and his wife, a large family means a sharp fall in standards of living, then *pro tanto* they will be induced to limit their family. If they are to be relieved of this disincentive, it must be by methods that apply, and appeal, to them, and not by those that have relevance only to the farm labourer. It is probably too much to ask, at this juncture, that the hard-pressed state should provide any positive assistance for a family not of the very poorest class. It might, however, be asked to pause and realise how many of its actions actually make the position of the family worse instead of better. Even at the income level of £9 or £10 a week is has been calculated that the gap in welfare between the large and the small family has actually widened since before the war. *A fortion,* to the salaried worker and to the wealthy, the changes in prices and in taxation have imposed an enormous new burden on the large family relative to the small family in the same range of income—apart altogether from the powerful effect of labour shortages and the general difficulties of housekeeping in the modern age. Whatever the state's intentions may have been, the actual effect of its measures, combined with external circumstances, has been to put an enormously increased premium on sterility.

The illogicality, viewed from this angle, of many of the existing measures is rarely realised. The food subsidies, for example, are often cited as a practical and automatic grant-in-aid to the family. But they are an uneconomic and haphazard way of either preventing hardship or removing the differential between the small family and the large. They make just as much difference to the household expenses of a wealthy and childless couple with five servants as they do to those of a £4-a-week breadwinner with half a dozen dependants to support. Indeed, they actually represent a progressively increasing subsidy to the wealthy, for the money saved to the surtax payer represents, when grossed up at the ratio appropriate to his income, anything up to forty times its nominal total. In so far as the larger family spends a greater proportion, at all income levels, on food than the smaller family, the subsidies do favour parenthood; but once the family income has reached an amount ensuring that rations can be taken up, they become subsidies to general spending rather than nutrition, and at no point do they subsidise dependants as such. Large families and the poorest consumers generally would benefit much more from an increase of family allowances and social security payments—which *The Economist* has consistently advocated as a concomitant to any serious cut in the subsidies.

Maternity benefits and other social security payments referring directly to the family situation are, of course, more discriminating. They both help to avert or alleviate hardship and, at the lowest income levels, significantly reduce the differ-

ential. Higher up their equalising effect is, once again, welcome but insignificant. No taxpayer, whatever his income, can get more than £27 a year net relief for each child which, in the upper range of income, may be little more than a tenth of what the parent actually thinks it necessary to spend. It is open to anybody to say that the professional man ought not to spend hundreds of pounds a year on a child. The fact is that he does; and so long as the size of his family makes no perceptible difference to the taxation he pays (at an income of £3,000 the married man with three children pays 93 per cent of the taxation of a childless couple) he will consider himself severely penalised by every increase in his family; and he will act, or refrain from acting, accordingly.

This is not the end of the present illogicalities. It has long been apparent that the law of income tax, in persisting in regarding husband and wife as one person for tax purposes, has in fact been putting a financial premium on unions unblessed by church or state; and even in this tolerant age an obstacle to marriage is still a brake on child-bearing. But, as a recent letter to *The Times* pointed out, the state's recent attempt to remove the penalty on marriage has resulted in inflicting a stiffer comparative penalty on parenthood. Since the extension of the wife's earned income relief a childless couple, each earning half the family income, actually pay less tax than the single breadwinner with two dependants. The margin of advantage to the childless increases rapidly with income. In the upper reaches, indeed, the childless working couple actually pay less tax than the single breadwinner with *five* dependants. When one considers these figures one really marvels at the strength of that philoprogenitive instinct which, in a world of largely optional parenthood, keeps the family in existence at all.

The various social measures that are aimed less at rehabilitating the family than at doing the jobs which the family in its decline is failing to do—youth services, welfare services, school meals and transport, and so on—undoubtedly benefit their recipients. It is arguable, however, that in the long run they set up a vicious circle, both economically and psychologically. The taxation needed to run them comes, after all, out of the pockets of family breadwinners among others. And psychologically the sense that *They* will provide, that *Our* wellbeing is *Their* business, has a way of seeping down from the older to the younger generation, with unhelpful effects on the self-reliance and responsibility which make good citizens now and good family heads later.

The long-run problem of the family is obviously not urgent; not as the coal problem is urgent, or the productivity problem, or the balance-of-payments problem, or for that matter the problem of today's undernourished, ill-housed, neglected or dishonest children. It is difficult to ask that attention should be diverted from these problems and that measures should be taken which might make their solution harder, in order to re-establish those foundations of national life which, though cracking, have not actually given way yet. Statesmen are busy, resources are overstrained, and there is no conveniently appointed harmony between long-run family welfare and immediate national needs. No single change would do more for family life than an end to the housing shortage; but present families will be ill served if the swollen housing programme contributes to driving Britain into international bankruptcy. The radical fiscal changes needed to abolish the economic incentives to sterility might easily wreck what remains of the economic incentives to productivity, with similar results.

Nevertheless, it is reasonable to plead that the interests of the family, as such—and of the family at all levels of income—be rated higher than they are now; that, for instance, higher children's allowances be preferred, in any lightening of the tax burden, to a cut in standard tax rates; that the large family be the first to benefit by any expansion of the social services and the last to suffer from any "axe"; that measures designed to enable the family to do its own job be given precedence over measures designed to compensate for its failures. Equity apart, it will be poor consolation to the Britain of a couple of generations hence—Caroline Britain, one might say—to possess splendid schools, spacious playgrounds, well-equipped social clubs, a whole apparatus of protective legislation and all the rest of the furniture of Utopia, if there are neither enough children to use them nor enough productive workers to pay for their upkeep.

Paramilitary

AMONG the mysteries of the Iron Curtain none has been more baffling than that of the "Paulus army," the German force alleged to have been organised within the Soviet Union from German prisoners of war under the direction of captured German generals who gave their services for anti-Nazi propaganda from Russia after the disaster at Stalingrad. Many political observers are disinclined to believe in the existence of such an army, partly because they doubt whether Russia would permit any considerable body of Germans to bear arms and partly because there is some evidence that the Communists in Germany have themselves been spreading the story of the Paulus army for purposes of intimidation. On the other hand, the Russians have achieved an astonishing degree of secrecy with regard to every kind of military preparation, and the prewar ignorance about Russian armaments and strategic facilities—which, as we now know, affected the calculations of all the General Staffs, including the German—should teach us to be cautious in dismissing outright possibilities of surprise from behind the Iron Curtain merely because adequate direct evidence is not forthcoming.

The question whether any German armed force exists within the Soviet Union ready to be moved into Germany when required by Soviet policy is distinct from the issue raised by the formation in the Soviet zone of Germany of a *Volkspolizei* armed with light automatic weapons. The two questions are indeed connected, for the *Volkspolizei* has been largely recruited from German prisoners of war who have passed through courses of political training in Russia and have recently been sent back to Germany; General von Seydlitz and other high-ranking officers of the former German army have been assisting in the organisation of this new force, which, though nominally a police corps, is to have a definitely military quality and discipline. Its members are encouraged to join, not the Socialist Unity Party, but the National Democratic Party, which was recently formed in the Soviet zone to attract ex-Nazis, and which specialises in a pro-Russian nationalist appeal, with emphasis on the unity of Germany to be brought about with Russian support.

In discussing the significance of this trend it is necessary for anyone brought up in a liberal democracy to free his mind from certain preconceptions about the use of force in politics. The liberal mind instinctively clings to the belief that somehow violence is not effective, that the pen is mightier than the sword, that truth will prevail and that the public opinion of a country is what really matters, whereas on the side of the totalitarians, whether Fascist or Communist, there is ever the faith in the ascendancy of the armed and disciplined minority over great masses of human beings. In the totalitarian camp, moreover, there is a clear perception that force as a political instrument is relative. A man who is totally unarmed does not need an atomic bomb or a heavy tank in order to be intimidated; a revolver or a rubber truncheon may be quite sufficient. For actual war against a nation of comparable strength the maximum of manpower and armaments must be brought to bear, but when it is a question of dominating civilian populations—especially where a previously established state structure has been disintegrated or greatly weakened—decisive results can be achieved with very small and lightly armed forces, provided that they are well organised and used ruthlessly.

The term "paramilitary" may be used to cover all formations, private or state-supported, organised for the bearing of arms outside regular army establishments. Paramilitary forces are significant for external war only if a nation has by treaty been subjected to some degree of military disarmament. Normally, when a nation is free to have as many soldiers as its legislature will budget for, there is no advantage in having armed forces which are not part of the regular army or legally under its control; the existence of irregular units under ordinary conditions is as distasteful to the military authorities as it is alarming to those responsible for civil order. But when a country is subjected to a compulsory limitation or abolition of its regular armed forces as a result of defeat in war, the militarisation of the civil police and the encouragement of private irregular organisations of a military type may be ways of evading the treaty obligations and increasing military strength beyond the permitted limits. In Germany after 1918 there was an incessant effort by the military authorities and nationalist political groups to revive German military power, or prepare for its revival, in defiance of the Versailles Treaty, and it was in the early days of the Weimar Republic that the "Black Reichswehr" and Freikorps provided the environment in which Hitler and the Nazi party passed their political infancy.

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Generally speaking, paramilitary formations are of very little use to a regular army which has to prepare for the fighting of pitched battles against a foreign foe. If the irregular units cannot be incorporated in the regular army for training purposes and given experience in the tactical handling of all kinds of weapons, they cannot be employed in the field without retraining and reorganisation. From the point of view of supplementing national military strength their most important function in Germany under the Weimar Republic was to keep alive the martial spirit and accustom a number of young men to military discipline, which, in the absence of conscript service, they would not otherwise have undergone. If, on the other hand, any German units are now being trained in Russia, they could be kept in a state of military efficiency as part of Russian army formations.

It is, however, for civil war or for political terror that forces of the Freikorps type are most effective, as the recent history of Europe has abundantly shown. From the beginning the "Black Reichswehr" groups in Germany had a certain political alignment; they were necessarily against pacifism, against all parties which wanted to fulfil the obligations of the Versailles Treaty, and in general against the democracy which was regarded both as a cause and as an effect of Germany's defeat and humiliation. Later, with the rise of the Nazis, the various chauvinist paramilitary groups were largely merged into the paramilitary formations of the party, the SA and the SS. The private army of a political party is not intended primarily for foreign war, but for the coercion of political opponents and the seizure of power in the state. It is a phenomenon of very recent history, with hardly any precedents in the eighteenth or nineteenth centuries.

The strong monarchies which replaced feudalism tolerated no private armies, and the liberal state inherited a political order from which private warfare had been eliminated, quite apart from its own principles of peaceful persuasion and free election. But with the emergence of political parties organised as mass movements and yet aiming at exclusive dictatorial power, there naturally appeared forms of military organisation designed to give such parties the means at least for the "conquest of the streets," if not for a direct *coup d'état*. In Russia the Bolshevik party was intended by Lenin to be a military, as well as a political, organisation; having to work underground under the Tsardom, it could not build up openly a party militia, but when the regular army dissolved after the fall of the monarchy, it was able to form the "Red Guard" detachments from which were created later the Red Army and the internal security forces under the control of the party-state department successively known as the Cheka, the GPU, the NKVD and the MVD. In Italy and Germany a somewhat different development took place; the Fascist and Nazi parties, taking advantage of conditions of political freedom, openly organised their street-fighting formations, the *squadristi* and the SA. These forces could never have seized state power in direct collision with the regular army in either country, but in neither case was the army used to prevent the creation of the party dictatorship. When the Fascists and Nazis came to power, their paramilitary forces were given official status and police powers for dealing with the party's political opponents.

During the war national guerilla resistance to Nazi domination in various countries was mingled with the rise of political party armies, mostly Communist, which had in view a post-war struggle for power. In France fighting groups of the Resistance have remained as potential civil war combatants in both the Communist and Gaullist camps, and there is reason to believe that both are well provided with small arms. In eastern Europe the Russian armies everywhere disarmed non-Communist Resistance forces and gave the Communists a

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monopoly of armed strength. In Czechoslovakia the decisive instruments of the seizure of power were the special Communist police detachments organised by the Communist Minister of the Interior in what was nominally a coalition government and the factory militia units formed from workers. In Germany the Soviet zone will soon have in the *Volkspolizei* and in factory militias which are being formed civil combat forces exclusively in the service of the Communist party and its fellow-travelling National Democrats, and these forces are significant because there are elsewhere in Germany virtually no German armed elements to oppose them.

It is very important that the public both in Britain and the United States should clearly understand the issue with which they may be confronted if Russia proposes the withdrawal of all Allied armies of occupation from Germany, or even simply from Berlin. Russia certainly will not make such proposals unless there is confidence in Moscow that in a Germany emptied of Allied troops and devoid of a regular army the Communists will have a decisive advantage in a competition of violence and terror. There can be no doubt from all available information that free and peaceful politics throughout Germany would put the Communists in a small minority. But it does not matter that 90 per cent of Germans would vote against Communism if Communism has 90 per cent of the armed power. The Communists believe in getting power first and holding elections afterwards. The question is whether there would be any way of guaranteeing a balance of power in Germany after withdrawal of Allied armies from Germany except by building up in western Germany paramilitary forces strong enough to resist those under Communist control. Such competitive arming of Germans would not only tend towards an unlimited remilitarisation of Germany—of which ex-Nazi and militarist elements would take full advantage—but would be preparation for a civil war which in its threat to involve the backers on both sides would be a far more dangerous threat to peace than the present struggle for Berlin. The only rational policy is for the western Allies to resolve to maintain, pending a radical change in international relations, some form of military occupation of their zones in Germany. So far there has been no adequate consideration in western countries of the consequences for internal order of the complete demilitarisation of a state, such as has been decreed for Germany and Japan. In a really peaceful and harmonious world the policeman's truncheon might be enough to uphold the authority of the state and secure the rights of all citizens, but in the arena of actual politics a vacuum of regular military power is simply the gangster's dream.

The Northern Coalfields

(By a Correspondent)

THE National Union of Mineworkers is now collecting evidence from its branches about the measures they are taking, or propose to take, to deal with absenteeism. This inquiry follows the rejection by the majority of districts of the Joint Output Committee's scheme for setting up joint attendance committees at the pits, with power to impose fines on persistent absentees. As soon as the union reports have been completed, the output committee will meet again.

There is certainly no time to lose. It is true that last week's total output was the highest for eight years and that output per manshift is above its 1938-39 average. But the weeks before Christmas always produce a spurt in production and are followed by a slump. And it would take more than a spurt to bring production for the year up to the target, since, with only four more weeks to go, the output of deep mined coal was 18 million tons short of the target of 200 million tons. For the country as a whole, absenteeism is still above last year's level, and nearly twice as high as before the war. In the New Year, involuntary absence will increase with the onset of the sickness season, and voluntary absence will no doubt be affected by the prolongation of holidays. If the 1949 targets for home production and exports are to be reached, drastic action against absenteeism will be needed. This is the most direct way of securing a short-term increase in output, for a reduction of only one point in the absenteeism percentage would add 2,000,000 tons a year to output.

The degree of absenteeism varies widely throughout the country. The coalfields with the best attendance records are Durham and Northumberland (which compose the Board's northern division) and Scotland. The north-east division, with about 18 per cent absenteeism at the coalface, is the worst offender. If Yorkshire's rate of absenteeism at the face were reduced to 10 per cent, another 4,000,000 tons would be added to the nation's annual output.

The salient facts about absenteeism are well known. It is more serious among the younger men (between the ages of 21 and 35) than among the older men. It is higher among contract men—that is, piece workers—than among day wage men, and among men who are new to the pits than those drawn from the mining community. It is lower in collieries near mining villages than in those in the neighbourhood of towns, and tends to be lower among men who live in good housing conditions. It is at its highest on Mondays and Friday afternoons, and it assumes grotesque proportions on the voluntary Saturday shift. It is not uncommon then to find a rate of 40 to 50 per cent among piece-workers, which means that the men who do turn up and are anxious to work overtime often have to be sent home. Colliery after colliery in Yorkshire is abandoning Saturday working as hopeless and uneconomic; the same is true in Durham, though not in Northumberland, where the extra half hour is worked.

Absenteeism bears a direct relation to wage rates. Hewers at the coal face and many other piece-workers frequently earn such good wages that they do not mind missing occasional shifts, especially on a Monday. The incidence of PAYE is certainly another strong disincentive. The average miner is a fairly heavy spender, but when he has earned up to a certain point (say £8 or £10 for four shifts worked) he prefers to buy leisure rather than goods or savings.

Shortage of food is sometimes cited as a cause of bad attendance. This is less easy to establish. It is certainly claimed that shortage of fats is having a bad effect, and at some collieries which were visited on a recent tour of the northern and north-eastern divisions, men were starting their shift on bread and jam—hardly the most sustaining diet for an arduous day's work. But, generally speaking, if the men made more use of their canteens—many of which are excellent—this excuse could not be sustained. There is still a great deal of hostility towards canteens, just as there was until very recently towards pithead baths; the men prefer to take their meals at home and point out that they are in any case giving their wives the housekeeping money with which to feed them.

Absenteeism, whether during the week or on Saturday, is not the only obstacle to production. Other forms of indiscipline, such as late arrival and early knocking-off, failure to complete a stint or to prepare the face for the next shift, are all receiving the attention of pit committees, without so far yielding much improvement. Far too much output is still being lost by unofficial stoppages, which coal board and union officials alike agree could be avoided if the men made use of their conciliation machinery. This machinery, established under national agreement, consists of nine stages, with time limits set for each. These range from the settlement of a dispute on the spot between the deputy and the men, to arbitration before an umpire. Yorkshire is again one of the black spots. Last year (largely because of the Grimethorpe dispute) it accounted for 872,700 tons of the national total of 1,643,000 tons lost through stoppages. This year, with a national figure of 861,000 tons lost, Yorkshire is again responsible for more than half. In the northern division, on the other hand, relatively little output has been lost through disputes. Last year there was the unfortunate winding enginemen's strike (which cost 90,000 tons), and altogether 84,763 days and 115,952 tons were lost. This year, industrial disputes have been kept at a minimum and only 31,000 tons have been lost through disputes so far. This is attributable to the prompt settlement of grievances in the division before they develop into major issues and to a high standard of trade union leadership.

There is no doubt that fatigue and strain, particularly among the older men, play a part. This is especially true in the pits where the seams are narrow and conditions cramped, or where, as in the deep pits of South Yorkshire, men work in an excessively hot and dusty atmosphere. But even when all the natural and physical drawbacks are allowed for, the truth must be faced that a large part of absenteeism is due simply to a minority of men who will not co-operate with any system of industrial discipline. In Yorkshire, absenteeism is spread over about one-third of the men: perhaps 10 per cent might be regarded as non-cooperative.

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Many of the older miners, who have vivid memories of the long struggle for nationalisation, resent the irresponsible attitude of the minority. They object to the type of postwar recruits who have been "wished upon" them, even more than to the Poles and other foreign workers, and are anxious for stern measures to be taken against them. The pit consultative committees regularly review the absenteeism records and discuss how to improve them. In Yorkshire, the most usual method of dealing with absenteeism is to dismiss the hopeless cases, after they have been interviewed and given fair warning. Since January, 600 men have been dismissed from the division, on the advice of the pit committees. Some have left the industry altogether, after consultation with the Ministry of Labour, which still maintains a ring fence round the mines. Others, sacked from one colliery, may find work in another, unless they have been black-listed in the neighbourhood. In many cases, of course, dismissal is no punishment, but rather the easiest way for the reluctant recruit to the industry to get out of it.

Another method, which is probably more effective, especially in dealing with marginal cases, is that of "down-grading" piece-workers to day wages for a stated period. This practice is widely adopted in the northern division. It is undoubtedly an effective sanction. This method does not, of course, apply to haulage workers or other men on day wages, and in the northern division day workers are warned or fined, on the initiative of the pit committees.

Some union leaders are now pressing for the re-introduction of the wartime system of fines, imposed by Regional Investigation Officers, assisted by an assessor from each side. In Durham, between August, 1943, and August, 1945, more than 36,000 cases of absenteeism and indiscipline were dealt with in this way. About half were fined £1, which was refunded if the men made good, the remainder being placed on probation, warned or left alone. This scheme, which was undoubtedly effective, was abandoned by Mr Shinwell, who thought that the miners should be put on their honour. It is interesting to note that the demand for the revival of this scheme comes from Yorkshire, which was the first to reject the output committee's scheme for joint attendance committees. The miners' objections were not, in fact, due to the proposal to impose fines, but to the saddling of union officials, who rely upon popular support for re-election, with responsibility for penalising the men.

It is to be hoped that as conditions in the mines become more settled, and miners more willing to accept the obligations which the necessity of a high output under nationalisation imposes, absenteeism and irresponsibility will decrease. But they will not do so without resolute efforts on the part of the miners and the Coal Board to remove the causes which give rise to them. At present, there is too great a tendency to sit down under the problem and to assume that absenteism is either irreducible or will reduce itself. If the National Coal Board is anxious to prove that it is a businesslike concern, it will apply itself to the task of eliminating a cause of wastage which would be intolerable in private business, and the joint output committee will have done little to justify its existence if it confines itself to a series of reports. This is not a question that can be solved by paperwork.

NOTES OF THE WEEK

Christmas Recess

Parliament adjourned this week for Christmas after eight weeks of a session which has been typical of the fourth year of a Parliament. Apart from the Steel Bill, almost all the thirty odd Bills presented so far are either minor ones or, like the Coal Industry Bill and the National Service Bill, are tidying-up measures or non-controversial ones such as Legal Aid and Civil Defence. The truth is that the decks at Westminster are steadily being cleared for the battle of the general election. One election issue is ready to hand in the Steel Bill. The Opposition onslaught on the Minister of Defence is an indication that a general charge of Labour's inefficiency will be one of their main lines of attack. In the foreign affairs debate, also, Mr Churchill, though urging a bi-partisan foreign policy, underlined a separate Opposition policy on Palestine and hinted at one on Spain. The Opposition will also have to make up their minds shortly on their policy towards the Government's Four-Year Plan, to be published shortly as a White Paper. The Opposition are committed to American aid in principle, but are they to accept the Four-Year Plan for using that aid as it stands? If so, they may find, if they win in 1950, that their economic policy has been largely decided for them in advance.

On the Government side, Mr Morrison is reported to be about to retire to the Cornwall coast to meditate his strategy. One likely development in Labour's 1950 election policy will be some scheme for greater control of food distribution, based in principle on the Lucas Report. Mr Strachey hinted at this last year, and the present Agricultural Marketing Bill has been designed largely as an interim measure until wider and more definite action has been discussed. What other measures will be put forward depends upon the relative strength of Mr Morrison's own doctrine of consolidation as against Dr Dalton's and Mr Mikardo's desire to press on with the creation of the Socialist State. In the meantime Mr Morrison, following out the recommendations of the last committee on Standing Orders, has performed a service to the House by announcing the provision of seven days between Christmas and Whitsun for the second reading of private members' Bills, and three days after Whitsun for the third reading of those that survive. What cuts are waiting in the bag has not yet been revealed.

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Mr Bevin's Report

From time to time, Mr Bevin reports to the House of Commons on the state of international affairs. He wanders from subject to subject in a somewhat aimless and disconnected fashion, picking up here a topic, there a topic, as though his speech were

simply a sum of different paragraphs contributed by the various departments in the Foreign Office. His speech in last week's debate on foreign affairs was no exception. It had the same formlessness and the same departmental stamp. And it illustrated all over again two features of the method which present severe disadvantages to the discussion or even perhaps to the effective prosecution of foreign policy.

The first disadvantage is that the totally discursive method gives no true picture of the general shape and direction of the Foreign Secretary's policy. In the last 18 months, Mr Bevin has had a hand in developments which can genuinely be seen as part of a rounded and consistent policy of western association and defence. Little of the present achievement—in ERP, in Western Union, in the Atlantic Pact—could have come about without British initiative and pressure. Yet the sense of a grand strategy was totally absent from Mr Bevin's remarks. Nor did he make much attempt to relate certain phases of current policy to the wider interests of Western Union. In the matter of the Ruhr, it was left to Mr Eden to raise the question whether the integration of the heavy industry of western Europe as a whole might not prove a more constructive method of combining German recovery with control of German power. Mr Bevin gave the impression that his thinking had not moved from the vague ideas on nationalisation of Ruhr industry which were no more than ideas two years ago when Britain still had the last word in the management of the Ruhr. Yet the political scene has changed and developed out of all recognition since those days. Again, Mr Bevin did less than justice to the French as partners in European recovery when he bluntly warned them off the production of luxury goods and sniggered at innuendos to be discovered in the importing of French literature.

These shortcomings in dealing with the French and German aspects of British policy illustrate the other great defect of Mr Bevin's approach—that he gives no picture at all of future developments. The British people are, in fact, engaged on a most striking and fateful adventure—that of finding ways of linking themselves with their neighbours on both sides of the Atlantic in a fashion previously unheard of in time of peace. The adventure could be stimulating and enthralling if some of the right words were found to propound it, if some spirit of courage and hope were breathed into the dry diplomatic forms. But Mr Bevin seems to have lost—for the time being—some of those flashes of imagination which have in the past illumined his reports. The British are doing a very remarkable thing in a very dull way—so dull that their neighbours have not an inkling of how remarkable it is. Can such ignorance and flatness really serve the Foreign Secretary well?

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Bipartisan Policies for Britain?

It is difficult for the Opposition to raise the issue of general foreign policy when the Foreign Secretary has steered studiously clear of it. Yet in last week's debate on foreign policy, both Mr Eden and Mr Churchill succeeded in raising their speeches above the level of simple variations on Mr Bevin's various themes. Mr Eden gave a far greater impression of having attempted to think out the implications of closer association in the west and one of his suggestions—that a way out of the deadlock over the Italian colonies might be found in attaching the trusteeship to Western Union—certainly deserves careful examination. Mr Churchill, too, raised issues of general importance. He made a strong attack on the Government for excluding the Opposition from the conduct of foreign policy and appealed for the spirit and practice of bipartisanship which has given such notable strength to American foreign policy since the war. In particular, he resented and attacked the attempt to "unite Europe on a Socialist basis" and accused the Government of purposely excluding non-Socialist opinion from the achievement of the great aim of European unity.

Mr Churchill's irritation at feeling himself excluded from close consultation on foreign policy is understandable, particularly when one remembers the degree of confidence with which the wartime coalition—largely consisting of the same men—managed its affairs. But he is hardly justified in suggesting that bipartisanship is a cardinal principle of British policy, now abandoned by the nefarious Socialists. Continuity there has been, but bipartisanship is quite new. Throughout the twenties and thirties, the Government pursued its own policies in an independence which probably reached its height when Mr Chamberlain flew to Godesberg. This is not to say that the new principle of bipartisanship is wrong. On the contrary, unity in foreign policy is essential. But Mr Churchill put more indignation into his attack than is warranted by Conservative methods of conducting foreign affairs in the past. There is a similar ambiguity in his attack on the Government's handling of the proposed Assembly for Europe. It is true that Dr Dalton is an easy target, for he has in fact stated that only a Socialist Europe can become a united Europe. But such is not the policy of the official delegation at present engaged in Paris on discussions on European unity with France and Benelux. Dr Dalton and Mr Churchill are at one in wanting the proposed Assembly to keep within proper limits. Mr Churchill does not wish it to interfere with "the proper sphere of governments." Dr Dalton has instructions to see that the form in which it finally emerges effectively prevents it from doing so. The real quarrel is over the composition of the official delegation and over Mr Churchill's plea that it should have included members of the Opposition. On this point the Government is not altogether unreasonable in claiming that it is strengthened by being a purely Government team.

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Lion versus Shamrock

Common sense was the chief quality of Wednesday's debate on Ireland in the House of Lords. Eire has withdrawn from the Commonwealth and even if it were not perfectly within its rights to do so, as it undoubtedly is, the Government had no practical means of preventing it. The question now facing both Governments is how to arrange their new relationship to the best advantage. Mr Attlee has followed the example of Mr Baldwin's Government, which decided in 1937 that the Irish Constitution Amendment Act, eliminating the Crown from the constitution of Eire while authorising the Executive Council to continue to employ the King's services for diplomatic purposes, should not be allowed to bring about any fundamental change in the relations of the two countries. It is true that the English Courts still held that Eire was a member of the Commonwealth and therefore the situation presented none of the legal difficulties which it does today. If these difficulties can be overcome, however, there is clearly a great deal to be said for Mr Attlee's resolve to keep Eire within the fold for practical purposes. Britain has no interest in penalising itself or Eire or in suddenly converting a large and useful section of the British population into aliens.

The argument that Eire should not be allowed to have the rights of a member of the Commonwealth without its duties is in the abstract very impressive. In practice it is meaningless, since membership of the Commonwealth carries with it no legally enforceable duties and any rights which arise out of it, being based on the free consent of Governments, are almost automatically reciprocal. The Opposition appears to be on safer ground when it argues that it is not within the British Government's power to treat the citizens of Eire as British subjects since the question of a man's nationality must be decided by the Courts in the light of precedent and of statute. Even this argument, however, is dubious. In the case of Murray *vs.* Parkes, 1942, in which Murray, who was born in Southern Ireland in 1908, attempted to prove that he was not liable for national service, it was held that a decision of the Judicial Committee of the Privy Council in 1935 did not mean that a Dominion Parliament could deprive a British subject of his status "wherever he might be." Legal authorities have interpreted this decision as meaning that a Dominion Parliament cannot deprive a British subject resident in the United Kingdom of his nationality though the question of its rights to deprive subjects living within its own jurisdiction of British nationality is still open. The essential point is that British nationality is a status conferred by United Kingdom law and regulated by statutes passed at Westminster, and this view has been confirmed by the British Nationality Act of 1948. The Lord Chancellor is therefore probably right, in spite of Lord Simon's objection, in holding that unless this Act is deliberately amended, Irishmen living in the United Kingdom will automatically remain British subjects. Whether or not they remain subjects of Eire depends on the Eire Government. As for imperial preference, it will in the last resort be for The Hague Court to decide whether Eire is for commercial purposes a foreign country in relation to the United Kingdom, and since there are no precedents to guide it, its decision would probably be influenced by the actual state of Anglo-Irish relations.

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State Pubs

The proposal in the Licensing Bill to extend to the new towns the scheme of state management of licensed premises, which at present operates in the Carlisle area and round Gretna and Dornoch, has aroused heated opposition from the trade and some of its patrons, mixed with a very qualified approval from temperance interests. Like all interventions of the state in matters of liquor it may be counted a political vote loser. Nevertheless, there are two legitimate arguments in its favour. The Carlisle experiment—introduced to deal with the special problem of drunkenness among munition workers in the 1914-18 war—may be counted a qualified success. It has improved the appearance and reduced the number of the public houses and given the city a good reputation for sobriety and orderliness. There is some dispute about their colourfulness and variety—some denying them those qualities, others defending them—but the scheme is not unpopular locally. The Royal Commission on Licensing of 1931 recommended that public ownership should be submitted to a further test in some different area. The new towns provide an obvious field for doing this, partly because they are themselves a new social experiment, but mainly because no satisfactory way has been found of allocating licences in them among the different brewing interests. Mr Chuter Ede, moving the Bill's second reading, spoke as if this difficulty made state management almost inevitable. That is a nonsensical exaggeration; but it does provide a subsidiary argument for making a further experiment.

The Government's actual proposals, however, are open to some strong objections. Why run the scheme by remote control from Whitehall, with the aid of an advisory council which will not even contain representation from some of the affected towns, when there are local and more democratic agents on the spot—the new town development corporations and the local authorities—able and fitted to do the job? This is just a blind following of precedent, and centralisation for its own sake. Moreover, the rates are a more deserving and popular cause than the Exchequer to absorb the profits of the scheme. Secondly, why cast the net of public ownership so vaguely and widely over undefined "adjacent areas"—a proposal that can be used to nationalise half the pubs in Hertfordshire? Thirdly, and most important, why insist on a complete public monopoly? The number, location, and appearance of the pubs can now all be controlled under town-planning powers. Public and private competition in a new town would both give variety and be a proper test of the virtues of each. So why go farther, unless to satiate the gargantuan appetite of the indiscriminate nationalisers?

It is a serious matter that the Government has made no effort to answer these criticisms. Mr Ede was content to argue the Bill's inevitability and triviality, Mr Morrison to be flippant. This is impossible statesmanship.

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The Bill's other contentious proposal—to eliminate the legal loophole whereby "bottle parties" supply liquor after midnight—is sound enough—on condition that it is accompanied by a greater willingness to permit late-night licensing extensions to properly conducted restaurants and night-clubs.

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Transport Strike

The three hundred porters, vanmen, and hotel staff of Euston station could not have chosen a more unfortunate time or a worse case upon which to stage an unofficial strike. The cause of their grievance was that one of their branch officials was left by a new schedule, agreed between the Railway Executive and the National Union of Railwaymen, with too little time to conduct his union activities. The men, aggrieved that their chosen representatives should have to drive a van as well as represent their interests, began a strike on December 6th which for a time disorganised the delivery of Christmas mail and parcels. The union expressed no sympathy whatsoever with the strike and suspended the men from any union benefits and their branch officials from office. The Railway Executive, their employer, after considerable efforts at conciliation, sacked the strikers on December 14th. The strikers, with a fine sense of quixotry, have refused all efforts at conciliation and have tried to rouse their fellow-workers, whose sense of solidarity is somewhat dulled by the approach of Christmas, to joint action.

At the same time but for quite different reasons, London's bus drivers and conductors are threatening that after the New Year they will not work on Saturday afternoons without extra pay. Envious of the five-day week in other industries, whose workers throng their buses on a Saturday afternoon, they are demanding compensation for the loss of the amenities available to others. The employers point out that the necessity of working a five-and-a-half-day week has long been taken into account in calculating their wages, and their unwillingness to give way will probably lead to an unofficial strike in the New Year.

Transport workers are in a way unfortunate. The slow economic attrition which results from industrial disputes in basic industries is reflected only in statistics of costs and output, and affects the general public through the indirect channel of economic malaise and high living costs. But the man whose recalcitrance or irresponsibility condemns the Christmas turkeys to rot upon the platforms of Euston, or who leaves the Saturday afternoon football crowd stranded for lack of buses, earns the direct and bitter condemnation of society, although the harm that he has inflicted upon the national wellbeing may be possibly less than that caused by the skrimshanking miner.

But it raises the question once again of how the irresponsible acts of the workers—condemned alike by trade union, employer and public opinion—can be dealt with. The whole theory of labour relations has in the past been based on the assumption that the unions representing the workers are the natural enemy of the employers. The problem of the future is how to deal in times of full employment with the minority of irresponsible and anti-social workers whose actions are harmful to the public and to the unions themselves. Ten years ago any socialist or union leader would have denied the possibility of such a problem. It is now one of the most urgent which they have to solve, and no amount of oratory about co-operation will do so.

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Russia Foots the Bill

By granting the Czechoslovak Government a loan of gold and "free currency," and by agreeing to supply some capital equipment under their greatly enlarged trade pact, Russia has saved its satellite from an increasingly disastrous position. To an extent which cannot be judged, since the amount of the loan is kept secret, Moscow has assumed a liability which arose when Stalin ordered the Czechs to leave the first Paris conference on the Marshall Plan.

It became inevitable that Russia would have to give some aid to the Czech government when it undertook to increase heavy industrial output four-fold in the next five years, for the benefit of Russia. Every increase in Czech manufactures means increased dependence on imports of raw materials and capital equipment from the West. Without Marshall aid or fresh British credits to take the place of help from Unrra, these essential imports can only be secured to the extent of Czech sales to the West. But the engineering products which the West would willingly buy from Czechoslovakia are for the most part reserved for Russia and the Russian sphere, under treaties which account for nearly fifty per cent of the Czechs' foreign trade. High-priced light consumer goods do not tempt the British into granting credits or a trade treaty to a country which has outraged political opinion ever since the Communist *coup* of last February. In the United States, also, there is no willingness to aid the Czech Government. The Czech delegate at Uno has bitterly complained that even goods which have been paid for have been held up under the American export licence system, in favour of ERP countries. Trade between Czechoslovakia and the United States has been falling off rapidly lately, although Czech foreign trade in general has considerably expanded, and a deficit with both Britain and America remains.

The Prague Government is therefore faced with a crisis in spite of the fact that the overall deficit in its foreign trade has been reduced up to the end of October to 2.3 billion crowns (after balancing in 1947). Moreover, Czechoslovakia's internal financial position has become rapidly worse since the "workers' government" took over. Inflation has been growing, and the public have been taking the usual measures, as far as terrorism allows, to express their lack of confidence in the Gottwald crown. Constant railing from the leaders have not induced the working classes to increase output to the essential extent; and the announcement this week that thousands of administrative employees would be ordered into the mines and factories is an admission of the extreme shortage of labour and low productivity.

As an emergency measure, the Czech Government recently obtained $6 million from the International Monetary Fund. It has also signed a treaty with Bizonia, by which Czechoslovakia will earn dollars by selling more than it buys. But the mission to Moscow and the Russian loan which has come out of it are clear evidence that these palliatives are not enough.

The price that has been paid for the loan is not known. It will certainly not be low. The high level of the Czech mission, and its elaborate reception by Stalin and Molotov, point to the political importance of the occasion. In all probability the Russo-Czech alliance against Germany, which was concluded by the Benes Government during the war, will now be tightened to cover all possible western foes.

M. Queuille's Budget

On Monday next the French Prime Minister, M. Queuille, will present to a highly critical National Assembly his budget for 1949—the first in French history to run into thirteen figures. The debate is expected to be long, stormy and, from the Government's point of view, perilous: M. Queuille will be exposed to solid Communist and Gaullist opposition so that quite a small group of waverers, representing any particular interest, can, if it joins the "unholy Alliance," spell the downfall of the Ministry.

Even if it forgoes the Christmas festivities, the Assembly can finish its debate on the budget by the New Year, which has been fixed as the "dead line," only by adopting a novel and curious procedure: the deputies will be asked to vote bulk sums representing the maximum expenditure and revenue tabled under comprehensive headings, and they will then leave the detailed analysis of each Ministry's accounts until next month.

Hopes of a radical revision of the socially iniquitous fiscal system, which has vitiated French finances for a generation and exacerbated inequality and class antagonism, are once more postponed *sine die*. The fiscal reform tabled with the budget is merely a simplification of certain taxes with no redistribution of the burdens. The present government, however, is not responsible for the circumstances which impelled this decision. The inflationary pressure inexorably drives them on to higher outlay, and higher revenue consequently must take precedence over any other consideration. The abolition of certain sources of revenue, before new sources could be effectively tapped, would almost inevitably have meant a provisional loss to the Treasury—a prospect which the "trillion" budget itself precludes. A ten per cent rise in all taxes and an exceptional twenty per cent increase in the production tax are justified exclusively by dire necessity and in no way whatever by social equity.

The device of separating "ordinary" from "extraordinary" expenditure, an inadequate fig leaf to conceal the real deficit, is to be maintained, although more items are to come under the first heading. In spite of this shift, France is still living beyond its income, as M. Monnet has warned the Government in presenting his report on the development of his plan for the first half of 1948. The items in the extraordinary budget, which are mainly made up of investments in basic industries and reconstruction, will be covered by withdrawing money from the franc counterpart funds set up under Marshall Aid and to a much lesser extent by a public loan. As long as the French internal investment programme rests on month-to-month decisions made by the officials of ECA to release the counterpart funds, the Americans retain the virtual power to decide who shall govern France. It is an immense political responsibility whose exercise will require the maximum sagacity and restraint in the coming months.

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The Oracle Speaks in Shanghai

While Washington has been giving a distinctly frosty reception to the wife of China's President seeking increased American aid for her husband's failing cause, Mr Hoffman, the head of the ECA, has visited Shanghai, and has given China and the world what at first appeared to be a declaration of American policy in the new situation brought about by the Chinese Communist victories. At a press conference held a few hours after an interview with the stop-gap Prime Minister, Dr Sun Fo, Mr Hoffman said that the American aid now being given to China would still be available to a coalition government if it represented "all the Chinese people" and preserved freedom of religion and of the press, but added that "if the coalition was obviously completely Communistic, the chances are that our Government would not be in favour of continuing such support."

This statement seemed to be an American bid for a coalition of all important Chinese parties and groups, including the Communists, as a solution for ending the Chinese civil war and as an alternative to continued or increased aid for Chiang Kai-shek's régime. But at once the State Department in Washington issued a denial that Mr Hoffman's remarks represented American policy; he was stated to have been speaking off the record. That a man in his position should thus speak off the record to a press conference in a foreign country at the crisis of a civil war would indicate an almost inconceivable levity and irresponsibility, and it seems more likely that the United States Government is, as has been reported, torn between rival policies, and has been unable to reach a definite decision. The Defence Secretary, supported by General Wedemeyer, who was President Chiang Kai-shek's military adviser in the last stage of the war against Japan, is said to have favoured increased aid to the Nanking régime, but to have been opposed by Mr Marshall, partly because of his low opinion of the régime, and partly because of his fear of weakening American policy in Europe by a diversion of funds which are by no means unlimited. President Truman has doubtless had great difficulty in making up his mind what to do, and the line of least resistance is to wait and see, hedging bets as far as possible. Mr Hoffman's statement, even though repudiated officially in Washington, must have had the effect in China of further weakening the anti-Communist cause by giving currency to the idea that America is ready to accept and give economic aid to a coalition Government, including the victorious Communists, on the understanding, of course, that it represents (for the time being) "all the Chinese people."

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Japan Looks On

The dramatic course of events in China cannot fail to have its echoes in Japan, and General MacArthur is reported to have expressed his concern in a message to his Government about the encouragement and added prestige given to the Japanese Communists by the victories of their fellow-believers on the other side of the Yellow Sea. Nothing succeeds like success, and a power which, in defiance of American intervention, has already won so much of the mainland recently dominated by Japan will have a strong appeal, not only to the discontented elements of Japanese society but also to all those in Japan who dream of an anti-American *révanche*. The anti-American propaganda of the Chinese Communists is often almost word for word the same as that poured forth by the Japanese radio during the Pacific war, and Japanese minds long conditioned to think of the United States as the imperialist invader of East Asia, using Chiang Kai-shek as its puppet, are fertile soil for the new gospel.

On the other side, Japanese who are hostile to Communism can also derive much satisfaction from current events on the mainland, for they foresee that a Communist domination of China, leading to an international alignment of China in the Russian *bloc*, will compel America to rely more and more on Japan as the pivot of its Asiatic policy. In Europe there are Britain and France to build up Western Union, and American policy does not need to depend on Germany as the only barrier between Moscow and the Atlantic; but in the Far East, if China passes into the Russian orbit, Japan is the only possible counterweight. The Japanese will no doubt exploit this situation to the full to obtain from America more copious economic assistance and later on perhaps also permission to create a new Japanese army.

Even so, the situation is not without its disadvantages for Japan, for the economic bonds between Japan and its natural markets and sources of supply on the Chinese mainland are being still further loosened by the Communist conquests. Even at a low level, Japan's heavy industry is threatened with great difficulties for lack of the coking coal and iron ore which under conditions of normal economic exchange would be available from Manchuria and north China. It remains to be seen whether a cessation of civil war in China will be followed by any revival of foreign trade; to judge from the economic policy of north Korea, far eastern Communists aim at an economy quite as insulated as that of eastern Europe.

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The Nation's Food

Last autumn the people of this country were seriously worried about their food supplies. In the interval between the breaking of the dollar crisis in the summer of 1947 and the arrival of Marshall Aid, there were general expectations of a big cut in rations, and when these did not happen and, instead, there seemed to be a gradual improvement in supplies, leading to the end of bread rationing and of potato rationing, the public were lulled into the belief that their food was assured—at least until 1952.

Parliamentary discussions of food have reflected this relief of public anxiety. They are now far more concerned with minor administrative matters and the details of rationing than with the big question: what will happen to Britain's food when Marshall Aid comes to an end? This week's debate was no exception. The Opposition criticised the Ministry of Food over its ineptitude in the buying of food; the Labour backbenchers were more concerned with the cost of food to the consumer; and both the Minister and the Parliamentary Secretary were content to answer these criticisms rather than to discuss food supplies in relation to Marshall Aid. Dr Summerskill did, it is true, give a brief survey of the rations it is hoped to maintain during the coming year. (Her account of the negotiations with Argentina over meat is discussed on page 1032.) But even in this limited context, food subsidies were barely mentioned, and then only to enable Mr Strachey to say that they reduce the cost of living to a family of four by 14s. 6d. a week—a most dishonest way of regarding the burden of nearly £500 million a year that they place on the national exchequer. Yet the debate was the main business of the House of Commons on that day. It was surely incumbent on both the Government and members to make it an opportunity for discussing questions of policy.

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Newfoundland

The agreement signed last Saturday in Ottawa between the Canadian Government and the representatives of Newfoundland is the first step towards the incorporation of Newfoundland as the tenth Province of the Dominion, which is due to take place next March. The terms of the agreement are generous to Newfoundland. Newfoundland will be represented at Ottawa by six senators and seven members of parliament, and its legislature—*dormant since 1933*—will be revived as a Provincial Parliament. The federal government will assume Newfoundland's sterling debt, but its internal budget surplus will be retained with certain reservations under provincial control. The province will receive annual subsidies totalling about two and a half million dollars, and if it wishes may compound its right to levy provincial taxation in certain fields in return for a federal grant, on the lines of contracts already in operation with the less wealthy Canadian provinces. In addition, for a period of twelve years Newfoundland will receive special grants totalling nearly $43 million. The position of Newfoundland's internal finances will be reviewed by a special commission in eight years' time.

Although Newfoundland's accession to Canada will greatly improve the latter's strategic position in the North Atlantic, Canadians are under few allusions as to the nature of the financial obligations which it will involve. Canada's major problem of how to finance its European trade, or alternatively how to reorientate its economy so as to compensate for the loss of such trade, will be accentuated by the inclusion of the Newfoundland fishing industry. The burden of raising the inadequate social services of Newfoundland to the Canadian level will fall primarily on the taxpayers of Upper Canada. Only if the iron ore deposits of Labrador achieve and surpass the expectations of their preliminary survey will the province of Newfoundland become a viable unit and a net contributor to the economic strength of Canada. But on balance there is a feeling that Canada is where Newfoundland belongs, and although the smallness of the majority in favour of confederation in the Newfoundland plebiscite caused Ottawa to be very cautious, it was agreed that if the opportunity was not taken now it would never recur.

In spite of the protests of the minority—some of which are legitimate but most of which are factious—against the method by which confederation has been brought about, Newfoundland will gain substantially from confederation. Now that its brief wartime prosperity has passed, there is no doubt that it is not a strong economic unit to support complete autonomy and the assistance which the United Kingdom could give would be very limited. The merchant class, who have grown prosperous behind a stiff local tariff, may suffer an uncomfortable diminution in profits and prestige, but the fishing population, whose standard of living must be the lowest of any white community in the British Commonwealth, should gain enormously from absorption into a larger and more stable country, which is motivated by a more liberal view of society than that obtaining in St. John's.

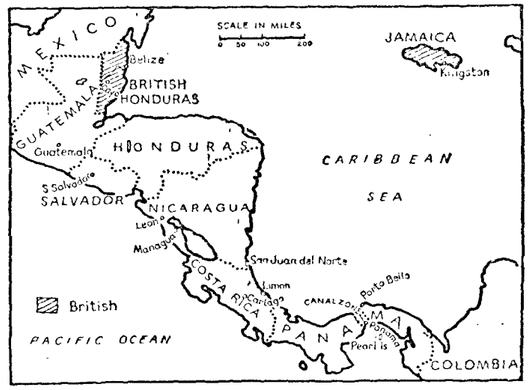
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Central American Explosions

Pacifists in Costa Rica have had an unpleasant reminder that unilateral disarmament is a dangerous policy. Eleven days after dissolving its army Costa Rica was invaded from Nicaragua last Saturday by opponents of the present provisional government. Fortunately, Colonel Figueres, the provisional president, had retained a standing police force of 1,000 officers and men. There are also about 700 *Resguardos*, or armed coastal guards, who, together with the many volunteers who have offered their services, should form at least as large a force as the invaders.

The macabre humour with which the world has greeted Costa Rica's discomfiture has tended to conceal the dangers involved. Costa Rica itself has appealed to the signatories of the Rio Pact of Pan-American Defence, which includes the United States and which was ratified last month, for help to repel the invaders; Guatemala has announced its willingness to attack Nicaragua; and unconfirmed reports say Mexican Communists are helping the invaders. There is therefore some danger that the whole of Central America will be up in arms unless steps are taken quickly to restore order.

The Nicaraguan Government has denied any part in the invasion. It claims that the invaders are being led by the former president of Costa Rica, Calderon Guardia. He was defeated in the presidential elections last March by Dr Ulate but had to be forcefully removed from office by Colonel Figueres, Dr Ulate's chief supporter. Since then, Colonel Figueres has been ruling the country as provisional president with the intention of restoring



order so that new elections could be held. Elections for a constituent assembly were in fact held on December 8th, three days before the invasion. The votes gave Dr Ulate and Colonel Figueres 33 out of the 45 seats and, to outside observers, the invasion followed as a direct result of these figures.

The situation in Central America is immensely complicated. Besides the immediate antagonists, there has been trouble between the Dominion Republic and Cuba; last Tuesday, a revolution in Panama deposed the government; and Britain, too, is involved in the clash between Guatemala and British Honduras. The whole is linked together with a patchwork of treaties and military alliances so that events in any one country are liable to have repercussions throughout Central America.

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Sulky Boycott?

The Israeli request to the Security Council that the new Jewish state should be admitted to the United Nations raises two issues for Britain—whether to support or reject the request in the Security Council and further, whether to go forward to any sort of recognition of Israel on its own account. The United Nations issue is relatively straightforward. Until a state has fixed frontiers and a stable legislature, it is hardly ready for inclusion in an assembly of sovereign nations, particularly since some of the frontiers it possesses today have only recently been acquired by force. Moreover, a United Nations conciliation mission is about to start work in an atmosphere already poisoned by the Arabs' frenzied hatred of an Israeli state; there are therefore strong reasons for delaying full international recognition of that state so long as any hope of a peaceful settlement lingers on.

The dilemma before Britain is more delicate. On the one hand, it is as necessary for the British as for the Arabs to come to terms with the idea of an Israeli state, and to come to terms with it in such a way as to preserve all the links of friendship which ought to unite the Jewish community to the nation which first sponsored it and under whose ægis alone it was able to grow up. If the Government's policy towards Israel is really no more than what Mr Churchill calls a "sulky boycott," the attitude has neither good sense nor self-interest to recommend it. But the problem of Israel cannot be isolated from that of the Middle East as a whole and at a time when Britain may well be the only Power able to coax, prod and lure the Arabs along the path of

reason, a recognition of Israel that would instantly put an end to British influence in every Arab capital and would not serve the cause of general pacification.

Is there then nothing that Britain can do to mend its relations with Israel while maintaining what weight it can with the Arab world? The case seems to call for some sort of exchange of envoys which, while perhaps not strictly amounting to a *de facto* recognition, would pave the way to it and re-establish contacts which have been temporarily and rudely broken off. Mr Mayhew has assured the House of Commons that the Government is seeking ways and means of re-establishing closer relations. It is to be hoped that some satisfactory if informal arrangement can speedily be worked out.

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Electoral Farce in Spain

Spain has now held its first "popular elections" since 1936 when the victory of the Left precipitated General Franco's revolt a few months later. The present municipal elections have taken place in three stages. On November 21st about a third of the municipal councillors were elected by heads of families, or other adults who had been legally declared to be domestically and economically independent. On November 28th another third were elected by the officers of the syndicates—provincial bodies uniting management and labour—and on December 5th the councillors already elected chose the remaining third from lists submitted by provincial civil governors. Thus, proclaims the Spanish press, General Franco has fulfilled his promise to found the Spanish state on "the two basic institutions of the municipality and the syndicate."

In fact, he has carried out one more measure designed to cover up his dictatorship with some sort of decent constitutional cloak. In this, it resembles the referendum held in July, 1947, which determined the so-called "Law of Succession" and established the basis for the Council of the Republic set up last February. The performance which was staged in every municipality in Spain was called an election, but neither the Spanish people themselves nor any outside observer in the west can be expected to regard it as anything but unconvincing make-believe. All the chief ingredients of an election in the western sense were missing. There was no freedom of the press or of assembly. There were no electoral campaigns and these would, in any case, have been superfluous since only one party, the Falange, was allowed to participate, and since all candidates, whether they belonged to the Falange Party or to some other group, called "the opposition" by courtesy, had to be officially proclaimed and nominated in the official lists. In some districts even the need to vote was eliminated by nominating only as many candidates as there were seats. The only way open to the Spaniards to express their disapproval was to cast blank ballot papers, which does in fact seem to have been done to a considerable extent.

In view of the underlying disillusionment of the Spanish people with the Franco regime, it would perhaps be too much to expect General Franco to hold free elections, but he is surely mistaken if he thinks the recent sorry farce will improve his eligibility for membership of the United Nations or for Marshall aid. On the internal front he may consider his huge army and police force, as well as the disunity and weakness of his opponents, as sufficient props and safeguards for his regime. But he should also remember that the best-organised and most forceful of his opponents—the Communists—thrive on such travesties of democracy as he has just perpetrated. Moreover, by calling attention to his sorry regime, he undermines the case of those abroad who, like Mr Churchill, would like to bring him back into the community of nations.

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No Turkeys

Present indications are that few law-abiding citizens are going to carve a turkey this Christmas. The total available, theoretically, is estimated at only 5 per cent or so less than last year, but the fall in supplies to the shops is of quite different, indeed catastrophic, dimensions. The trouble is that the estimated total supply of some 10,500 tons of turkeys consists, this year, of many fewer imported birds, whose numbers were further thinned when 1,800 Turkish turkeys fell over a cliff on their way to England. These are distributed, from start to finish, through channels controlled by the Ministry of Food—but the home product, of which more will be available, has its distribution controlled by nothing except the price tag. The black market, confronted with this promising expansion of its field of operations, has gone into action with characteristic energy. Just how many home-raised birds melt away in local retail sales, how many are sold at illegal prices by the farmer, how many by purchasers who have themselves bought at the legal prices, how many by outright thieves and fences, is naturally not known—least of all by the authorities. What is certain is that the blameless residue will go a very short way to meet the public demand.

The situation supplies a perfect example of the paradox of partial control. There may be objections, both economic and political, to the complete canalisation of any particular trade through officially determined stages. It is apt to be clumsy, administratively expensive, and wasteful. But it does at least achieve its immediate aim of getting the product from the producer to the general public in quantities, and at prices, bearing some relation to the ideal of "fair shares"—an ideal which has its merits as well as its absurdities. To impose maximum prices on goods otherwise uncontrolled is to get the worst of both worlds, ensuring that those goods shall go elsewhere than to their intended destination. The maximum price on turkeys (though partly calculated as an encouragement to egg-production rather than the rearing of table birds) is presumably intended to keep turkeys within the reach of the ordinary consumer. In fact, it removes them from his scheme of things far more effectively than a free price would do, since it debars him from competition with the knowledgeably dishonest. The turkey-eaters this Christmas will not be those who have thriftily contributed to a turkey club or energetically earned a couple of pounds by overtime and odd jobs. They will be the well-fed frequenters of hotels and restaurants. The wheel has, in this instance, as in so many others, come full circle; the high moral objection to allowing money to buy money's worth has penalised all but the longest purses.

* * *

Corrigenda

A note in *The Economist* of December 11th commented upon a new publication of the Fabian Society "More Socialisation—or Less?" This pamphlet will not in fact be available until January 3, 1949, when it will be published by Fabian Publication, Limited, price sixpence.

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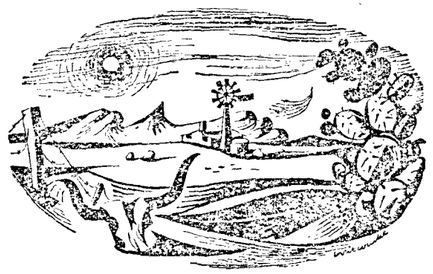
The proposed expansion of population of the new town at Bracknell, Berks, which was given as 200,000 in a Shorter Note last week, should have read as 20,000.

From *The Economist* of 1848

December 16, 1848.

Considering the election of Louis Napoleon as the consequence of the veneration of the French for the Emperor, it is honourable both to their gratitude and to their character. If Napoleon were the idol of a mere vain love of war and glory, the election of his namesake might be deeply regretted and Europe might at once have reason for alarm; but on the French he has far more powerful claims for love and respect. For all Europe it must be consolatory to reflect that he was idolised as the emblem of order after a bloody and anarchical revolution. He was associated in the minds of the bulk of the French with personal security, internal peace, and great material prosperity as well as with foreign conquests. Had his reign been as disastrous to France as to the rest of Europe, his glory would not have fed them, and it would have been as unpopular as it was popular till its very close. If this be an approximation to their feelings, the new President is to be considered much more a representative of their enduring love of order, of their demand for internal peace and material prosperity, than as a representative of a love of conquest and war. So his election appears to be considered in Paris. It has at once restored great confidence among the commercial and monied classes; and so we hope it will be found for Europe and the world. If the predominant sentiment be derived from the order Bonaparte restored, the internal tranquillity he preserved, and the general prosperity that was connected with his Government, it prescribes a line of duty to the heir of his name and power, unless he wish, in the end, to meet with a more shameful fate than his great namesake, which must give prosperity to France, and preserve her at peace with the world.

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B6

The fable of the songsters

A tenor Tabby Cat and a baritone Barnyard Cock quarrelled about the sweetness of their respective voices, and called upon the rest of the farm to take sides. But the horse was too busy ploughing, the cows milking, the hens laying, the sheep browsing and the farmer mending a waggon wheel. "How irresponsible!" said the Cock. "No sense of values," growled the Cat.

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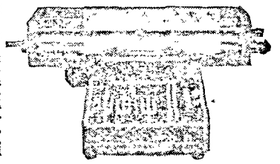
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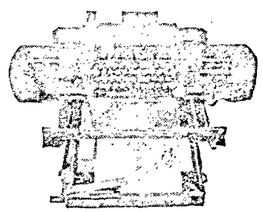
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Letters to the Editor

West Indian Unemployment

SIR,—May I be permitted to comment on the criticism on page 830 of *The Economist* of November 20th of the Report of the Settlement Commission to British Guiana and to British Honduras [Cmd. 7533], of which I was a member?

While it is reckoned that only 25,000 workers could be employed in the industries, almost all of them agricultural, recommended in the report and that they and their families would number about 100,000 people, sight must not be lost of the fact that an equal number at least could be employed in secondary ways. For example, the census of 1943 shows that Jamaica had then a population of 1,237,000, of whom 505,100 were gainfully employed. Of these 221,400 were engaged in agriculture and 59,200 in manufacturing industries and the remaining 224,500 made a living in various secondary ways and supported their dependants among the 731,900 not gainfully employed. Again, Barbados has a population of 193,000, of whom only 26,148 are employed in its single agricultural industry, the sugar industry, and 1,473 in manufacturing industries. Yet the remaining 166,693 make a living in various secondary ways. Moreover, besides the industries recommended, which could employ 25,000 workers, the Commission also recommended making certain geological and hydro-electric surveys and experiments with crops not at present grown in the two colonies investigated, which, if successful, might make it possible to develop other industries, and employ more people with their complement of secondary workers.

The estimated cost of carrying out the Commission's recommendations is a minimum of £14 million and a maximum of £22 million. Your comment on this, that "it is much more doubtful whether Britain in the foreseeable future could carry out this new overseas investment," is astonishing. Britain has no difficulty, even in peacetime, in furnishing fantastic sums for armaments, which use up steel also needed for tractors and other implements. Moreover, it is not suggested that the capital required should be a gift, but investment capital. The investing public has recently shown not only its capacity but its enthusiasm for colonial investments. A loan of £3,000,000 for Trinidad was over-subscribed 27-fold and one of £5,000,000 for Southern Rhodesia 14-fold and an issue by private enterprise was also over-subscribed.

The number of registered unemployed in Jamaica would be equivalent to 2,500,000 unemployed in the United Kingdom, and there is no "dole" in Jamaica. Throughout this year there have been disturbances in the West Indies, from Jamaica to British Guiana, a warning of the unrest existing. Will it be allowed to go unheeded, as in 1938, until it flares up into rebellion?—Yours faithfully,

C. W. W. GREENIDGE

Denison House, Vauxhall Bridge Road, London, S.W.1

[No criticism of the Commission was intended; in fact, we expressly commended its cautious approach to its task, which was in refreshing contrast to the wildly optimistic views on colonial development and settlement often put forward. As for the question whether Britain can "afford" this new overseas investment, we were, of course, referring to the physical outlay represented by this £14 million to £22 million. It is becoming abundantly clear that Britain today has to impose priorities and selection in its overseas investment in the interests of its balance of payments, and it is doubtful whether the Commission's schemes should have a very high place.—EDITOR.]

Teething Troubles

SIR,—You surely condone the major fallacy when you say "the dentists' . . . attractive pay was immediately cut as soon as it looked like becoming *too expensive for the taxpayer*" (my italics). No industrialist would fall into this error. The problem to him is an everyday one.

When the rate fixer fixes a "soft" rate and the operator races away to earn double time or over, the employer realises that particular job is costing more than it should. It is unimportant to him that the operator may be earning more than the foreman; it may seem important to the foreman.

In general the employer has to stick to his contract unless an opportunity occurs for amicable adjustment of the rate or method. Even a shortsighted employer would not dream of putting a ceiling on the earnings of the operator. That is not saving cost at all but merely limiting output. Mr Bevan is therefore inviting the efficient dentist to take it easy and play more golf. He is not reducing the cost of pulling teeth, but merely lengthening the queue.—Yours faithfully,

D. W. MORPHY

Chatwin, Wilderness Road, Chislehurst, Kent

Entente Cordiale?

SIR,—Articles by "Your Correspondent in . . ." generally end in a laudatory note about the country concerned. This current journalistic etiquette is not in line with "diagnosis without pious lies" which has put your paper in a class of its own. France's somewhat baffling recovery is of its own peculiar brand of muddling through and we might continue tolerably well, in spite of our vacillating governments, unintelligent controls and general frivolity, if the context was quiet and neutral. But in the insidious Russian century in which we live, nothing is neutral and our parochial way of aspiring towards some tranquil backwater of history with a Louis XV façade, is as unrealistic as Swiss neutrality or Swedish fence-straddling.

The assumption of your correspondent that we will fight in a new war is misleading. The weekly *Carrefour* published last month scores of answers by prominent Frenchmen from all classes and professions, to the query: "What would you do if the Red Army invaded France." These answers made instructive reading. Alas Sir, we won't fight, don't make any mistake about it. The charming Italians won't fight, either (not that it would make a great difference). The Belgians won't fight, and the Germans look as if they were fed up with *Kriegspiel* for a generation.

So why not be honest about it. Why pour millions of pounds and dollars for creating a handful of divisions which at best would be sacrificed in a futile and short-lived delaying action, and which would *not* have the country behind them. Don't squander your and America's resources on groggy partners with cold feet, with lip service and no performance. Concentrate in the US and the Empire. Hold the Russians by remote control, if you can. But don't count on us. And if you want us to put on a stern façade and help you in this dangerous—and possibly decisive—phase of the cold war, then stop visualising continental politics as variations of the British Labour Party.

Politically and as an antidote to the Communist termite, the choice between Right and Left has to be made *now*. Unpalatable as Charles of Arc may be, he is the logical, inescapable and urgent solution. So is Franco.

All this is hardly pleasant but it is time that Britain, the still healthy leader of the aging West European Group, should return to its great tradition of political realism. My only excuse for this blunt and, by blimpian standards, unpatriotic language is that I am an obscure Frenchman with no axe to grind.—Yours faithfully,

GEORGES ARCHAMBAUD

54 *Rue Pierre Charron, Paris*

Exchange Control

SIR,—The questioning of Sir Stafford Cripps in the Commons on November 30th regarding large sums of foreign exchange released for the benefit of French miners and other so-called charities seems a most opportune moment to call attention to the very different kind of treatment meted out to thousands of wretched holders of blocked sterling accounts.

My own painful experience of the ruthless methods of the British Exchange Control in applying the rule of "no exceptions" does *not* bear out the affirmation of the Chancellor that every application for foreign exchange is considered "on its merits."

Does the man in the street in England realise that there are thousands of people—the majority of them British and Canadians—who hold bank accounts in England or other property which they are forcibly prevented from disposing of; that they cannot draw a cheque without a Bank of England permit, or spend the money in the sterling area on purchases, or come to live in the sterling area till these funds are used up, or invest the money to the best advantage in order to eke out a living from it?

It is very handsome of HM Treasury to use up precious foreign exchange in largesse to the French miners; now that Sir Stafford Cripps has ruled that every case is to be considered on its merits, we holders of blocked sterling accounts will be grateful, not for his charity, but for a square deal.—Yours faithfully,

Pembroke, Bermuda H. LOUIS CARTER

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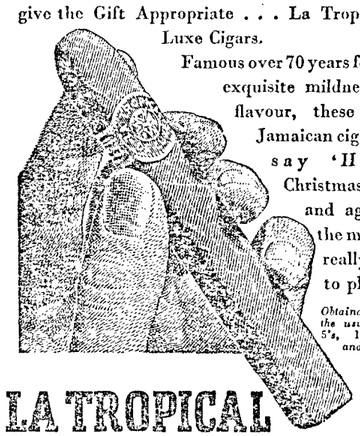
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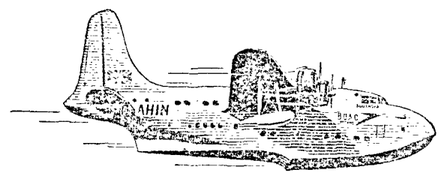
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AMERICAN SURVEY

The China Cult

(From Our US Editorial Staff)

THE enlightened self-interest which is supposed to be the basis of American foreign policy is tempered, according to the area in which it operates, by certain popular beliefs and prejudices. Where Europe is concerned, there has existed, until the last two years, a fear that the greater experience and cunning of European diplomats would always prevail against the simpler and more honest methods of American negotiators. In a hundred years of American policy towards China the tempering agency has been sentimentality. It is as hard for a foreigner to understand the American ability to forgive Chinese peccadilloes as it is for the rest of the world to understand the continuing British preoccupation with the Arab countries in the face of insults and betrayals. The American equivalents of such exotica as T. E. Lawrence or Glubb Pasha are the flying General Chennault and a small band of missionaries or sons of missionaries. In the second group Representative Walter Judd, a former missionary, and Mr Henry Luce, born in China of missionary parents, preach the interests of China regardless of the merits of the regime in power.

If, as now seems apparent, Mr Marshall has lost hope that the present Chinese Government can govern and President Truman has lost patience, it does not follow that the American people have lost either. Should a new alternative to the Generalissimo appear, or Russia's ambitions cover themselves with even the thinnest veil, the present coolness would disappear, the long wait for Chinese rehabilitation would be resumed, and America would again pick up the bills and pay for the waiting time.

The illusion, after so many disappointments, that rehabilitation is still possible is compounded of many factors. From 1784, when a small merchantman bearing the grandiose name *Empress of China* slipped out of New York Harbour with a cargo for Canton, to last June, when the wheat ships sailed, American interest in China has been far greater than cold reason can measure. An early desire to beat England at her own game, the memory of clipper ship records, the missionary spirit, the businessman's dream of winning four hundred and fifty million customers, a sense of national virtue dating from the Boxer Rebellion—all these play their part. To them should be added the perennial American belief that any people who admire the American form of government should be helped to emulate it. Chiang Kai-shek owes more to Sun Yat-sen than it is convenient to admit. Writers from Bret Harte to Pearl Buck have done their share in giving China a good press in the United States. A flood of admiration for Chinese patience, Chinese courage, Chinese endurance stands ready to be turned on at will by almost any ambassador. That it should be withheld from Madame Chiang Kai-shek at this juncture, remembering its sticky abundance on her former trip, is the surest measure of China's present plight.

★

The China cult still draws colour from the days when the captains of clipper ships set up records for the China run from Salem or San Francisco that only the airplane can make seem slow. China was then a mine of varied riches which could be bought cheap and sold dear. A single run brought huge profits, and left a sediment of silk, teak and ivory in American seaport towns that still plays its part in handing on the tradition. The "Opium War" between China and England enlisted American sympathy on the Chinese side. The importation into California of "Chinese cheap labour" to help build the western railroads, and the appearance of Chinese gold hunters in mining towns added economic bitterness, and the Chinese Exclusion Act a slight tinge of guilt, to the romantic brew. Charity and religion went into it, spread by missionaries who reached deep into prairie towns and mountain villages for the barrels of clothes and boxes of hoarded pennies with which Chinese heathen were to be clothed, fed and converted. Little boys fingered souvenir opium pipes, little girls shivered at tales of bound feet and drowned girl babies.

The Boxer Rebellion, which followed hard on the famous policy of the "Open Door," crystallised this complex of attitudes into its present form. There, for the first time, American troops on foreign soil measured their behaviour against that of European allies; they emerged with admiration for the Chinese enemy. When an indemnity was levied on China for having failed to keep her rebels in hand, the United States remitted $18 million out of its $25 million share, on condition that the money be used to send Chinese students to American schools and colleges. They are still coming. Like many a benevolent relative, Uncle Sam gave his heart with his shilling, and is to this day paying interest on that gesture.

The "Open Door" policy, a phrase still used to describe the official attitude towards China, dates from 1899 when John Hay, then Secretary of State, brought it into being after vigorous British urging. It was, in substance, a demand that the powers then staking out spheres of influence in China declare their intention not to interfere with the Treaty Ports and not to discriminate in favour of their own nationals. In the words of America's diplomatic historian, Mr Thomas Bailey, the Hay communication was "like asking all persons in a room who were not thieves to stand up." The bluff worked, and England Russia, Japan, France and Italy were declared by Mr Hay to have signed the assurances desired.

The first American treaty with China (the treaty of Whanghai signed in 1844) had given all powers equal precedence before the great wall of Chinese isolation; this second "Open Door" treaty gave them equal rights to enter the doors which the existence of Treaty Ports had made in the wall. The Nine-Power Treaty signed at the Washington Conference in 1922 marked the next step—an agreement not to cut any more doors in a wall which by this time had been flattened in many places. Specifically, the powers agreed to "respect the sovereignty, the independence and the territorial and administrative integrity of China" and to help and encourage the development of stable government, and to refrain from taking advantage of conditions in China to seek special rights and privileges. The fourth stage —the 1943 treaty—was an agreement to recognise the open doors and the flattened walls (not to mention the exhausted spheres of influence), by abolishing the principle of extra-territoriality.

★

Official figures of what the China cult has cost the United States in the last decade are incomplete and vary with the agency that issues them. An unofficial source estimates that the US government has spent $3.6 billion in aid to Chiang Kai-shek's government since the start of the war. Another puts the cost to American taxpayers as upwards of $4 billion since 1937. The most recent grant was the $463 million authorised by Congress last April to be spent for military and economic assistance before April, 1949.

Friends of China never weary of pointing out that compared to expenditures in Europe these sums are small. Meanwhile it is worth noting that American investments in China are rather less than one might assume from the heat which they sometimes generate. In 1930, commercial investments were estimated at $197 million while religious, educational and benevolent organisations valued their properties at about $41 million. In 1943, American assets in China reported to the Treasury were valued at $122 million; included were $47 million belonging to non-profit-making organisations. As for trade, the 1931-35 average showed exports to China to the value of $66 million and imports to the value of $8,000,000. In 1945, the exports totalled $92 million, while imports had fallen to $6,023,000.

Obviously in casting up any such account the intangible factors weigh heavily. When this long tale of friendliness began, China was a great power and the United States a very small one living more by its wits than by demonstrable strength. Theoretically China still ranks as a great power, but the theory is little protection against internal disintegration or external pressure. The face-saving intent of the 1943 treaty, the repeal of the Chinese Exclusion Act two months later, the repeated loans and grants have only served to emphasise the reversal of positions that has taken place between the two countries.

★

The "Open Door" is now in China's keeping, but there is some doubt as to which way it opens. Since Mr Marshall's return from China and the publication of his disillusioned report on his months of unsuccessful effort to fulfil the President's instructions, there has been a determined attempt on the part of the Administration to divorce itself from the present Chinese government. This attempt would have been successful had not the small and determined minority of Sinophiles inside and outside Congress forced a programme of aid to China totalling $463 million into the Foreign Assistance Act of 1948. This programme was not large enough to have much effect on this year's campaign against the Communists, but it strengthened Asia's belief that American prestige was bound up with that of the Chinese government. Chiang Kai-shek's disaster has become partly America's disaster.

That this should have happened is unfair to the State Department and to Mr Truman, whose decision that the Kuomintang was no longer worth America's continued support has now been justified. The Chinese Ambassador is believed to have proposed that $3 billion be given to China in the next three years and that an outstanding American military leader should go to China. But both the President and Mr Marshall have been firm in their refusal to be rushed into further large expenditures of effort and seem to have decided to wait until some successor to Chiang Kai-shek appears. When and if that happens the traditional American friendliness will reassert itself. Mr Hoffman, the Economic Co-operation Administrator, who has flown to China, has suggested that further American aid might be granted to a Coalition between the Nationalists and Communists provided it did not in fact merely cloak Communist domination, did not suppress religious and political freedoms, and fairly represented the Chinese people—a tall order and one which the State Department considers to be too hypothetical to be worth consideration at the moment.

Had the Republicans won the election the present policy would have been reversed and China would have become the recipient of large grants of military and economic aid. If the recent disasters had taken place before November 2nd, Mr Truman would have had to weaken in his determination not to try any longer to shore up the present regime and would have had to make promises to match Mr Dewey's. As it is, there is no likelihood of Mr Marshall recommending even token aid to the token resistance of the Nationalist forces. He is accused of undermining Chiang Kai-shek's position by his refusal to promise help. In fact, by his silence he is giving him all the help within his power, for if all the information available in Washington on the exploits of the Nationalist government were published the effect would be fatal. By her ill-timed mission (undertaken, it is understood, on the advice of Mr William Bullitt) Madame Chiang Kai-shek has done her husband no good. The melodrama of her flight, followed by the unconcealed frigidity of her welcome, have advertised his plight but will do nothing to ameliorate it.

Malthus Goes West

[FROM OUR US EDITORIAL STAFF]

EVERY once in a while a doctrine which has aroused only mild curiosity in older lands takes on the virulence and high excitement of a fever when it reaches American shores. So it is with neo-Malthusianism which, grafted onto conservationist theories, has suddenly produced a rash of three books and an inter-American conference. The books* range in tone from an apocalyptic tirade calling for the immediate protection of nature against the menace of human fertility to a careful volume bent on establishing a theory that wars come from a lack of balance between farm and factory.

The neo-Malthusian arguments are familiar enough, but the figures used to illustrate them grow more fearsome with every presentation. The world which had, in the age of Queen Anne, some 400 million people, is now heading rapidly toward its third billion. Every day 175,000 babies are born, though many of them will starve to death before reaching maturity. India alone is increasing her population at the rate of 14,000 per day. China, which lost a hundred million through starvation in the last century, continues to breed toward a population of 470 million in 1950 though it has less than half an arable acre on which to raise food for each of them. The Russians will have 200 million in 1950, with arable land enough to feed half that number adequately. Will they embark on conquest and migration? But where? "There are few areas remaining which have not reached the human saturation point," says the author who most clearly prefers nature in the raw to man in any state. This ardent beater of the drums of doom finds Britain, with a population of 2,500 per arable acre, nearly as badly off as in 1600. "Unless we are willing to place fifty million British feet beneath our dining table we may well see famine once more stalking the streets of London."

The fight is joined in America between these neo-Malthusians on the one hand, and on the other those who have "an extravagant faith in scientific agriculture." The neo-Malthusians include yesterday's conservationists, who have added to their indignation over land erosion and stream pollution the long vision of demography. Their scorn for economics is equalled only by their faith in the virtues of planning for the ecological whole. Their opponents, in turn, stake their faith on the ingenuity of man with such miracles as soil-less gardening and the nutritive values to be found in sea water. They are confident that science will solve the final riddle and "provide a substitute for the elemental workings of nature."

In the public realm the fight seems more distinguished for heat against what has been done than for light on practical measures to be undertaken in the near future. The emotion which burns in these three books is more than personal. Since conservation first became a matter for national slogans under that ardent big-game hunter, Theodore Roosevelt, the American attitude towards it has suffered from ambivalence. Those who spent freely in public, who wasted resources with abandon, were not infrequently the ones who kept Benjamin Franklin's thrifty maxims tacked most tightly to their office walls. None was more shocked than they when the New Deal urged Americans not to save but to spend their way out of the depression of the nineteen-thirties. That the government should, at the same time and as part of the same campaign, initiate projects for the conservation and reclamation of public resources was merely an example of the same ambivalence in reverse.

★

Some of the heat which such fission creates has gone into the writing of these books and will go into their reading. Thus Mr William Vogt, in *Road to Survival*, makes the admiration of Americans for the American past seem almost treasonable. Our venerated forefathers, says he, were "one of the most

* "Road to Survival," by William Vogt. Wm. Sloan Associates. New York, 1948. $4. (To be published shortly in London by Victor Gollancz, Ltd. 15s.) "Our Plundered Planet," by Fairfield Osborn. Little, Brown and Co. Boston, 1948. $2.50. "Plowshares Into Swords," by Arthur P. Chew. Harper and Bros. New York, 1948. $3.00.

destructive groups of human beings that ever raped the earth. They moved into one of the richest treasure houses ever opened to man, and in a few decades turned millions of acres of it into shambles." Mr Vogt's god is Demeter, his devils the steel axe, the mould-board plough, the flush toilet and the pregnant woman. He would have man study the disastrous road on which he is travelling, and act at once to make known to all the dilemma caused by rising populations and dwindling resources. We must, he says, "stop blaming economic systems, the weather, bad luck or callous saints. This is the beginning of wisdom, and the first step on the long road back." The second is to limit population and restore resources. Otherwise, "we may as well give up all hope of a continuing civilised life."

Mr Fairfield Osborn, president of the New York Zoological Society and author of *Our Plundered Planet*, is milder, more philosophic, more hopeful. Though the United States has not "even begun to strike a balance in preserving the living assets of this country," yet it has made a start. More has been done in the last decade than ever before, and if not enough has been done, that is because of the potent and soporific belief "that the marvels of modern technology can solve any of the riddles of life." Mr Arthur Chew, of the Department of Agriculture, is also a Malthusian, but more concerned in his book, *Plowshares Into Swords*, with establishing the thesis that the cause of war is the lack of balance between farms and factories, and that peace will only come to stay awhile when that balance is restored between, as well as within, the nations.

As for the conference, it was conducted in Denver by the State Department and the Pan-American Union, whose Conservation Chief, Mr Vogt, is the most alarmed of the three authors. It brought together delegates from the Latin American countries who were told by conservation officials the horrid tale of soil destruction in the United States (they still use the figure of 100 million acres of top soil lost through marginal farming, dust storms, over-grazing and erosion) and the hopeful tale of recent soil reclamation which has cut the annual rate of soil losses at least in half. In return, the Latin Americans confided the dire details of their own situation, which was bad when the first Spaniard noted in the early days that the sea at the mouth of great rivers was the colour of earth, and which has not grown better since.

Delegates were shown destruction wrought by forest fires, by machines that dredged in the valleys for gold and left the land a grey waste. They saw reclamation projects, and a farm of 850 acres "re-made" in a single day according to the best advice of the soil conservationists and with machinery and men loaned by machinery manufacturers. Latin American enthusiasm for soil conservation and reclamation was marked, though they were not agreed as to how far a government might interfere with a private owner's right to waste his, and the nation's, resources if he chose. Nor, as Catholics, were they willing to concede the other branch of the dogma, that limitation of population should go step by step with practices designed to hold top soil on the land. Experts estimate that by 1980 the Latin American population will grow from its present 153 million to 240 or perhaps even 290 million, while the North American population will grow from 158 million to 185 million. In spite of warnings that such a population in the southern continent means lower standards of living, the best support that could be mustered for the prophets of doom was a resolution recommending that, if the member governments asked it, the Pan-American Union should set up a committee to study population growth in general. The United Nations, under whose auspices three international meetings on the subject are to be held in 1949, may have more success in stirring man to protect nature against his excesses and for his good.

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

American Notes

Mr Truman's Team

Those who have been rearranging the Cabinet according to a system of rewards for the faithful and punishment for the faint-hearted have been disappointed. Mr Truman has announced that he has asked all the members of his Cabinet to stay on, and all have accepted. Mr Marshall's willingness to remain as long as his health permits, and the retention of so able an administrator as Mr Forrestal as Secretary of Defence, are particularly welcome at a time when foreign affairs and questions of defence are likely to be paramount. In time, however, changes in these, as well as other, posts are likely, for both Mr Marshall and Mr Forrestal are known to wish to retire. Then it will be possible to see whether there is any truth in fears of a new invasion of Presidential cronies, or whether the President will feel strong enough to secure able men to strengthen his official family.

Now that Mr Truman's Administration has a life expectancy of four years rather than a few weeks, this should be easier. But the low level of official salaries remains to discourage men who possess ability but no independent means. Two Republicans have come to the rescue. Senator Flanders has opened hearings on a Bill he is sponsoring to increase government pay in the top brackets, and his star witness has been Mr Herbert Hoover, now putting the finishing touches to the recommendations of his commission for the reorganisation of the executive branch.

General salary increases to secure better government servants at high levels will be one of the recommendations of this commission, but Mr Hoover's immediate concern is the salary of the President himself. The salary of $75,000 was fixed in 1909, travelling expenses of $25,000 in 1907: no man is more plainly entitled to a cost of living bonus. In addition, most of the $30,000 left after present taxes is eaten up by the upkeep of the White House. Under the Constitution, however, the compensation of a President can be neither increased nor diminished during the term to which he has been elected. The Democratic majority coming in on January 3rd has only until the 20th to show its gratitude to Mr Truman in a practical form.

Increases in other salaries are nearly as urgent, and there is a bi-partisan move to raise them quickly to strengthen Mr Truman's hand in seeking new recruits. Only 2,000 officials receive more than $10,000 a year; the heads of the nine executive departments receive $15,000. The Secretary of State, that is, is paid no more than any Congressman; Mr Acheson, mentioned as a possible successor to Mr Marshall, left the Department of State last year because he could not afford to remain. Justices of the Supreme Court, at $25,000, receive less than some judges in New York State. Congress has often been more willing to raise salaries at the lower levels than at the top, so that some men today earn more than their policy-making superiors. The salary exemptions for certain ECA officials recognised the need, however, of making Federal posts of responsibility more attractive and of competing with business for able administrators. There will be some hostility in Congress at the prospect of appointed officials receiving more than the direct representatives of the people. But the raising of salaries in the name of efficiency and economy will be easier to swallow than the sacrifice of the right to patronage that will be involved in the wider recommendations of Mr Hoover's impending report.

* * *

Discarding the Jokers in ECA

To conserve his appropriation for European aid Mr Hoffman, the Economic Co-operation Administrator, has challenged the clause in the Foreign Assistance Act which provides that at least 50 per cent of all aid cargoes should be carried in American ships—a provision which might be characterised as a little Marshall plan for the foundering American merchant marine. The provision has been criticised, both because the use of American ships, with their higher operating costs, consumes an unnecessarily large proportion of Marshall money, and because it deprives Europe of one means by which it might earn dollars (by taking in its own aid, so to speak).

When the Assistance Act was passed, the lobbyists for special interests were routed on most fronts, but in a few instances they were successful in obtaining domestic subsidies through foreign aid. Shipping was the outstanding example (as well as the most defensible, on the score of national security), but the Act also included a direct sop to the millers and live-stock interests in the requirement that one-fourth of the wheat sent abroad must be in the form of flour. The farm bloc was appeased by the limits placed on the export of farm machinery and the provisions concerning surplus agricultural commodities. Like the clauses deprecating the dismantling of German plants, such concessions were designed to win votes for the Act as a whole. With a new Congress to be installed on January 3rd, from which many of the isolationist critics have been dropped, the Administration may feel the moment opportune for streamlining the Assistance Act and discarding some of its jokers. Mr Hoffman already has suggested that the purchase of strategic materials, a long-term project, should be transferred to another agency, perhaps the Treasury.

As all the money appropriated last June is now allocated, Mr Hoffman is expected to ask for a supplementary appropriation of $1.25 billion for the rest of this fiscal year, and for $4.5 billion for the twelve months beginning in July. When Congress debates these requests, it will examine the record of European co-operation and achievement, including presumably the current charges that Britain and other European countries have been reselling to the United States, at a profit, aluminium and lead bought with Marshall funds. The new Congress may also be glad to tidy up the Act which was passed by its Republican predecessor. Such an opening of the Assistance Act to revision will lead, of course, to new lobbying. Already the farm equipment manufacturers hope to eliminate the restriction on their exports; the airlines are said to be fishing for a guaranteed share of the available freight; and the grain trade, frustrated by Mr Truman's decision to continue government purchasing, wishes to substitute for the Act's generalised preference for private trading an express prohibition on government buying.

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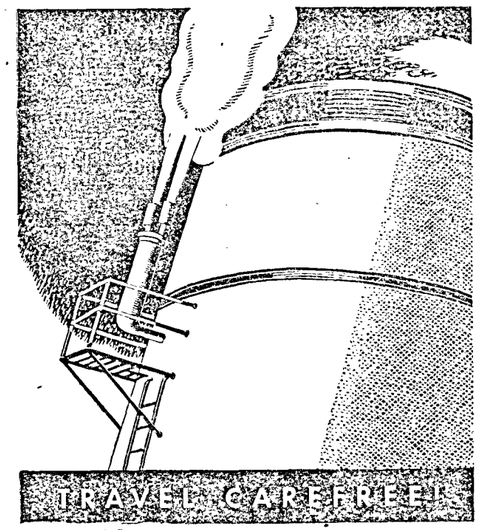
No Marshall Aid for US Ships?

Mr Hoffman has decided to cease allotting 50 per cent of the bulk cargoes in foreign aid to US ships after January 1st unless their rates become truly competitive by then. If Mr Truman, so far non-committal, supports him, members of local chambers of commerce and the shipping operators may join unaccustomed hands with the maritime unions on their threatened picket line. They are almost as alarmed as the Seafarers' Union at the vision of "mothballs for ships and berry-picking for captains and crews." The 50 per cent provision was written into the Act under pressure from both maritime unions and operators; the objections of the Administration were met by two escape clauses. The American ships must be available at "market rates," and their use was to be encouraged "so far as practicable." Most of the bulk carriers are ships chartered from the Maritime Commission. To the industry "market rate" means the charges fixed by that body; to Mr Hoffman it means "worldwide competitive tramp rates."

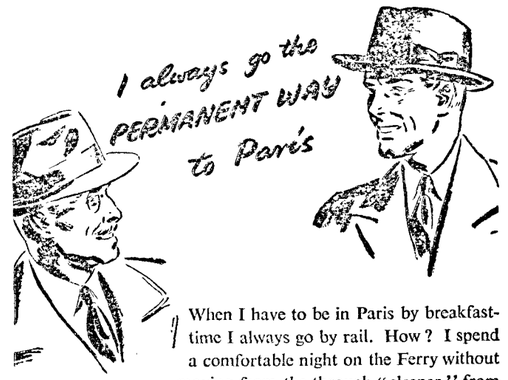
The 50 per cent clause is only the most recent of several attempts to reserve American cargoes for American ships. But in the past they have failed, either because the cargoes were unattractive or the ships to carry them did not exist. Wartime shipbuilding, however, left the United States with a large bulk carrier fleet and in the interests both of a reserve for war emergencies, and employment in the shipyards and at sea, it was decided to keep it in being. ECA is at present the largest market for these freighters; it employs 150 of an estimated total of 700 US dry cargo ships now engaged in foreign trade. The Maritime Commission will fight hard to keep them alive.

The protected market and rate preference granted these ships through ECA were designed to discourage the operators from handing them back to the Commission, but it has not succeeded, owing to high and still rising costs. Mr Hoffman's view is that in the past the preferential treatment was excusable because of the worldwide shipping shortage; every US ship was needed. Today, he argues, not only are there insufficient American ships to carry half the bulk aid cargoes, but foreign ships are available in adequate numbers.

Mr Hoffman puts the difference between American and foreign shipping charges as high as $4.50 a ton for coal to France (a figure which the industry disputes; it also argues that without American competition foreign rates, now artificially depressed to impress ECA, will rise). As ECA Administrator, Mr Hoffman believes it is his duty not to subsidise the American shipping industry to the tune of some $50 million a year at the expense of European recovery. It seems likely that his ultimatum is directed, not at the shipping industry, the unwilling prisoner of



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high American costs, but at Congress. If subsidies are desired, Congress can authorise them without making foreign aid foot the bill. It already does so for liners on 32 "essential" routes, a reform instituted in 1936 after the scandalous veil of mail-contracts was drawn aside.

* * *

Fifteen Years of Repeal

Last week it was 15 years since the repeal of the constitutional amendment which prohibited the sale of alcoholic liquor in the United States. The advocates of prohibition have no difficulty in finding statistics to support their refusal to regard their defeat as more than a set-back. Not only are there perhaps 60 million drinkers of alcohol in the United States today, compared with about 43 million in 1940, but the amount each consumes in a year has increased from about 60 quarts in 1919 (the year before prohibition came in) to 90 quarts this year (but of this over 80 quarts will be beer). The nation is said to spend 5 per cent of its income on liquor. On the other hand, in 1929, at the height of prohibition, deaths from alcoholism were 3.9 per 1,000, compared with 1.6 in 1946, and the highest recorded number of deaths per traffic mile in road accidents occurred in 1925, the lowest in 1947. It can be argued that it was prohibition, not repeal, which encouraged the increase in drinking that has undoubtedly taken place in the past generation. Once it had become fashionable to break the law and drink spirits, drunkenness was no longer socially degrading; the new consumers of alcohol are probably most of them women, who now drink nearly as freely as do men. Then, too, American drinking habits are in part the legacy of a pioneering country which did not produce wine; when alcohol was not easily obtainable, it was drunk occasionally in excess rather than regularly in moderation.

The modern method of dealing with the economic liability, represented by the six million citizens who drink too much and the three million who are pathological alcoholics, is to transfer alcoholism from the realm of sin to that of science, to remove the causes rather than punish the victim. Yale University holds an annual School of Alcoholic Studies, and doctors and lawyers in New York are drafting a Bill which would legislate for alcoholism on a medical rather than a criminal basis. Several well-known industrial concerns deal with drunkenness amongst their employees through Alcoholics Anonymous, the society of about 80,000 reformed drunkards who help others to follow their example by a combination of faith and fellowship—faith that a cure is possible and fellowship in carrying out the mental and physical adjustments which abstention requires.

* * *

When prohibition was written into the Federal Constitution in 1920, it was already in force in 33 of the 48 States. Now there are, or shortly will be, only two States which impose it, Oklahoma and Mississippi, but there are many smaller districts where the sale of spirits is prohibited, chiefly in rural and southern areas. Nearly 20 per cent of the population live under supposedly dry conditions, and there are only 16 States which are entirely wet; even in the dry states there are nearly 3,000 bootleggers who defy the State laws, yet meekly pay the Federal tax. This tax averages $9 a gallon and State taxes $1.40, on whisky which costs only about $1.50 a gallon to produce; so that there is an economic incentive for the trade in illicit whisky even in wet States.

Repeal was accompanied in 1933 by good resolutions that it would not involve the return of the notorious saloon. But in many places the modern tavern differs little from it. The hours during which liquor can be sold and the places in which it can be bought are steadily increasing. There are many local variations, but it is often sold more freely than food. It is not uncommon for the motorist to fill his tank with petrol and his flask with whisky, if not from the same pump, at least at the same stop. Alcoholism will probably always be easier to catch than to cure in a country where bourbon is easier, even if dearer, to buy than bread.

* * *

Christmas Shopping

The white reindeer which this year remind Chicago shoppers of the imminence of Christmas were decorating the streets by the end of October, soon after the "Sweetest Day"—on which two lumps of sugar were meant to go where one went before—and when "Apple-Eating Week" was about to take the place of "Letter-Writing Week." The premature arrival of the reindeer did not, however, encourage shoppers to make up for the lack of energy which they had shown in October. In that month, contrary to postwar custom, retail sales were running at the same rate as, instead of well above, those of the same month in 1947. In November, when the Christmas spirit is really supposed to make itself felt, sales all across the country were from six to ten per cent lower than last year. After the Thanksgiving holiday had given time for writing both letters to Santa Claus and more prosaic shopping lists, December sales began to draw closer to last year's, but were still well below the retail trade's rosy forecasts. This decline in sales is spreading from the high-class department stores to the mail order houses and the variety chains (as, in the interest of truth, the "five and ten-cent" stores now call themselves).

The first cloud, and a very black one, had been the sharp drop in purchases of electrical household appliances which followed the renewal of controls on instalment buying. Salesmen put much of the blame on those controls, but they also complain that television sets have stolen the market for other durable goods. Apparently the housewife whose eyes are glued to her television screen has neither time nor money for a new washing machine—and perhaps her husband can do without a clean shirt if he does not have to take her to the movies. The next storm warning was the decision of a chain of men's clothing stores to cut its prices by 20 per cent: no one believed that this was an altruistic contribution to the fight against inflation. After that the downpour became fairly general, although the women's wear departments still provided welcome dry spots. Retailers are seeking shelter under the warm weather, which has not encouraged thoughts of Christmas, and the hope that the prewar habit of a last minute rush to the shops is going to reappear, now that scanty stocks no longer make it necessary to buy early.

The election results probably had a good deal to do with the disappointing sales in November. Prospective purchasers of mink coats and diamond rings were disheartened by the decline in the stock market and the fear of new taxation, while buyers of more essential items were waiting for the lower prices promised by Mr Truman. The good business being done in bargain basements, and at the many well-advertised sales which have already begun, show that the consumer is becoming price and quality conscious, now that plentiful supplies enable him to pick and choose, his urgent needs have been filled and his war-time savings used. The rising retail price curve has flattened out since August and two big mail order houses are planning to reduce prices in their spring catalogues by from five to ten per cent. They cater for the rural market and are aware that farm incomes have begun to fall. But consumer incomes as a whole are still rising and employment remains higher than last year, even though it did drop below 60 million in November.

There is more than a suspicion that the publicity being given to the fall in retail trade and in employment in certain factories is designed to provide evidence of approaching deflation, in order to discourage the demands of labour for higher wages and of the President for economic controls. Retailers can hardly have expected to go on breaking Christmas records for ever. Even if Christmas trade actually declines for the first time in eleven years, total sales for the year are still running at exceptionally high levels, well above 1947. So far the Christmas shoppers are only telling the business man that easy times are over, not that hard times are coming.

Shorter Notes

Mr Truman will be the first American President since 1916 who has not had a popular majority over all his opponents; the 24,104,836 votes which the final official count gave to him were only 49.5 per cent of the total cast. If, however, the 2,326,412 votes, which went to the two rebel Democrats, Mr Thurmond and Mr Wallace, in almost equal proportions, had been given to Mr Truman, he would have had his clear majority. Mr Dewey, with 21,969,500 votes, had 45.1 per cent of the total. The votes given to the Socialist (132,138), Prohibitionist, Socialist Labour, Socialist Worker and other candidates amounted to 279,668. The 48,680,416 people who voted in the Presidential Election were only 51.2 per cent of those eligible, but another 683,382 people, who did not have sufficient enthusiasm for any of the Presidential candidates to support them, voted for Congressmen, Senators or local officials.

*

If tax receipts and Federal expenditure continue at their present estimated rates, the 1949 budget year should close on June 30th with a surplus of $3 billion. With the national income running at an annual rate of $250 billion, more than $45 billion should be collected in taxes during the year, in spite of the tax reductions approved by the last Congress.

THE WORLD OVERSEAS

Winter of Discord

(From Our Rome Correspondent)

As the fourth postwar winter rolls fog into the Lombard plain, the national perplexities of Italy stand out more clearly and starkly than they did a year ago. The excitement of the impending elections then encouraged the feeling that all was merely provisional. In the winter of 1948-49 there are intolerable tensions, and no promise, however fallacious, of resolving them. One of the recurrent nightmares of this highly self-insufficient country, lack of raw materials, has, it is true, been exercised for as long as Marshall aid continues in its present profusion. To that extent *there is a basis for rebuilding a balanced economy.* Agriculture, moreover, has almost regained its prewar productivity, and city life displays few scars to recall the disasters of five years ago. *The visible flow of goods and services is abundant.*

But equally visible is the capriciousness of its distribution, judged not only by social ideals but by habit and tradition. Among capitalists the owners of house property are reckoned collectively to enjoy a negative income: but a current scandal concerns tax evasion by a Milan textile industrialist to the tune of 5 milliard lire (over £2,000,000), and it is a "capitalist" newspaper of the North which describes this case as "typical." In the middle classes, while medical men, for example, appear to be earning comfortable incomes, the employees of the state are reckoned to be receiving the same total purchasing power as before the war, but it has to be shared by more than a million recipients against threequarters of a million in 1938. Meanwhile, whatever be the true numbers of the unemployed (one and a half million by the smallest of many computations) their presence pervades daily life. Those who have in recent years employed secretaries, clerks, chauffeurs, servants or artisans, must expect a flow of these old acquaintances to their doorsteps, seeking work, recommendations, or advice about emigration for themselves and for young relatives entering the labour market as newcomers in their hundreds of thousands. By no means all these unplaced persons are hungry or ragged. In rich districts like Emilia many of the unemployed look blooming. But they desperately lack a function and a focus for their energies, and, no less than the impoverished, clamour for justice. Since "austerity" is regarded as an impossible attitude to expect from a hedonistic nation, rationing consists solely in the distribution of limited quantities of bread and sugar at subsidised prices and of occasional Unrra surplus clothing. Quantities of every kind of commodity for unrestricted purchase abound and inequalities of income (in which must be included the utterly capricious inequality between those who hold standing leases at a negligible figure and those who pay a huge part of their income as rent on exorbitant new leases) translate themselves with a crudity that has been forgotten in England into enjoyment or lack of food, clothing, shelter and warmth.

Planning or *Laisser Faire*?

In seeking a remedy for this widespread discontent and a method of coping with its causes, the Government is torn between its *laisser faire* wing and its planning wing. The *laisser faire* wing has haunting dreams of a "classical" recovery comprising the demise or shrinkage of unprofitable enterprises (in particular of the survivals of autarky and of the war economy in the heavy and mining branches of industry), the shift of labour from where it is redundant to where it could be employed on terms within the employer's means, with the background of a state spending only its revenues and not debauching the currency. The dream of the planning wing is on the contrary to keep existing enterprise in existence; to draw the energies of the unemployed into additional production; to make full immediate use of the ERP deliveries of coal and fuel oil which are piling up in unprecedented masses; to bring roads and water into neglected provinces; and to pump a vivifying stream of public works into war damaged towns or those still unhappier places, like the large Apulian townships, Andria and Corato, where thousands have always lived in cavern dormitories. As Signor de Gasperi labours to reconcile these divergent approaches, he cannot forget Mr Zellerbach, the ERP Administrator for Italy, who has to sanction drafts upon that ERP lira fund which represents the Government's main availability for any kind of imaginative expenditure. Mr Zellerbach is against any investments which do not promise rapid returns or help to reduce Italy's dependence upon foreign aid in the next few years.

A statement of general economic policy issued by the Government in July embodied the compromise reached between the rival doctors in the Government in the following five-point prescription: (1) currency stability and balanced budget, (2) reduction of expenditure, (3) severe fiscal policy, (4) campaign against unemployment, (5) production policy calculated to raise the total of wage incomes. There has been a measure of success under the first heading, an effort to achieve the second, offset by some yielding to the irrefutable claims of the civil service to better treatment. As to the third, the tax evasion in Milan has given the Government a wonderful cue if it can muster the strength to follow it up. But no clear victories, or even hints of success have been achieved under the fourth and fifth headings. The Government thus remains exposed to the furious denunciations of the Communist and "Fusionist" (fellow travelling) faction that it has no policy at all for remedying economic debility and distress.

Communist Propaganda

The popular propaganda of the "Communfusionists" unblushingly measures the present state of affairs ("hunger and terrorism") against the alternative of happy peasants cultivating their several acres apiece in a land quit of landlords, and of happy workmen working factory plants at full blast on the strength of a withdrawal of American tutelage and a roaring trade with the countries of eastern Europe. It is in tune with that level of sentiment that the Communists utter their full-dress denunciations of every detailed effort by the Government to stimulate recovery—from the "Fanfani Scheme" for employing 50,000 men on a working-class housing programme over seven years (the scheme has now been amended to give work to 27,000 only) to the Segni land reform plan which is radical enough, at any rate, to frighten a large wing of the Government, and may cost it the loss of some Ministers.

The automatic anathematisation of every Government proposal called for by the Communist headquarters is based on a dogmatic denial that the Government is taking any real steps at all, except those of breaking down the guarantees won by labour in the last five years. This dogma admits of the unleashing of strikes or, a recent refinement, of "non-collaboration" campaigns, whenever and wherever political strategy calls for them.

The desperate "separatism" (in General de Gaulle's use of the term) of the hard core of the Communist leaders is an irreducible surd in the economic problem. Every effort towards economic recovery thereby requires so much additional expenditure of energy because of this organised design to defeat it. But the human material, the political strike-fodder of the Communists, is not isolated from the body of the nation, and those who conduct the strategy have to take account of millions of workers whose ideological fidelity cannot be stretched indefinitely in the opposite direction to their workaday interests. Even the high Communist dignitary, Giuseppe di Vittorio, when speaking as general secretary of the General Confederation of Labour, has to remember that there are non-Communist officials in his own organisation, eager to show themselves better stewards than the Communists who hold most of the directing positions; there is also a new Confederation of Catholic inspiration, which is waiting to benefit from any blunders by the Communists. Accordingly di Vittorio, as a trade unionist, has on occasion disclaimed the total opposition to the Marshall aid plan which is inscribed

on the tables of the Party and there are many examples of local give and take between political opponents. After the blunder of the insurrectionary general strike in July, the agitation campaign was broken down into a succession or chain of local and partial strikes, and in the autumn came the refinement of "Non Collaboration," or planned sabotage of production by pedantic adherence to factory routine and refusal to deal with manufacturing problems by common sense and flexibility. There has been a vigorous reaction against this method which is felt to be shabby and unworthy of a virile worker who, if he works, likes to put his back into the task. It is possible that the Communists may go slow in imposing this unnatural slowness, sooner than face a threatened debate on the subject at a high level in the Confederation of Labour.

Clearly, Communist domination of the trade unions and of many of the organs of local government is a powerful drag upon the Government's well-meant if somewhat patternless efforts to pull the country into an atmosphere of expanding opportunities and diminishing social animosities. And clearly the high Communist leadership is playing for stakes which transcend any consideration of their followers' earthly interests. From the fact, however, that Communism must solicit support by masking itself as a practically beneficial programme (as many even of its higher ranking adherents believe it to be), the Government draws the hope that its own beneficial measures may gradually damp the revolutionary fevers and help to heal the terrible *frattura* (split) which in the winter of 1948-49 runs through the mind and body of the country.

Russia's Economic Revival—II

[BY A SPECIAL CORRESPONDENT]

IN last week's issue of *The Economist* it was suggested that Russia's industrial output has reached and surpassed the prewar level. In his anniversary speech in November, Mr Molotov stated that agriculture, too, had this year yielded a crop as large as that of 1940. (The recovery of cattle and dairy farming has been much slower, but even before the war its share in the Soviet national income was not more than four per cent.) It may, therefore, be assumed that the national income of the Soviet Union is now as large or even slightly larger than it was in 1940. Only an income considerably higher than the prewar one may enable Russia to meet the chief demands of its national policy: to repair the ravages of war, to expand its productive apparatus, to achieve even a modest improvement of its low standard of living and to allocate a portion of its national resources to military purposes.

The Five-Year Plan is therefore based on the assumption that in 1950 Russia's national income will be 38 per cent higher than before the war.

But how large is this income in absolute terms? How does it compare with the incomes of other countries? In what proportions is the national product allocated to private consumption, to the expansion of the national economy and to armaments? The answers can only be highly tentative. One part of the difficulty lies in the differences between the various methods of computing the national income. Russian statistics, for instance, based on the Marxist concept of what is and what is not productive labour, do not include in the sum total of the national income many of those services which loom large in the national accounts of other peoples. To this extent they underrate, by non-Marxist standards, the annual yield of the nation's economy. No information is available that would show the effect of reparations and foreign trade upon the size of the national income. The main difficulty lies, however, in the fact that the published totals of the national income are all given in constant prices, in those of 1926-1927, while the figures of current governmental expenditure, investment and the wages bill are all given in current prices. For nearly two decades no price indices that would make it possible to correlate the two sets of figures have been published, although the official statisticians possess them. The ensuing confusion becomes a nightmare when official spokesmen begin on top of all the rest to juggle with 1940 or 1945 prices.

NATIONAL INCOME OF THE USSR
(In Constant 1926-27 Prices)

Year	Billions of Roubles	Percentage of Previous Year	Percentage of 1913
1913	21·0	...	100·0
1921 (end of civil war)	8·0	...	38·1
1926 (middle of NEP)	21·7	129·2	103·3
1932 (end of first five-year plan)	45·5	111·2	216·7
1937 (end of second plan)	96·3	112·0	458·6
1940	128·3	...	614·0
1948 (estimate)	120·0	...	—
1950 (planned)	177·0	...	842·9

These figures—and even more the figures of Russian industrial output which show an even steeper increase—have inevitably aroused the statisticians' scepticism. Much of Russia's present industrial output (tractors, machine tools and so forth) was priced very highly in 1926-27 and high pricing continued later when Russia's industrialisation began. Indices calculated on the basis of such prices must exaggerate the increase in the national income. On this nearly all critical students of Russian statistics have agreed. But new confusion arises when an attempt is made to define the degree of the exaggeration. This is illustrated by a series of essays recently published by Harvard University.* One of the contributors, Mr Colin Clark, arrives at the conclusion that in 1938 the Russian national income was only about 50 per cent above the 1913 level. Here the statistician, calculating in "international units," has obviously gone much too far in the attempt to deflate the Russian figures, for according to his calculation Russia in 1938, a year of heavy rearmament, spent on defence and other government services less than it did in 1913, a patently untenable contention. Another statistician, Mr Alexander Gerschenkron, has checked the figures for overall industrial output against the indices for basic industries and suggests that the output of Soviet industry has risen, in comparison with 1913, not 8 or 9 times, as it is officially claimed, but roughly 5 or 6 times. This appears to be much more convincing. Finally, Mr Paul A. Baran has made an ingenious attempt to compare the national income of the USSR in 1940 with that of the United States. From this comparison it appears that in 1940 the Russian national income was nearly four-tenths of the American. "The per capita current civilian outlay in Russia amounted to 153 dollars annually. The roughly corresponding figure for the United States for the same year is about 600 dollars." It may be added that on the assumption that this year's Soviet national income is again what it was in 1940 and that the American income has since then increased roughly by 50 per cent in real terms, the current Russian national income is at any rate less than 30 per cent of the American.

Rivalry with United States

From these figures, even if they happen to under-rate Russia's actual wealth (which does not seem to be the case), the major problem of Russian policy emerges with great clarity. It can be formulated as follows: how can Russia, basing itself on a national income which, for all the impressive achievements in industrialisation, is still so much inferior to the American, maintain itself in the position of a powerful rival to the United States? This is the consideration which governs all Soviet economic policy and especially the distribution of the national income.

It has been assumed in these columns that the 1948 net national income is of the order of 130 billion in 1926-27 roubles. How much is this figure in current roubles? Since government expenditure, wages and some investments are calculated in current prices, the sum total of the national income, too, must be put into current prices before an approximate idea of its distribution can be obtained. On the basis of involved calculations, checks and cross-checks, which cannot even be summarised here, it is proposed to adopt two hypothetical "rates of exchange" between the 1926-27 and the 1948 rouble, the first making one 1926-27 rouble equal the value of 3.5 roubles at the present day, and the second making the 1926-27 rouble equal to four 1948 roubles. (These "rates" seem to reflect the depreciation of the rouble in the early and late 'thirties, and they make allowance for last year's currency reform). The following table gives the total of the net national income and its distribution, calculated on the basis of these "exchange rates" and in the light of information contained in recently published books by N. Voznesensky, Soviet Vice-Premier and chief of the State Planning Commission, and by A. I. Notkin, a noted Russian economist.†

* *Appraisals of Russian Economic Statistics*, reprinted from the Review of Economic Statistics, published by Harvard University. Price 50 cents.

† N. Voznesensky: *Voyennaya Ekonomika SSSR*, Ogiz, 1948, pp. 191, price 3s., and A. I. Notkin: *Ocherki Teorii Sotsialisticheskovo Vosproizvodstva*, Ogiz, 1948, pp. 291, price 3s. 6d. Mr Notkin's book has had a rather unfriendly reception in the Soviet Press, while M. Voznesensky's has been treated as a "revelation."

PROBABLE DISTRIBUTION OF RUSSIA'S NET NATIONAL INCOME

	Rate: One 1926 r. =3·5 1948 r. (In billions 1948 r.)	(Percentage)	Rate: One 1926 r. =4 1948 r. (In billions 1948 r.)	(Percentage)
Total national income	455	100	520	100
Civilian consumption	266	59	314	60
Net capital formation	95	21	109	21
Defence	66	14	66	12·5
Building of stocks	27	6	31	6

Of the two "rates" adopted, the first one (1=3.5) seems to be nearer reality. It will be interesting to note that the share of civilian consumption is 9 or 10 per cent lower than the corresponding share of personal consumption in the British national income as estimated in the *Economic Survey for 1948*. On the other hand, net capital formation claims exactly 9 per cent more than the same item in the British national income. Incidentally, Russian economists put the share of civilian consumption above 70 per cent of the national income. But as *Izvestia* (of April 25, 1946) explicitly stated that "consumption" in this context includes defence expenditure, their claim may safely be dismissed.

Not only is Russia's income per head still much lower than that of the western countries, but a much lower proportion of that income is allocated to meet consumers' needs. On the other hand, the proportion of the national income that goes into net investment is 50-75 per cent higher than its counterpart in the western countries (including the United States) has been even in these years of exceptionally high capital formation. This is, of course, the basis for the expected rapid growth of the national income in subsequent years. Incidentally, this year's budget estimates provide that appropriations for "national economy" shall run at the rate of 132 billion roubles, but this figure gives the sum total of centrally planned *gross* capital investment (including some replacement of old capital). It goes without saying that part of the new capital is invested in the armaments industry, but it is impossible to make even the roughest guess of its likely size. As a rule, the outlay on new armament plant is not included in defence expenditure. Such new plant is expected to be financially self-supporting like any other plant. What is included in the defence expenditure is the value of the annual produce of the armament industry which is "bought" by the government. There are some indications that a higher proportion of the total defence expenditure is now devoted to the re-equipment and to stocking munitions than to the upkeep of the armed forces.

About 13-14 per cent of the income appears to be diverted to defence as against 6-8 per cent in the United Kingdom and the United States, and since every percentage of the American income spent on defence represents 2-3 times as much in real armament as every percentage of the Russian income, it follows that Russia can support its present military power out of a lower national income only by spending a higher proportion of it on defence.

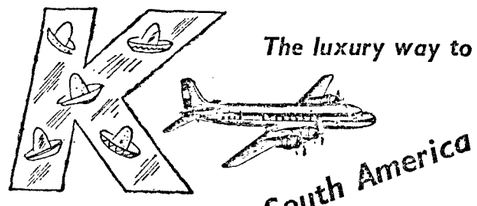
An interesting feature is the building up of stocks, which absorbs 6 per cent of the net annual product. This item assumed considerable importance as the methods of planning improved in the late 'thirties; and it has again received much attention in post-war planning. The 6 per cent of the national income are laid aside to build up a "reserve" of food, raw materials and fuel designed to ensure an even rhythm of production in the event of normal winter-time breakdowns in transport and also in the event of war. In the recent war the reserves so built up helped the government to overcome the dislocation caused by invasion, industrial evacuation and the migration of great masses of people to the east. In the course of the war the enormous stocks were depleted. It is significant that so much importance is again being attached to the building up of new stocks. This may be and is justified by the normal needs of planning, but it may also have military implications.

(To be concluded)

Monopoly in Argentina

[FROM A CORRESPONDENT IN BUENOS AIRES]

ON December 5th Argentine voters elected the members of a National Convention which is to be entrusted with the task of reforming the country's Constitution, which has been in force since 1853. What form the amendments to the Constitution will take depends, of course, on what political party gets most of the seats in the Convention (two parties, the Conservatives and



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Socialists, are not putting up candidates). Final results are not available, but the official *Peronista* party is assured of a substantial majority. The proposed reform is a *Peronista* project, and one which has aroused not a little opposition from the other parties. Official propaganda has for some time played up constitutional reform, and the new Constitution is already referred to as the "Perón Constitution." The voter is none the less greatly in the dark as to what he is voting for.

Some announcements by party spokesmen have, however, given an inkling of what line the proposed reforms may take. One of these was contained in a broadcast speech by Admiral Teisaire, the president of the *Peronista* Supreme Council, on November 4th. The Admiral referred to a number of projected changes, many of them of a more or less radical nature, but perhaps the most controversial and, from the foreign observer's point of view the most interesting, was predicted in his declaration that with a view to consolidating the doctrine of economic independence, the new Constitution should provide that "the import of essential goods, the export of surplus production, the organisation of manufacture, transport and distribution of our (Argentina's) wealth abroad" is to be a prerogative of the state. Other "manifestations" of the country's economy, he continued, will be left to private enterprise, but public utility services must be "exclusively Argentine."

State monopoly of the import and export trade already exists to a great extent in Argentina through the control of this trade by the *Instituo Argentino de Promoción del Intercambio (IAPI)*, but it is precisely the proposal to give constitutional enforcement to this monopoly which has occasioned the most controversy, and protests have been made not only by the political parties of the opposition but by financial and economic interests. A Buenos Aires financial journal devoted a leading article to the subject in which it was pointed out that, although the former liberal regime had been accused of conniving in the wastage of the country's resources in dividends, commissions, freight and other charges, under it Argentine prosperity nevertheless reached a point where it compared favourably with that of other countries. The article went on to say, the intervention of IAPI in Argentine foreign trade has by no means always served the best interests of the nation. An instance mentioned was the overseas marketing of linseed and its derivatives, for which a price was demanded far above world-market prices and, incidentally, about four times the price paid to the Argentine producer. The result was that the United States, which had for many years absorbed about half Argentina's production of linseed, was induced to encourage home production, and the first crop harvested in the States has exceeded that country's domestic requirements. This important market is now closed to Argentina, with an estimated yearly loss of 250 million pesos. The instance mentioned is, in fact, not the only one in which the operations of IAPI in the Argentine export market have not been conspicuously successful. There is no doubt that, whatever Argentine apologists may say to the contrary, the country's export policy since the war has been based on the belief that decreased production and world-shortages of primary products would compel buyers to pay any price asked by the seller. That this policy, however profitable in its earlier stages, was short-sighted in the extreme is becoming increasingly evident. At a time when Argentina more than ever needs foreign exchange for the development of industry under the Five-Year Plan, exports, with some exceptions, showed a marked decline, a decline which the Argentine Government is beginning to view with alarm.

A privately published economic weekly in Buenos Aires, in a recent issue, devoted much space to comments on this phenomenon, referring especially to the interruption of exports of hides, the sharp decline in meat exports, and the falling off in grain shipments (with the exception of maize shipments, most of which go to Britain at the high prices paid under the Andes Agreement), and the virtual paralysis of the export trade in linseed-oil. At the same time, it was remarked, import permits are being granted with a niggardly hand, and even these importers who have succeeded in obtaining quotas for textiles from Britain, for example, are often faced with the impossibility of securing exchange. This journal (usually well-informed) is of the opinion that Argentina is confronted with the alternative of either lowering the export prices of many of its products, or adjusting official rates for foreign exchange so that prices paid by overseas buyers will fall, with no corresponding decrease of the peso equivalent. It is suggested that the latter alternative will probably be adopted, but statements made by Señor Miranda hardly confirm this speculation.

Bargaining Points

Señor Miranda, addressing the Finance Ministers of Argentine Provincial Governments on November 25th, said that he believed that it would shortly be necessary to reduce cereal prices, but that it should be possible "with ability" (which presumably means by able bargaining) to obtain higher prices for meat, hides and wool. Referring to Italy, a country which, he said, had almost completely paid off its debt to Argentina, he remarked: "Now they say that they do not want our cereals because these can be acquired more cheaply under the Marshall Plan, but in that case to whom is Italy to sell its own products? And the same query will occur to Switzerland and to other countries." Argentina, he continued, although only a nation of 17 million inhabitants, had the purchasing power of one of 50 millions, and Argentina was prepared (in bargaining) to exploit this purchasing power, which he referred to as "preponderating." The speaker then went on to say that if Belgium, for instance, wished to sell rails to Argentina at prices 50 per cent above those asked by the United States, and in exchange wanted to buy Argentine wheat, the latter country would demand 50 per cent more for its wheat (but 50 per cent more than what price is not apparent). Referring to imports of coal from Britain, he said that as the prices demanded were four times the pre-war figure, why should not Argentina demand a price for its meat four times that formerly obtained. These remarks by President Perón's economic lieutenant are, of course, merely variations on a theme which he and other Argentine spokesmen have harped on for the last year or more; but the instance of the "rails against wheat" deal would seem, in view of present world-production trends in wheat, to be not of the most felicitous.

Change in Exchange Rates?

Señor Miranda later had an opportunity of alluding to speculations on changes in official exchange rates, when he was present at a meeting of representatives of Argentine insurance companies with President Perón. In the course of the ensuing discussion one delegate referred to the fact that rumours of adjustments in exchange rates were affecting the sale of Argentine wool in foreign markets, where buyers were holding off in the hope of obtaining supplies at lower prices. In reply, Señor Miranda said that the National Economic Council had already had the matter brought to their attention, and had instructed the Central Bank that no alteration in existing rates of exchange was to be made without first consulting the Council. This, however, does not seem a categorical denial that some such alterations had not been previously considered. A rather unusual note was struck when the questioner remarked that Señor Miranda's assurance would be welcomed by producers as tending to the stability of prices; whereupon the President of the Economic Council, assuming apparently the role of official tipster, interjected; "No, not stability. Prices are going up. . . . It's a pity that it is already after 12 o'clock noon"—alluding to the fact that the market was closed—"but they'll be up on Monday!"

The falling off in Argentina's foreign trade has been accomplished by another phenomenon—suspension of, or at least delay in publication of official statistical figures. The last available figures of foreign trade are those for the half-year ended in June, 1948, published last August; the Central Bank's *Bulletin* (a monthly publication) has not appeared since last August, containing data for the most part up to the end of July. The official monthly statistical summary has not appeared since April. Whether the interruption in the issue of these figures is deliberate or fortuitous is a matter for conjecture.

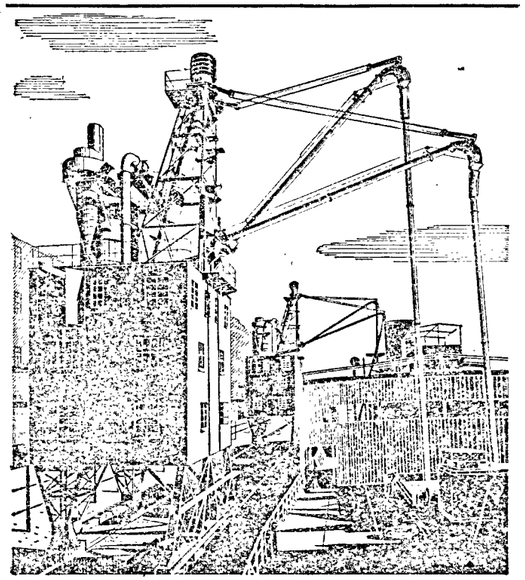
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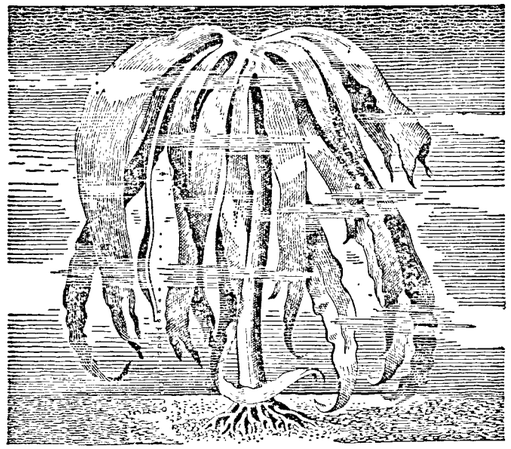
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Harder Sterling

ONE of the most significant, though least publicised, economic movements during the past year has been the appreciable increase in the respectability of sterling on the world's markets. A year ago, an early devaluation of the pound was confidently taken for granted in the United States and most countries in Continental Europe. Today the fulfilment of all such expectations or hopes has been relegated to an indefinite future. A year ago, the commercial rate for transferable account sterling in New York was around $3.20. It has since appreciated to $3.50. Over the same period the rate for sterling notes in New York has risen from $2.80 to $3. In Zurich the rate for sterling notes has improved from Frs.9.50 to Frs.12.25. The sterling-dollar cross rate which emerges from free market operations in Hong Kong has moved from $2.80 to $3.10. Comparable improvements have occurred in most of the free commercial rates for sterling. Each of these rates may be highly artificial and related to a comparatively small volume of business. But the force and unanimity of the evidence cannot be disregarded.

These straws in the wind, however flimsy each may be, tend to confirm other evidence that, over a widening area of the world, sterling has been getting scarcer and harder. Some of this evidence takes the disconcerting form of severe curtailments by such countries as Sweden and the Netherlands of their import licences for sterling goods. Statistics of the United Kingdom balance of payments measure the substantial improvement which has taken place in British current transactions with countries outside the Western Hemisphere. This improvement has been most marked in the payments account with other sterling area countries; this showed a net deficit of £30 million in 1946, a surplus of £85 million in 1947, and for the first half of 1948 was running at a rate suggesting an annual surplus of £140 million. The corresponding figures for British payments with the other eighteen countries participating in the Organisation for European Economic Co-operation tell a broadly similar tale. In 1946, an exceptional year dominated by relief rather than recovery, Britain had a surplus of £45 million with these countries. This was converted into a deficit of £30 million in 1947, but in the first half of this year the account was again showing a surplus at the annual rate of £80 million in favour of the UK. These surpluses for the first half of 1948 were, of course, exceeded by the deficits incurred with the Western Hemisphere and other countries, so that in the first half of this year the balance of payments as a whole was still in deficit at the annual rate of £280 million. There is, however, reason to believe that a striking improvement has taken place in Britain's external payments account during the second half of this year.

Some of the increased respectability and hardness of sterling during the past year is relative rather than positive. The improvement in sterling reflects, in part, the unquestioned deterioration which has occurred in the finances and basic economic position of certain other countries, such as France and Sweden. It also reflects the fact that, during the past year, the rise in prices and costs has been more marked in the United States than in Britain, with its suggestion—it is, of course, no more than a suggestion—that sterling might yet be floated into equilibrium with the dollar by the relative depreciation in the internal value of the dollar. The relative character of the improvement of sterling is best illustrated in the market for pound notes in Paris; a year ago, pound notes stood at a small discount compared with the official rate of 876 francs to the £ at that time; today the pound note commands a black market rate of about 1,500 francs compared with the official sterling rate of 1,062 francs. Some of this improvement proceeds directly from the enhanced credit of sterling but the greater part of it must be attributed to a continued loss of confidence in the French franc.

The improvement in the standing of sterling arises from a highly variegated compound of technical, psychological and commercial forces. Underlying them all is the honesty and severity of fiscal policy pursued in Britain since Sir Stafford Cripps went to the Treasury. The budget surplus may not match the original intentions of the estimates and the policy of disinflation may have lost a good deal of its fine edge; but these are still tokens of an orthodoxy in financial policy which is all too rare in the world today. The effects of this policy have been to keep British costs and prices in reasonable competitive trim, to curtail to some extent the domestic appetite for imports and for goods intended for export and to give some partial demonstration to the world that an attempt is being made to back sterling by honest and balanced governmental finances. Again, the qualified achievements of Britain gain by the contrast with what has occurred elsewhere. British fiscal policy may still fall short of the ideal objective that should have been reached; but British performance in this respect compares well with that of wellnight every other country in Europe, and even with the United States. The free exchange markets have given due recognition to this comparison; as a result, they are now quite disposed to take at face value the occasional official pronouncements by the Chancellor of the Exchequer and other Government spokesmen that there is no question and no intention of an early devaluation of sterling.

The technical position of sterling has also strengthened considerably during 1948. A large element in the run on sterling, which preceded and precipitated the convertibility crisis of 1947, was the running down of every available commercial holding of sterling that could be offered for conversion. The whole world (apart from central banks which, by agreement or tradition, were compelled to hold certain sterling balances) went short of sterling. Every sterling debt was left open as long as possible. Every amount due in sterling was collected with the greatest haste and, so far as possible, converted into dollars while the going was still good. A great deal of sterling arising from current transactions in 1946 but left in Britain by overseas interests was repatriated. Every possible opportunity was taken of raising credit in the London market to finance overseas trade. All these operations reflected the view that it was perfectly safe to be a bear of sterling—that at worst the pound would hold its position *vis-à-vis* the dollar, but that its devaluation was much more likely and that such a move would bring appropriate profits to all who owed sterling.

The total effect of these operations was to help in dissipating Britain's dollar resources far more rapidly than could have been anticipated and to shorten the time during which sterling was convertible again to a spell even briefer than the confirmed pessimists had expected. But, once the convertibility crisis was over, a position of considerable technical strength for sterling was created. During this year, the exchange markets have felt the impact of this improved technical position. Many of the bears of sterling have had to run for cover. Much of the sterling required by overseas traders to make their current payments, and which in the normal course they would have been carrying, has had to be bought. Many sterling debts which were purposely left uncovered in 1947 had to be paid in 1948. Even today it is probable that the underlying technical position of the market still favours the pound and that the floating supply of sterling, which should be carried as a working balance by the non-sterling countries, is still well below normal—that is, below the convenient ratio between working balances and the turnover of trade which they serve.

Finally, due importance for the improved standing of sterling must be given to the arrangements which have been made over the past year to immobilise the larger part of the abnormal accumulations of sterling standing to the credit of overseas holdings. It might at first sight appear paradoxical to talk of sterling in terms of hard and scarce currency when some £3,000 million of sterling is still owing to overseas countries and ostensibly repayable on demand. The distinction is between the supply of sterling arising from current transactions and the volume of sterling claims which are outstanding from the war years. The larger part of this latter total is at present immobilised in "No. 2" Accounts at the Bank of England. All the largest sterling creditors—India, Pakistan, Egypt, Palestine, Uruguay, and Iraq—have made agreements or have submitted to arrangements with the object of limiting their available sterling to comparatively modest amounts released to their "No. 1" accounts. In the case of Argentina the bulk of the sterling accumulated in previous years has been used in the purchase of the former British-owned railways, while current accumulations are needed (and therefore effectively immobilised) as backing for the Argentine currency circulation. The balance of abnormal sterling accumulations left uncovered by formal agreements of this kind is in the main held by countries such as Australia, New Zealand and Eire which can be trusted to use their sterling with the greatest discretion, whether for purchases in the dollar area or for current expenditure in sterling countries.

In any review of the improvement of sterling over the past year two major reservations must be made. The first is that the gap in Britain's dollar payments continues. This precludes any suggestion of an early return to unconditional convertibility. The second is that part of the scarcity of sterling depends upon the willingness of large holders to show a proper sense of abstention in their use of sterling. But given these reservations, there can be no denying the steadily increasing confidence in which sterling is held, more particularly on the continent of Europe. In several countries it is now genuinely a hard and scarce currency. Sterling is thus beginning to fulfil the conditions of esteem and creditworthiness which are required to make it once more an international currency, serving far more than the sterling area and providing the basis on which a large part of Europe's trade can be conducted.

Target Practice in Lancashire

THE cotton industry is one of the industries to which the Government, faced with the inelasticity imposed on engineering production by the shortage of steel, was obliged to look this year for an exceptional expansion of its production and of its exports. The targets placed before the industry by the *Economic Survey* in the spring of this year did not at any time look easy to attain. Enough of the year has now passed to make it possible to see by what margins the Government requirements will, in general, be missed. Since the President of the Board of Trade has announced a further export target for the industry for 1949—a monthly export rate of £15 million to be reached by the end of 1949—the Lancashire trader is beginning to inquire whether this too is a possible or an impossible goal, and on what assumptions it is put forward. Has the cotton industry in fact an expanding part to play in world trade? Can its place in the national economy really be expected to grow more important? In some of the newer industries such propositions are unquestioned articles of faith; but not in cotton, which is an old industry and disillusioned.

Any attempt to understand the approach of the Lancashire cotton industry to a target evolved in Whitehall has to begin by taking into account the industry's long history of contraction and decline. In 1913 the industry produced (according to the Working Party's report) 8,050 million square yards of cloth, and exported nearly 7,000 million yards. By 1938 cloth production was down to 3,126 million square yards, and only 1,449 million square yards were exported. "For a major industry," the Working Party commented, "the scale and rapidity of the decline can hardly have a parallel." The war caused a further decline, largely through the enforced concentration of the industry and the enforced diversion of manpower to other pursuits, and the production target towards which the industry is struggling this year—and which will not be reached—represents no more than 79 per cent of the 1938 volume of production. The industry is still large (it employs about 290,000 workers), its place in the national economy is still important, and the reputation of its products in overseas markets is still high. But its members, the survivors of a prolonged and cruel process of attribution, are a body of men not easily impressed by high-pitched targets.

Not only the investors but also the workers in the cotton industry were ground out in the process of attrition, and this (since the hardships which the process carried with it are not forgotten) affects the prospects of success of the ambitious manpower target which the *Economic Survey* placed before the industry. The number of cotton spinners and weavers declined from 572,000 in 1924 to less than 300,000 in 1938. At the end of last year the number employed in the industry was 267,000, and according to the Government's programme it was to be increased to 325,000 by the end of this year. It had actually risen to 288,000 by the end of October, and was increasing at the rate of between 100 and 200 workers a week. This result has been produced with the aid of better wages, elaborate recruiting campaigns, schemes to improve welfare and working conditions in the mills, and the provision of nurseries to make it possible for housewives to go back to the mills.

Both the Government and the industry, however, have been aware that not only a bigger labour force but also higher output per head would have to be attained. In the first months of this year higher output was attained in some districts largely by overtime working; but overtime was never popular, and the trade unions brought it to an end in the late summer. It was not possible until the holidays were over to say what the production trend would be after overtime was abandoned; the December issue of the Cotton Board *Trade Letter* has now stated some provisional conclusions, and they are disappointing:

> It is now clear that overtime working did increase output more or less proportionately to the hours worked, and the additional labour force recruited during the summer months was just sufficient to offset the loss when overtime working

ceased. More recent output figures have been discouraging. Output per head has been falling to a greater extent than can be made up by the regular weekly increase in the labour force.

The accompanying tables of yarn and cloth production, which show the recovery after the holidays, require to be read with this warning in mind. Table II does not show production week by week; but the highest week's yarn output of the year was 18½ million lb. in the week ended June 12th. This was approached in the second week of November (18.44 million lb.), but the second and third weeks did not maintain the improvement. The Cotton Board's conclusion is that, while one of the yarn targets—the production of 900 million lb. of yarn by December 25th—will be reached within a few days of the time-limit, the target rate of 20 million lb. of weekly production will not be reached. "There is no reason why 19 million lb. (a week) should not be reached if recruitment continues at the present rate and if the present downward trend of weekly production can be reversed."

It is perhaps necessary to inquire what the nature of the Government's yarn production target was, and what results can be expected if it is not reached. The rate of yarn production laid down was the rate believed to be necessary to maintain supplies to the home market and at the same time to enable the required increase in exports to take place. It follows that one of these must suffer. Up to the moment, as Table IV shows, exports have not reached the monthly rate of £13 million which is the target for the end of this year. But it is necessary to take into account the length of time taken to prepare an export transaction. In spite of recent relaxations, the apparatus of control is still formidable, and the merchant converter who is to export the cloth has to get official approval before his order to the manufacturer is definitely placed; the manufacturer in turn passes on his yarn order to the spinner. With his application the converter states the destination as well as the quantity and description of the cloth which is to be made. It is thus possible to know the relative trends of production for export and for the home market well in advance of the process of production and trade. For some time (states the *Trade Letter*) "production has been diverted to export at considerably more than the required rate and production for the home trade has consequently been much below the required rate."

The possibility that the home trade may be starved of supplies in the next few months is evident, and this has caused the President of the Board of Trade to oppose further relaxations of clothes rationing at present. It may be avoided if output takes a turn for the better. But it still does not follow that exports will expand as rapidly as is required; clearly, they will only expand if the larger quantities of cloth now being produced for export can be sold. The merchant who has planned the export transaction has a long wait before he can ship his cloth; in the meantime conditions in his market may have changed, and he may be faced with the necessity not only of finding another market, but of getting official approval for it. He may find himself with a frustrated export on his hands.

TABLE I—EMPLOYMENT IN THE COTTON INDUSTRY, AUTUMN, 1948
(Part-time Workers counted as Half)

	Aug.	Sept.	Oct.
Spinning	111,600	112,100	113,010
Waste Spinning	6,540	6,580	6,660
Doubling	30,850	31,100	31,170
Weaving	134,300	136,030	137,560
TOTAL	283,290	285,810	288,400

Source : Cotton Board.

TABLE III—EXPORTS OF UK COTTON PIECE GOODS TO PRINCIPAL COUNTRIES
(Thousand sq. yds.)

	Monthly Averages, 1948			
	1st Qtr.	2nd Qtr.	3rd Qtr.	Oct.
Total	53,606	58,911	69,754	63,430
British West Africa	9,136	8,679	9,730	10,075
Australia	6,514	6,806	11,738	9,774
India	1,700	2,200	3,167	5,013
Pakistan	400	500	2,200	
Union of South Africa	4,000	5,331	5,361	4,853
Canada	1,344	2,871	4,262	4,153
British East Africa	3,827	4,208	2,562	2,503
New Zealand	1,967	2,303	2,679	2,493
Argentine	390	269	423	2,421
British West Indies	440	555	1,108	1,814
British Malaya	3,034	2,908	2,662	1,796
Burma	6,349	3,901	3,867	1,461
Southern Rhodesia	950	1,185	1,533	1,454
Eire	932	1,108	1,103	1,472
Sweden	620	1,686	1,371	1,098
Denmark	229	254	579	826
USA	1,000	981	963	800
Belgian Congo	740	446	1,076	788
French W. & Equatorial Africa	322	670	578	719
Iraq	599	1,067	931	582
Northern Rhodesia	755	831	853	346
Ceylon	1,439	1,048	1,353	495
Egypt	44	194	284	199

Source : Cotton Board.

TABLE II—COTTON SPINNING AND COTTON AND RAYON WEAVING OUTPUT, 1948

		Single Yarn of Cotton and Cotton Waste (Million lb.)		Cotton and Rayon Cloths (Million yards)	
		Mthly. Total	Weekly Average	Mthly. Total	Weekly Average
Jan.	(5 weeks)	81·72	16·34	215·00	43·00
Feb.	(4 „)	69·44	17·36	187·16	46·79
Mar.	(4 „)	66·38	16·59	181·29	45·32
Apr.	(5 „)	86·29	17·26	229·41	45·88
May	(4 „)	66·05	16·51	183·41	45·85
June	(4 „)	68·99	17·25	196·31	49·08
July	(5 „)	83·47	16·69	196·85	39·37
Aug.	(4 „)	63·65	15·91	186·14	46·54
Sept.	(4 „)	67·52	16·88	181·69	45·42
Oct.	(5 „)	91·37	18·27	250·72	50·14

Source : Cotton Board.

TABLE IV—EXPORT VALUES OF COTTON YARNS & MANUFACTURES 1948
(£ Million)

	Piece Goods and Other Manufactures	Yarn	Sewing Threads	Total
Target, End-1948	10·50	1·50	1·00	13·00
January	6·62	1·19	0·73	8·53
February	6·93	1·09	0·55	8·57
March	7·02	0·99	0·59	8·60
April	7·24	1·15	0·69	9·08
May	8·64	1·21	0·70	10·55
June	7·94	1·30	0·76	10·00
July	9·50	1·89	1·55	12·94
August	9·89	1·59	0·66	12·14
September	9·43	1·41	0·76	11·60
October	9·12	1·47	1·03	11·62

Source : Cotton Board.

Because of the nature of the trade it is difficult to tell at any moment how widely situations of this kind are about to arise; traders in Lancashire, seeing the increasing volume of production now earmarked for export and the inelasticity of the actual export figures, are uneasy on the point.

An idea of the quantities involved in these export sales is given by the fact that in the peak export month of this year, August, 71,395,000 square yards of cloth were shipped. Exports in September were lower (67,113,000 square yards) and in October they fell again to 63,430,000 square yards. This is between a quarter and a third of the output. But the rate of production for export is estimated by the Cotton Board for the third quarter of 1948 at substantially more—280 million square yards.

The particular task of expanding cotton exports to Canada which was set to the trade this year continues to present some difficulty. Shipments in the third quarter were 12.8 million square yards, and the Cotton Board estimates that they will reach 16 million square yards in the fourth quarter. These figures compare well with the shipment of 1,500,000 square yards in the third quarter of 1947. But the progress is uphill, and Canadian importers seem to be hoping for a price recession or for the release of more dollars for American goods. Sharp reductions in the textile prices quoted in the past few months by American exporters have strengthened the buyer's hand.

In the world at large the limit of possible exports from Lancashire has still not been reached. But selling has quite ceased to be easy or automatic, and the limit is not far away unless new production and trading policies can open up markets to which Lancashire has for many years had little access. This is the choice which stands in the background of the big questions of re-equipment and expansion. The industry has taken on a pattern far different from that of its old and great days. Most of its production has in recent years gone to the home market, and has been largely standardised within the framework of the utility programme. The export trade has become a specialised trade handling for the most part short runs of high-quality (and high-priced) goods. Along those lines the industry can see a fairly steady market that is not vast or brilliant but is reasonably profitable and reasonably assured. Are they to adventure further into large-scale production of cheaper goods for the mass export market? Without such an adventure it seems doubtful if cotton exports can be expanded very much beyond their present level. In the utility programme, with its detailed specifications of sound standardised cloth structures over a fairly wide range, the industry has a useful basis of mass production to hand. It has not, however, any apparent confidence that a mass export market, if it were gained, could be held for long.

In the past year or two the industry has shown itself much more receptive to changes in technique and organisation. The necessity of redeployment is now fairly generally accepted. Changes in the old wage structures, essential if redeployment is to be fully effective, are being adopted. In the spinning industry these necessary changes were set out in the Evershed Report, and the mule spinners are the main section to which the Evershed recommendations remain to be applied; a new universal wage list for mule spinners is in the later stages of negotiation, and should, once the few outstanding differences between employers and unions are settled, be put into force early in the new year. In the weaving industry the Moelwyn Hughes recommendations for a new wage structure which will embody systematic incentives to greater effort are at an earlier stage of discussion, but the interim report on the first trials of the proposed system should be ready for study by the manufacturers and the unions by the end of this month. Difficulties and prejudices are not dead, but gradually are being overcome. There will remain the crucial problem: will fresh capital investment, re-equipment, and expansion pay their way? On this the cotton industry is evidently not satisfied.

Business Notes

Storm in a Teacup

The first of the inevitable wrangles over the use of ECA funds broke out in Washington on Wednesday when Mr Howard Bruce, the deputy administrator, accused Britain, Belgium and the Netherlands of using ECA dollars to buy aluminium and lead and reselling some of it to America at considerable profit. Mr Bruce announced that, in consequence, their requests for non-ferrous metals under the ECA programme had been reduced by 34,500 tons. At the moment, such a reduction in supplies would be of little concern, and in any case Mr Bruce has since said that the cuts will be restored if the charges prove to be groundless. More important is the procedure which Mr Bruce saw fit to adopt. The charges were made and action taken upon them without consulting the countries concerned. Moreover, this matter had been under investigation for the past few weeks. Continuous and close scrutiny of the use of ECA funds is entirely proper. But clearly all the facts and figures should be submitted to the countries concerned before public accusations are made.

Britain is alleged to have purchased 81,326 tons of aluminium with ECA funds up to the end of September and to have resold 12,812 tons to American firms as scrap. During the same period, it was stated, the Netherlands bought 3,440 tons of which 2,360 tons were resold, while Belgium bought 2,250 tons up to the end of October of which 673 tons were resold. The aluminium was bought in Canada at 16 cents a lb. under the British contract and resold in the United States as scrap at up to 30 cents a lb. Belgium and the Netherlands (but not Britain) were also accused of carrying out similar transactions in lead. The Ministry of Supply has been quick to deny these charges. It points out that

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the export of virgin aluminium and aluminium scrap from Britain is prohibited and that none has in fact been sold to USA. Very small quantities of secondary aluminium—recovered from scrap—have, however, been sold to the United States in strictly limited quantities on quota to enable smelters to retain their prewar markets. The total quantity during 1948 is estimated at about 1,000 tons. The ECA mission in Britain has since announced that "the Ministry of Supply has been most co-operative in trying to run down the discrepancy in figures."

For many uses, virgin and secondary aluminium are not alternative materials—they are technically different metals. It is surely not contrary to the spirit or the letter of the ECA agreement that Britain should recover secondary aluminium from scrap and sell it to overseas buyers, including the United States. But even so, the quantities of secondary aluminium involved are far smaller than the 13,000 tons reported by ECA. The American charge may well turn out to be based on a misunderstanding, either between virgin aluminium and secondary metal, or between the countries of origin and the country of shipment. Scrap metal from Germany and aluminium from a British owned plant in Norway could easily have been sent to the United States via Britain and entered in American trade accounts as coming from Britain.

* * *

ECA and British Coal Export Prices

The proliferation of international economic committees in Europe, often consisting of the same officials who meet to discuss the same subjects in different places, is no doubt responsible in part for the confusion that has arisen over the discussions on coal export prices. The Minister of Fuel and Power told the Commons on Thursday last week that the Coal Committee of the Economic Commission for Europe had made no representations about the price of British export coal, and this was doubtless strictly accurate.

The representations originated with the Economic Co-operation Administration, which has taken three initiatives in the matter in the last four or five months. Mr Finletter, the head of the ECA Mission in London, approached the Ministry of Fuel and Power in August about the large margin between the home and export prices of British coal. Mr Gaitskell at that time gave an explanation of the British case, which on ordinary commercial principles was, and is, quite a strong one. On September 16th, Mr Harriman's deputy in Paris, Mr William C. Foster, wrote to the Secretary-General of OEEC, M. Marjolin, asking OEEC to examine the level of European coal export prices with a view to determining whether a more rational price structure could be achieved—referring, presumably, but not explicitly, to the differences between German and British prices. M. Marjolin referred the matter to the Coal Committee of OEEC, which thereupon set up a coal prices sub-committee with a Dutch representative as chairman. The sub-committee failed to reconcile the views of the importing and exporting countries, and its report did no more than set out the arguments on each side. Mr Harriman thereupon raised the matter again in London in November—this time with the result that the Minister of Fuel and Power agreed to discuss coal prices with the representatives of the German bizone. At these discussions, which took place a fortnight ago in London, Mr Charles W. Jeffers was present as the coal adviser to Mr Harriman. Mr Jeffers had until recently been director of the Coal Division of the Economic Commission for Europe at Geneva—a fact which may explain the confusion whether the matter originated in Geneva or Paris; but Mr Jeffers is still chairman of the Coal Allocations Working Party of the Economic Commission for Europe, and the importance of the distinction is problematical.

Although American representatives in Europe have drawn attention on three occasions to the high prices charged for British export coal, it would be wrong to suppose that there is a firm American policy on European coal prices. The bizonal authorities—and particularly the American Military Government—have been anxious for some months to get higher prices for Ruhr coal; and the best way to ensure that British export prices do not come down is to raise German export prices. The bizone would welcome more foreign exchange for its coal, for exports are large and increasing, and higher prices would raise the foreign purchasing power of the bizone and eventually lessen the drain on American funds. Since the conversion rate of the Deutschemark is arbitrary and open to revision, the bizonal authorities can hardly base their claim for higher prices on the necessity of covering costs in the Ruhr. They must, therefore, rest upon the simple fact that London is asking, and getting, more for British coal than Frankfurt is getting for Ruhr coal. ECA has a different interest; it is concerned with the general relief of economic pressure in western Europe, and would therefore like to see the price of Ruhr coal kept down. It can hardly expect to bring this about unless British export prices are reduced to approximately the same level.

* * *

Comparisons with Ruhr Coal

Ruhr coal is at present—quality for quality—the cheapest export coal in Europe. Polish coal is for the most part dearer than German and a little cheaper than British; American coal (small quantities of which are still coming to Europe) is the dearest because of the high freight element in its cost. The large range of qualities and sizes sold and the variations between different contracts make it difficult, however, to set down hard and fast price comparisons. The following examples of British and bizonal export prices give an idea of how the comparison stands:

EXPORT PRICES OF RUHR AND BRITISH COALS
(f.o.b. in dollars per ton)

	Ruhr	British
*Longflame** Screened (80mm.+)	15.00	17.00
Gas, Screened	15.00	17.00
Bituminous, Screened	15.00	16.50
Anthracite 2nd class, Nuts 1	20.00	17.75
Anthracite 1st class, Nuts 1	24.00	20.00

* High volatile.

These figures suggest that the gap between British and Ruhr coal prices in Europe is not so wide as has been represented—though it should be remembered that they are not delivered prices, and the freight charge for British existing coal may widen the gap still further by the time it reaches the consumer. In each case, the fixing of prices is broadly a matter of a monopoly decision; for each, the export price is in general a good deal higher than the home price; both in the bizone and in Britain the home price is at the moment insufficient to cover costs. The fear of inflating industrial prices generally makes the authorities in each country reluctant to raise the home price of coal any further.

On the British side, it has been pointed out that the foreign purchaser, though he pays more than the home consumer, is in certain respects favoured. The types of British coal which are in keenest demand in Europe—Welsh anthracite and Durham gas coal—come from the high-cost mines which the Coal Board is working at a loss, and in a normal commercial situation the price would include the whole of those costs. They are sold to the home market below cost, but the home market does not enjoy much freedom to choose the qualities and sizes of coal it would buy: in particular, many home consumers are obliged to take small coal when they would prefer large coal. A greater effort is made to supply the export markets with the qualities and sizes they desire. In fact, there has been no difficulty so far in selling the scarcer coals abroad at the prices asked: the difficulty in selling the poorer qualities, notwithstanding their relatively cheaper prices. For some types of untreated small coal, the export price is even below the home price; but the scarcer, and dearer, coals are easier to sell.

* * *

Financing Intra-European Aid

Those who have already wearied of the attempt to understand the intricacies of the accounting for the sterling "counterpart" of Marshall aid would do well, perhaps, not to try to grapple with the further complications which underlie the Bill introduced into Parliament this week—the American Aid and European Payments (Financial Provisions) Bill. If they thus shun the maze of technique—and the provisions do not go beyond technique—they can rest assured that the object of this Bill is simply to ensure a proper discipline of the Treasury's financial operations in implementing the ECA Bilateral Agreement and the Intra-European Payments agreement. Its primary purposes are to ensure that the two accounts through which these transactions pass are subject to annual audit by the Comptroller and Auditor General, involving subsequent report to Parliament, and to authorise the Treasury to make advances for intra-European payments in anticipation of ECA reimbursements.

As for the underlying accounting, the new complications spring from the Intra-European Payments Agreement, under which part of the ECA dollar aid became conditional upon the provision by the recipient of local currency aid for other OEEC countries. Now, therefore, there are three types of ECA aid—grant aid, loan aid and conditional aid. The mechanism of the Special Account, which the Treasury opened with the Bank of England last August, relates only to the first of these types; except for certain adjustments while the new arrangements are being run in, this mechanism will operate as in the past. (It may be noted, however, that the 5 per cent of all credits which is at the disposal of the US Government no longer reposes in the account, but is now forthwith paid out to that Government's private banking account.) Accounting for loan aid is straightforward, and is identical with that employed for the 1945 line of credit. The third category of aid, conditional aid, will, when the new arrangements are approved, be accounted through a further account, the Intra-European Payments Account.

This will differ from the Special Account in two important respects. It will be a purely internal account which will apparently not appear in the weekly Exchequer Return (nor, of course, in the Bank Return). Secondly, the primary operations upon it will not be merely nominal, as is true of the Special Account so long as the funds are released for debt redemption, but will reflect real borrowings by the Treasury from the banking system. The amount of sterling which Britain is required to provide by "drawing rights" for OEEC countries is settled each month by the BIS compensation machinery and notified to the Treasury just before the middle of the following month. These funds must be available by the 17th of the month, and apparently are drawn promptly by the beneficiaries. They must, therefore, be raised by the Treasury as part of its normal floating debt operations. The bookkeeping discharge of these payments comes, of course, from the sterling value of dollars transferred from the ECA as conditional aid; but as the dollar reimbursement (or the notification of the apportionment of the dollars as between the categories of aid) will usually not have been received by the time the sterling payments have to be made, the necessary transfers to the Intra-European Payments Account will be financed by temporary advances from the Civil Contingencies Fund. These advances will, of course, be repaid, through the Payments Account, when the dollar reimbursements are duly cleared; but the consequential repayment of floating debt at that stage will affect only the internal debt. It should be noted, however, that the real creation of debt necessitated by the OEEC transfers may be regarded as merely the counterpart of the real extinction of debt which will have occurred at a much earlier stage, when the Exchange Account first sold dollars (later to be denominated as "conditional aid dollars") for the purpose of meeting Britain's current dollar expenditure.

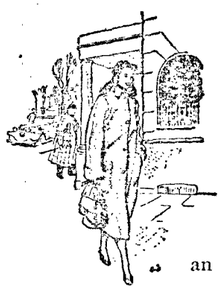
Among other complications of detail, one further point needs to be noted. Britain not only gives drawing rights, but also receives them—from Belgium. The sterling counterpart of these Belgian francs (which are, in effect, ECA grant aid received by Britain indirectly, since Belgium gets equivalent "conditional aid" from the United States in dollars) will be credited, not to the Intra-European Payments Account, but to the Special Account, where it will be treated precisely as direct dollar grant aid is treated now. This follows the ECA ruling that responsibility for segregating the local currency counterpart of conditional aid (and for contributing the 5 per cent. for the use of the US Government) falls on the ultimate recipient of the aid and not upon the country which actually receives the dollars.

* * *

Meat Supplies and the Ration

Britain's meat ration of a shilling a week is in danger. Under the Andes agreement of last February, the Argentine Government undertook to ship to Britain 400,000 tons of meat and 20,000 tons of canned meat in 1948. This quantity represents rather more than a quarter of Britain's annual consumption of carcass meat (which this year is running at the annual rate of 1,500,000 tons) and it is not being honoured. The trade returns do not distinguish between arrivals of meat under the Andes agreement and those which represented late deliveries under the 1947 contract. But since only 250,000 tons had been received in the ten months up to October from Argentina—22 per cent less than in the corresponding period of 1947—a large deficit for the full year is plainly threatened. In explanation of the smaller shipments to Britain, the diversion of supplies to Belgium, Holland and other Continental markets has been mentioned. But these countries are not large customers—the current Argentine contract with Belgium is only for 31,500 tons of frozen meat and that with Holland is probably smaller. Nor are they likely to be permanent customers. But at the moment they are apparently willing to pay higher prices than Britain, and this fact, presumably, is held to justify the diversion of supplies already under contract to Britain.

Many will regard this reasoning as part of the now familiar process of pressure which precedes most of the trade negotiations in which Señor Miranda takes part. There is no evidence point-

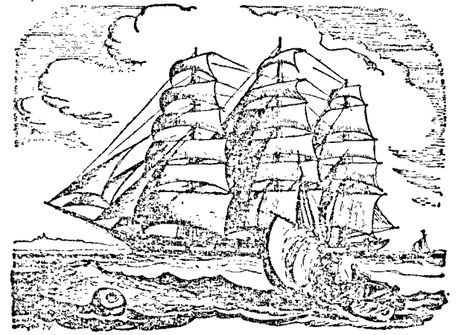


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ing to a sharp decline in Argentine meat production, despite the drought. Last year, the total cattle population numbered 41 million head compared with 33 million in 1937, and although exports of meat were heavier than in the war years they were below the prewar level. Consumption of meat in Argentina has, of course, increased, and better quality steers have been going to the home market in preference to export. Hence the present hold-up in shipments to Britain must be interpreted as a bargaining more by Senor Miranda in preparation for his negotiations in London (according to latest reports, these may be postponed by a month) rather than as a dearth of supplies. Dr Edith Summerskill has described the outlook for meat supplies as gloomy. But in the long run it might be well worth the sacrifice to forgo Argentine meat supplies, even though that would mean reducing the ration to 8d. or 9d. a week, rather than submit to harsh terms for prices and delays in promised deliveries.

Such a policy would require courage, for at present meat supplies throughout the world are scarce and new sources of supply cannot be rapidly developed. The Commonwealth Economic Committee has this week resumed publication of its annual review of world meat supplies, extracts from which are included in this week's issue of the *Records and Statistics* Supplement. In 1947, world exports of beef were 15 per cent smaller than before the war, and of pigmeat only half. On the other hand, shipments of mutton and lamb increased by 30 per cent and canned meat by more than 70 per cent. Total exports of meat were 11 per cent smaller than in 1938, although during the ten years the world population has increased by about 12½ per cent. This decline in exports is not to be attributed wholly to smaller output. Consumption has increased significantly in certain producing countries. In the United States, consumption of beef and veal per head was 30 per cent higher than in 1938, in Canada 13 per cent higher and in Argentina 10 per cent higher. British consumption on the other hand fell by 24 per cent between 1938 and 1947.

* * *

Britain's Aid to Europe

The first of the reports which, under the ECA bilateral agreement with the United States, Britain is required to make of the extent of aid received and the uses to which it is being put, was published last week as a White Paper.* Necessarily, it is impossible in most cases to relate the aid received to specific projects and developments in Britain's economic programme. Hence the White Paper not only sets out the details of ECA procurements and deliveries of commodities and the extent to which the relative dollar reimbursements have been claimed and received, but also gives a brief account of the salient economic trends in Britain, including the role which Britain has played in economic co-operation in Europe. As the report relates to the six months to the end of September, most of the information it contains has already been published piecemeal elsewhere. The White Paper does, however, draw the principal threads together and presents some useful information, extracts from which will be found in the *Records and Statistics* Supplement this week.

Of particular interest is a brief analysis of Britain's exports of capital goods and other essential commodities to Western Europe. The trend of these exports is shown below:—

EXPORTS TO OTHER OEEC COUNTRIES
(Monthly averages: £'000)

	1947		1948	
	2nd half	1st qtr.	2nd qtr.	3rd qtr.
Metals and engineering products	14,759	15,972	17,871	18,394
Textiles and clothing ...	3,703	3,731	4,506	4,937
Other manufactures ...	5,191	5,720	6,432	6,301

It will be recalled that, at the time of the conclusion of the Intra-European Payments Agreement, it was stated that a large part of the unrequited exports which the sterling area is due to make to the OEEC countries would in fact come from countries other than Britain, although the aid ranks technically as British aid. Since Britain's unrequited exports to the OEEC group were very substantial even before the Intra-European Payments Agreement was reached—in the first six months of this year Britain had a total surplus of £40 million in its balance of payments with this group—it seemed that, after the Agreement, Britain's own surplus was likely to decline. The above figures suggest that this is not happening, for exports of capital goods and other essentials have risen further.

* Economic Co-operation. Cmd. 7572.

Difficulties of the Electricity Programme

The electric power programme is making heavy demands on the nation's productive resources and too little attention has been given to the extent to which it restricts the export of specialised plant—water-tube boilers, turbo-generators, transformers, and steel pipes—of which European countries are in particularly urgent need. If those European needs are not to be served—which will mean that this particular trade will go back into the hands of the German heavy electrical industry as soon as the Germans are able to resume it—it is the more important that corresponding benefits should be gained now by the British economy. Mr Gaitskell's statement in the Commons last week admitted that the expansion programme for power plant has fallen behind, and is falling behind further. The target proposed in the *Economic Survey* was a net addition of 1,020,000 kilowatts to capacity. It has not been reached or even approached. The Minister of Fuel and Power attributed the failure partly to the fact that more plant than was expected has to be taken out of service for repair (this accounts for about 200,000 kilowatts) and partly also to the failure to complete between 500,000 and 600,000 kilowatts of new plant within the time. He added that he thought it "most unlikely" that the increase for next year mentioned in the *Economic Survey*—1,450,000 kilowatts—would be attained either.

While nobody could congratulate Mr Gaitskell on these results he is at least to be commended on the frankness with which he has acknowledged the facts. The whole policy for the reduction of excessive peak load has been rendered unreal by the assumption that the peak load problem is a temporary and abnormal one. There has been too much reliance on figures of planned expansion which were obviously too hopeful from the first; it is salutary, though unpalatable, to have it made plain at last that a serious power shortage will continue in Britain for several years to come. The figures in the *Economic Survey* were too high, as Mr Gaitskell said, "in the light of the capacity of the manufacturing industries concerned, their export commitments and shortage of skilled labour and materials." But there is more than that. He mentioned "lack of co-ordination in the placing of orders." This, no doubt, is part of the reason why power plant is now being kept in store until new power stations have been built to receive it. Clearly, some of the capacity which has built this plant could have been employed in building new plant for export, which would have benefited Britain as well as the rest of the world. Mr Gaitskell also mentioned "lack of standardisation"—which, he said, was "to a large extent inevitable while responsibility was diffused and before it was concentrated in the hands of a single authority." On standardisation there is probably something more to be said. The Central Electricity Board, before it was absorbed in the British Electricity Authority, had already gone some way towards standardisation of generating plant. But there are practical limits to complete standardisation of power stations, whatever the authority building them. The ordinary practice of the engineer is to design his power station for the site and for the requirements placed before him. It should be possible for the British Electricity Authority to carry standardisation further; but this will take time, and the possibilities, limited though they are, have yet to be fully exploited.

* * *

Negotiations for Canadian Wheat

Negotiations with Canada on the price of wheat for 1949-50 are continuing and a settlement may be announced while this issue of *The Economist* is in the press. The problem is complicated and a compromise satisfactory to both parties is bound to be difficult. If the price is raised above $2 a bushel, Britain must either forgo the purchase of raw materials from Canada (contracts for other foods having been agreed a week ago) or reduce its dollar reserves. But Canadian farmers, having seen three dollar wheat in the past year, are recalling the clause which was inserted into the wheat contract whereby Britain undertook to recompense Canadian farmers in later years if the price in the earlier years proved to be below the world market level. Britain paid only $1.55 a bushel for Canadian wheat up to last June, while twelve months ago European countries were paying over $3.00 a bushel for American wheat. It is hardly surprising that Canadian farmers are asking for a relatively higher price in the coming season as compensation for relatively low prices in the previous ones, particularly as the price in Chicago is still about $2.38 a bushel.

While discussions have proceeded in London this way, a complicating factor has emerged in the form of the new wheat conference which meets in Washington on January 25th. Its purpose is to draft a new international wheat agreement. The focal point of the discussions in Washington will centre on the range of prices to be adopted in the agreement. In its predecessor (which failed to get American sanction earlier this year) the maximum price for five years was fixed at $2.00 a bushel and the minimum at $1.50 for the first season, declining thereafter by 10 cents a season to $1.10 in 1952-53. If the Canadian Government were to accept $2.00 as the 1949-50 contract price, then the schedule of prices in this year's draft might be adopted in the new international agreement. But if Canada were to insist on a higher price for the contract with Britain, the prospects of a new agreement might be jeopardised. In such circumstances, Canada's part in this week's discussions may not have been unequivocally centred on higher prices now.

* * *

Currency for Christmas Spending

The banking figures this week seem to belie the reports from some retail trade circles that Christmas spending in the shops this year has been below expectations. The Bank return revealed an increase in the total of the active note circulation during the week by no less than £26.7 million, which must be one of the largest movements—if not the largest—ever shown in a single week. It compares with an increase of only £9,700,000 in the similar week last year. Then, however, the seasonal demands for currency were being obscured by the abnormal reflux of notes which was in progress in consequence of fears among black marketeers and tax evaders that a currency exchange might be in contemplation. A fairer comparison of this year's trends is, therefore, with 1946, for which the corresponding increase was £18.8 million. The total note requirements of the Christmas season in that year were just under £65 million, spread over five weeks. This year's demands, spread over three weeks, and with just over another week to go before Christmas, have already reached £54 million. Unless the past week's withdrawal of notes from the Bank of England reflects unusually heavy precautionary drawings by the commercial banks, it seems likely that the season's total demands may well surpass those of 1946, and may even exceed the record figure of just under £69.7 million reached in the last Christmas before D-day, when public spending was enlarged by the presence in Britain of large numbers of overseas troops.

It seems likely that the week's exceptional efflux has taken the banks by surprise. The effect has been to reduce the reserve in the banking department of the Bank of England from £70 million at end-November to under £17 million, while the Bank's reserve ratio has dropped to 4 per cent. The reserve has only rarely been permitted to fall as low as this without steps being taken to replenish it by raising the fiduciary issue. If the requirements of the current week are as far in excess of the corresponding 1946 demand as they have been in the past week, the remaining reserve would virtually disappear, so that an increase in the fiduciary issue would be inevitable. If, however, the demand slackens, it is possible that the authorities may take a chance, for they have this year the technical advantage that the Bank return next week will be made up two clear days before Christmas and the following return a similar period after Christmas, so that neither return is likely to reveal the full extent of this year's currency demands. The fiduciary issue was last raised two years ago, from £1,400 million to £1,450 million. In 1947, for the first time since the early wartime period, no increase was necessary, while early this year, thanks to the abnormal reflux of currency, there were three successive reductions in the fiduciary issue, to its present level of £1,300 million.

* * *

Shell Offer to VOC

Rumour has prevailed in the City for some weeks that the Royal Dutch Shell group intended to make an offer for the shares of Venezuelan Oil Concessions not already held by them. Confirmation has come this week in the announcement that Anglo-Saxon Petroleum proposes shortly to make an offer to the holders of preference and ordinary shares in VOC of £2 ordinary stock of "Shell" Transport and Trading for each outstanding VOC share of either class. This will entail an increase in the capital of Shell for which authorisation will be sought at a general meeting of the company. The offer is conditional on a sufficient acceptance by VOC shareholders; in this connection it will be recalled that a previous offer made some twenty years ago to Mr Gulbenkian, the principal outside holder of VOC shares, was not accepted. The price of VOC shares has been rising in the past month in expectation of the new offer, although the recent revolution in Venezuela has caused speculators to tread rather warily.

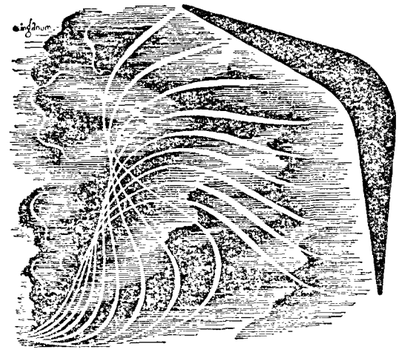
In ancient Babylon



BABYLONIAN clay tablets of 4,000 years ago record commercial loans made against the security of the harvest of sesame, the valuable Eastern oil-bearing plant.

Nowadays, trade in every known raw material is facilitated by the banks, whose credit facilities are based on the character, ability and experience of their friends engaged in exporting or importing.

MARTINS BANK
LIMITED
LIVERPOOL, LONDON & 600 BRANCHES



EXPORT BOOMERANG ?

Yes, exports destined for Australia and New Zealand can 'boomerang' if their price or quality is unsuited to the market. For although these Dominions are still eager for British goods and services, their buyers are becoming increasingly selective.
Exporters planning to sell to Australia and New Zealand are invited to consult the Overseas Department of The Bank of Australasia—where they will find up-to-date information from the Bank's branches 'down under' on local markets and conditions.

THE BANK OF AUSTRALASIA
(Incorporated by Royal Charter 1835)

HEAD OFFICE: 4 Threadneedle Street, London E.C.2. (Manager: G. C. Cowan)

Before the announcement, which came late on Wednesday evening, VOC preference were 6½ and the ordinary 6¾ middle compared with the price of 3¾ for Shell ordinary, so that on the face of this comparison, the terms should appeal to VOC shareholders. Apart from any qualification which might arise about rights to current dividends, the attractiveness of the offer might possibly be tempered by other considerations—particularly the effect of dividend limitation in restricting the payment on VOC ordinary shares in 1947 to 24½ per cent from earnings approximately five times greater. Dividend limitation will certainly have had a dampening effect on the price of VOC shares while in the case of Shell its influence has presumably been smaller, since the 7½ per cent tax free dividend in 1947 was covered by earnings of only 10 per cent tax free. There may be some minority shareholders in VOC who might prefer to take their chances in the rapid expansion of Venezuelan oil output in preference to the sheltering umbrella of a giant concern with world wide interests. The fact that VOC is already controlled by the Royal Dutch Shell group, which distributes its products, may limit the importance of this point. From the viewpoint of Shell, the offer obviously has great importance, for it closely follows the arrangement of a $250 million loan in the United States to finance further development of oil resources in Venezuela and to erect a refinery there.

* * *

South Africa's Balance of Payments

Evidence continues to accumulate about the extent of the deficit in the South African balance of payments. The statement of the Reserve Bank of South Africa for the week to December 10th showed a further fall in the gold reserve from £45,301,000 to £43,977,000. Over the same period the sterling holding fell even more sharply, from £45,756,000 to £42,176,000. The reserve ratio has fallen to 29.9 per cent. In the early part of this week it was announced that South Africa had bought $10 million from the International Monetary Fund. Failing the long-term dollar loan for which South Africa has been angling for some time past, it is taking its quota from the Fund. In an attempt to discover exactly what has hit them the South African authorities have recently been making more up-to-date calculations of their balance of payments than they have tried to do hitherto. Preliminary figures published this week measure the balance of payments for the first nine months of this year. Over this period South Africa had a deficit of £134 million with non-sterling countries and of £60 million with the sterling area. These figures are of course exclusive of gold shipments and since a large part of these must be regarded as normal commercial transactions the apparent deficits give an exaggerated picture of the situation. The commercial element in gold shipments may be taken as £100 million a year, or £75 million for the nine months (this being equivalent to the output of South African gold in this period). But even after allowing for this, the situation looks grim.

To cover the deficit with non-sterling countries the Union used £10 million sterling of its non-sterling balances, sold £91 million of gold to the United States, and bought £33 million of non-sterling exchange through the Bank of England. The purchase of exchange from the Bank of England was accompanied by a sale of £24 million of gold to that institution, the balance being presumably financed by drawing down of South Africa's sterling balances. The deficit with the sterling area—£60 million, according to the estimates—appears to have been more than offset by the inflow of capital from other sterling countries which, over this period, amounted to over £75 million. This nine-month figure is, however, likely to be deceptive, since the whole of that inflow must have occurred in the first half of the year and all available evidence shows that there was a net outflow of capital from South Africa dating approximately from the election of the present Government.

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Freight Rates after Decontrol

Since the Ministry of Transport's schedule of freight rates was abolished at the beginning of the month, deep-sea tramp ships have been accepting considerable reductions in certain trades. Tonnage for grain from Vancouver to the United Kingdom has been arranged at rates as low as 82s. 6d., or 11s. 3d. below the former schedule rate; and some vessels have been fixed from Australia to India at 15s. lower than the previous rate, although this was not a scheduled voyage. The Baltic Exchange Chartering Committee has fixed one ship homeward from Australia at a reduction of 7s. 6d. per ton, but business in this market is slow, since owners are reluctant to accept any large reduction in view of the possibility of a long outward voyage in ballast to follow.

These symptoms of weakness are by no means universal. The North Atlantic market, in particular, is showing firmness, and prompt tonnage is at a premium. This is due largely to a bunching of tonnage in the East, which has arisen from the unfamiliar pattern of trade—the Plate homeward markets being moribund—and from the recent steering of British tonnage in that direction. In due course, no doubt, tonnage will redistribute itself more evenly. American charterers from North Atlantic ports to the Continent have been offering higher rates, but some British owners have been content to accept a slight reduction from Government charterers for similar voyages; they have, perhaps, become rather "schedule-bound" and unaccustomed to the idea of looking elsewhere for business. While it is still too early to take a too long-term view of the freight market trends as a whole, there is already evidence that the removal of control was long overdue and that there will be plenty of scope for initiative among tramp shipowners.

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Unearthing Enemy Assets?

The protracted process of segregating enemy-tainted assets in this country is, ostensibly, to be carried one stage further by a new return required by the Administration of Enemy Property Department (a joint department of the Board of Trade and the Treasury). Banks and banking institutions must submit to this department by January 31, 1949, a return of all securities and bank deposits held in London in the name of Swiss, Swedish, Spanish, Portuguese and Tangier banks, in respect of which the authorities have not yet received the declaration ABX. In declaration ABX, which dates from the wartime Defence Regulations, the identity of the ultimate beneficial owner on whose behalf the securities are held in London must be disclosed. Assets probably valued at more than £5,000,000, mainly on Swiss account, appear to be involved, but the enemy interest in these assets is thought to be relatively small. Indeed, if a beneficial owner has not already declared assets by this time, he would no doubt have weighty reasons for not doing so, since income from capital held in London cannot be remitted abroad unless an account is properly certified.

The accounts which come within the scope of the present registration appear to belong largely to Frenchmen and other Continental nationals. These persons envisage a risk to the anonymous cold storage of their London funds as a result of the declaration ABX. Foreign banks are not empowered to submit this declaration to their London agents without the consent of their clients. Up to the present the authorities have required only the registration of accounts still uncertified, and Swiss apprehensions that some further action is contemplated may appear somewhat premature. But Mr Bottomley stated in a written Parliamentary answer last week that he cannot give a categorical assurance that in no case will the information obtained from declaration ABX be divulged. Powers derived from the Defence (Trading with the Enemy) Regulations must remain confined to their proper sphere.

* * *

Nationalisation of Dorman Long

Sir Ellis Hunter recently set before the shareholders of Redpath Brown the consequences of steel nationalisation for their company—a subsidiary of Dorman Long, whose preference shares are in the hands of the public. In his speech to Dorman Long shareholders this week, Sir Ellis covered similar ground with a demonstration of the practical advantages which had accrued from the commercial integration of the steel producing business of the parent company with steel using businesses in structural engineering—some of them departments of the company and others subsidiaries of it. By this form of integration, the parent company has obtained a valuable outlet for its finished steel; the subsidiary companies have been able to specialise in different branches of engineering work; and happy and efficient family relations have been developed to the mutual advantage of the parent company, and its offspring and its customers. Today, the group's interests represent approximately one quarter of the structural engineering capacity in this country and 60 per cent in the Union of South Africa; they also include a valuable business in the Argentine.

Sir Ellis Hunter is convinced that no corresponding advantage would accrue to the proposed Iron and Steel Corporation from the ownership or control of such steel-using undertakings. He

suggests that the new Corporation will in fact have to solve difficult problems of adjustment between the "associated" and the "free" firms in the engineering industry. If the new corporation indulged in any form of price discrimination between these two broad classes would there not be an immediate threat to the "public interest"? Might there not, indeed, be circumstances in which the Corporation found itself moved to neglect its own subsidiaries in favour of independent structural engineers? If so, the Corporation would reap no direct gain from the control of engineering companies.

The problem hinges on whether the Iron and Steel Corporation could successfully use its steel-consuming subsidiaries in order to stimulate the demand for steel in subnormal years, and to keep them employed to the best advantage in years of high demand. That is the underlying reason why these interests were acquired and developed by Dorman Long—not as a matter of family favouritism, but as a stabilising influence on the fortunes of the steel producing business of the parent company over good and bad years. The outward form of nationalisation preserves the appearance of this family structure, but appears to underestimate its economic importance. And the compensation which will be paid to Dorman Long is, in the chairman's words, demonstrably inequitable measured even by the book values shown in the published accounts, quite apart from the replacement costs of the fixed assets.

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Brazilian Railways and Expropriation

British undertakings abroad have taken punishment enough in recent years, but few have been reduced to the extremity revealed in the Leopoldina report. The directors declare that, quite apart from any agreement about the future ownership of the railway, the heavy working deficit has made it imperative that some short-term aid must be provided. The company has therefore continued to press requests on the Brazilian Government for financial assistance. Such a *cri de cœur* is hardly the best advertisement for an undertaking which expects to be taken over by the Brazilian Government. But there comes a time when even the best British-owned undertakings overseas are unable to finance high wages and uneconomic charges out of their own pockets.

When the directors issued their report on December 9th they pointed out that the committee appointed last June to consider the purchase of the railway had reported to the Brazilian Minister of Transport but that the Brazilian Government's attitude was still unknown. By a coincidence, on that very day the Brazilian President referred the matter to Congress, so that expropriation proceedings should now go forward. But until there is a much clearer indication of the sum involved, and the date and conditions of payment, stockholders of Leopoldina will be wise to exercise continued patience. The same precept applies in the case of Great Western Railway of Brazil, for which a scheme for expropriation will also be submitted to Congress, according to reports from Rio de Janeiro. Some store is being placed on the forthcoming visit to London of Senhor Machado, of the Bank of Brazil, and in particular on whether he will be empowered to discuss the taking over of these companies. Since expropriation would involve the use of sterling balances, a broad examination of the schemes would clearly fall within his general competence as an official of the Bank of Brazil. But it might well be found that their final form, and the allocation of purchase money for which they provide, would still have to be determined in Rio de Janeiro, where the Ministry of Transport has always maintained a guiding hand on expropriation policy.

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Great Universal Stores Finance

The inclusion for the first time of all subsidiaries has produced some striking changes of magnitude in the group accounts of Great Universal Stores for the year to March 31, 1948. Total liabilities in the latest balance sheet are given as £36,062,718 or almost three times the figure for the consolidation in the previous year of the parent company and a smaller number of subsidiaries. Some £7,792,906 of the total represents current liabilities in the form of indebtedness to bankers and "other loans." This high figure has drawn brief comment from the chairman, Mr Isaac Wolfson, who attributes the increase to the need for finance in the normal course of business for the expansion of trade and to the additional companies consolidated. In view of the exceptionally high figure for bank loans, which few companies outside the big tobacco companies and the Odeon group could match, shareholders would surely welcome some more explicit indication of the trend of the group's short-term indebtedness—a trend which cannot be measured in the accounts themselves.

Thanks to a record turnover *in 1947-8*, group profit reached a new peak at nearly £3,000,000 although again precise comparison with the previous year is impossible. This apparently satisfactory trading experience (despite reduced profit margins and increased costs) has necessarily entailed big additions to working capital in the past year. The value of stocks—which are stated to be "in a very healthy condition"—is nearly 50 per cent higher than the total value imputed to consolidated assets at March 31, 1946. Full provision has been made in the accounts for deterioration of stock values "where deemed prudent." Total reserves amount to £4,465,040 and revenue reserves to £1,713,562. No specific provision is shown against a decline in the value of stocks.

GUS continues to extend its interests at a pace which has involved rapid growth of its short term obligations. The interests of the company have this year spread to South Africa where control of general merchanting and multiple shop furnishing businesses has been acquired. In addition, the parent company has acquired control of Polikoff and Willsons (London and Provincial) Stores by share purchases. One feature of the expansion which ordinary shareholders in the parent company may note is the wide extent of outside interests. The preference capital of outside interests in subsidiaries is now £5,346,300 compared with the parent company's total capital of £3,370,607 and ordinary capital of £1,120,607; total outside interests amount to £7,133,193. Payments to outside shareholders together with interest charges absorbed more than a third of group profit after taxation in the past year.

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The Aspro Deal

In their report on the Aspro accounts for 1947-8, the auditors draw the attention of shareholders to the purchase by the company of shares in Ivers-Lee Engineering, a packing machinery company and its subsidiaries, for a sum of £145,000 "from persons including the directors." Their statement read: "We have not received explanation, *in our opinion*, to justify the excess of the purchase price over the values of the underlying tangible assets as shown in the books of the companies whose shares have been purchased." In his statement with the accounts the chairman of the company said that he would welcome questions at the annual meeting on the auditors' qualification to the accounts. Indeed *at the annual meeting last week it* was evident that some shareholders were not satisfied with the explanations proffered by the board for their action, and a proposal to form a shareholders' committee to investigate the circumstances of the purchase was only narrowly defeated.

The accountants explained at the meeting that in their opinion *the excess of the purchase price over the* book values of plant and machinery acquired was £57,897, while £61,121 of the purchase price was attributable to goodwill. But this goodwill had in fact largely arisen as a result of the interest Aspro had taken in the development of a packing machine produced by Ivers-Lee Engineering. This interest had extended first to making a prototype by another concern in which two of the directors were interested, and subsequently to an understanding that should a prototype be successfully developed—as was the case—Aspro would place substantial orders for machines. While it is not in dispute that the directors have taken decisions which have been in the best interests of the company, two separate points have been in debate. The first is that book values are the governing determinent of the value of assets for the purpose of a sale. That could never be admitted. The second is that the chairman and a second director were interested parties in the sale. Here the board took independent valuations as their guide to the purchase price.

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Cotton and Wool Still Firm

Cotton has remained steady in recent weeks and the New York spot price has even risen slightly to 32.95 cents a lb. against 32.44 cents at the end of November. Cotton consumption in the United States during the first two months of the 1948-49 season was at the same level as in the corresponding period last year, and the allocation of ECA funds to western Europe and China to purchase American cotton is sustaining the overseas demand. This season, exports of cotton from the United States are expected to reach 4,000,000 bales or double last year's level. But even if the United States does maintain its high level of consumption—and it is generally thought that

there will be some reduction—cotton supplies should not be tight. The final estimate for the recent American crop is 14,937,000 bales—some 200,000 bales smaller than the November estimate, but still the largest crop since 1937. The grade is somewhat lower than last season's although the average staple length is longer owing to a considerably larger proportion of staples of 1⅛ inch and longer. The bulk of Britain's demand lies between ⅛ and 1⅛ inch. The US Department of Agriculture does not propose to re-introduce production controls for the 1949-50 season and a further expansion in acreage is expected. An appreciable quantity of American cotton has already been put into loan and this may partly account for the recent strength of the market.

The first official estimate of the Egyptian crop is 1,730,000 bales compared with trade forecasts of 1,600,000 bales. This represents an increase of over 30 per cent on last year's crop, concentrated mainly in the long-staple varieties. Although prices in the Alexandrian market had fallen quite sharply, particularly those for Karnak, a steadier tendency has recently been evident. Britain, India, and certain European countries are reported to have bought quite heavily, but there are indications in both the United States and Europe that lower count yarns are being spun.

The upward trend in wool prices has been more marked than in cotton. By the beginning of December, merino prices had not fully regained the peak level of last June, but they were not far short of it. For the finer crossbreds (58s), prices are not much above their April level, while prices of the lower crossbreds have shown quite a significant rise and in most instances are almost back to their January level; for 56s the price reached the record average of 55d. a lb. These price movements clearly indicate a switch of demand to lower quality wools, which will undoubtedly help the Joint Organisation in the disposal of its remaining stock. Demand for wool is still strong but it has yet to be seen whether it can continue—whether all the textiles produced in Europe will find export markets.

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Barcelona Traction Bankruptcy Sequel

The statement made by the chairman of Barcelona Traction in Toronto this week throws fresh light on the involved position which has arisen from the declaration, by a Spanish Court in Reus last February, that the company was bankrupt. The complexities of the battle for control of the company, to which must be added the part which Señor Juan March plays in the affair, have removed it from the normal investment orbit. The original application for bankruptcy on the grounds that the company had failed to meet the interest on its sterling bonds was, to say the least, a legal process distinctly unfamiliar to British law. And it has since been disclosed that the Spanish Government failed to give permission for the transfer of available pesetas into sterling to meet the company's interest obligations despite the fact that Ebro, the Spanish operating subsidiary of Barcelona Traction, held no less than 160 million pesetas in cash in Spain—a sum which would have been sufficient to wipe off all arrears of interest on the sterling bonds. Moreover, since the chairman of Barcelona Traction estimates that the present replacement value of the company's Spanish assets exceeds liabilities by some 2,500 million pesetas, "bankruptcy" is hardly the proper term to describe its financial position.

The March interests, through Helvetia Finance Company, had purchased approximately £1,900,000 of the outstanding £2,684,900 6½ per cent prior lien bonds by September, 1947. Whatever the part which these interests may have played in connection with the application for bankruptcy and whatever may have been at the bottom of a suggestion that a new company should replace Barcelona Traction, in which these interests would control three-quarters of the equity, the position of Barcelona Traction, a Canadian registered company, has been made difficult if not indeed intolerable. Yet events may be working in favour of the company. On the representation of the Canadian and Belgian Governments, the case has been taken out of the hands of the judge at Reus and transferred to a special judge; but proceedings have been delayed. Barcelona Traction have succeeded in their application to enter an appearance to oppose the bankruptcy before the special judge, and they have received legal advice in Spain that the Spanish bankruptcy proceedings at Reus were "wholly invalid and improper." Since Señor March has a controlling interest in the prior lien sterling bonds, the London committee representing holders of these bonds would presumably not be sympathetic to the move to get the bankruptcy rescinded. But the company has a strong ally in the receiver appointed in Canada by the trustee of both classes of sterling bonds, who will contest the bankruptcy proceedings in Spain in conjunction with the company.

* * *

Outlook on the Rand

The first batches of December Kaffir dividends to come from the big mining houses have made a fitting postscript to the address of Mr Robert Annan at the annual meeting of Consolidated Goldfields of South Africa last week. Investors in gold shares will derive only small comfort from either. True, there have been three increases in dividend worthy of note, but all had been expected. Blyvooruitzicht is paying a half yearly dividend of 9d. on the shares in their new 2s. 6d. denomination compared with 2s. 6d. on the old 10s. shares paid in June last—a decision in line with the market's expectations. In the Union Corporation group both East Geduld and Geduld have paid 6d. more than in June; the Geduld dividend is the same as a year earlier, but the East Geduld payment is 6d. higher. A surprising reduction has been made by Durban Deep (of the Central Mining-Rand Mines group) from 1s. 9d. in December, 1947, and 1s. 6d. in June last to 1s. for the latest half year.

There are, indeed, few pointers at present to support the hopes of shareholders in the producing mines. Mr Annan was only able to point to the depressed earning capacity of the mines, which has deteriorated to the level of sixteen years ago. He considers that neither an increase in the price of gold nor a general decline in costs is in prospect, while the shortage of mine workers has become very serious over the past two years. Nor had he encouraging words for the developing mines. He cited the case of Libanon which will require £2,000,000 more than the prewar equivalent to bring extraction up to the projected rate of 100,000 tons monthly. This is not a very favourable background for the investment prospects of established mines, or of the new properties which are being developed in the Orange Free State.

* * *

Grindlays Bank Changes Hands

An interesting banking deal was announced last week. The old-established Grindlays Bank, which since its conversion into a limited company in 1924 has been affiliated to the National Provincial Bank, which held the whole share capital of £250,000, has been taken over by the National Bank of India. An unusual by-product of this deal is that the National Provincial Bank acquires a participation in the National Bank of India, which is also making a cash payment for its purchase of the Grindlay shares. It is easy to see why the National Bank of India should have desired to extend its interests in this direction. The business of Grindlays Bank, although for many years based largely upon personal accounts, has long had important connections in India, and in 1942 extended its sphere to Burma and Ceylon by the acquisition of the banking business of Thos. Cook and Son (Bankers) Ltd. Although the bank has only two offices in London, it has nearly a score of branches and sub-branches in these territories. As a consequence of this overseas development, the bank, while retaining its personal clientele, has been increasingly engaged in commercial and exchange business of a kind similar to that traditionally conducted by the Indian exchange banks, of which the National Bank of India is one of the most important.

Despite this change in its affiliations, Grindlays will retain its separate identity and its own management. No major changes are contemplated in its organisation; in particular, its customers will continue to enjoy the facilities afforded through the branch organisation of the National Provincial Bank. Grindlays' paid-up capital and published reserves at present total £350,000 compared with deposits aggregating rather more than £20 million. To ensure a better relationship between the bank's own resources and the scale of its operations, the National Bank of India intends that the present capital and published reserves of Grindlays shall be "substantially increased" as soon as the necessary formalities can be arranged.

Shorter Notes

The President of the Board of Trade stated in a written Parliamentary answer on Tuesday that he had asked the Association of British Chemical Manufacturers to prepare a report on the chemical industry. This is the first step towards putting the Government "in possession of a comprehensive survey of this basic industry showing its long-term plans, its probable lines of development and the steps regarded as necessary to meet the objectives disclosed by the survey." The scope of the survey has not been indicated and must be difficult to define. The membership of the Association of British Chemical Manufacturers comprises most of the chemical undertakings, but not (except for petroleum chemicals) the oil industry and not the soap and margarine companies.

*

The index of industrial production prepared by the London and Cambridge Economic Service shows a rise of five points in October. The total index for October is given as 125 (1946=100); the figure is, however, subject to revision. The September index is confirmed as 120. While the provisional October index reflects the resumption of full industrial activity after the holidays, it is also an advance on the previous highest level of 123, last recorded in April. A revised index of 140 is given for the motor industry (including cycles and aircraft) for September; this was an increase of 40 points over August, when holidays and the changeover to new models kept production down. The October index for the motor industry is 143.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Great Universal Stores; Slaters Bodega; Combined Egyptian Mills; Aerated Bread Company; Decca Record.

Prices, Year 1948 Jan. 1 to Dec. 15 High	Prices, Year 1948 Jan. 1 to Dec. 15 Low	Name of Security	Price Dec. 8, 1948	Price, Dec. 15, 1948	Net Yield, Dec. 15, 1948 (m) £ s. d.	Gross Yield, Dec. 15, 1948 £ s. d.
		British Funds				
101⅛	100⅞	War Bonds 2½% August 1, 1949-51	100⅜	100⅜	.. ..	1 7 8e
101¼	100⅜	Exchequer Bonds 1½% Feb. 15, 1950	100⅛	100⅛	0 4 11	1 5 1
102⅛	100⅛	War Bonds 2½% March 1, 1951-53	102⅛	102⅛	0 3 6	1 8 8e
103¼	100	War Bonds 2½% March 1, 1952-54	103	103	0 11 2	1 15 5e
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	103⅜	103⅞	1 1 2	2 12 5
103⅛	99⅞	War Bonds 2½% Aug. 15, 1954-56	103⅛	103⅛	0 18 9	2 0 3e
103⅛	100⅛	Funding 2½% June 15, 1952-57	102⅛xd	102⅛	1 3 0	2 7 4f
105⅛	100⅛	National Def. 3% July 15, 1954-58	104⅛xd	104⅛xd	1 2 1	2 8 2f
105⅛	101⅛	War Loan 3% Oct. 15, 1955-59	105⅛	105⅛	1 2 2	2 8 10f
104⅛	100	Savings Bonds 3% Aug. 15, 1955-65	103	104⅛	1 7 11	2 15 0f
102⅛	96⅞	Funding 2½% April 15, 1956-61	101⅛	102	1 4 5	2 7 1f
104	98⅛	Funding 3% April 15, 1959-69	103⅛	103⅛	1 8 10	2 15 7f
113⅛	110⅛	Funding 4% May 1, 1960-90	114⅛	114⅛	0 18 2	2 12 1e
103⅜	97⅛	Savings Bonds 3% Sept. 1, 1960-70	103	103⅛	1 9 11	2 16 11f
99	93⅛	Savings Bonds 2½% May 1, 1964-67	98⅛	98⅛	1 9 5	2 12 4f
116⅛	112⅜	*Victory* Bonds 4% Sept. 1, 1920-76	116⅛	116⅛	1 2 6	2 15 9e
102⅛	96⅛	Savings Bonds 3% Aug. 15, 1965-75	102⅛	102⅛	1 11 0	2 18 1f
111⅛	107⅛	Consols 4% (after Feb. 1, 1957)	110⅜	111	0 18 0	2 13 10f
106⅛	102⅛	Conversion 3½% (after April 1, 1961)	106⅛	106⅛	1 7 8	2 18 9f
83⅛	74⅛	Treas. Stk. 2½% (after April 1, 1975)	78⅛	79⅛	1 11 8	3 3 3f
99	91⅛	Treas. Stk. 3% (after April 5, 1966)	96⅛	97⅛	1 14 0	3 2 0f
100⅜	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	99⅜	100	1 13 3	3 0 6f
83⅛	74⅛	*Consols* 2½%	79⅛xd	79⅛xd	1 14 6	3 2 9f
103⅛	96	Brit. Elec. 3% Gtd. April 1, 1968-73	102⅛	102⅛	1 10 9	2 17 8f
101⅛	99⅛	Brit. Elec. 3% Gtd. Mar. 15, 1974-77	100⅛	101⅛	1 12 1	2 19 0f
101⅛	93⅛	Brit. Trans. 3% Gtd. July 1, 1978-88	99⅛xd	99⅛xd	1 13 1	3 0 0f
103⅛	95⅛	Brit. Trans. 3% Gtd. April 1, 1968-73	102⅛	102⅛	1 10 11	2 17 10f

Prices, Year 1948 Jan. 1 to Dec. 8 High	Prices, Year 1948 Jan. 1 to Dec. 8 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Dec. 8, 1948	Price, Dec. 15, 1948	Yield, Dec. 15, 1948 £ s. d.
		% (d)		% (d)	**Other Securities**			
106	101⅛	96		90	Australia 3½% 1965-69	105	106	2 17 0e
		(d)		(d)	Birmingham 2½% 1966-71	95⅛	95⅛	2 15 3f
		8½		8½	Anglo-American Corp. 10s.	8	8	4 5 4
		50	a	50	c Anglo-Iranian Oil £1	8⅛	8⅛	3 9 3
		10⅛		9	Assoc. Electrical Ord. £1	78/-	78/-	3 16 11
		10	b	9	a Assoc. Port. Cem. Ord. Stk. £1	74/6	75/6	3 19 6
		15	c	15	c Austin Motor 'A' Ord. Stk. 5s.	31/10½	30/10½xr	6 9 6
		40	a	40	c Barclays Bank Ord. 'B' £1	78/-	79/-	3 10 11
		7	b	7	a Bass Ratcliff Ord. £1	8⅛	8⅛	2 16 8f
		†20	b	†12½	a British Oxygen Ord. £1	101/3	8	4 0 0
		12	b	8	a Courtaulds Ord. £1	38/9	38/6	3 17 11
		25	a	5	b Distillers Co. Ord. 4s.	29/7½	29/-xd	3 15 10
		27½	c	7½	a Dorman Long Ord. £1	32/6xd	32/6	4 18 6
		8	c	8	c Dunlop Rubber Ord. £1	74/-	76/-	3 18 11
		15	c	15	c Imp. Chem. Ind. Ord. Stk. £1	48/3	48/3	4 2 11
		7	b	3	a Imperial Tobacco £1	5⅜	5⅜	5 18 3
		19½	b	13½	a Lancs. Cotton Ord. Stk. £1	46/10½	46/6	4 6 6
		10	c	10	c Lever & Unilever Ord. £1	51/3	51/3	3 18 1
		12½	c	10	c London Brick Ord. Stk. £1	53/9	53/9	3 14 6
		31½	m	7½	b P'chin J'nson Ord. Stk. 10s.	55/-	54/-xd	4 12 8
		12	c	12	a P. & O. Def. Stk. £1	53/6xd	52/-	4 12 4
		†14⅛	c	†7½	c Prudential 'A' £1	33	32½	2 7 6f
		12½	a	12½	c Stewarts & Lloyds Def. £1	56/3	56/-	4 9 3
		12½	a	†5	b "Shell" Transpt. Ord. Stk. £1	75/-	74/4½	2 0 8f
		12½	a	12½	b Tube Invst. Ord. Stk. £1	6⅛	6⅛	3 16 11
		11½	b	3⅜	a Turner & Newall Ord. Stk. £1	80/-	80/-	3 15 0
		55	b	25	a Woolworth (F. W.) Ord. 5s.	83/6	83/9	4 1 8

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'f'). (m) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (f) To latest redemption date. (m) 15 months. Yield basis 25%.
† Free of tax.



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COMPANY MEETINGS

THE COMMERCIAL BANK OF SCOTLAND, LIMITED

ANOTHER YEAR OF STEADY PROGRESS

RECORD BALANCE SHEET FIGURES

THE EARL OF MAR AND KELLIE'S ADDRESS

The annual meeting of the shareholders was held in the North British Station Hotel, Edinburgh, on the 16th instant. The Earl of Mar and Kellie, the governor of the bank presided.

Before commencing the business of the meeting, the governor made reference to the loss the bank had sustained during the year through the deaths of Field-Marshal Lord Milne, the deputy governor of the bank, and of Sir Gilbert Archer, one of the ordinary directors, both of whom had maintained a lively interest in the welfare of the bank and whose wide knowledge of men and affairs would be greatly missed.

In submitting the report the governor said:—

It is a great pleasure to me to meet the shareholders again in annual meeting, and to be in a position to submit for approval a report and statement of accounts which continue to shew steady progress, despite the uneasy condition of the times through which we are passing.

NECESSITY FOR FACING FACTS

A year ago I referred to the stringency of the economic situation in which our country found itself, and expressed the hope that, as the months went by, there might be a gradual bettering of conditions, but there is still much confusion of thought in the public mind as to the actual position and as to the remedial measures which might put us on the road to recovery. On the one hand there are those who realise the gravity of the situation and the dark shadow which lies over the economy and perhaps our whole manner of life; and on the other hand there are those who apparently look for no more than an illusory prosperity which brings with it larger wage payments or some form of easy profit. It is true that the frankness with which the Chancellor of the Exchequer has spoken on many occasions during recent months has done a good deal to make the whole nation aware of the fate which lies ahead unless all sections of the population give of their best; but there is still room for much clearer thinking. I do not feel, for instance, that it is even yet generally realised that the cost of the recent war used up the large resources which we had accumulated overseas prior to 1939—the earnings from which materially contributed towards paying for much of the food and raw materials which we require to import—with the result that we were left so impoverished financially that outside help was required to tide us over. The help which was forthcoming from the United States of America and from Canada did not, however, bring the expected results. By the time the credits were exhausted, the increase in our export trade was still far short of what was required to balance our payments. Failure in many cases—and for various reasons—to reach the export targets which had been set, together with rising prices of imports, left us no better off, and if further help had not been arranged our position would have become precarious indeed.

MARSHALL AID AND INTERNATIONAL TRADE

The Foreign Assistance Act which was signed by the President of the United States of America in the spring of this year to give effect to the Marshall Plan, is designed on broad lines to help a war-torn Europe—including ourselves—along the road to economic recovery; and while it is as yet too soon to express an opinion as to the effect of Marshall aid on our own position, it is hoped that throughout the European countries concerned international trade will be stimulated with a consequent improvement in the economic condition of all. Without such help, our standard of life would have dwindled to a very low level; but it would be well for us to keep prominently in mind that Marshall aid can only be a temporary measure, and that the ultimate solution of our difficulties will be found in better production, which means for all of us harder work whether by brain or muscle; a determined effort to bring about a substantial reduction of government expenditure which is still eating up too great a proportion of the national income; and an easing of the intolerable burden of taxation which is meantime being borne both by industry and the individual.

CRIPPLING EFFECT OF CURRENT TAXATION

So far as industry is concerned the current rate of taxation and the method of its application are having a crippling effect on re-equipment and development from both of which might be expected an increase of production per man-hour with consequent reduction of costs. As it is, costs have risen to such heights that in certain overseas markets, at least, we are now finding it difficult to compete because of our price level. In brief, our prices are too high, and it is time that something was done to lessen the burdens which are being carried by industry.

INCENTIVE NECESSARY FOR SAVINGS

The individual also requires an incentive not only to work, but to save, and although the habit of saving is inherent in the character of the people of this country—particularly in Scottish men and women—there is little margin on any individual income for that purpose at the moment. After a long period of austerity inspired by conditions of war, it is inevitable that family and household needs be satisfied to some extent, and because of that, it is not surprising that new small savings have suffered something of a set-back during the past year; but the fact remains that even the most necessary personal expenditure is now governed largely by price, and business houses are not finding it easy to keep stocks from accumulating. An easing of the taxation situation for all concerned would be welcome, and for the individual might do much to preserve the habit of saving which otherwise might lose some of its prominence and importance in the process of trying to make ends meet over too long a period. Personal saving must be fostered, and one of the finest stimulants would be an example of strict economy in state expenditure.

INCREASE OF NEW INDUSTRIES IN SCOTLAND

Scotland is, of course, of first importance to us as a bank, and I am happy to say that progress continues to be made in the industrial field. For too long, perhaps, we have relied on the heavy industries alone to provide the mainstay of our economy, and while coal, iron, steel and shipbuilding will continue to occupy the key positions, it is most heartening to look at the array of new industries (or old industries come to life again) which are now spreading throughout the country. The peak of development has not yet been reached—there has of necessity been a slowing down because of the cut in the capital expenditure programme—but even so, there is now a diversity of lighter industries which, I am sure, will stand us in very good stead for the future. Added to all this, the North of Scotland Hydro-Electric scheme will, in time, open up other large fields of development and, generally speaking, it looks as if the economy of Scotland will, in the years to come, be much more soundly based than it has been in the past. Various bodies, including the Scottish Council (development and industry) and the Board of Trade, have played a leading part in bringing about this state of affairs, and the result of their efforts is encouraging.

As you would expect, we have not been behind in providing financial assistance, for both old and new concerns, and in that connection, I think you will find adequate proof in the figures of the report which I shall now ask you to consider.

RECORD BALANCE SHEET TOTAL

You will find substantial increases under nearly all headings of the balance sheet, bringing out a total of just under £139,000,000. This figure is greater than last year's total by almost £9,000,000, an easy record in the bank's history.

The Paid-Up Capital is unchanged at £2,600,000, and is held by almost 9,000 individual shareholders, which means that the average holding is approximately £290.

The Reserve Fund, to which has been added £100,000, now stands at £3,900,000 and is £1,300,000 in excess of the paid-up capital.

Notes in circulation, at slightly less than £12,000,000, shew a small decrease on the year, but the figure is still at a high level, and the slight fall has no special significance.

Deposits and other credit balances, amounting to almost £116,000,000, are more than a year ago by over £8,000,000. These are record figures which are well spread over our network of offices, and the steady growth persists despite the heavy drawings upon us by expanding industry.

Acceptances and engagements on account of customers, at £4,465,000, are up on the year by over £1,000,000, which is in line with the increasing business being done by our customers in the international field. There is still room for further development here.

ASSETS

On the assets side, the first five items, representing cash, balances with other banks, money at call and short notice in London, British Government treasury bills and British Government treasury deposit receipts, aggregate over £39,000,000, while British Government securities stand at over £67,600,000. These resources of a liquid character show little change compared with last year; but taken together, they exceed £107,000,000—equivalent to 84 per cent. of our liabilities to the public in respect of notes in circulation and deposits.

The market value of our investments is greater than the figure appearing in the balance sheet, and the investments have been carefully selected with regard to maturity dates.

At over £25,100,000 bills discounted, and loans and advances together show an increase of almost £7,500,000. This is a record for our advances figure, and, while it is a welcome sign that our customers are alive to the necessity for taking their full share of responsibility in meeting the country's needs by extension and improvement of their business interests, and are relying upon us to assist them in their various enterprises, it also points to the shortage of working capital which is becoming generally apparent, and perhaps also indicates an inability under present conditions to turn over stocks as rapidly as formerly.

YEAR'S PROFIT

As to the results of the operations of the year, you will observe that the profit shows an increase of just under £4,000, which may be considered satisfactory when account is taken of the burden of taxation and the heavy drain of ever rising costs. Out of the sum available the directors have allocated £100,000 to reserve fund; £100,000 to increase the fund for Officers' Pensions, and £25,000 to the widows' fund.

DIVIDENDS

Interim dividends on the "A" shares of 7½ per cent., and on the "B" shares of 5 per cent., less income tax, were paid in July last, and it is now proposed that a further distribution of 7½ per cent. on the "A" shares (making 15 per cent. for the year), and 5 per cent. on the "B" shares (making 10 per cent. for the year), both subject to income tax, be approved. After payment of these dividends and allocations the carry forward to next year's account amounts to £91,233.

TRIBUTE TO STAFF

As you have listened to this review it must have occurred to you that the results could not have been achieved without the loyal co-operation of all members of the staff, and on behalf of the shareholders, and of the public whom we serve, I offer them our sincere thanks. The high standard of helpful service which our staff afford to our customers is something which is well worth fostering, and I am happy to tell you that a few weeks ago I had the pleasure of opening Ramsay Lodge as a staff hostel and training centre. Three years ago, as you may remember this historic building was acquired for the purpose of setting up such a centre and, while it has taken rather longer than was anticipated to have the necessary alterations carried out, the venture has now been launched—the first in the annals of Scottish banking. It is our hope that the successive generations of commercial bankmen who will pass through the centre, will be better equipped to deal with the complexities of modern finance; able to advise customers wisely in all matters of business; and ready to play their part in local affairs. All of us wish the new organisation, and all who may be associated with it, much success and happiness.

The governor then moved the adoption of the report and the motion having been seconded by Mr Ian W. Macdonald was put to the meeting and carried.

At the close of the meeting cordial votes of thanks were accorded to the directors and the staff for their services during the year and to the governor for presiding.

INDUSTRIAL CREDIT COMPANY, LIMITED

FINANCE FOR IRISH INDUSTRY

The fifteenth ordinary general meeting of this company was held, on the 9th instant, at Dublin.

The chairman, in the course of his speech, said: After deducting administrative expenses of £12,099 there is a net profit of £105,652. Provision for taxation requires £38,996.

Your directors propose to increase the annual dividend from 3 per cent. to 4 per cent., which, less tax, would absorb £21,463, also to enlarge internal reserves by £40,000, leaving undistributed profits of £19,708 (against £14,516).

One of the main purposes of the company was to assist in the development in Ireland of a capital market for industrial issues. There is in the country a unique position in this respect, by virtue of the fact that every citizen is free to invest his money outside the country. Thus, new Irish industrial issues have to compete as regard attractiveness to the investor with securities quoted in the London Stock Exchange, with dividend records and also securities with speculative possibilities. Despite this competitive element, the new Irish industrial issues have gradually over the years established themselves in popularity with the investing public in this country, so much so that latterly a number of issues sponsored by us have been oversubscribed to the extent that some thousands of applicants have had to be disappointed in the matter of allotment of the shares on issue for subscription or offer for sale, and it may fairly be claimed that by now Irish investors have come to realise that investment in these Irish industries of transformation presents opportunities fully comparable with investment in industrial enterprises outside the country.

The report was adopted.

LAKE VIEW AND STAR, LIMITED

DIVIDEND 47½ PER CENT.

The thirty-eighth annual general meeting of Lake View and Star, Limited, was held on the 16th instant in London.

Mr G. Golthorpe Hay, the Chairman, in the course of his speech said: Costs have continued to rise as a result of wage increases and the ever increasing cost of supplies, together with the shorter working hours and holidays-with-pay granted by the Arbitration Court. Despite this the results achieved show how efficient management has been able to cope with the many difficulties met with in gold mining today.

With such substantial assets, as shown in the balance sheet and the General Manager's report, you will realise that better results would have been obtained had sufficient labour been available to meet our full requirements.

I understand that the Authorities in Australia are endeavouring to attract immigrants. In our own property there are fine opportunities for employment and, if the men devote their spare time to study and training at the up-to-date School of Mines in Kalgoorlie, they would have every opportunity of qualifying to become trained miners and plant operators, thereby allowing the gradual enlargement of the industry, and particularly that of our own concern.

The tonnage milled at 573,131 tons and the average grade at 5.05 dwt. per ton are both slightly below last year's figures, the former being partly due to shortage of underground men and the reduction in working hours, and partly to the floods in February which damaged sections of the mine workings and surface plant. Ore reserves of 3,995,800 tons averaging 4.87 dwt. show an increase of 112,000 tons.

At the Chaffers re-treatment plant 619,926 tons were treated up to June 8th last, when the whole of the dump having been treated along with selected portions of the adjoining dump, operations ceased. Since that date the plant has been operated to cyanide the current flotation tailings and calcine residues from the Chaffers plant, whilst since August 18th the treatment of a further calcine dump has been undertaken concurrently so that the plant worked at maximum throughout.

The mining profit of £389,409 is lower than that for the previous year. After providing for depreciation, taxation and dividends totalling 47½ per cent and transferring £10,000 to general reserve the amount carried forward from mining operations is £28,672, which compares with £36,136 brought in. These results, though satisfactory, would have been even more so had it not been for the heavy burden of present day taxation.

The report and accounts were unanimously adopted.

WALMSLEYS (BURY), LIMITED

SATISFACTORY RESULTS

The sixteenth ordinary general meeting of Walmsleys (Bury), Limited, was held, on the 16th instant, at Bury.

Mr John Parks Wolstenholme (deputy chairman and joint managing director), who presided in the absence, through indisposition, of the chairman, Mr John Wolstenholme, said, in the course of his speech:—

The group profit for the year amounts to £66,108. After providing for a final dividend of 10 per cent on the ordinary share capital (making 16 per cent. for the year) the balance of the group profit to carry forward is £263,169. All the subsidiaries have shown profits on the year's trading, and, whilst I am always hesitant about making promises, I feel sure that we can look forward to improved trading results in the future.

Walmsleys (Bury), Limited, and Bentley and Jackson, Limited, are primarily concerned with the design and manufacture of pulp and papermaking machinery. These two companies have maintained their positions as leading engineers for this type of equipment. During the year under review they have completed several large contracts for home and abroad.

HOME ORDERS

The home orders completed included a very large mill reconstruction by Walmsleys and a complete new paper machine by Bentley and Jackson. The design, construction and successful installations have brought forth letters of thanks and appreciation from both customers. Other substantial contracts have also been dealt with satisfactorily in the same period, and we look forward to the successful conclusion in the near future of several large machine contracts of special priority for the home market.

Ashworth and Parker, Limited, have been fully occupied on the manufacture of their well-known high-speed steam engines, over 80 per cent. of which have been for export. Walker Brothers (Wigan), Limited, have been faced with many difficulties, due to the change-over from wartime to peacetime products, and due also to the fact that they have had to accommodate themselves to some extent, to the manufacture of pulp and papermaking machinery, which was the primary object for acquiring this company, and which has been a great help to us.

Walkers, of course, specialise in the design and manufacture of mining machinery, diesel railcars, municipal vehicles and general purpose vehicles. They have completed many contracts for such equipment, and their order book is in a satisfactory condition. It will take some time to achieve completely satisfactory results, but an excellent beginning has been made, and I have every confidence that Walker Brothers (Wigan), Limited, will turn out to be a valuable member of our group.

EXPORT BUSINESS

Much of your company's present business is in export markets. We have worked on, and brought to an advanced stage of construction several papermaking machines for abroad, and it is expected that these will be completed before long. We have further substantial orders on hand for Australia, New Zealand, India, the Argentine, Denmark, Egypt, Finland, France, Norway and Sweden.

Since our last meeting the chairman has paid a visit to Australasia, and he wishes me to assure you that the reputation of the House of Walmsley in the Continent stands very high indeed. He has expressed his great pleasure at being able to see for himself the excellent results which are being obtained in Australasia from the equipment supplied from your Bury and Wigan companies, and he feels certain that the Walmsley companies will receive more large contracts from this continent.

The report was adopted.

CRITTALL MANUFACTURING COMPANY, LIMITED

LARGER NET PROFIT

EXPANSION OF EXPORTS

LORD BRAINTREE ON THE OUTLOOK

The twenty-fourth annual general meeting of the Crittall Manufacturing Company, Limited, was held, on the 15th instant, in London, Lord Braintree, chairman and managing director, presiding.

The Chairman, in the course of his speech, said: Stocks and debtors again show increases, which reflect the increased turnover in the period and the fact that, anticipating continuity and even increase in the rate of house building at the beginning of the period, we increased our stock of finished windows. It is a matter of record that the rate of house building was reduced as part of the limitation of national capital expenditure. This reduction took place half-way through the period. Uncertainty as to requirement made it difficult to adjust the balance of finished stock before the end of the financial year. Reductions have since been made which will make it possible to run through the winter on an even keel.

INCREASED LIQUID RESOURCES

The net liquid resources of the group, at £1,479,651, show an increase of £199,484 for the year. Excluding the reserve for future taxation, the real capital employed in the company, comprising issued capital, share premium account, reserves and undistributed profits, amounts to £3,538,965, which figure does not take into account the excess in the value of trade investments over their book value at August 31, 1948.

The revenue reserves, other than those for future taxation, show an increase of £171,881 over last year, which is attributable to the increase in the amount of profits retained in the businesses as well as the surplus arising on the disposal of a subsidiary company, Wood Surrounds, Limited, which was redundant to our requirements.

NET PROFIT

The aggregate charge for taxation, £246,836, is some £8,600 lower than last year, due largely to the cessation of excess profits tax at December 31, 1946. The net profit, after deducting the profits of subsidiaries attributable to outside interests or not distributed, amounts to £219,128, an increase of £3,317 over last year. To this should be added the amount brought forward from last year, £91,944, making an amount available for distribution of £311,072. Out of this amount the directors decided to write down the investment in our village at Silver End, which is maintained out of revenue, by £41,273.

After giving effect to this and after deducting dividends already paid, there remains an amount available for distribution of £193,486, as shown in the directors' report. Out of this we recommend a final dividend on the ordinary stock of 10 per cent. actual, less income tax, making 20 per cent. for the year. In arriving at this figure we are again guided by the request of the Chancellor of the Exchequer that there shall be no increase in dividends. The balance on profit and loss account carried forward is £159,111, an increase of £67,167 over last year's figure.

INCOME FROM INVESTMENTS

The net income from investments at home and overseas last year accounted for £61,445. The figure this year is £44,540, a reduction of £16,905, largely accounted for by the liquidation of Wood Surrounds, Limited. It follows that there is a corresponding increase in the net profit attributable to the company's own manufacturing and selling activities. The figure last year was £154,366 and is this year £174,588, an increase of £20,222.

This figure is the more remarkable in view of the adverse effect of the cut in national expenditure which took place half-way through the period. We were geared to produce standard windows for housing at an even greater rate than in the peak prewar years of 1936-37. Almost overnight we had to reduce production, and the despatches of standard windows in the second six months were 30 per cent. lower than in the first six months, whereas the figures for the previous year showed an excess of the second half over the first.

SATISFACTORY EXPORT RESULTS

Fortunately, the spade-work we have been doing to build up an increased export business has borne fruit. You will recollect I told you last year that we were exporting at a rate approximately five times our prewar figure. I am glad to say that we have sent approximately 10 per cent. more goods overseas during the year under review than in the previous year, while the orders received in the period are approximately 50 per cent. higher.

We are satisfied with our export results, principally because of the many new markets we are now serving. During the year we exported to 54 countries. There are still markets from which we are now excluded, but which would be open to us but for the present import restrictions. There is also the effect of the Palestinian trouble on the very valuable Middle East market. There are other markets which are suffering from disturbance, the ending of which cannot fail to improve our prospects. In all the circumstances I believe it will be possible to increase our export in the current year.

Fortunately, we have never regarded production results as static, and we hold to the view that we must and can keep pace with such setbacks as reduction of turnover. It is a source of satisfaction to me that we have not found it necessary to ask for an increase in price on this account, because such increases can only act as a deterrent to the full-time resumption of building.

CALL FOR GREATER EFFICIENCY

The call for greater efficiency in industry is addressed to all trades. Some have already reached a very high state of efficiency, but in many others the margin for economy is great and should certainly take care of a measure of reduced output. There is also the question of absorbing increases in labour and material. I take the line that, where these cannot be met by increased efficiency, consideration should be given to whether a reduction in profit is not better business than passing the increase on to the consumer. The value of such increases is, in my opinion, illusory. They must have an adverse effect on the community in the long run and, particularly in relation to export, cannot be sustained.

ALUMINIUM WINDOWS

We are satisfied with our partnership with the Luxfer Company in Crittall-Luxfer Aluminium Windows, Limited, at Nottingham, where we have concentrated our aluminium development. We believe that there is a future for aluminium windows in a field which has hitherto been regarded as almost exclusively served by wooden windows. So far as the use of aluminium as a substitute for other metal windows is concerned, we hold the view that much yet remains to be proved as to its suitability from a weather resisting point of view. It is already established that there are alloys of aluminium which have a high weather resisting quality, but even with these the question of further treatment subsequent to installation arises. The use of unsuitable alloys simply means that there will be metal windows more vulnerable to the effects of weather than steel windows which have not received some better protection than painting.

There can be no doubt that, short of bronze windows, the best metal window so far evolved, from the point of view of permanence and low maintenance cost, is the steel window treated by the process of hot galvanising. If appearance is a consideration, painting after galvanising is indicated. Because of these doubts as to the performance of aluminium, the largest maker of metal windows in the United States has decided to stick to steel exclusively. We do not go so far, but we believe that prospective users of aluminium should be warned of how necessary it is to ensure that the right kind of aluminium is used.

THE CURRENT PERIOD

In dealing with the current period, so much depends on issues beyond our control. There is the overriding question of the gap between exports and imports. We can only do our best in the field in which we are working. Since the end of last period we have curtailed our production to the point that we can see our way through the winter months, which are, of course, an off season for building. We have now turned on the tap and hope to be able to re-establish and maintain the economic level of employment and production which we had at the early part of last year. We cannot expect as high a rate of house building, but there are indications of increased building in other directions.

I have spoken of the possible increase in export and of using our capacity in other directions. The urge to greater efficiency, if it means anything at all, means cheaper production, and I fail to see what is the use of cheaper production unless, after providing for reasonable profits and reserves for re-equipment, the customer benefits by the result. I regard the figures of the last two years as a target which will be hard to maintain in the current period, but nevertheless I see no reason to doubt that we can produce a satisfactory result.

PENSION SCHEMES

It will be remembered that last year a provision of £80,000 for the extension of pension schemes was made out of the profits. Since the last meeting a lot has been done towards providing all eligible employees with life assurance while employed with the company, and a pension which, with the national pension, will provide a decent standard of living on retirement.

I would particularly mention the contributory scheme for the works employees which came into operation on March 1 last. Of those eligible to join, over 98 per cent. responded, and for the success of this scheme we have not only to thank the staff particularly engaged on it but also the pension committee which was set up to act as a link between the management and those concerned. It is expected that the objectives outlined last year will have been finally completed by the time we meet again.

Last year I referred to the formation of a board of management to act in an executive capacity to carry out the decisions of the directors, and to the inauguration of a regular system of meetings between this board and the men's representatives.

We have achieved a great deal in the way of co-operation and they are doing a very fine job in helping us to meet the problems with which we are beset in these difficult times. Incidentally, as a token of our appreciation of the excellence of the year's result, we are giving all employees a week's wages.

The report and accounts were unanimously adopted.

DORMAN LONG AND COMPANY, LIMITED

SIR ELLIS HUNTER ON NATIONALISATION

ALL BRITISH INDUSTRY THREATENED

The fifty-ninth ordinary general meeting of Dorman Long and Company, Limited, was held on the 16th instant, at Caxton Hall, Victoria Street, London, S.W.1.

Sir Ellis Hunter chairman who presided said:

My first reference must be to the loss the company has sustained by the death of Viscount Greenwood, who was our chairman for fourteen years. He served the company with ability and devotion. His genial presence at board and annual meetings will be missed by us all and I wish to acknowledge our appreciation of his work for Dorman Long and express the deep regret we feel that his friendly counsel and wide experience are no longer available to us.

I should like to express my appreciation of the confidence shown in me by my colleagues on the board in appointing me chairman. It will be my endeavour to serve the interests of the company as actively as in past years and to guide its affairs so that the standing and credit of Dorman Long is still further progressively enhanced.

The late chairman a year ago stressed the desirability of a realistic approach to the relations of the Government with the industry so that a permanent settlement might be achieved which would give the Government effective control of general policy without destroying the advantages of private enterprise. Unfortunately the policy of moderation urged by Lord Greenwood has been rejected.

BOARD UNANIMOUS

It is a melancholy thought that political obsessions have caused the future of the iron and steel industry to become a political issue. The directors of Dorman Long are unanimously opposed to nationalisation and are determined to support to the full the efforts of the British Iron and Steel Federation in its resistance to the Bill. The Government have failed to display any real sense of leadership to which not only the steel industry but industry generally could have responded. The effect of the Government's failure will be to discourage industries from organising themselves and increasing their efficiency so that they could more effectively conform with the Government's general economic plans. In the past fifteen years the steel industry first through the Import Duties Advisory Committee and more recently the Steel Board, built up an organisation able and willing to co-operate with the Government in implementing national economic policy.

The result of the self-restraint and co-operative spirit shown by the steel industry is the present Bill to nationalise it. This is surely the negation of leadership and is bound to have serious repercussions throughout industry, making it wellnigh impossible for industry to respond to the Government's frequent and urgent pleas for co-operation. This is a serious matter. All who are anxious to see our country restored to full economic health and her traditional place in world affairs must hope that the Bill will never be put into effect. The Opposition have declared their intention of repealing this Bill if it becomes an Act and they are returned to office.

It is a thoroughly bad Bill for it interferes with a well organised industry which is securing record outputs and is in the midst of a great development plan. It cannot add to the efficiency of the industry, lead to cheaper steel or more cordial relations between managements and employees. I do not exaggerate when I say that nationalisation of steel would be a disaster for the country. Not only steel but virtually the whole of British industry would be involved.

STRUCTURAL ENGINEERING

In the case of Dorman Long there are two aspects of nationalisation to which you will expect me to refer—our structural engineering interests and the proposed terms of compensation under the Bill.

Dorman Long are a company carrying on all the activities listed in the Second Schedule.

In addition, they have various other activities, outstanding among which is a number of structural engineering businesses. Some of these are organised as departments of the company, while others are separate concerns in which the company owns the whole or a substantial part of the shares. These interests represent approximately one quarter of the structural engineering industry in this country, 60 per cent. in the Union of South Africa and a valuable business in the Argentine.

These businesses have been developed or acquired over a period of many years with the object of obtaining an outlet for the company's output of finished steel in the United Kingdom and abroad.

The advantage of such markets to a steel producing firm in competition with others is evident. The subsidiaries can specialise in different branches of engineering work: the demand for special classes of products can be distributed amongst them: competition and duplication can be eliminated within the group, though use can be made of the name and goodwill of the group firms in obtaining business suitable for the parent company as steelmakers.

Under nationalisation the Corporation as the sole steel supplier could gain nothing from the ownership or control of United Kingdom markets for its steel. The Corporation would, in fact, be faced with difficult problems of adjustment between "associated" and "free" firms in the engineering industry. Any form of price differentiation would conflict with the public interest; the placing of orders in accordance with the public interest, particularly as regards employment, might well require the Corporation to neglect its own subsidiaries in favour of independent firms. The Corporation could gain nothing by its control of the United Kingdom engineering subsidiaries except by way of dividends on this investment, against which would have to be set the risks of loss through idleness of the engineering works in periods of depression, at the very time when the Corporation's own specific activities would be curtailed.

DIFFICULTIES FOR CORPORATION

The Corporation could not gain anything, as an independent competitive concern could have done, by going all out to obtain the maximum share of the engineering business available so as to mitigate the adverse effects of trade depression on the demand for its steel production, because the Corporation would control the whole steel output already, and any business its engineering subsidiaries attracted to any particular steel-producing unit would merely be diverted from some other unit for which the Corporation would be equally responsible.

Difficulties would also appear to confront the Corporation if it continued to control subsidiaries trading abroad. It is no doubt true that increased orders for the steel works might result from the activities of the Corporation's foreign engineering subsidiaries; but in obtaining such orders it would be presenting itself as a state-owned competitor with private enterprise abroad and would be subject to disadvantages on this account from which independent engineering firms would be free. These subsidiaries would inevitably be regarded as conducting their business not on ordinary commercial principles, but in the interests of the British Government—e.g., as an instrument designed to conflict with the development of local heavy steel or engineering industry. Such suspicion would depreciate the value of the foreign subsidiaries concerned.

COMPENSATION TERMS UNJUST

The compensation terms of the Bill completely fail to take into consideration the effect of an individual company's policy on its position and prospects in the industry. Market prices of shares do not reflect the difference between seed-time and harvest. Some companies, and Dorman Long is an outstanding example, have for many years been building up resources in order to improve their technical efficiency while others have been distributing in dividends to their shareholders a far higher proportion of their profits. The terms for compensation strike a crushing blow at those companies whose policies most deserve encouragement in view of the industry's need for progressive reconstruction and development. The terms are demonstrably inequitable to Dorman Long by reference to the published accounts, and it should be realised that because of the conservative financial policy we have followed for several years past the fixed assets are included at book values far below what they are worth today.

The facts clearly demand that should nationalisation take place, compensation should be based on valuation by independent experts.

HIGHER OUTPUTS

Output of ironstone at our Cleveland mines was 773,502 tons, an increase over the previous year of 101,597 tons. Iron production last year was 1,206,401 tons, against 908,820 tons, production of ingots 1,549,270 tons, or an increase of 282,409 tons for the year, and rolled steel output reached 1,261,298 tons, compared with 1,079,178 tons in the previous twelve months. From our larger make of pig iron it has been possible to help relieve iron shortages in other parts of the country.

These increased outputs and the freedom from the transport difficulties and severe weather conditions which particularly affected the first half of the previous year, have been accompanied by improved profits at the Iron and Steel Works. Continued improvement has also been shown by the subsidiary companies at home and abroad. As a result the group profits have increased by £1,208,581, but United Kingdom taxation has increased by £506,093, and depreciation, including initial allowances, by £338,482. Outside shareholders have received a greater amount of profit from the overseas subsidiaries—partly due to the issue to the South African public of shares in Dorman Long (Africa) Limited. The undistributed profits of subsidiaries attributable to the parent company have also increased. After taking all these factors into account the nett profit transferred from the consolidated profit and loss account to the profit and loss account of the parent company was £1,081,577 (an increase of £242,814 on the previous year). The allocation to general reserve has been increased by £250,000.

DEPRECIATION ALLOWANCES

It is of particular importance in the iron and steel industry to make adequate provision for depreciation and to strengthen resources because of the present heavy cost of capital equipment in relation to each ton of output and the important development schemes which are in progress. In the directors' report, attention is drawn to the continuing rise in the level of prices, and its effect on capital requirements. It is more than time the Inland Revenue authorities recognised the necessity of granting increased reliefs for depreciation and reserves; otherwise with income tax and profits tax aggregating over 10s. in the £ the best of efforts to conserve resources must fail to keep up with requirements.

The principal new capital project in hand is the central ore unloading, ore preparation and sintering plant nearing completion at our Cleveland works. Unique as far as this country is concerned and incorporating many advances on the latest American and Continental practices, we confidently anticipate that this plant will result in substantial economies in the handling of imported and home ores. The better preparation of raw materials it will facilitate will greatly improve operating efficiency at our blast furnaces.

This major scheme of development, costing over £1,500,000, has involved a large amount of civil and structural engineering. Our own plant construction department has been responsible for the whole work from the design stage onwards, and a major part of the plant manufacture and installation has been undertaken by our constructional shops and bridge and contracting department.

During the year we have completed the replacement of cooling banks and loading facilities at our Acklam billet and sheet bar mills and have added additional ingot heating capacity, involving an expenditure of approximately £175,000. This has increased our rate of production of semi-finished rolled steel, which is in very short supply.

BRIDGES FOR EXPORT

Our bridge and constructional interests represent a large proportion of the company's activities. The bridge department's tender and design for the Vila Franca Bridge over the Tagus near Lisbon was accepted by the Portuguese Government. We were successful in meeting keen international competition, and we are associated on this contract with the Portuguese firm, Seth, who are responsible for the foundations and approaches. Work on the Kafr el Zayat Bridge over the Nile is progressing, and although the disturbed conditions in the Middle East create difficulties, four of the seven steel spans have been completed. In Iceland a number of small bridges has been finished.

The bridge and constructional works at Middlesbrough and in London have been fully employed. We have a heavy order book including 30,000 tons for steel plant buildings, 22,000 tons for power stations and a large amount of general constructional work.

Although we have a great deal of work on hand the volume of inquiry tends to fall because of the country's general economic situation. Expert inquiry for minor bridge work and steel structures is extensive but it is exceedingly difficult to secure the necessary licences.

AFRICAN DEVELOPMENTS

Last year reference was made to the important developments put in hand by Dorman Long (Africa), Ltd., particularly the new shops at Germiston for the construction of steel railway wagons and the new works at Vanderbijl Park in connection with the contract for the new steelworks for the Iron and Steel Industrial Corporation of South Africa. I am pleased to say that these latter works have been completed and fabrication on the steelworks contract has begun. This work will continue for some years. These shops, known as the Vaal Branch, will later be available for a wide range of steel fabrications and represent a most important addition to the resources of Dorman Long (Africa) Ltd.

Early this year it was decided that these developments would lead to an expansion of business of a sufficiently permanent nature to make it desirable to increase the share capital of the company. In May an issue was made of 479,800 ordinary shares and 100,000 5 per cent. cumulative preference shares. It was considered proper that the South African public should have an opportunity of acquiring a suitable proportion of the shares and a number were allotted accordingly. Your company took up 262,675 ordinary shares and 4,000 preference shares and we are convinced they will prove a sound investment.

The report was adopted.

THE NATIONAL BANK OF SCOTLAND LIMITED

RECORD FIGURES

INDUSTRY AND TAXATION

LORD ZETLAND'S VIEWS

The one-hundred-and-twenty-third annual general meeting of the Proprietors of the National Bank of Scotland, Limited, was held in the Bank's Head Office, Edinburgh, on the 16th instant.

The Marquess of Zetland, K.G., P.C., G.C.S.I., G.C.I.E., the governor, in the course of his speech, said :—

The balance sheet total of almost £118,000,000 breaks yet another record and is by far the highest ever attained, the increase over last year being £12,000,000. This expansion is accounted for by the growth in the deposits which are higher by £13,000,000, and although part of this increase is likely to be of a temporary nature, the greater part represents the normal development of the bank's business, for throughout the year deposit figures have constantly exceeded those of the 1947 balance sheet.

The profits at £291,000 are higher by £13,000 and are a reflection of the greater resources employed. Once again we have pursued our traditional conservative policy of distributing the lesser part in dividends which will absorb £107,800 and of allocating the greater part to reserves, the appropriations recommended being :—

	£
To Revenue Reserve Fund	75,000
„ Heritable Property Account	40,000
„ Trustees for Officers' Pension Scheme	50,000
„ Staff Widows' Fund	10,000
	£175,000

VALUE OF RESERVES

These additions to reserves, and all similar additions in the past, are in truth equivalent to the subscription of fresh capital. In turn they produce revenue and over the years add to the earning capacity of the bank, but more important they strengthen the foundation on which the bank is built and make possible future developments in our service to our country and our customers. The usual high ratio to total liabilities of cash and other funds immediately available for emergencies has been maintained.

Last year I referred to the greater opportunities the bank had enjoyed in assisting trade and industry through advances granted to customers and I am pleased to report that during the year under review we have been able to assist still more, for our advances, including bills discounted, are nearly £3,000,000 higher at £19,600,000.

RAW MATERIAL SUPPLIES

From shipbuilding and engineering, and indeed from many other trades, textiles included, come the same reports that production could be increased and working costs reduced if greater regularity of supplies of essential materials could be obtained in the quantities needed and at the time when they are required to finish the job. The essence of the complaints is that the controls are too rigid and that allocations are for too short a period.

Viewing industry broadly, I for one welcome the first signs of the sweeping away of many of the minor controls that had become irksome and cumbersome. We hear it stated from time to time that there are no reserves of labour upon which to draw for the expansion of our industries, but I venture the opinion that every control that can be dispensed with will set free for productive purposes considerable numbers presently engaged in administering the unwieldy volume of rules and regulations and, what is not generally realised, another large force in the industrial establishments themselves, whose time and energies could be more profitably and usefully employed.

EXPORTS

Last year I made some references to the export drive when I suggested that the sellers' market was passing. Unfortunately all the evidence since has shown that it is much easier to fix a target which looks impressive than to achieve it. It is true that improving figures have been shown month by month but from some trades come the reports that the exports now being made are in fulfilment of orders placed a long time ago and that fresh orders are not being received in sufficient quantity to take their place. And that leads me to emphasise once more that if we are to sell our goods abroad and to give satisfaction in the home market also, constant and increasing attention must be paid to price, quality and punctual delivery. These are the standards which mark the difference between efficiency and inefficiency and are the real test of planning.

Perhaps if I may venture upon a brief incursion into the political sphere, I may be allowed to say that one of the most hopeful signs is that organised labour in its higher and more responsible circles is beginning to concern itself over the removal of restrictive practices and lines of demarcation and to realise the importance of output per unit.

TAXATION

I make no apology for referring once again to the burden of taxation. The remarks from chairmen of many of our leading companies to the effect that heavy taxation is depriving industry of essential capital for modernisation and replacement of plant have received wide publicity, but there is another aspect which also deserves attention. Viewing the position as a banker, I might fairly assert that every large industry had its small beginning, springing perhaps from one individual who introduced some new idea which satisfied a public need. That individual had a little capital of his own, he received some assistance from his bank, and in course of time he prospered, enlarged his establishment and provided employment for many.

That same person beginning now has but little opportunity of adding to his capital since taxation takes so much away, he is prevented from expanding and he is deterred from entering into obligations which would provide the means of enlarging his business by introducing new and up-to-date plant because taxation deprives him of the ability to repay within any reasonable period of time. The result is that enterprise and initiative are thwarted and many a new and promising venture is stifled at birth. Neither, may I add, is the growing habit in certain quarters of denouncing the profit motive as something discreditable of which a man should be ashamed, calculated to encourage either initiative or enterprise.

Reduction in Government expenditure which would bring about some relief in taxation would be the greatest boon that the Government could offer to industry and would go far to relieve our present distresses. But all new planning means more spending and all new spending adds to the burdens which industry already has to bear. Savings on public expenditure are quite as important as individual savings out of income.

The report was adopted.

GLAXO LABORATORIES, LIMITED

RESEARCH AND PRODUCTION SUCCESSES

FLEXIBILITY OF FREE ENTERPRISE

The fourteenth annual general meeting of Glaxo Laboratories, Limited, was held on the 14th instant, in London, Sir Harry Jephcott, M.Sc., F.R.I.C., Ph.C. (chairman and managing director), presiding.

The following are extracts from his statement circulated with the report and accounts for the nine months ended June 30, 1948 :—

The period has been characterised by a continuing insistent demand for the company's products and it has been possible, thanks to expansion of production facilities, to increase turnover by a little less than one-third. The effect of this is clearly reflected in the trading profit which, for nine months, closely approaches that for the previous full year.

The provision for obsolescence has been increased. It is very necessary that this provision should correspond with the increased investments in plant and buildings in order to maintain the highest efficiency in production units.

Replacement of obsolete plant and buildings places, at to-day's prices, a heavy burden upon industry. The initial tax allowances provide a very welcome contribution to the cost, but they do not go nearly far enough; to extend them to the second and even the third years, on possibly a modified basis, would greatly ease the burden without introducing any new principle.

The very substantial increase in fixed assets is mainly related to the new factories at Barnard Castle and Ulverston. There are still considerable expenditures to be incurred at Ulverston and the value of buildings, plant, etc., is likely to exceed £2,000,000 net in our next accounts.

Investments in subsidiary companies increased by some £144,000 principally by the acquisition of a fish-liver oil extraction business in New Zealand, the reinstatement of the Italian subsidiary company and provision for new plant and buildings under construction in India, New Zealand and Italy.

CAPITAL INCENTIVE AND GOVERNMENT POLICY

The board considered it their duty to accede to the request of the Government and the F.B.I. not to increase dividends, to avoid price increases and to reduce prices wherever possible. The final dividend in respect of the nine months' period will make the total distribution equal to three-quarters of that of the preceding twelve months. Nevertheless, and indeed because we take this action, we express the hope that the Chancellor will recognise the desirability of an incentive for capital as well as labour. For not otherwise will capital be made available to nourish the development and finance the other risks which are properly the sphere of private enterprise.

In respect of prices, our response has been no less sincere and effective. Efficient production and economic selling prices are the fundamentals of our sales policy, but it is obvious that, during a period of steadily rising costs, prices can only be reduced after increased costs have been absorbed.

During the past ten years, of the many products we market, in four cases only has there been any price increase and each has been less than the additional costs. As against this, prices in four groups have actually been reduced, the most recent and substantial being in respect of penicillin.

The effect of this price policy is that we are trading to-day at gross profit margins much lower than at any previous time in our history and the customer is reaping the benefit. This has been the company's policy for many years and we propose to continue it.

I hope the Chancellor will feel that we, in common, I am sure, with the vast majority of industrial concerns, have fully lived up to the spirit of our undertaking and that, in these experiences, he will be encouraged to leave a large measure of freedom with industry rather than to enforce his policy by arbitrary regulation.

EXPORTS 503 PER CENT. OF PREWAR

Export and overseas sales have reached more than five times the turnover in 1938. We believe there is still plenty of scope for further increase, but, and I must emphasise this, import restrictions and increasing competition will make further advances more difficult.

Extensions at Barnard Castle, and the reconstruction of the serious war damage at Greenford, have now been completed. Work has consequently been greatly facilitated, although at Greenford there still remains great congestion. At Ulverston one section has been operating since May and the completed factory, as now planned, should be in production by April, 1949.

NOTABLE CONTRIBUTIONS TO MEDICAL PROGRESS

The work of our research laboratories continues to expand, and after many strenuous years we have isolated from liver the anti-pernicious anæmia factor in pure crystalline form. From one ton of liver there can be extracted but a few grains of this substance —less than would cover a threepenny piece.

Such work is of a fundamental character rather than of a development which has immediate application. However, fortified by this new knowledge, we hope to make a further practical contribution to the treatment of pernicious anæmia.

The continuous problem, however, is how we may the more rapidly give practical effect to results of our research work. The development of scientific discovery to the point at which there becomes available a product for the benefit of mankind may present as great difficulties as the discovery itself. This is especially so since development necessitates plant and, often, buildings.

You will learn with pride that we are now producing sufficient streptomycin to meet this country's needs; we hope in the months to come greatly to increase our output. Present production has only been attained in so short a time by the greatest efforts of all concerned, an achievement in the face of many and great difficulties.

ENTERPRISE AND THE FUTURE

Our achievements in the period under review indicate that there are alive within our organisation qualities which it is more than ever essential to cherish. We are in a world of hazards, both economic and political. By the same token, however, it is a world of abounding opportunity for a virile working unit imbued with faith and vision. Such qualities can flourish at their best in the realm of private enterprise; that is a matter of fact and not of dogma. But if we are to justify the freedom that we need and claim, we must be realistic; in particular we must not fear to face reverses should they come but take them as a stimulus and a challenge to further effort.

In such fashion, let us go forward. In the result our actions will demonstrate the intrinsic worth, the natural strength and the flexibility of free enterprise in an era of centrally regulated endeavour.

The report was adopted.

LEACH'S ARGENTINE ESTATES LIMITED

RECORD PROFIT

The thirty-sixth ordinary general meeting of Leach's Argentine Estates Limited will be held in London on 31st instant.

The following is an extract from the circulated statement by the chairman, Mr H. Roy Leach:

The profit on trading is up by £152,688 ($2,590,908) compared with last year. This is a record profit in the history of the company, but I must point out that the Argentine currency has now further depreciated, and increases in wages and social payments will tend substantially to reduce our profits.

1947 Sugar Crop: The production of sugar, namely, 37,437 tons, was a record in the history of our company. We were favoured last year with exceptionally good climatic conditions during the whole period of harvest and we reaped the benefit from the rotation system in our canefields, the cultural yield being 1,107 kilos per line, compared with 1,011 kilos in 1946.

Fruit, Alcohol, Timber and Shops: The results from these subsidiaries show in total a satisfactory increase when compared with the previous year. During the year under review we have installed at our Fruit Estate in Calilegua cleaning and packing machinery.

1948 Sugar Crop: In spite of the long period of drought and the consequent difficulties experienced in our factory regarding fabrication, this crop terminated satisfactorily in October last with a production of 36,970 tons of sugar.

The Outlook: As far as growing cane, milling it, producing sugar, fruit and alcohol are concerned, we are progressing on very satisfactory lines. Costs in every direction are continually on the increase, however, which coupled with increasing taxation both in Argentina and in this country will make profit distributions to stockholders very difficult.

BIRMINGHAM SMALL ARMS COMPANY, LIMITED

GRATIFYING RESULTS

The annual general meeting of the Birmingham Small Arms Company, Limited, was held, on the 9th instant, at Birmingham.

Sir Bernard D. F. Docker, K.B.E., the chairman, in the course of his speech, said: It is gratifying to report a trading profit for the year to July 31, 1948, before charging depreciation, of £1,146,383. This compares with £654,490 for the previous year, an increase of £491,893. This satisfactory result reflects an increase in sales of more than 20 per cent. Out of a total net profit of £889,630 the Government takes in profits tax and income tax no less than £460,000, or 52 per cent.

In the works grouped on Small Heath both production and trading in motor cycles and cycles have been very satisfactory.

The Daimler and Lanchester Companies are still hampered by shortage of materials. The quality I believe to be higher than at any time, and I go so far as to claim that there is no better car made in the world today than the Daimler car as supplied for the Royal Tours. The vicious double purchase tax on all cars over £1,000 is a monstrous handicap to the sale of such cars and militates against the free development of the best in British automobile design.

Jessop-Saville, the steel interests of the group, achieved their highest sales, production figures and turnover in spite of increased competition and changes in type of demand. They are named as one of the firms threatened with nationalisation. It is a sorry thing when the blind prejudice of politicians is able to disrupt an industry vital to the country's prosperity.

The report was adopted.

ASPRO LIMITED

The thirteenth annual general meeting of Aspro Limited, was held at Winchester House, Old Broad Street, E.C.2, on the 10th instant.

The following are extracts from the statement by the chairman circulated with the report and accounts.

The net profit for the year, before charging income tax thereon, was £320,684 as compared with £544,353 earned in the previous year, while the year's surplus before income tax (i.e., after incorporating net income relating to prior years) was £355,489 as against £593,557. Allowance made for a saving of £49,000 in profits tax, this decrease in profits was mainly due to (a) higher operating expenses of approximately £150,000 including increased cost of advertising in foreign markets and of maintaining publicity space in the U.K.; (b) special non-recurring charges of £60,000 from which some benefit will be received in subsequent years; and (c) the fact that last year's profit included a dividend of £82,000 from accumulated revenue of our South African subsidiary. The parent company derived no revenue from this source for the year under review mainly due to technical complications which are receiving attention.

Income tax takes £182,531 leaving a balance of £172,958. The balance of profits brought forward was £67,604, so that, after appropriating £56,375 for the net preference and interim ordinary dividends, the amount available is £184,187. After very careful consideration of the many pertinent factors, your directors have decided:—

1. To continue the policy of adding to general reserve each year by transferring a further £100,000 thereto, as against £140,000 last year.

2. To recommend a final dividend on the ordinary stock of 20 per cent. less tax, making a total of 35 per cent. for the year, and leaving a balance of £29,187 to be carried forward on profit and loss account.

We are thus proposing to maintain the increased rate of 35 per cent. initiated in 1945-46. In the light of events, we must regard last year's distribution as having been made possible by extraordinary receipts.

PAST YEAR'S DIFFICULTIES

In his last statement the chairman reported the highly satisfactory trend in trading results during the first months of the financial year 1947-48. Unfortunately, our expectations have not been fulfilled. It seems, in retrospect, that there was an inflated buying wave in October in anticipation of the Autumn Budget, after which the temporary uncertainty regarding the applicability to our business of the increased purchase tax and the technical complications attending its implementation caused a recession in sales, which continued during the mild winter. Nevertheless, the turnover for the year showed a small increase on the previous year due to a rise in home sales.

There has been considerable comment in the Press as to the possible effect of the National Health Service Act on pharmaceutical products in this country. I am pleased to inform our stockholders that Aspro turnover during the first three months of the current financial year shows an increase over the same period last year. (Trading profit is down, but this period does not in fact afford an accurate basis of comparison).

The consolidated profit and loss account shows a group surplus for the year of £173,410 (£159,284 being attributable to Aspro Limited), after full provision for U.K. and overseas taxation, accumulated exchange losses in respect of our French subsidiary, and inter-company profits in stocks at June 30, 1948. Subsidiaries' operations are, on the whole, progressing satisfactorily in spite of difficult conditions prevailing in certain territories, notably on the Continent.

A substantial reserve of profits for Aspro Limited, amounting to £120,441, is carried forward on the profit and loss accounts of subsidiaries at June 30, 1948. The actual net profit of subsidiaries, for the year (Aspro Limited's proportion, after provision for taxation and exchange losses, was £51,328.

IVERS-LEE (GREAT BRITAIN) LIMITED

As expected, our subsidiary, Ivers-Lee (Great Britain), Limited, shows improved trading results. A packaging service business of this nature will, however, require at least three to four years to establish itself. This subsidiary is fortunate in being able to count, in its early stages of development, on assistance from Aspro in all fields of operation.

The acquisition in December, 1947, of Ives-Lee Engineering, Limited, and its subsidiaries, was reported last year, and among other advantages, guarantees prompt deliveries for Ivers-Lee and replacement when necessary of machines in the various Aspro plants, as well as elimination of third-party profits. Up to date machines and equipment have been produced for the U.K. and overseas packaging services to a value of £93,000.

A fire occurred in the packaging service in Slough in September, 1948, and the main store rooms were destroyed. Fortunately, your directors, as a measure of prudence and also with a view to bringing eventually the Ivers-Lee manufacturing units together under the same roof as the packaging service, had accepted the opportunity a few months previously to acquire further substantial leasehold space on the premises at a cost of £40,000, so that the ill-effects of the fire were considerably mitigated.

Ivers-Lee subsidiaries or associated companies have already been formed to operate the patents in certain overseas territories, using machines and equipment manufactured in the U.K. Thanks to facilities recently afforded by the Bank of England Exchange Control it will be possible to secure a controlling interest in additional foreign subsidiaries.

BALANCE SHEET ITEMS

The balance sheet of Aspro Limited, shows an excess of current assets over current liabilities of £257,946 (excluding current accounts with subsidiaries), compared with £454,493 at June 30, 1947, the difference being chiefly explained by the purchase and financing of Ivers-Lee Engineering, Limited, and the associated foundries, and the acquisition of the additional leaseholds, entirely out of our own cash resources. These transactions, and an increase of some £100,000 in stocks of raw materials and finished goods, largely account for the reduced cash balances.

I would sum up as follows. Our home market seems now to be settling down at a postwar level which may be regarded as highly satisfactory. Our efforts are being concentrated on maintaining this position, expanding an already substantial export market, and consolidating our recent Aspro/Ivers-Lee enterprises at home and abroad. We feel (subject always to the general reservations necessary in these uncertain times) that there are good grounds for confidence in the future.

The report and accounts were unanimously adopted.

CANADIAN BANK OF COMMERCE

IMPROVED CONDITIONS IN CANADA

The annual meeting of The Canadian Bank of Commerce was held, on the 14th instant, in Toronto.

Mr Allan E. Arscott, C.B.E., the president, stressed the improved conditions in Canada this year, good crops, industry working close to capacity, forestry active in most major areas and few interruptions in labour field. The improved crop situation was indicated by the fact that grain yields were about 200 million bushels above 1947, which should mean larger food supplies for domestic and export trade. A number of new factories and mills had been brought into operation and projects started many of which would be completed or well on the way to completion during the coming year.

Total Canadian exports were valued above those of preceding year but there were important changes in direction, and those to British group declined by more than $100 million from 1947 as the result of smaller shipments to Britain and substantial reduction in other markets of this group, particularly Australasia. There was also a marked falling off in exports to Continental Europe, however, European countries now obtaining goods from Canada through allocation on the European recovery programme. It had been indicated that the balance remaining of Canada's credit to Britain, $235 million, was likely to be unfrozen.

INCREASED EXPORTS TO U.S.A.

Exports to the U.S.A. had increased considerably, exceeding $1,200 million. Defence measures were being undertaken under different circumstances. Today, with high employment, such preparation came as a competitor to the productive machine. Canada was endeavouring to travel along the paths of peace, reconstruction and defence preparation simultaneously. This country was so dependent upon international trade that almost every phase of world affairs affected it and incidents in the international sphere were of considerable concern. It was hoped that deliberations and patient efforts of those charged with working out a peaceful solution would be successful in convincing potential belligerents of the wisdom of foregoing actions which might lead to actual war.

The general manager, Mr James Stewart, C.B.E., reviewed the bank's annual statement which showed assets in excess of $1,500 million, an increase for the year of over $100 million. The increase in current loans in Canada, $30 million, was indicative of the bank's active part in business of the country. The figures signified a combination of two factors, increased tempo of business compared with war and postwar periods and higher prices. There had been evidence in recent months of price increases slowing down and in these confused times one could not predict in anything but general terms what the future held. However, with the resources with which this country was blessed it could look to the future with confidence.

The report was adopted.

SCOTTISH AUSTRALIAN COMPANY, LIMITED

RECORD TRADING RESULTS

The annual general meeting of The Scottish Australian Company, Limited, was held, on the 9th instant, in London.

Mr J. Norman Eggar (chairman and managing director) in the course of his speech said: Perhaps the most satisfactory feature of last year's working is that every single station has shown a profit, a somewhat rare occurrence of recent years. Of course, the high prices realised for wool are the greatest contributory factor to the record profit made in Australia, but excellent sales of cattle and larger crops of wheat and oats and better prices for cereals have also helped to swell the revenue.

The policy of shipping our wool for sale at the London auctions has amply justified itself, for prices realised here have been comparatively better than in Australia. In April-May it looked very much as if the peak had been reached, and after consulting with the manager we decided to sell some portion of our Queensland clips in Brisbane; at that time there was not much shipping freight available. Good prices were realised, but since then the market has again completely recovered, and I am happy to tell you that the prices realised in London a few weeks ago for the balance of those clips were a good deal higher than the Brisbane prices.

As regards cattle, I am pleased to report that Austral Downs in Northern Territory, and Clonagh and Kynuna in North-West Queensland, have all had successful seasons. Turning to crops, on all our Riverina Stations both wheat and oats did well.

We have been constantly on the look-out for suitable properties to replace those which we only hold on occupation lease. We have practically concluded negotiations for a property on the Barkly Table land in the Northern Territory, about twice the size of Austral Downs. We are also closely negotiating for a sheep and cattle property in South-West Queensland on which we shall hope to maintain a flock of some 40,000 sheep.

FUTURE PROSPECTS

The prospects for the immediate future are good to this extent that wool, livestock and grain values remain high, and as far as one can judge, are likely to continue remunerative. The supply of wool has by no means overtaken demand. The United Kingdom is likely to become a more and more willing buyer of Australian meat, whilst the prices of cereals are still quite remunerative to the farmer. The guaranteed wheat price to growers is to be 6s. 8d. per bushel. The harvest in the Riverina is now proceeding, and we anticipate good average crops, though not so heavy as last year's. There will in my view always be a ready market in the United Kingdom, India and elsewhere for Australian wheat.

I must, however, sound the warning note that, except in the South, Queensland and the Territory have been suffering from drought for several months past, and on some of our stations the situation is quite serious, and cattle and sheep are deteriorating. In Southern Queensland and New South Wales conditions are reasonably satisfactory.

It is a real pleasure to be able to present to you so good a balance sheet. With regard to the profit and loss account, station working expenses were lower, due to decrease in drought expenses. The balance of £162,978 is, of course, an improvement on anything we have had for the last 23 years, and is reached after providing no less a sum than £220,000 for United Kingdom and Australian taxation. A sum of £6,328 has been allocated to staff bonus, and we are paying stockholders a bonus of 2½ per cent. in addition to the 7½ per cent. dividend.

The report was adopted.

TUBE INVESTMENTS LIMITED

NEW RECORDS IN OUTPUT AND EXPORTS

PLANS TO MEET CHANGING MARKET CONDITIONS

The annual general meeting of Tube Investments Limited, was held at Birmingham on the 15th instant.

Mr I. A. R. Stedeford (chairman) said that the group's output had exceeded that of the best war years, when many more men were working for many more hours. This had been due to the extended application of the new scientific principles of production management, in which the workers had co-operated enthusiastically, and to re-equipment and modernisation, upon which a further £1,250,000 had been spent.

Turnover, although not precisely comparable with last year's, showed an increase of nearly £9,000,000, and this in spite of the important reductions in prices which had been voluntarily made. This additional turnover was reflected in the profits for the year, but not to the extent which would ordinarily be expected from so substantial an increase in output. Manufacturing and raw material costs had continued to rise, and there was the serious increase in replacement cost of plant and buildings for which provision had to be made. An independent valuation of the group's fixed assets had been made. This very conservative valuation amounted to £17 million, an increase of nearly £11 million over book value. If these assets had to be replaced today, it was estimated that a sum of £25 million would be barely adequate.

OVERSEAS SALES EXCEED £10,000,000

Direct exports, worth over £10 million, were seven times greater than prewar totals, and nearly £3,000,000 up on last year's record. Including manufactures which found their way overseas as components in other companies' products, TI had earned £1 out of every £100 of the country's visible exports. Some 34 per cent. had been dispatched to countries designated as "desirable markets." A new selling company, TI New Zealand Limited, had been formed; and a substantial minority interest in the firm of Mauricio Silbert S.A., of Buenos Aires, long-established manufacturers of welded steel tubes, had been secured.

In the present trading year, it seemed likely that the volume of exports would depend largely on factors beyond TI's control—upon steel allocations, export quotas, import restrictions, and bilateral trading agreements, etc. If this country were to hold its own, it was vital that the rise in production costs, which had persisted since the end of the war, should be stopped. He believed that Britain would be heading for a painful disillusionment if she relied too much on sheer mass output of established products. Much of our national income might have to be provided that way, but Britain built up her national power on craftsmanship and quality. Her traditional ability to produce new products for old purposes was an asset we dared not squander. TI had, for example, recently developed a new technique in 'bus body construction from pre-fabricated parts, which were being produced in considerable quantities, and were already creating an important overseas demand.

The Commonwealth and Empire markets had always been the best customers overseas, and by their steady demands had encouraged TI—as he believed they had others—to bid competitively and successfully in other markets of the world. While he appreciated the need of a freer exchange of goods and services, he felt that Britain could not afford any sacrifice in Imperial preferences unless it were in return for a concession fully equal in promise, yield and spirit.

The TI Cycle Division, with expert orders alone of £10 million to hand, continued to prosper, but, given more supplies, much more business could have been done. There was a shortage of certain components which TI did not make and which affected not only TI's production but the output of companies depending upon TI for the components the group did make. Britain held the lead in the world's cycle markets, but it needed official encouragement, particularly in the matter of steel supplies, if this position were to be maintained in the coming critical years. The steel tube and general divisions showed good progress in home sales and increased overseas demand.

The aluminium division was pressing forward with its plans, a new company TI Aluminium Limited, having been formed to co-ordinate the technical and marketing resources of the companies. The £2,750,000 aluminium sheet and strip mill in South Wales should be completed by 1951-52. An important factor concerned raw material which largely came from dollar areas. He did not believe that this promising industry in times of dollar stringency would be allowed to suffer seriously for want of raw materials of which there were abundant world supplies, and, in the absence of official advice to the contrary, TI had laid plans accordingly.

The acute shortage of electricity supplies, and purchase tax, had confronted the electrical division with many problems. For example, one of the largest factories, geared for the mass production of a product for which there was still a high demand, quite suddenly had its output curtailed by 60 per cent. This resulted in the displacement of workers not long before specially trained, and the unbalancing of production plans at the works.

NATIONALISATION OF STEEL

They were, he was told, the largest private buyers of finished steel in the country, and received no special trading concessions from the steel makers. With experience in most foreign steels, they acknowledged that British-made steel compared with the best. If record outputs, cheaper prices, high quality, and great development plans, were still measures of efficiency and enterprise, then the British steel industry was well in advance of most others.

There had been conjecture as to the effect the nationalisation of steel would have on TI, particularly in view of the liaison shares exchanged free of cost 20 years ago with Stewarts & Lloyds Limited. The purpose for which the liaison shares were created remained equally important, whether Stewarts & Lloyds operated under private or state ownership, and it would, in his submission, be opposed to the best interests of the industrial community for them to be abandoned. While he did not believe that the nationalisation of steel would yield to TI, or to anyone, any advantage, there was no ground whatever for supposing that TI would suffer disadvantages compared with others, because of some non-marketable liaison shares.

Concluding, Mr Stedeford said that his confidence in the country's ultimate recovery was unshaken. Nevertheless, he believed we were approaching the stage when Britain's industrial planning would be put to its severest test; and at such a time it served nobody well to blink future problems in a pleasant appreciation of past achievement. Today what had been done was of little importance; what could yet be done was the crucial question.

The report and accounts were adopted and the dividend approved.

MALAYAN TIN DREDGING, LIMITED

WAR DAMAGE COMPENSATION

The thirty-seventh annual general meeting of Malayan Tin Dredging, Limited, was held, on the 15th instant, in London.

Mr H. Ashworth Hope, chairman of the company, in the course of his speech, said:—

It is common knowledge that a majority of the Cabinet were not in favour of the Steel Bill, but appear to have been overborne by a small but powerful minority. The nationalisation of the steel industry is a matter that much concerns the tin industry in general and your company in particular. Fabricated articles, due to the steep rise in labour costs, have increased 150 per cent., whereas the cost of raw material such as steel plates, girders, etc., has increased by approximately 60 per cent. to 70 per cent.

On November 10th last an important debate on Malaya took place in the House of Lords. Nearly all the members of the House who spoke during the debate charged the British Government with an attempt to subject Malaya to a very raw deal in the matter of war damage compensation and urged the Government to reconsider the matter and avoid making another major mistake in relation to that country.

POINTS FOR SELECT COMMITTEE

In view to the cynical attitude of the British Government towards a country we have failed in our undertaking to protect, I would remind you of the remarks contained in the interim statement of the Tronoh-Malayan group, which, I may say, have not passed unnoticed in Malaya. I should mention that a Select Committee of the Legislative Council in Kuala Lumpur is now examining the Colonial Office and Treasury proposals, and its reports will be submitted to the Legislative Council some time in the New Year.

I suggest that there are three main points for the Select Committee to consider. Firstly, to decide what sum (in lieu of the arbitrary figure fixed by the British and Malayan Governments) would, approximately, genuinely represent the total Malayan war losses.

Secondly, what sum between that proposed by the Colonial Office and the estimated genuine total losses would be acceptable to Malaya.

Thirdly, what amount could Malaya afford to contribute—as a voluntary offer and not as a duty—to the sum suggested by way of compromise for which Great Britain, as the defaulting Power, is responsible.

It is, however, important to remember that both the Select Committee and the Federal Legislative Council owe a duty to the Sultans, people and industries in Malaya and not to the British Government who have shown themselves only too willing to be relieved of their financial obligations to Malaya, whether legal or moral.

It must be a cardinal point in the deliberations of the Select Committee that all surplus revenue that Malay can produce is needed for social purposes and the restoration of the private trader and individual, who plays such an important part in the economic life of Malaya, more so than in Britain.

Lord Milverton, who spoke in the House of Lords debate, spent many years in Malaya and was known throughout Malaya as a wise and far-seeing administrator, stated, *inter alia*, "Those of us who sit on these benches believe in facing the future, but in connection with Malaya I would urge that if we do not face the facts of the present there will be no future to face."

The report was adopted.

SOUTHERN MALAYAN TIN DREDGING, LIMITED

MR H. ASHWORTH HOPE'S SPEECH

The twenty-second annual general meeting of Southern Malayan Tin Dredging, Limited, was held, on the 15th instant, in London.

Mr H. Ashworth Hope, chairman of the company, in the course of his speech, said: Out of the year's total profit of £405,128, provision for U.K. taxation amounts to £247,600, or 61 per cent. In addition we paid £88,763 duty on tin ore, so that the total profit before deducting the duty was £493,891, and the total of duty and taxes was £336,363, bringing the proportion of taxes up to 68 per cent.

We have made every effort to afford protection to the members of our staff by sending out arms and ammunition, after encountering considerable frustration and delay caused by controls and the usual muddle in their administration. Finally on August 3rd, we were forced to the conclusion that they could only go by sea route. Ultimately, weapons were supplied from America and Manila. It was not until August 6 that one of our managers was able to report that he had received sufficient weapons to arm all his European staff.

SITUATION IN MALAYA

Before the war, the safeguarding of life and property throughout the whole of Malaya was the responsibility of the police force alone and the fact that Malaya was the most peaceful and contented country in the world is the finest tribute that can be paid to this fine force and its organisation. Surely the first duty of the Colonial Office was to have given the most urgent priority to rehabilitating the police force.

An ample supply of arms and ammunition was available to the terrorists as a result of the Japanese surrender in 1945, coupled with the fact that the British military authorities had not secured the surrender of all arms before handing over the country to the civil administration in April, 1946. The police force, on the contrary, in the early months of the year were comparatively without arms of any sort and had a depleted rank and file whose morale had been undermined and whom it was not possible to equip adequately, even with uniforms.

If the British Government imagine that Malaya will accept the financial burden of the present military force, I would draw their attention to the strong objections that have already been raised in the Legislative Council to any such suggestion.

DIVIDEND LIMITATION

Dividend limitation was introduced by Government as part of their anti-inflation policy at the time when they proceeded to stabilise wages and prices. In complying with the somewhat sinister "invitation" of the Chancellor to limit dividends to the rate paid in the previous year, the majority of the boards of directors of companies registered in England apparently assumed that their shareholders would approve this course in the national interests.

It it now, however, abundantly clear, that the Government have strained the loyalty of both directors and shareholders in that they have adopted the principle of dividend limitation as a convenient technique to depress the Stock Exchange prices of stocks and shares in those companies marked down for nationalisation.

As long as I and my colleagues are in control of your company our policy will be to pay dividends on the basis that you are entitled to a just and equitable return on your investment consistent with efficient and sound management.

The report was adopted.

KRAMAT PULAI, LIMITED

MR H. ASHWORTH HOPE'S VIEWS

The fortieth annual general meeting of Kramat Pulai, Limited, was held, on the 15th instant, in London.

Mr H. Ashworth Hope, the chairman, in the course of his speech, said: On November 9th we received notification that our application for a prospecting licence over 10,000 acres in the Ulu Paka area of Trengganu has been approved by Government for a period of six months.

At the meeting of the Legislative Council on November 19th, Mr J. D. Mead stated that all prospecting in new areas is practically at a standstill owing to the activities of the terrorists, and that "every time an engineer is murdered the position becomes more difficult and new construction will suffer."

The British Government's proposals are that the total claims should be arbitrarily reduced to a maximum of £55,000,000, and that this amount should be provided as to £35,000,000 by Malaya, £10,000,000 by the United Kingdom Government and £10,000,000 reparations from Japan. The Legislative Council has made it quite clear that a larger contribution is expected from the British Government. The Singapore Association however, after a full discussion at a public meeting held in Singapore, rejected the whole scheme in its present form as being entirely unsatisfactory.

The board have given much time and thought to the question of possible hidden scheelite deposits. We have consulted Mr O. Weiss, one of the leading geophysicists, on the practicability of carrying out a geophysical survey. He has advised us that if there are any further deposits in this area, it should be possible to locate them by modern scientific methods, and we have accordingly decided to have a geophysical survey carried out.

The report was adopted.

THE STRAND HOTEL, LIMITED

CATERING WAGES ACT

The forty-first annual general meeting of the Strand Hotel, Limited, was held, on 16th instant, in London.

Major M. Gluckstein (the chairman) presided, and said: It has now become almost an established practice for the chairman of an hotel business to make some reference to the Catering Wages Act.

This company—if I may say so with due modesty—has the reputation of being fairly resourceful in adapting itself to new conditions. We have had plenty of practice, and a certain amount of success, in softening the effect on the public of all kinds of restrictions and even of actual calamities. If we, then, with our organisation and on our scale of activities, are finding that we must reduce our services, we can well imagine that equal or even greater difficulties are being encountered by our fellow-hoteliers. These difficulties fall alike on the more expensive hotels whose clientele is more exacting and possibly less sympathetic towards any form of austerity; and on the small hotels in all parts of Great Britain, because of their small number of staff and, in many cases, their dependence on a short season.

It seems indeed pitiable that a valuable dollar-earning industry such as ours, where the utmost goodwill between the employer and his staff existed before the Catering Wages Act was thought of, should have to lower its standards in this way.

I cannot believe that those who framed the Act intended the public to suffer to this extent or that the Minister who introduced it was anything but sincere in saying: "I believe the Bill will be a blessing to the industry."

The report and accounts were adopted

Statistical Summary

GOVERNMENT RETURNS

For the week ended December 11, 1948, total ordinary revenue was £47,269,000, against ordinary expenditure of £41,915,000 and issues to sinking funds £750,000. Thus, including sinking fund allocations of £11,583,000, the surplus accrued since April 1st is £273,448,093 against £208,499,123 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948–49	Receipts into the Exchequer (£ thousand) April 1 to Dec. 13, 1947	April 1 to Dec. 11, 1948	Week ended Dec. 13, 1947	Week ended Dec. 11, 1948
ORDINARY REVENUE					
Income Tax	1309150	482,302	494,774	8,391	9,263
Sur-tax	90,000	25,405	32,950	1,100	1,550
Estate, etc., Duties	160,000	115,079	124,750	2,500	2,950
Stamps	55,000	36,540	39,313	1,250	1,300
Profits Tax } E.P.T. }	250,000	23,420 / 182,485	128,440 / 68,700	400 / 4,400	4,800 / 1,550
Other Inland Rev.	1,000	120	105	...	...
Special Contributn.	50,000	...	27,500	...	2,000
Total Inland Rev.	1915150	866,341	916,532	18,041	23,413
Customs	820,600	560,887	582,667	15,529	15,779
Excise	726,550	418,100	518,400	3,700	3,880
Total Customs & Excise	1547150	978,987	1101067	19,229	19,659
Motor Duties	50,000	13,329	12,354	100	162
Surplus War Stores	102,000	132,400	76,667	1,059	1,111
Surplus Receipts from Trading	57,000	40,175	4,820	10,000	2,000
P.O. (Net Receipts)	...	4,940	...	250	...
Wireless Licences	11,000	6,370	6,505	...	...
Crown Lands	1,000	670	600	...	...
Receipts from Sundry Loans	14,000	19,249	11,076	77	383
Miscell. Receipts	68,000	194,039	109,980	192	542
Total Ord. Rev.	3765300	2256539	2239033	48,948	47,269
SELF-BALANCING					
Post Office	150,200	94,200	105,400	1,850	2,850
Income Tax on E.P.T. Refunds	16,000	16,219	6,087	274	613
Total	3931500	2366958	2351095	51,072	50,732

Expenditure	Estimate, 1948–49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Dec. 13, 1947	April 1 to Dec. 11, 1948	Week ended Dec. 13, 1947	Week ended Dec. 11, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	357,957	342,390	2,555	5,465
Payments to N. Ireland	26,000	14,540	15,976	...	...
Other Cons. Fund Services	8,000	3,878	3,945	...	...
Total	534,000	376,375	362,311	2,555	5,465
Supply Services	2442657	1660795	1592267	34,000	36,450
Total Ord. Expd.	2976657	2037170	1954577	36,555	41,915
Sinking Funds	...	...	11,583	...	750
SELF-BALANCING					
Post Office	150,200	94,200	105,400	1,850	2,850
Income Tax on E.P.T. Refunds	16,000	16,219	6,087	274	613
Total	3142857	2147589	2077647	38,679	46,128

After decreasing Exchequer balances by £364,853 to £3,008,774 the other operations for the week decreased the gross National Debt by £394,222 to £25,725 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	16
Cotton (Centralised Buying) Act, 1947, sec. 21(3)	3,500
	3,516

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Acts, 1946 and 1948	560
E.P.T. Refunds	749
Overseas Trade Guarantees Act, 1939, sec. 9(1)	2
Local Authorities Loans Act, 1945, sec. 3(1)	3,500
New Towns Act, 1946, sec. 12(3)	40
Overseas Resources Development Act, 1948, sec. 17(1) Overseas Food	400
War Damage: Board of Trade	500
War Damage: War Damage Commission	2,000
Finance Acts, 1946 and 1947, postwar credits	339
	8,090

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
Treasury Bills	4,654	Nat. Savings Certs.	650
2½% Def. Bonds	445	3% Def. Bonds	492
Treasury Deposits	500	3% Tax Annuities	1,117
		Tax Reserve Certs.	81
		Other Debt:—	
		Internal	23
		Ways & Means Advances	3,630
	5,599		5,993

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1947						
Dec. 13	2250·0	2569·5	325·1	...	1367·5	6512·1
1948						
Aug. 28	2210·0	2385·0	286·8	...	1441·0	6323·8
Sept. 4	2210·0	2392·0	294·2	...	1455·5	6351·8
,, 11	2210·0	2378·7	297·0	2·0	1460·5	6348·2
,, 18	2210·0	2399·7	300·5	18·8	1460·5	6389·4
,, 30	4637·3		256·5	...	1119·5	6313·3
Oct. 9	2229·0	2415·3	274·1	8·0	1452·0	6370·0
,, 16	2240·0	2448·7	277·5	5·5	1425·5	6395·3
,, 23	2250·0	2446·3	282·1	0·5	1438·0	6416·9
,, 30	2253·0	2424·6	278·5	...	1435·0	6388·1
Nov. 6	2250·0	2393·8	284·7	...	1435·0	6364·5
,, 13	2250·0	2402·5	278·0	5·8	1419·0	6355·2
,, 20	2250·0	2414·7	272·6	1·0	1433·5	6368·8
,, 27	2250·0	2385·5	283·1	7·0	1432·0	6357·5
Dec. 4	2251·0	2390·3	296·6	8·5	1447·0	6392·4
,, 11	2251·0	2395·0	283·7	17·8	1447·5	6395·9

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Dec. 12	170·0	289·8	170·0	10 2·66	45
1948					
Sept. 10	170·0	284·6	170·0	10 2·84	48
,, 17	170·0	265·8	170·0	10 3·31	56
,, 24	170·0	273·5	170·0	10 3·14	52
Oct. 1	180·0	277·5	180·0	10 1·72	54
,, 8	190·0	269·2	190·0	10 1·90	62
,, 15	180·0	269·4	180·0	10 2·09	59
,, 22	170·0	285·2	170·0	10 1·57	48
,, 29	170·0	291·1	170·0	10 1·46	43
Nov. 5	170·0	291·9	170·0	10 1·58	44
,, 12	170·0	272·9	170·0	10 1·97	53
,, 19	170·0	274·1	170·0	10 1·89	52
,, 26	170·0	275·8	170·0	10 4·35	48
Dec. 3	170·0	320·8	170·0	10 3·34	31
,, 10	170·0	308·1	170·0	10 3·83	38

On December 10th applications for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 38 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Monday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for December 17th. For the week ended December 18th the Banks will be asked for Treasury deposits to the amount of £80 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended Dec. 6, 1947	Week Ended Dec. 4, 1948	Totals, Apr. 1 to Dec. 4, 1948
Savings Certificates:—			
Receipts	5,500	2,000	76,650
Repayments	2,500	2,609	88,800
Net Savings	3,000	*Dr 609*	*Dr 12,150*
Defence Bonds:—			
Receipts	1,705	670	27,190
Repayments	784	932	32,383
Net Savings	921	*Dr 262*	*Dr 5,193*
P.O. and Trustee Savings Banks:—			
Receipts	16,022	12,903	427,063
Repayments	12,630	12,831	416,250
Net Savings	3,392	82	10,813
Total Net Savings	7,313	*Dr 789*	*Dr 6,530*
Interest on certificates repaid	450	468	15,690
Interest accrued on savings remaining invested	2,290	2,365	81,923

BANK OF ENGLAND RETURNS

DECEMBER 15, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1286,940,490	Other Govt. Securities	1288,273,611
In Bankg. Department	13,307,343	Other Secs.	704,274
		Coin (other than gold)	7,015
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	370,643,941
Rest	3,508,445	Other Secs.:—	46,071,140
Public Deposits	22,302,730	*Discounts and Advances*	*21,150,050*
*Public Accts.**	*8,015,553*	*Securities*	*23,921,090*
H.M. Treas. Special Acct.	*14,287,177*		
Other Deps.:—	392,138,846		
Bankers	*201,087,225*	Notes	13,307,343
Other Accts.	*81,051,621*	Coin	3,480,597
	432,503,021		432,503,021

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

COMPARATIVE ANALYSIS

(£ million)

	1947	1948		
	Dec. 17	Dec. 2	Dec. 9	Dec. 16
Issue Dept.:—				
Notes in circulation	1363·1	1242·0	1260·2	1286·9
Notes in banking department	87·1	58·3	40·0	13·3
Government debt and securities*	1449·2	1299·1	1299·3	1299·3
Other securities	0·8	0·8	0·7	0·7
Gold	0·2	0·2	0·2	0·2
Valued at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	12·4	10·9	9·8	8·0
Treasury Special Account	...	14·3	14·3	14·3
Bankers	304·0	313·4	308·7	301·1
Others	93·4	91·9	89·8	91·1
Total	409·8	430·5	422·6	414·5
Securities:—				
Government	316·4	332·7	355·8	370·6
Discounts, etc.	4·9	22·9	17·7	21·2
Other	18·9	31·5	23·9	23·9
Total	340·2	387·1	397·4	415·7
Banking dept. res.	87·6	61·3	43·2	16·8
	%	%	%	%
"Proportion"	21·3	14·2	10·2	4·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

1948	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Dec. 9	42¼	70	177 14	113 9
,, 10	42¼	70	178 0	113 12
,, 11	Markets	Closed	174 10	113 0
,, 13	42¼	70	175 10	113 0
,, 14	42¼	70	175 12	112 12
,, 15	42¼	70	178 12	113 0

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(1947 Accounts)

CIVIL SERVICE COMMISSION. An Open Competition will be held in 1949 for recruitment under Normal Regulations to the Special Departmental Classes (i.e. H.M. Inspector of Taxes; Departmental Class (Cadet Grade) Ministry of Labour and National Service; Probationary Assistant Postal Controllers; Research Assistants, Ministry of Defence). There will be two Methods of recruitment, Method I comprehensive written examination plus an interview, Method II written qualifying examination followed by personal tests and interview; for Method II candidates will be required to have obtained (or to obtain in 1949) a university degree, but this will be waived for certain candidates who have had regular service in H.M. Forces. Age limits 20½-21 on August 1, 1949, with extension for regular service in H.M. Forces, and, up to two years for voluntary Service in H.M. Forces otherwise than on a regular engagement or for compulsory national service under the National Service Acts. Candidates at least 24 and under 30 on August 1, 1949, may at the Commissioners' discretion be admitted to compete under Method II if they have experience in employment in industry or social work particularly fitting them for posts in the Ministry of Labour and National Service.

Regulations and particulars are obtainable on application (preferably by post-card) to the Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting No. 2326. The latest date for the receipt of completed Application Forms is December 31, 1948 (for Method II) or January 31, 1949 (for Method I).

CIVIL SERVICE COMMISSION. An Open Competition will be held in 1949 for recruitment to the Executive Class and Corresponding Departmental Classes of the Home Civil Service and to Executive Posts in Branch B of the Foreign Service. Candidates will be required to have obtained (or to obtain in 1949) a university degree. Age limits 20½-24 on August 1, 1949, with extension up to two years for voluntary service in H.M. Forces or for compulsory national service under the National Service Acts.

Regulations and particulars are obtainable on application (preferably by post-card) to the Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1, quoting No. 2341. The latest date for the receipt of completed Application Forms is January 31, 1949.

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W. O. BELL, Chief Education Officer.

County Education Office, Stracey Road, Norwich.

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Please write full particulars of age, education, posts held with dates, and qualifications in the light of the above requirements to the Establishment Officer, Council of Industrial Design, Tilbury House, Petty France, London, S.W.1. Please mark the envelope C.O. and enclose an addressed envelope for acknowledgement.

OLD-ESTABLISHED light engineering group seeks budgetary control officer responsible to managing director. Applicants must be under thirty-five with first-class cost accounting and budgeting experience in mass production engineering. Appointment based on London but at least half time will be spent in different Provincial cities where company's factories located.

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THE British Refrigeration Association require gentleman to assist Director and Secretary. Starting salary £1,000 p.a. Candidates should be not over 40 years of age. Applications by December 31, 1948, stating full details of education, professional training, business experience and when available, to the Director and Secretary, British Refrigeration Association, 1, Lincoln's Inn Fields, London, W.C.2. endorsed "Staff Appointment." All applications will be acknowledged.

EX-SERVICE man (54), cultured, naturalised British, German barrister, part-Jewish descent, now working as labourer, anxious to find any post where knowledge usefully employed. Languages: English, German bilingual, French, Russian, Spanish; typist; experience of industry, social research work, export, teaching.—Box 902.

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December 25, 1948 — One Shilling

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At Full Stretch

BY the accident of the calendar this Christmas issue is also the last of the year and therefore provides the appropriate moment for pausing and taking stock of ground travelled and of the milestones still to be reached. And, as if to assist in the process, the Government have released the full text of the Four-Year Plan submitted to the Organisation for European Economic Co-operation as token and proof of Britain's ability to put its economic affairs in order by the end of 1952. To call this document a Four-Year Plan is, indeed, a misnomer. The figures it contains are not promises but illustrations, and the detailed tables are to be regarded as no more than exercises in "spelling out," as the Americans say, the results that might be expected to flow in the next four years from the policies that the Government propose to follow.

But statistics can be doubly misleading if they are not only taken to be more accurate than they are but also distract attention to the details, which are infinitely variable, and away from the major outlines of policy, which are vital. The great virtue of the document is that it is a signpost, and the question it arouses is not whether the distances given on it are accurate but whether it points in the right direction.

There can be no doubt that, on the major issues of economic policy, the nation has been travelling during 1948 on the right road. Indeed, the best way of realising what a distance has been travelled is to look back to Christmas 1947, and to observe the almost magical change that has occurred in that sensitive barometer of national standing, the prestige and position of the pound sterling. A year ago the pound was shunned and suspect; now it is among the world's hard currencies. Then the world's criticism was that the British economy was incapable of paying its way; now it is that British policy is aiming at making the pound too scarce. This change is not entirely one of psychology and atmosphere; it has been produced by the restraint that has been shown in British spending abroad and the energy that has been shown in the export drive. When the figures of the current balance of payments come to be published, it is expected that they will show an overall balancing of payments and receipts, without the aid of Marshall dollars—that is to say, they will show a surplus in all other currencies approximately equal to the continuing deficit in dollars. This is a great achievement by any test, and though the ultimate credit belongs to the British people's capacity for self-control, by far the greatest individual share of praise attaches to Sir Stafford Cripps and the small circle of his intimate advisers. Not only has he shaped the policies and tenaciously defended them, he has also provided the essential moral foundation. A people that is being asked to exercise such severe self-discipline must be convinced that what is asked of it is asked for the good of the community, not to flatter the vanity or foster the ambition of a politician. This confidence Sir Stafford has created in full measure.

The achievements of 1948 justify some satisfaction, but no complacency. The British national economy is still strained to the utmost. There are no margins for relaxation anywhere. It is only, so to speak, by standing on tiptoe that the nation contrives to measure up to its economic commitments. This cannot go on for ever. It is suggested in the article

on page 1071 that the proof, contained in the Four-Year Plan, of Britain's ability to pay its way by 1953 is based on a number of assumptions which, without being in any way impossible, have a distinctly sanguine tinge. Perhaps the most important of these unspoken optimistic hypotheses is the assumption that the economy can go on standing on tiptoe for four more years—indeed, for an indefinite period.

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This assumption, and the practical consequences that flow from it, deserve much more serious attention than they usually receive. The policy has been generally christened that of austerity. But it is a silly misnomer, for a large part of it consists of a determination not to abate anything of the social ambitions conceived and of the political commitments entered into in the starry-eyed days of the war; Sir Stafford Cripps is not one of those Ministers who are reported to be willing to forgo any item of the Labour Party's programme; all must be carried out to the letter, nationalisation, social welfare schemes, full employment, enhanced real wages and the rest. It is only in the carrying out of this grandiose programme that the austerity enters in. By keeping up the maximum pressure for output, by insisting on starving the home market in favour of exports, by cutting imports to the bone, by maintaining an apparatus of rationing and control more severe than any other democratic nation's, by persisting in a crushing burden of taxes, by seeking and accepting foreign subsidies—by doing all these things the nation can just, but only just, afford the extras it voted to itself when it thought it was going to be rich. That it can be done, at least for a year, has been demonstrated. But can it go on much longer? Can Sir Stafford preserve his precarious equilibrium in the middle of all the stresses and strains for even one more year, with his own party showing so clearly that it does not like the price of what it has ordered?

The answer, we must all hope, is Yes. For if it were No, if the inspired gambles that make up the Four-Year Plan do not come off, if the targets are not reached, if the run of luck is bad, if the dollar deficit is not removed by the continuance of present policies, then the alternative prospects that will face the country will be unpleasant for everybody alike. If the country finds that it cannot for ever go on standing on tiptoe to reach the jam it thinks it deserves, and if its kind American friend will not for ever provide a stool, then it has only two alternatives—either it must grow up very quickly or it must go without the jam. The former choice is, of course, to be preferred; but it is also likely to be much the more difficult to achieve. It has been apparent for a year past that no further great increase in output can be achieved by the present combination of exhortation and controls, of egalitarian taxation and welfare legislation. The great myth that the nationalisation of an industry could quickly improve either its efficiency or its psychology has been exploded. If more needs to be done, it must be done by wholly new methods—and, what is more, by wholly new methods that require no more imports and reduce none of the pressure behind the export drive. It may not be wholly impossible to find some such new methods; but it might be safer to assume that they will not, in fact, be found. If that is so, the only practical alternative to the general lines of policy that Sir Stafford Cripps is following is a reduction either in the standard of living of the people, or in the social welfare legislation that all parties have joined to put on the statute book, or in the capital programme that is the best long-term hope of escape from austerity. It is far better to hope that the Four-Year Plan works out as Sir Stafford expects it to.

Indonesian Debacle

IN the latest unfolding of the Indonesian crisis Dutch troops have crossed the truce line dividing them from the Republican forces of Indonesia—a line established, after earlier fighting, by the United Nations Good Offices Commission—have captured the Republican capital and have taken into custody the chief officials of the Republican regime.

The immediate reaction among the Western Powers to this reversion to force has naturally been grave concern and uneasiness. The United States, with Australian backing, has brought the issue before the Security Council and the Americans support the demand that the Dutch should return to the truce line and reopen negotiations. The Dutch, who claim to have lost faith in the ability of the Republicans to abide by any agreement—two major ones have already been signed and disregarded—will refuse further outside mediation. At this point the Western instinct will be to denounce the Dutch for violating the United Nations charter and for acting in a spirit contrary to the whole tradition of Western colonial policy. Such a reaction is not unreasonable but, unhappily for the peace of mind of the Western Powers, the situation in Java cannot be considered in either a moral or a political vacuum. All round Indonesia, the South East Asian world is in turmoil and disintegration. Everywhere the Western position is challenged. The question that the Western Powers must sooner or later face, whether they do so now in the Security Council or later under still greater pressure of events, is whether their cherished principles of colonial rule—in which the achievement of national equality either by independence or assimilation held pride of political place—can in fact be hurriedly realised in the kind of world native nationalism and Communist penetration are creating in South East Asia. This question could not be asked in 1945 and even 1946 since the dilemma had hardly arisen. Since 1946, however, it has become more and more clear that many of the South East Asian communities are not ready for self-government, that the forms of Western rule when practised by Eastern men quickly break down and that anarchy takes their place. This anarchy is in turn a forcing ground for Communism which thrives on a combination of Utopian propaganda and terrorism. Far from passing to independence, the communities threaten to become derelict, incapable of supporting their population economically, or else drift into new colonial dependence within the Russian sphere. What, in such circumstances, should the Western Powers attempt? Should they follow their liberal instincts at the risk of abandoning their territories to nationalist anarchy and later to Communism? Or should they strengthen their rule at the cost of driving nationalist opinion still more rapidly towards extremism? In fact, both ways have been tried. In Burma, the British withdrawal has reduced the kingdom to Communist-threatened anarchy in less than two years. In Indo-China, the French decision to stay has had the same result.

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The evidence of the West's divided mind has been above all obvious in the handling of the Indonesian crisis. The Americans and the Australians have pressed for the "liberal" solution. They overlooked the Indonesian Republicans' origin as a Japanese-sponsored nationalist movement; they gave the Republican regime a sort of *de facto* recognition by allowing the dispute between the Netherlands and the Indonesian Republic to appear before the Security Council; and it was above all American pressure that led the Dutch under protest to accept a "cease fire" a year ago. British policy has been more hesitant. At first, largely out of expediency, the British occupying forces dealt with the Republican regime. On the other hand, the British allowed the Dutch to replace them as the occupying force and thus gave the Netherlands the springboard for restoring its rule in part of Java and Sumatra and in all the other islands of the Netherlands Indies. The British supported the "cease fire" and have consistently urged the Dutch to negotiate. But as the Communist upheavals in South East Asia increased during 1948, Britain's need to suppress terrorists in Malaya clearly weakened the restraining influence it could bring to bear on the Dutch.

In the policy pursued by the Netherlands Government itself, the West's divided mind has been clearly demonstrated. On the one hand, there is no doubt that Dutch colonial thought has been liberalised both by the experience of becoming a "colony" of Germany and by enforced exposure to British colonial beliefs. The attempt to make Indonesia an equal partner with Holland in a Netherlands Union has been genuine. Step by step, as order has been restored, the non-republican areas of the Netherlands Indies have been drawn into a federation which is to become, in time, a sovereign constituent of the Netherlands kingdom. In its dealings with the Republicans, the Dutch Government has also gone much farther on the road to concession than has pleased diehard Conservative opinion in Holland itself.

On the other hand, the Dutch have always set strict limits to the external sovereignty to be enjoyed by the federation or its constituent parts. By Western liberal standards, what was offered to the Republicans was less than the full national sovereignty they were in fact enjoying in parts of Java and Sumatra, and negotiations, however often renewed, always broke down on this or that aspect of the Indonesian claim to full independence. The final break occurred only ten days ago on the Dutch demand that a Netherlands Commander-in-Chief should command the Republican forces. The Dutch justify their hard bargaining by the state of Republican territory, which is a prey to economic stagnation and to a political disorganisation which culminated this autumn in a Communist rising against the Republican Government. The immediate excuse for breaking the truce was the alleged inability of the Republicans to control their own terrorists. In effect, therefore, Holland now claims that the risks inherent in leaving the Republicans to bring about still further economic and political disintegration outweigh the advantages to be gained by further negotiation in a liberal spirit. Liberalism has been overtaken by the realism of events.

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The American decision to bring Indonesia before the Security Council has compelled the Western Powers to face at very short notice the problem of their response. All have interests in South East Asia. Some are bound to Holland by a close alliance. Others may soon join that alliance. What ought they to do? Given their divided minds, should they remember their liberalism, condemn the Dutch, demand further negotiation and threaten to apply sanctions, which the Netherlands, unlike Britain or France, cannot ward off with a veto? Or should they attempt to see the Indonesian problem against its wider background—of Asiatic disorder, of Western divisions and uncertainties, of Communism's rising power?

It is difficult in international law to assail the Dutch claim that the Indonesian Republic had at no time any right to sovereignty and that in re-establishing Dutch rule, the Netherlands Government is simply regaining its lawful jurisdiction. But the case will not turn on legal points. The Western Powers must ask themselves on what concrete grounds they can attack the Dutch action. Can they do so because it is wrong to reconquer colonial territory taken over by the Japanese, or because it is wrong to defend colonial territory against nationalists whose nationalism does not coincide with one's own ideas? On these charges, it is difficult for either France or Britain to speak, since both are engaged in suppressing nationalism and Communism in some of their own territories. Should the charge be based upon the flouting of the United Nations Good Offices Commission and the securing by force of what was only to be given by negotiation? The United States can hardly press home such a charge after its support of the Zionists who in the Middle East have flouted the United Nations in an identical way.

Even the most damaging charge of all—which is simply that the Dutch have violated the peace—is not really as straightforward as it may appear. To the Dutch, the Republican Government, nurtured by the Japanese, were usurpers, no more, no less. Other governments, believing this, would have fought and not negotiated. The Dutch, inclining to the liberal counsels of Britain and America, have spent over two years in negotiation, even though for at least eighteen months they have had grounds for believing that they could settle the issue by force. Their claim that the Indonesians neither respected the truce nor wished for a final settlement cannot be entirely dismissed—unless it is also part of the Western gospel that a Dutchman may never be believed in preference to an Indonesian. All in all, the case which the Western Powers can place before the Security Council is equivocal and they are not especially well equipped to urge it. And quite apart from modesty over their own record, respect for Holland as a trusted ally should encourage them to restraint.

This, surely, is the decisive point. The Netherlands is a vital point in the system of Western defence—a system which has had to be built to stabilise the uncertain position in Europe. Since the alliance was begun, the situation in South East Asia has grown suddenly and much more alarmingly unstable, but far from the Western Powers evolving a joint strategy to counter



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the new threat, they have not even given the faintest sign of engaging in joint consultation. Part of the essential character of this threat is that it swallows up peoples from whom Western support has been withdrawn (as in Burma) or to whom insufficiently effective support has been given (as in China). After long delays, after genuine efforts at conciliation, the Dutch have applied the logic of this situation to the Indonesian problem. Are their Western allies now to turn on them, and brand them as aggressors for a policy which each has practised or would have to practise in face of the same threat? The liberals are not to be blamed because their favourite road of independence leads in some cases not to independence, but to chaos and disintegration. Since, however, they are daily faced with the evidence of the fact, they are merely blind if they cannot adapt their policy to fit the new conditions.

Yet even if the conclusion must be reached that the Americans and Australians are unwise in arraigning Holland before the Security Council, even if it is admitted that the need among the Western Powers is not recrimination but a joint response to the Communist challenge in South East Asia, does it follow that the whole of their liberal thinking must be abandoned and that from henceforth a group of grim *Realpolitiker* must plot the course of the Western Powers? Such a conclusion only follows if the conferring of immediate independence on any nationalist leadership available at the time constitutes the sum of liberal wisdom—which it clearly does not. On the contrary, if the Western Powers decide to stay and meet the challenge of Communism in lands where so many forces work against them, there will be needed from them a much more difficult and constructive liberalism than that which satisfies itself by simply cutting the painter. The liberalism of today demands in Western colonial practice a progressiveness and a social advance which put their former more political liberalism into the shadow. If the Western nations will only make the effort to work out together a co-operative policy for South East Asia and to put behind it the full measure of their experience and their resources, it will be found that in the long run the defence of the liberal tradition, the defence of national freedom itself, will be better preserved by contributions in thought and wealth and manpower—which demand sacrifices—than by speeches in the Security Council—which do not.

Leaks in the French Economy

THE French people must by now be hardened to being told that they stand at the crossroads between the path of economic stability and prosperity and the path that leads to economic chaos and political weakness. Save for the briefest intervals, the economic history of France for many centuries past has been one of chronic monetary instability, deteriorating at intervals into sheer insolvency. So recurrent have been the crises that the average Frenchman has difficulty in any longer taking his national finances seriously. Perhaps, over the centuries, monetary instability has done less ultimate harm to France than might be supposed. What could be called the ordinary crises come and go without leaving much permanent trace. But every now and then there is an extraordinary crisis that threatens to bring down, for a time, the structure of the French state. By all the signs and portents, this is one of those occasions. For what is happening at present is not merely that the French Government is living beyond its means—that is almost a normal state of affairs—but that France itself is consuming wealth at a considerably faster rate than it is being created. The French people are living on their own capital and on other nations' bounty. Neither process can go on very long. But if they stop before French efforts have put something in their place, the result can only be a sharp deterioration in the national standard of life.

The facts that are needed to document this diagnosis are set out, with his customary lucidity and force, by M. Jean Monnet in the third interim report on the progress of the plan with which his name is associated, which was issued in Paris last week. The report purports to cover the plan of investment during the first six months of 1948; but in fact it is a cogent argument on the crisis in which France now finds itself, and a summons to make the effort of political courage necessary to emerge from it.

Whatever else may be responsible for the steady deterioration of French finances, it is not any inadequacy of physical production. The level of output, it is true, was very low at the time of liberation, and even in 1946 the general index of industrial production was still more than 20 per cent below the 1938 level. But the last two years have shown an impressive recovery and in the first half of this year the index stood at 114. The average for the second half of the year will have been depressed by the coal strike, but the present level of production is again considerably above the prewar figure. The most spectacular gains of the last two years have been in steel, where output has nearly reached the 1937 peak, in coal, where the 1939 peak has been well surpassed, and in the production of electricity and cement. Shipbuilding has increased fourfold since 1946 and in the middle of this year the tonnage of merchant shipping under construction in France was second in the world only to that of the United Kingdom. The darkest corner of the production picture is in agriculture; the 1947 harvest was disastrous and that of 1948 is probably still some 15 per cent below the prewar level.

M. Monnet's more immediate concern is with the creation of new fixed industrial capital, particularly in the half-dozen key industries that were singled out in his original report for special attention. Here, too, the report can tell of reasonably satisfactory progress. The value of new equipment installed in 1947 was 29 milliards of francs of 1938 value and was at the annual rate of 30 milliards of 1938 francs in the first half of 1948, compared with a mere 8 milliard in 1938 itself. The increase in industrial equipment is not, in fact, as great as these figures would suggest, since buildings of all kinds absorbed 13 billion in 1947 and 11 billion (annual rate) in the first half of 1948, against almost nothing in 1938. Nevertheless, it is clear that some investment in fixed capital is going on. Indeed, figures in the report indicate that total gross capital creation in 1948 has been running at the rate of 24 per cent of the gross national output, which is a high proportion by any standards. Indeed, the outside observer will be tempted to conclude that these figures are far too good to be true. In a state of hyper-inflation there is a great deal of conscious and unconscious consumption of capital that never gets into estimates of national income, which tend therefore to include all of the pluses and none of the minuses. The combined effect of the Monnet plan and of monetary inflation is probably to increase France's fixed capital and to drain its working capital. It is significant that over half of the privately financed capital investment of the last two years has been paid for with bank credit; nor can the Government's contribution be regarded as wholly derived from non-inflationary sources. Moreover, many of the basic industries are now publicly owned and running at constantly mounting deficits. It is politically difficult either to raise their charges or to cut their expenditure and their appropriations for maintenance of capital have proved to be far too tempting targets for the politicians. It is doubtful how far the existing capital of these industries is being maintained, and it is certainly not being maintained out of revenue. French national savings are certainly not enough to pay for the new capital creation that is going on; a complete reckoning of things seen and unseen might even show that there is, on balance, no net saving at all.

The defects in the French economy in fact, are those of finance, not of physical production. The two running sores are the balance of payments and the budget. In 1947, French imports and other overseas payments amounted to $2,815 million. Of this total, French exports sufficed to meet only 37 per cent; a further 18½ per cent came from reserves and private assets; and as much as 44½ per cent came from external aid. At the beginning of 1948, in an effort to correct this disparity, the franc was sharply devalued. Nevertheless, in the first half of 1948, the position got worse. Imports and other charges amounted (on an annual basis) to $2,658 million; but exports covered only 33 per cent of the total and foreign aid had to rise to 49 per cent. Examination of the export figures shows a most peculiar state of affairs. In the first half of 1948, exports were 15 per cent lower than in the previous year by dollar value, but 36 per cent higher by weight. Though there are some other partial explanations of this paradox, the main explanation is that French exports are under-invoiced. In other words, there is a large flight of capital, which unofficial estimates put at $500 million, a sum equal to half the American aid extended to France this year.

The second running sore is the budget. Under happier circumstances, France's budget would be nobody else's business. Today, however, the welfare of the eighteen other European nations joined together in the European Recovery Programme is linked to the French economy. What happens in Paris may well affect the standard of living in Perth and Palermo.

What is happening in Paris at present is the familiar December spectacle of budget-making. The Government has produced proposals which do not, indeed, balance the budget but which reduce the gap between income and expenditure to a figure which the optimists can argue is non-inflationary. Unfortunately, its means of closing the gap are politically circumscribed. Any attempt seriously to reduce expenditure would inevitably mean throwing voters out of work, and any attempt seriously to increase direct taxation, or any form of taxation on the agricultural population, would run up against the well-known obstacles that generations of finance ministers have learned to respect. All that can, therefore, be done, in effect, is to increase indirect taxes still further—which will infallibly lead to demands for higher wages, which will increase expenditure, which will prevent even the optimists from pretending that inflation will now stop. The Government's initial proposals, as usual, look like being too much for large sections of the Chamber.

Expenditure in 1949 is estimated at Frs. 1,250 milliard on the ordinary budget and at Frs. 615 milliards on the extraordinary budget of capital expenditures. The total of Frs. 1,865 milliard is equivalent to £1,760 million at the current official rate of exchange, which certainly does not under-value the franc. Taxation is estimated to produce Frs. 1,385 milliard, including the fruits of the Government's new measure of fiscal reform. The gap of Frs. 480 milliard, or about a quarter of the total, is to be closed, in the main, by two major operations, first, the inclusion of Frs. 280 milliards representing the "counterpart" of American aid—that is, the francs earned by the French Government by selling the goods it gets free from the United States—and, second, Frs. 100 milliards to be raised by a loan, whose contributors are promised an amnesty from investigation into the source of the funds they subscribe. The theory of a current budget covered by revenue and of a capital budget covered by savings and capital receipts is unexceptionable. But in practice everything depends on whether the revenue comes in to cover the first budget and the savings to cover the other. Many French observers believe that there is more than a little optimism in the balancing of the ordinary budget; as for the capital budget, the Marshall counterpart, though it is a real source of finance, is also a temporary one, and the conditions attaching to the loan do not sound as if it is even hoped to attract many genuine new savings. The test, in the end, will be severely practical: will the Government get through the year without recourse to the banks? And since, even in the budget estimates, genuine recurring revenue covers only three-quarters of the expenditure, the answer is almost certainly in the negative.

It seems, therefore, that the two leaks will continue. France, as a country, will continue to pay for only a third of its imports; and the French Government will continue to raise in revenue only, at most, three-quarters of what it spends.

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Yet the problems of the French economy, as national economic problems go these days, are simple. A few rough statistical comparisons will serve to put them into proportion. If the comparison is with the United Kingdom, the object is not to vaunt what has been achieved in one country or to denigrate what has been done in the other, but simply because comparison between such close neighbours is natural.

The French gross national product, according to the Monnet report, was running in the first half of 1948 at the annual rate of 376 milliard prewar francs and is probably still at about the same level in that elusive historical currency. The indices of franc prices are now reaching 2,000 per cent of prewar, so that the gross national product in today's even more elusive francs can be put at about Frs. 7,500 milliard. It would therefore appear that the total expenditure of both French budgets is about 25 per cent, and estimated revenue rather less than 20 per cent, of gross national product. The corresponding British figures are something like 35 per cent for revenue and 32 per cent for expenditure. The level of British taxation, as everybody knows only too well, is monstrously too high. But any postwar Chancellor of the Exchequer would consider himself lucky beyond his wildest dreams if he had to raise in taxation only 25 per cent of the gross national product; he could reduce taxation by an amount equal to three-quarters of the whole yield from income tax, or two-thirds of the whole Customs and Excise revenue. Judged in non-political terms, the problem of stopping inflation in France is easy: it requires simply that the French Government should levy taxes at about three-quarters of the rate that other countries have found possible. The possibility can be illumined by another comparison: the consumption of the people takes 76½ per cent of the gross national product in France, but only 68 per cent in Britain.

The other leak—that of the balance of payments—would be harder to stop. But again the problem looks simple alongside that of other countries. France is much more nearly a self-supporting country than Britain; foreign trade is much more marginal. At present the average Frenchman is importing about $62 worth a year of visible goods and invisible services and paying for them with $22 worth of his own exports. Relatively, the gap is enormous; but the imports are only some 8 or 9 per cent and the exports 3 per cent of the gross output. The British figures are 15 to 16 per cent and 13 to 14 per cent, respectively. Clearly, the effort and the readjustment that would be involved for the Frenchman either in cutting down his consumption of foreign goods and services or in expanding the proportion of his own output that is sold abroad would need to be far smaller proportionately than the sacrifices and the exertions that are already being made on this side of the channel.

That the French have serious problems to face nobody would wish to deny. But those problems are not economic; they are political. They are the problems of asserting self-control and collective authority. There is nothing wrong with the French economy that a short period of firm, honest and courageous government could not easily set right. The problem before the French people is how to give themselves such government without falling prey to dictatorship.

Paying for Sickness

RUMOURS have been rife about the cost of the national health service almost from the day it was introduced, but very little hard information has been available on the extent to which the estimates were being exceeded—that they were being exceeded was accepted as a matter of course. Last week, however, in a parliamentary answer, the Minister of Health gave the actual amounts that had been spent from public funds, excluding the amount spent by local health authorities on their services, on the five main branches of the health service in its first five months, and the figures are reproduced below, together with the original estimates for the nine months, July 5, 1948, to March 31, 1949.

£'000

	Estimate 1948–49*	Spent July 5 to Nov. 30*
Hospitals	107,196	58,000
General medical services	27,500	7,983
Pharmaceutical services	11,450	5,439
Dental services	7,150	5,542
Ophthalmic services	2,080	4,048

* England and Wales only.

It should be pointed out that the amounts actually spent do not represent the total liabilities incurred in this period. Even so, the figures bear out the general impression of the working of the health service: that the general practitioners have some cause for their complaints that they are underpaid; that the cost of prescribing accords roughly with the estimate; and that the dentists and opticians are doing extremely well.

General practitioners are paid a capitation fee for each patient on their list and a mileage payment for visiting; there is also a special inducement fund for doctors in under-doctored or sparsely populated areas, and a basic salary of £300 a year, for which any practitioner can apply, in the first instance to the local executive council and, if rejected, on appeal to the Minister. This basic salary has to be paid out of the pool allotted to each executive council for payment of the capitation fees to the doctors in their area. Doctors who receive it are given a capitation fee one-seventh less than the normal rate. Nevertheless, its effect is to subsidise the less successful doctors at the expense of their colleagues. This charge on the pool, together with the fact that the first instalment of the sum allocated to the executive councils was less than it should have been, the Ministry preferring to settle up any deficiency at the end of the year rather than to overpay to begin with, has been the cause of much discontent. The £8,000,000 shown as spent in the first five months really represents the payment of the first three months, as general practitioners are paid quarterly. In the nine months to March 31, 1949, on the same basis, doctors would be paid £24 million, £3,500,000 less than the estimate, which was calculated on the assumption that fewer doctors would join the service than has in fact been the case. There does, therefore, seem to be some substance for the doctors' complaints—at present being investigated by a sample survey of their earnings—although it has repeatedly been said that underpayments will be made up in the final settlement.

The amount spent on the pharmaceutical service should not be regarded too favourably. If the same rate were maintained throughout the nine months, the total would be £9,790,000 compared with an estimate of £11,450,000. But dispensing is largely a seasonal occupation, and the peak period has still to come.

The actual liability for the dental and supplementary ophthalmic services is likely to be much bigger than the amount spent in the first five months indicates, for the rate has increased from month to month. Indeed, it was estimated in the *British Dental Journal* of November 19 that the cost of the dental service was then running at the rate of £28 million in a full year, which would be a rate of £21 million for nine months. Mr Bevan's decision to cut the top off dentists' earnings should reduce the cost to a certain extent, but it is difficult to see how payments that are based on items of treatment performed can be anything but heavy. One need not suggest cynically that digging holes and filling them up again is the classic method of making employment. The fact is that there is a heavy, unsatisfied demand for treatment, which dentists are naturally trying to meet. If the fees for each item of treatment are greatly reduced, it will only lead to the danger that dentists will work excessively long hours to earn more money.

The truth is that the ideal method of paying the practitioners in a free health service has yet to be found. Payment by salary is hard on the patient, for it denies him free choice of doctor or dentist—doctors paid the same amount will tend to do the same amount of work; the lack of incentive in a salaried service also discourages the best people from entering it. Payment by items of service is hard on the taxpayer. Payment by capitation fee is hard on the practitioner; it means that, no matter how great the demand for his services from his patients, he gets no additional reward. Nevertheless, it does seem the best of the three methods. It enables the cost of the service to be estimated fairly closely; it ensures free choice for the patient; and it provides some incentive for the practitioner. Is there any reason why it should not be tried out in the dental service?

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There remains the hospital service, which accounts for well over half the total cost of the health service. The figure given by Mr Bevan for the cost of the hospitals in the first five months does not seem unduly high. It would give a total of £104,400,000 in the nine months, which is actually just below the estimate. But the budgets of the regional hospital boards for the year 1949-50 give a less favourable picture. They estimate a total gross expenditure, including capital expenditure, of £157,680,000. This compares with the Ministry of Health's estimate for the regional boards' expenditure only—that is, excluding the teaching hospitals' expenditure—in the present year of £129,414,000 when calculated on an annual basis.

In fact, it is not so much the cost of the hospital service at present that causes anxiety as the mounting cost from year to year as plans for expansion are framed and put into operation. At the moment, the maintenance cost of a hospital bed shows big variations from hospital to hospital, both in London and in the country as a whole. All, however, have this in common—the cost is increasing from year to year. In London, the average cost of a bed in the former voluntary general hospitals was £11 7s. 6d. a week in 1947. In the whole of England and Wales, 388,000 hospital beds were taken over on July 5. If the eventual cost of each is put at £10 a week, it gives an expenditure of £194 million a year on in-patient treatment alone, let alone out-patient treatment, the cost of other services and the cost of teaching and research. Even if, by the economies of large-scale management, it is possible to maintain a hospital bed efficiently at a cost of, say, £7 a week, the total cost is still likely to rise because of the planned increase in the number of beds.

It is true that Mr Bevan has not yet approved the regional boards' budgets. He may decide that they will have to be cut, and so may any future Minister of Health in subsequent years. But it would be difficult for him to square a drastic cut with the duty imposed on him by the first clause of the National Health Service Act:

> to promote the establishment in England and Wales of a comprehensive health service designed to secure improvement in the physical and mental health of the people of England and Wales, and the prevention, diagnosis and treatment of illness . . .

As the secretary of a regional board points out in a letter on page 1061 this week, no one in close touch with the hospital service and aware of the great needs to be met can be expected to impose a check. Only the Minister can place a limit on the hospitals' expenditure, and there will be constant pressure on him to raise it.

Of all the costly social services of the modern state, a health service is likely to prove the costliest. Far more than education, more even than old age pensions, the treatment of sickness has a popular appeal that is very difficult to resist. It is certainly arguable that fewer man-hours are lost to industry by sickness treated than by sickness untreated, and that a nation made healthier through the resources of a health service will have a greater productive capacity. But this has yet to be proved. All the evidence seems to show that, in spite of the great advances in medicine, the burden of treating sickness increases from year to year. When one illness disappears, there is always another to take its place—science is overcoming many diseases, but it has yet to conquer Disease. Until it has done so, the nation will have to face, so long as the principle of a free health service is maintained, a mounting bill for its maintenance.

NOTES OF THE WEEK

"Honourable Peace" in China?

After three weeks of negotiation with political leaders in Nanking Dr Sun Fo has at last succeeded in forming a Cabinet and has told correspondents that his policy will be to fight on until he can get an "honourable peace." He refused to state his terms for peace, and indeed the basis of negotiation will be determined by the development of the military situation, which changes from day to day. The new Cabinet includes representatives of the Kuomintang "Old Guard," so it appears that the latter are now prepared to bring the civil war to an end by a partition of China or a coalition at the centre or a combination of both. They have to recognise that Manchuria and North China are lost—there are signs that General Fu Tso-yi, who still holds Peiping and Tientsin in isolation from Nanking, is independently making his peace with the Communists—and the only question for them is whether they can hold on to Nanking and South China. As long as they can keep back the Communists from Nanking they have a chance of survival, but if the armies now fighting in defence of the capital are destroyed, it is unlikely that a firm stand could be made anywhere else in China, except in the island of Formosa, where the Government would be already virtually in exile even though still on Chinese soil. The battle for Nanking, therefore, appears to be the decisive action; the Government forces have so far been the losers, but not yet so definitely as to place the capital in Communist hands, and the Government's bargaining hand seems slightly stronger than it was a week ago, even though this may be only a momentary respite.

If the Government can hold Nanking, and if, as is not impossible, the Communists also are feeling the strain of prolonged warfare and are in need of a breathing-space, a peace might be arranged which would leave the Communists in control of the Manchurian and North China provinces, with some representation in the central Government, but not a preponderance. If, on the other hand, Nanking falls and the Kuomintang breaks up into die-hard and compromise factions, as it would then almost certainly do, the Communists would have preponderance in any coalition Government which could be formed and would in particular decide its foreign policy. The Communists would, however, do their best to conceal their overruling power by the temporary appointment of decorative liberals to as many portfolios as possible, in order to obtain American diplomatic recognition. Whether to extend recognition to such a Government would be the crucial question to be decided by President Truman.

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Deadlock in Western Germany

The German constitution-makers at Bonn continue to make heavy weather, but it is arguable how much of the responsibility can be pinned on them. It is true that the division between centralisers and federalists is strong and is crystallised in the party division between Socialists and Christian Democrats. Although on the key question of the financial powers of the future central government, the finance committee has reached agreement and plumped for the vesting of rights of direct taxation in the central authorities, uncertainty hangs over the Commission's powers. Its financial decisions may be overruled later and, for the time being, it is paralysed by a split between those who believe the constitution cannot be formed until the Allies have handed in their Occupation Statute (the Socialists are of this group) and those who argue—surely with more reason—that while the Statute is ephemeral, the constitution is likely to be lasting, and that the important thing is to clarify German views on the more fundamental document.

It is at this point that German efforts have become bedevilled by the Allies' own failure to agree. The split between the "wait and see" school of thought and those who urge the completion of the constitution would certainly be of little importance if the Occupation Statute were about to appear. Unfortunately, there now seems little hope of this, for the deadlock between the three Military Governors is now absolute, the matters at issue have been referred back to the various governments and only a genuine retreat on the side either of the "Anglo-Americans" or the French will make compromise possible.

Significantly, the split between the Allies takes a form similar to the division between the Germans. Under cover of the question of occupation costs, the old issue of centralisation versus federalism has been raised in a new form. The Anglo-American Governors, with an eye on the taxpayer at home, argue that some economic centralisation is necessary, otherwise Germany will never be efficient enough to pay its way. The French have no desire for an efficient Germany and regard a loose federation as a guarantee of weakness. But how can the question of what authority should pay occupation costs be decided until financial powers are vested either in central or regional bodies? A centralised government will pay costs from the centre. In a loose federation, each state will be responsible. In their inability to agree on one or the other, the Military Governors have now adjourned their discussions *sine die*.

If fear of a speedy birth of a western German state caused the Russians to blockade Berlin, that fear appears misplaced. All their policy has done is to provide an excuse for the concentration of large Allied forces in Europe while the German state's travail is indefinitely prolonged. If logic ruled the Russians' policy, they might now reconsider the tactics of blockade.

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Russia Backs Poland

It is perhaps fortunate for the western Powers that Russian policy is calculated to ensure the enmity of Germans, even though it by no means turns them into friends of the West. For the Germans, one question overrides all others—which side will be most likely to return the lost territories east of the Oder-Neisse line? The millions of refugees eating their resentful fellow-countrymen out of house and home constitute by far the most important political factor in Germany today and in the days to come.

For this reason, it is of the utmost importance that the Polish Premier, Cyrankiewicz, speaking at the "merger" congress of the Polish Workers (Communist) Party and the Socialist Party on December 16th, affirmed that the SED, the German Socialist Unity (Communist) Party, was pledged to uphold the Oder-Neisse frontier:

> German partition is becoming a fact. The SED, after ridding itself of its Social-Democrat heritage, has been transformed into a party of the new type. Its object must be to waken the class-consciousness of the German working-class, which was blunted by Nazism. The touchstone of Germany's democratisation must be its attitude to its eastern boundaries. The SED leadership recently put this question very clearly before its members. A campaign has been launched to have this fact recognised and to popularise among the masses the achievements and successes of the Polish people.

The leaders of the SED were present at the Congress and echoed the Polish Premier's statement. One of them, Franz Dahlem, added that "the stronger Poland grows, the more rapid will be the building of a new system in Eastern Germany, and the sooner will the working-class in western Germany be able to profit by the SED's example."

It is evident that Russia has been forced for the time being to sacrifice its chances of winning the Germans in order to secure Polish agreement to collaboration with the Soviet Zone. Russia hopes to weld Poles and Germans into one Communist bloc, just as it once hoped to fuse Jews and Arabs under the banner of allegiance to Moscow. Polish economic aid for the Soviet Zone is even more important than political collaboration, particularly since western German supplies were cut by the counter-blockade imposed by the Anglo-Americans as reprisals for the blockade of Berlin. Poland is now, after the Soviet Union, the eastern Zone's largest trading partner, and is said to be selling the Soviet Germans as much as it did to the whole of Germany before the war.

The political price for this aid is, nevertheless, extremely heavy. If the statements made at the Warsaw Congress are sufficiently publicised in the West, the mistakes and deadlocks in Bonn and Frankfurt will lose much of their danger.

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Cost of Living Debate

Mr Maurice Webb, the chairman of the Parliamentary Labour Party, remains quite impenitent. Raising the cost of living question in the Adjournment Debate, he repeated the arguments with which for the last few weeks he has been bombarding the Government. The high cost of living "threatens the success of the whole Government programme." It is all very well to agree that the national situation demands a certain amount of going without; the essential thing is that this going without shall not be determined by prices, for this the workers will not stand. They will come forward with "an inevitable upsurge of fresh wage demands." This would be inflationary; whereas the grant, to these same groups, of greater purchasing power, whether by giving "more cash to spend" (the distinction between "more cash" and higher wages seems tenuous) or by cutting prices, would, apparently, carry no inflationary danger. On the other hand, they will cheerfully "go without" so long as their abstinence is imposed by ration and quota; so long, that is, as no possibility exists for anyone to go out and by earning a little extra money qualify for a little extra wellbeing. Or so one must infer from certain passages of Mr Webb's speech; though it is hard to believe that anyone could be quite so blind to the lessons of the last three years.

There is a grain, just a grain, of justification for the plea that an inflation dammed up and diverted by controls is better than one which runs its course through higher prices, higher wages and higher prices again. It is easier to deflate when what is deflated is a mass of floating purchasing power, hovering as it were outside the price structure, than when the notoriously rigid and resistant price structure itself has incorporated that purchasing power into its framework. It is easier, when the time comes, to cut a subsidy to match a falling world price than to enforce a corresponding reduction on money wages which have risen to match the unsubsidised cost of living. If controls cost nothing in themselves, if the question of incentives could be neglected, and if, above all, the distorting effect of dammed-up inflation on the distribution of resources could be avoided, Mr Webb's plea for the exclusive use of ration and quota to limit consumption would have some merit. Unfortunately none of these conditions is fulfilled—as Mr Spearman pointed out for the Conservatives, and as Mr Douglas Jay confirmed, though naturally in different terms, from the Treasury bench. Mr Webb admits that mass consumption must be reduced. Reduction is undeniably unpleasant. There is all the more reason for making it as brief and as slight as the national circumstances permit; an aim to which his proposals would probably prove an insuperable obstacle.

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Rent Act Amendments

The Government's Landlord and Tenant (Rent Control) Bill, now published, is something of an omnibus. It groups together a number of miscellaneous provisions affecting houses that are let and it endeavours, a little late in the day, to remedy several of the abuses that have grown up in the last three years. Belated attempts may be praiseworthy, as was the arrival of the man in the vineyard at the eleventh hour, but they are not always rewarded with the full measure of success.

Clauses 1 to 6 of the Bill deal with cases of property let for the first time since the war. Under the existing Rent Acts, the rent at which the property is first let becomes, *ipso facto*, the standard rent and, therefore, the rent that can always be demanded. The Bill provides machinery for setting up tribunals to investigate these rents, to fix new ones, if it considers fit, and to have the judicially determined rent recorded as the standard rent thereafter. It also gives the tribunal power to allow the tenant to set off against future payments of rent some part of any premium he has paid if the tribunal thinks that the rent alone, without premium, provides a fair return to the landlord. Clauses 7 and 8 are intended to reverse an earlier House of Lords decision that where part of a house is let with the use of one room (commonly the kitchen or bathroom) in common with other tenants in the building the Rent Acts do not cover the letting and the tenants are without their protection. Clause 10 gives the tribunals set up under the Furnished Houses (Rent Control) Act, 1946, power to extend the security of tenure they can give a tenant under that Act for periods beyond the three months limit laid down by that Act.

The first set of Clauses is, no doubt, a laudable attempt to secure rough justice for those unfortunate people who have been driven into paying premiums for houses and flats simply because of the present scarcity of houses and flats. It will be anathema to the principles, although not to the pockets, of lawyers, for it overrides existing bargains, tears up existing agreements and so disregards the sanctity of contracts. It may also cause considerable hardship to many landlords, innocent as well as greedy, who have entered into commitments in the belief that contracts for letting houses were legal and therefore sacred. But it may alleviate more hard cases than it creates. The remaining provisions in the Bill are to be commended. They are sensible attempts to deal with real abuses and it is very difficult to see how any of them could cause any injustice to the innocent.

But a point on which the Opposition ought to seize is the fact that the Bill is completely silent on the readjustment of prewar rents to meet postwar conditions. The unfurnished house is about the one form of property left on which no increase on the prewar return is possible. Further, since the sale of the British-owned railways in Argentina, it is about the one form of property left where the law compels the owner to spend money on his property by way of maintenance while denying him any hope of return on the money he lays out. The Government will doubtless say that if the basis of controlled rents were to be increased an inflationary wave of demands for wage increases would immediately follow. Even if that were true (and local authorities may increase their rents, have increased their rents, and still are not dubbed inflationists), where is the justice in expecting the owner of small property to subsidise wages out of his own pocket?

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Frontiers of Legal Aid

The Legal Aid and Advice Bill received a welcome from all parties during its second reading on December 15th, but nevertheless the debate showed up weaknesses in its construction which will be attacked when it comes up in Committee. The chief difficulty of Ministers in defending the details of the Bill is the arbitrary—necessarily arbitrary—line at which the various frontiers to legal aid are drawn. There is no absolute standard of justice which fixes the income limits beyond which assistance may not be given. There is no logical reason why legal aid and advice should be available for cases heard before the courts, but not before tribunals. The frontiers have been drawn where they are considered to be reasonable and practicable in the light of the legal resources available. There are about 2,000 practising barristers and 11,000 practising solicitors. It is no good saddling them with a volume of work with which they will be quite unable to deal. No one has any real idea how much litigation will be encouraged by the new Bill. Until the present scheme is seen in practice it would be unwise to attempt much more. As Sir Hartley Shawcross said, there are something like 100 different kinds of tribunal of a judicial or quasi-judicial nature outside the ordinary legal hierarchy. Members of the legal profession rarely appear at most of them, and the atmosphere is informal. At present it seems wiser to let sleeping dogs lie.

This does not mean that the Bill is perfect in all its parts. Several speakers spoke against the rigidity of incorporating the proposed income limits for assistance in the Bill, and asked for such rules to be made by regulation, subject to affirmative resolution by the House. Although government by regulation has to be guarded against, the delay and difficulty of introducing amending legislation is well instanced by the old arrangements for legal aid. The present income limit for legal aid of £2 a week (extendable in certain circumstances to £4) was fixed in 1914, and has never been changed since, in spite of changes in the cost of living. The new income schedules in the Bill are drafted much more flexibly and with a better relation to family circumstances. Even so, they may easily get out of date, and it would be better to have a less cumbersome method of revision than the necessity of introducing a new Act.

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Back to the Austrian Treaty

The Four Great Powers have virtually agreed to reopen negotiations on a Treaty for Austria, and there is even an atmosphere of subdued optimism in the west over the prospects of securing a settlement for the much-tried and long divided country. The hopefulness springs from a single fact. When talks last broke down—in May this year—one of the principal stumbling blocks appeared to be the question of Jugoslav claims on Austrian territory. Marshal Tito has insisted since the end of the war that parts of Carinthia and Styria shall be transferred to Jugoslav sovereignty, and in all previous negotiations the Russians have supported him. Western observers now believe that the breach between Russia and Jugoslavia will put an end to Russian backing for Marshal Tito's claims, and that as a result a settlement will be reached on the basis of Austria's frontiers in 1939.

There have, however, been so many disappointments and setbacks in Austrian treaty-making in the last three years that it is only reasonable for the time being to be guarded on the hopes of a final agreement. It is not as though the Jugoslav claims were the only outstanding points of difference. In fact, a number of vital economic clauses still had to be agreed when talks were suspended eight months ago. The centre of controversy was naturally Russia's claim to German assets in Austria. The Russians had agreed in earlier talks to accept a lump sum in lieu of the various properties, but in May the figure had still to be settled. The Russians reduced their claim from $200 million to $150 million payable over six years in hard currency. The western Powers proposed instead a figure of $100 million to be paid, partly in cash, partly in goods and partly in Austrian assets abroad over a period of seven years. The gap between the two proposals was not bridged.

Agreement was also still to seek in May on the particular question of Soviet ownership in Austrian oil. On Western reckoning, oil production is the key to Austria's future viability as an independent state. The western Powers have consistently sought to reduce Russia's claim to two-thirds of Austria's present productive capacity in oil. In April, the contending parties moved closer together, Russia moderating its demands on several points and agreeing to a smaller percentage of oil capacity—58 to 60 per cent—and reducing the periods for which its oil leases should run. But specific agreement on the particular plants to be allocated to Russia had not been reached when the talks adjourned.

The gap between the western Powers' concern to see Austria—in large measure a Marshall country—set on its feet and Russia's desire to extract the fullest compensation from the Austrian economy—had narrowed in the spring to a point at which it seemed relatively small. Unfortunately, in some cases the difference of a few per cent appeared to the west to represent the exact balance between viability and insolvency. The issues still outstanding may thus prove more difficult to settle than their apparent magnitude suggests. On the other hand, the western Powers may feel inclined to concede the balance, arguing that ultimately nothing so damages the Austrian economy as endless fourfold occupation.

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Arab Comings and Goings

The Arab League's fate hangs on its forthcoming meeting—for there is no way of escape from one of two perplexing decisions. Shall it go on refusing to admit that, if its members do not forthwith annex what is left of Palestine, the rump will be swallowed by Israel? Or shall it expel its one member who is ready for compromise—King Abdullah of Transjordan? Unimportant though Transjordan is in terms of population, economics and strategy, to do this is to carve a vital organ out of the League's anatomy. Wishfully thinking Arabs are pointing out that Abdullah's defection need not be fatal because, by the terms of the League's charter, "decisions by majority vote shall be obligatory on those who accept them." But this, surely, is a quibble. A League without Transjordan ceases to be a solid object.

The problem is Abdullah's as well as the League's, for his own bargaining power is obviously greater if he speaks as one of seven than if he becomes an outcast. Can he think up terms in which to convey to six head-in-sand colleagues a realisation that unless they accept a line, Israel will continue to spill over into Arab territory? The method that he seems to be planning is to say to them that if they do not compromise, they must fight, and to ask who still wants to do so. Doubtless all will drown this direct question with a rattle of sabres, but none has the capacity to do more than this. The Syrians, driven back over their own frontiers by the Israelis, have had difficulty in persuading anyone to take over their Ministry of Defence; the Egyptians are still in no position to rescue their beleaguered garrisons in the Negeb, and the Iraqis, whose national finances are in a disturbed state, have not even financial inducements to restore morale to their rank and file. Yet, in spite of these stark military facts, it is doubtful whether Abdullah can find the means to compel the League's Council to face reality.

Unfortunately, his moves during the past week have reduced his chances of a reasonable hearing. He has incensed the Egyptians by telegraphing his greetings to the Sudanese Independence Party on the opening day of the Sudan's Legislative Assembly. He has put himself in the wrong by making an appointment which is not in his gift—that of Mufti of Jerusalem. He has "appointed" Sheikh Hussan Meddin Jarallah, formerly Chief Justice of the Palestine Religious Courts, to this office. Few people still hold a brief for the old Mufti, Haj Amin al-Husseini. His one-time political and mediatory gifts seem to have left him, and he has proved, during the last year or so, to be no organiser, no spell-binder and no more than a grey-bearded back number with scarcely the substance to serve the Egyptians and Syrians as a figurehead for their "Gaza Government." Abdullah, by unfrocking him with no conceivable right to do so, will scarcely win him supporters. But he will supply a new handle to everyone who has a grievance against Transjordan. Lastly, Abdullah has vexed his Iraqi cousins by refusing to agree to the proposal of their emissary, Nuri Pasha es-Said, that he should refrain from declaring a bigger kingdom. He has, however, told Nuri that he will do nothing immediately. He has, in fact, made no new moves. So far, therefore, such mistakes as he has made are merely psychological. They are damaging, none the less.

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The Birth of Zoë

"Zoë" is the name which has been given to France's new atomic pile in Fort de Chatillon to the south of Paris, which began to function on December 15th. It is supposed to be devoted entirely to research on the peacetime uses of atomic energy and not to be directed towards the production of atomic weapons. Its birth has nevertheless been a political event, especially as the French High Commissioner for Atomic Energy, Dr Joliot-Curie, is politically a Communist. The French Communist press has hailed the making of the pile as a great victory for France, a kind of declaration of independence from the atomic monopoly of the Anglo-Saxons. It is natural, indeed, that a nation with so great a scientific tradition as the French should wish to pursue atomic research in its own right, and there could not be any reasonable opposition to this from London or Washington, but there is some alarm in the United States at the prospect of a French development in this field with key scientific positions held by Communists. The *New York Herald Tribune* remarks that "it remains a mystery what France will do when it begins to collect information that might be of value to a less peaceful nation" and that "France will soon have at its disposal a good many results that are top secret in the United States and Great Britain."

Russia no doubt is finding out many of these by its own researches, but availability of French results through the French Communist party would probably provide a valuable supplement. Atomic research in France with Communist participation is hardly compatible in the long run with French military commitments in Western or Atlantic Union, and sooner or later it seems that France will have to face the problem of purging Communists from posts affecting national security, as Britain and the United States have already done. That it has not been done already for the experiments with Zoë is probably due in part to the reluctance of the French Government to provoke the Communists by purges more than is absolutely necessary, and partly to the fiction that the pile is only to be used for non-military researches. But it is not a situation which can continue indefinitely without jeopardising the understanding on defence which has been reached by the western democracies.

Retort from the Colonial Office

The first report from the Select Committee on Estimates for the session 1948-49 contains a spirited and effective reply from the Colonial Office to the Select Committee's criticisms last session of its development and welfare policy. It is easy to find faults in that policy; many of the Select Committee's criticisms, discussed in *The Economist* of July 17th (page 98), had been made before it reported. The difficulty is that the right method of planning economic policy—if indeed, the right method has been decided—is quite inapplicable to colonial development. Planning in this country stumbles against the intractable human factor. How much more intractable is this factor in the colonies, with all their suspicion of Britain's good faith, their fear of being exploited and their growing nationalism.

But if the Colonial Office had an effective reply to the Select Committee's preference for a master economic plan drawn up in Whitehall and sent to colonial governments for them to carry out, it does not follow that colonial development can be undertaken regardless of economic planning in this country. In the allocations of supplies—of exports and of steel and capital equipment—there is now far more co-ordination between the colonies and the planning authorities in Whitehall. But this, as the Colonial Office points out, is a matter of tactics rather than strategy. What is missing from its reply to the Select Committee, for the very good reason that it was missing from the committee's report, is any reference to colonial development in relation to the four-year plan drawn up under Marshall Aid. The expansion of colonial resources is taken into account in this plan, but exactly how this expansion fits in with the colonial development already planned and to be planned is not clear. What has also to be revealed is whether there is to be any co-ordination in the planning of colonial resources between the western colonial powers. And can there be any co-ordination that would not offend the susceptibilities of the colonial peoples?

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Musicians and the BBC

The Ministry of Labour's Committee appointed to deal with the dispute between the BBC and the Musicians' Union—a dispute which threatened a musical strike in the course of the summer—has now published its recommendations. Two wage issues were before it—a union claim to increase minimum fees for casual studio broadcasts and another claim to full studio rates for all relays of outside performances. The BBC wished to maintain studio broadcasts at the rates demanded by musicians from outside concert promoters and while refusing to pay full rates for relays offered to increase the musicians' fee from 12s. 6d. to 25s. But the BBC also sought to widen the scope of the Committee's hearings and submitted evidence on the musicians' restrictive practices both in limiting the number of repeated performances and in drastically cutting down the amount of gramophone music to be broadcast in any week.

The Committee's findings must on the whole appear satisfactory to the BBC. It is true that only one award is compulsory and this gives the union the increase in minimum studio rates for which they pressed. A ten shilling rise has been awarded. But on all other points, the Committee's views coincided with those of the BBC. It gives its opinion that 25s. is a reasonable rate for relays and that the interests of the listening public will be better served if the Musicians' Union allows a more liberal use of repeats and increases the number of permitted hours for broadcasting gramophone records from the present 26 hours a week (falling later to 22) to an average of 28 to 35 hours a week together with facilities for regional broadcasting. These are important recommendations and would allow important progress to be made, particularly in the broadcasting of opera, which the ban on relays and the restriction on records at present virtually prevents.

There is, however, a cloud on the brighter musical horizon. Only the wage award is compulsory. All the rest depends upon the good will of the Musicians' Union—and good will or consideration for the public interest has not been conspicuous in the Union in the past. If all save the Committee's compulsory wage award were finally to be disregarded by the musicians, the public would need to find some other way of giving its legitimate demands effective backing.

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A Sky-light for the Civil Service

A rigid pension scheme has been both a curse and a blessing to the civil service. It has prevented the glitter of the outside world from luring many civil servants into more lucrative fields: it has also manacled the misfit to his Whitehall chair and protected the incompetent from being slung out. A change, though a modest one, is going to be made in a new bill which is expected to come up during this session. This will alter the existing pension arrangements and will, amongst other things, permit a civil servant to retire voluntarily at 50 without sacrificing his accrued pension rights, and allow a department to dismiss a man "in the interests of efficiency" and to give him his proportionate pension forthwith. In the case of voluntary retirement he will not be able to draw his pension until the age of 60, except on special compassionate grounds.

This change in policy is important for it will help to rid the civil service of many who are either of no great value to the machine, restless and unsatisfied with their work, or anxious to retire or to try their hand at something else. The pity is that the scheme has not been extended much further down, say to people between 40 and 50, who may be doing just as much harm and feeling just as much frustrated. In such cases there seems no reason why they should not at least be able to withdraw a block sum corresponding to what their own contribution might be, an arrangement which obtains widely elsewhere in industry and commerce.

Two objections exist to such a commonsense proposal. On the one hand the Treasury is desperately anxious lest it lose its best men to other walks of life—a coward's reaction, which could be countered at least in part by paying senior civil servants more in accordance with their responsibilities. The second snag is that civil servants do not openly contribute to their pensions; they are merely paid less because of them. To calculate a block "repayment" of contributions might open up all sorts of horrible questions about pay and contributory pension schemes. Perhaps this is what is now really required? Meanwhile instead of a window to the outside world the civil servants have been given a sky-light, provided at the age of fifty they still have the agility to climb out of it.

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South Africa Faces Austerity

South Africa's steady progress towards insolvency will not be stopped as easily as Mr Havenga, the Minister of Finance, and Dr de Kock, the Governor of the Reserve Bank, hope. Dr de Kock's recent statement on South Africa's economic health is more fully discussed on p. 1075. His economic arguments, however, are based on the assumption that the Government will in fact carry out his very necessary programme of disinflation and austerity. Few assumptions could be less certain. The political balance in South Africa is so fine that it needs only four members to cross over to the Opposition benches to upset the government. The party in power is, therefore, hardly likely to risk introducing an economic policy which few of their supporters will understand and which—if it is firmly applied—many will resent.

Political considerations have nearly always dominated economic policy in South Africa. General Smuts's government, for example, though probably aware of the adverse trend in South Africa's overseas trade, were obviously unwilling to bring in "austerity" measures in an election year. Dr Malan, anxious to allay the suspicions of a largely English-speaking business population, has also put off drastic measures for as long as he could without apparently realising that by so doing he must now make these measures severer still.

But so long as each of the two chief political parties remain so determinedly partisan, there is very little likelihood that any really effective attempt will be made to cure South Africa's economic ills. The prewar abundance of gold and cheap labour has bred an easy-going belief in prosperity which, it seems, only the hard fact of crisis will shake. Nevertheless, the signs of a possible rapprochement between General Smuts and Mr Havenga provide some slight hope for the future. Only a coalition of English-speaking and Afrikaans-speaking parties will have sufficient support from the electorate to carry through the economic reforms which are needed.

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"Pollitt, Pollitt, Pollitt"

A prophet is not without honour except in his own country, and we should not grudge our Communists and fellow-travellers the rapturous welcome which awaits them whenever they go to Eastern Europe and which must help to console them for the general failure of their own fellow-countrymen to appreciate their merits. With so little success to record for the British Communist party in years which should have given so many opportunities for revolutionary leadership, Mr Harry Pollitt's heart must have warmed to the organised chanting of "Pollitt, Pollitt, Pollitt" by the delegates assembled in the Bulgarian Communist Congress after he had told them how in Britain under the Labour Government the profits of the capitalists were rising and the living standards of the workers were falling. In his turn Mr Pollitt listened to and applauded the speech of the Bulgarian Prime Minister, Mr Dimitrov, of Reichstag Fire, Comintern and Petkov-killing fame, who contemptuously described Britain as a second-rate power which had only been saved from Fascist conquest by the might of the Soviet Union. What memories indeed must the words of Bulgaria's despot have evoked in the breast of his would-be imitator in the art of dictatorship—memories of the summer and autumn days of 1940 when German bombers over England were driven off by Russian air power gallantly coming to the aid of the anti-Fascist cause and when the defeated and dispirited British people was rallied to resistance against Hitler by the undaunted resolution of the Communists. The British are indeed often forgetful of how the Soviet Union saved them from Fascism eight years ago, but that is due to their being by nature ungrateful and to their not reading the *Daily Worker* as much as they should. It is the task of the Communists to put matters right in the recording of history, and no doubt Mr Pollitt, when he returns from the Communist hate-feast in Sofia filled with fresh malevolence against his own country, will see to it that the Dimitrov version of Britain's war against Nazi Germany is duly propagated.

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London Pride

The loss on active service of London's familiar iron railings did more than anything else—except the blitz—to convert the once orderly metropolis into a vast labyrinth of shabby squares and desecrated parks.

The iron railings will not return. Instead they are being replaced by hedges, but by what kind of hedges? London's hedges are not needed to fence cattle or to break the wind. Their use is mainly aesthetic, to provide a pleasant sense of order and formality without excluding the passer-by. The Ministry of Works have been experimenting with many possible plants including rockspray, rosemary, forsythia, Chinese honeysuckle and seven varieties of berberis. These plants are as delightful as their names, but some of them have already proved to be insufficiently

From *The Economist* of 1848

December 23, 1848

NOTWITHSTANDING the praiseworthy exertions of the peace party, nations have not yet adopted the plan of settling their disputes by an appeal to a congress. . . . We are great believers in progress: we are full of hope for the future, which our successors will enjoy; but the time is not yet come when all mankind may lay down their arms, and when all nations prefer the delights of peace to the savageness of war. . . . After all, too, say what men may about the beauties of moral force, it derives all its effect ultimately from the physical force it can call into operation. . . .

The advocates of the militia contemplate, however, merely training all the people to arms, calling them out to exercise for a month or two every year, placing the firelock in their hands for a few days, and then, piling all the arms in a storehouse, dismiss the people to their customary labour. Of what use could such men be against well-disciplined troops, with their parks of artillery, their well-trained cavalry and habitual, combined action, every man being formed to tread, and work, and fire with another. These gentlemen seem to forget that war is an art, and like other arts, becomes difficult and complicated in the progress of society, so that in the army, as in society, there is a very extensive division of labour. . . . To take the peasant from the plough, the smith from his anvil, and the carpenter from his bench, for a month or six weeks every year, may spoil a tradesman, but will never make a soldier. . . .

We hear a great deal about the expense of a standing army, and we are quite ready to state, that not one sixpence should be expended on it which is not required to make it efficient. . . . Precisely because the military force is an instrument intended for a specific and well-defined purpose, we would have it organised and paid, so as most completely to answer that purpose, and that alone. But all the necessary expense of a standing army must be trifling compared to the loss of skill, the waste of ability, the interruption of peaceful labour and peaceful habits, which must be caused by taking the people from their ordinary pursuits to make soldiers of them.

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robust for London conditions. But the Minister is "glad to say that it looks as if yew and holly will stand up to the wear and tear of London park conditions." It is difficult to share his gladness. At this time of the year there is already too much blackened privet and laurel to make one welcome more evergreens. True, the yew is said to be the queen of hedges and gives ample scope for the whimsies of topiary, while holly provides a glossily efficient barrier of prickles. But surely the Minister was not referring to wear and tear by mankind. Londoners do not usually molest flowers, and if there is a tendency for people to burrow through hedges for short cuts, the authorities can easily arrange for enough gaps for those in a hurry, and stiles for the romantic. Wear and tear by London's sulphurous winter is another matter. This might well rule out some of the more delicate plants, but still there should be no need for us to be condemned to miles and miles of uniform privet, holly and yew.

If we cannot have berberis or forsythia or mock orange, perhaps we could take comfort in deciduous plants. Beech makes a good hedge, it changes with each season and in each it is beautiful. *Prunus spinosa* or the common thorn responds cheerfully to the warm days of spring. *Symphoricarpus Racemosus*, or snowberry, carries the pleasures of summer well into the autumn. Where there is room for them to breathe, flowering trees—almond, cherry or laburnum—could be planted to break the monotony of long hedges. But this is known by every gardener, and very much more is known by the experts at Kew. The public's anxiety is not lest the authorities are ignorant, but that they may lack imagination. It would be sad to have to watch millions of dull evergreens maturing slowly over the years through lack of initiative in experimenting now with the scores of varieties of attractive shrubs that flourish in this country.

* * *

Dreaming of a Red Christmas?

The following extract is from a broadcast by *Radio Romania* on December 14th:

The Bucharest Police informs those whom it may concern in connection with carol singing at Christmas and the New Year that children under 12 can sing carols without authorisation. Choirs and all other associations which sing carols must obtain authorisation from the Bucharest Police Administrative Department. Applications must state, on the responsibility of the association's head, the name, age and occupation of each member and the part he takes in the choir. All members must carry identity cards. The carrying of firearms is prohibited even if members possess licences to carry arms. It is forbidden to knock at or force closed and locked doors and gates.

Shorter Notes

The three Commandants of the western sectors of Berlin have set up the Kommandatura again. In future the three sectors will be the joint responsibility of the three Powers, and they have underlined their hope that the Russians may join them at some future time. The first act of the new body has been to promise extra electricity for the Christmas season.

*

The death of Sir Aubrey Smith in Hollywood makes one reflect upon the difference between the official and the unofficial projection of a nation upon the minds of the world. Frenchmen are for their neighbours across the channel little men with pointed beards called Alphonse, and the idea of an American cherished in the hearts of Englishmen bears a closer resemblance to Mr Tom Mix or Mr Edward G. Robinson than to Professor Conant or Mr Herbert Agar. Similarly, despite the best efforts of the COI and the British Council, of Professor Laski and Dr Dalton, of innumerable pamphlets on social services or the British Way and Purpose, the name of Sir Aubrey Smith remains and will long remain for American bobby soxers, Malayan natives or Italian peasants the synonym for an Englishman. Foreigners are perhaps more fortunate in the illusion they cherish than the English in the reality they know of themselves.

Letters to the Editor

Economics in Moscow

SIR,—May I draw attention to the treatment that has been meted out by the USSR Academy of Sciences to its leading economist on world economics, Professor E. S. Varga? Sir Robert Robinson, President of the Royal Society, Sir Henry Dale and other scholars and scientists in this country and in the United States have recently called attention to the treatment of certain of Russia's most distinguished geneticists, and the case which I cite is of much interest to economists.

Last year Professor Varga published a book entitled "Changes in the Economy of Capitalism as a Result of the Second World War." This aroused much controversy in the USSR, notably among the academicians, led by Professor K. V. Ostrovityanov, then head of the section of Political Economy of the Institut Ekonomiki. The discussion of academicians was spread over three days. The book has been recalled. The Institute of which Professor Varga was Director has been merged into a new Institute of Economics under Professor Ostrovityanov. Professor Varga's journal, "World Economics and World Politics," has gone and a new journal, "Voprosy Ekonomiki" (Problems of Economics), of which Professor Ostrovityanov is editor-in-chief, is to be the official organ of the Institute of Economics. Professor Varga has been demoted to membership of the editorial board of six.

Professor Varga stated in his book that although it may not be possible to avert an economic crisis in the United States, it is unlikely to occur within the first ten postwar years. In the eyes of the Soviet Government this is an un-Marxist approach, as it does not foreshadow an impending crisis in western capitalist countries, a view dictated not by real economic facts, but by Soviet internal needs. Truly, when politics comes in at the door, economics flies out of the window.—Yours faithfully,

G. FINDLAY SHIRRAS

Electoral Reform

SIR,—Every Englishman considers it absurd that the party having a majority even of only one vote should win all the 47 electoral college seats in the State of New York. But is it really so much less absurd that in Worcester (England) a majority of only four votes out of 31,501 should have given one party the whole of that borough's representation in Parliament? That this representation is one Member and not 47 is a difference of degree but not of kind—the smaller parties are in either case disfranchised.

In America, one person in 20 changing his mind between the Gallup Poll and the actual election completely upset all expectations. In Britain, one person in 20 turning against Labour could reverse the 1945 result. In 1923, each of our three main parties polled, within 1 per cent, the same as in 1922—yet the Conservative Government lost 90 seats and made way for a Labour Government.

The Americans are beginning to see the need for a proportional system "before the day when a President takes office with a minority of the popular vote" (incidentally, this has already occurred once). Let us also be warned in time. If our experience in this island is not sufficiently convincing, let us look at South Africa, where (in spite of electoral pacts which prevented any candidate being elected on a "split vote") a five-to-four vote for Smuts put Malan in power.—Yours faithfully, ENID LAKEMAN

The Proportional Representation Society,
82 Victoria Street, London, S.W.1

Palestine and the Arabs

SIR,—May I, as a Christian Lebanese, disagree with the sweeping statement in *The Economist* of December 11th concerning Lebanese Christian opinion towards the establishment of a Jewish state in Palestine.

I do not deny that certain Christian elements whose political reactions are still conditioned by the sectarian feelings of the past entertain the thoughts that you ascribe to them, but it is entirely untrue and unjust to ascribe this attitude to the whole Christian half of the country, as you do. Many of the Christian leaders, both in the political and the intellectual fields, are as deeply and sincerely imbued with the determination to fight Zionism and prevent the establishment of a Jewish state in Palestine as any Moslem Arab. Let me give you two examples. Mr Camille Chamoun (at one time Lebanese Minister in London), one of the foremost and most influential Maronite leaders in the Lebanon, has, in office and out of office, been one of the staunchest advocates in the whole Arab world of uncompromising resistance to the Zionist menace. While the clearest exposition of the deadly nature of that menace to the Arab world and the most cogent exhortation for an unrelenting prosecution of the struggle against it that has ever been addressed to the Arab world has come recently from the pen of Dr Costi Zurayk, a Greek Orthodox Christian. He is now vice-president of the American University of Beirut, and enjoys a position of great eminence as a leader of thought among Lebanese intellectuals, both Christian and Moslem. The body of Christian Lebanese opinion that follows such leaders is considerable.—Yours faithfully,

EDWARD ATTIYAH

The Arab Office, 92 Eaton Place, London, S.W.1

SIR,—Your contributor, the "Gentile recently in Palestine," has clearly had intimate contact with the "Mind of Israel" at its very centre. I also have enjoyed that privilege, less recently perhaps and less intensively but probably for longer.

The judgments slowly formed during twenty-five years, of which twenty-three were spent in Palestine, give me some solid reason to believe that the Zionists will *not* accord the Arabs "genuinely equal status." Any such equality must be enforced and continued indefinitely by the armed vigour and integrity of the United Nations exhibited more conspicuously than hitherto.

There is, further, no ground upon which to suppose that the Zionists could, even if they would, give the Arabs "better education." The Arab public school system a year ago was superior in quality and good order to the Zionist, though less advertised and though more restricted in extent relatively to population. Palestine is naturally a poor country and the Arabs enjoy no foreign revenues to balance the influx of Zionist money from abroad, none of which will readily be given to restore and extend the Arab school system which the Zionists have recently destroyed.—I am, Sir, yours faithfully,

JEROME FARRELL,
Formerly Director of Education in the Government of Palestine

The Burden of Hospital Treatment

SIR,—I have before me the Note which appeared in *The Economist* dated November 20th concerning "The Burden of Hospital Treatment." I am not an economist, and therefore cannot dispute the question as to whether the country can afford the increasing cost of hospital services. I am, however, in daily contact with the human side of this problem of medical treatment, and since July 5th the endeavour of my Board has been to use the resources available to them in the number of beds and in the available nurses to serve the beds in the most economic manner. In nearly all branches of medicine there are large waiting lists of patients in urgent need of treatment. By judicious re-arrangement of the existing hospitals, and by the close link which we are trying to establish between the former municipal and voluntary hospitals, we are hoping to reduce these waiting lists considerably, but no real solution will be reached until we can again build new hospitals and replace many which are out of date and obsolete.

Whilst I am aware of the justifiable concern of many responsible people at the rise in cost of services such as the hospital service, I feel that your negative answer to the last question in the paragraph would have carried more weight if you had been able to proffer some practical alternative whereby the urgent medical need which undoubtedly exists and is evidenced by our waiting lists could be met without increasing the financial expenditure necessary in providing this treatment. You may find someone brave enough to impose a check amongst those who have no direct connection with illness or the problems of meeting the demand for proper medical attention, but not, I think, from any who have the slightest knowledge of this problem.—Yours faithfully,

E. G. BRAITHWAITE,
Secretary

South West Metropolitan Regional Hospital Board,
11A Portland Place, London, W.1

Central American Explosions

SIR,—Permit me to make two minor corrections to your Note of December 18th. In "Central American Explosions" you state that Calderón Guardia was forcibly removed from office in the revolution of the spring this year. He was President of Costa Rica from 1940-44 but not at the time of the revolution. The President then was Teodoro Picardo Michalstoy and he was the President who was forcibly removed from office. In 1948 Calderón Guardia was a candidate for the elections.

Also the revolution of Tuesday 14th occurred not in Panama but in El Salvador where General Castañeda Castro was overthrown and succeeded by a military junta.—Yours faithfully,

45, *Endeavour Road,*
Cheshunt, Herts.
R. G. HARRIS

Books and Publications

The Fall of the Morgenthau Plan

"On Active Service in Peace and War." By Henry L. Stimson and McG. Bundy. Harper and Brothers. New York. 689 pages. $5.

MR HENRY L. STIMSON, a liberal Republican from New York, served Taft as Secretary of War, Coolidge as Governor-General of the Philippines, and Mr Hoover as Secretary of State. In 1940 he accepted President Roosevelt's appointment as Secretary of War, though his party denounced him. He helped to organise the stupendous military effort of the United States and participated in some of the war's most critical strategic decisions, occasionally clashing with Mr Churchill.

His outstanding contribution to policy was his defeat of Mr Morgenthau. The President had appointed a committee to study the German problem, in which Morgenthau unfolded his Ruhr and Saar plan:

> All industrial plants and equipment not destroyed by military action, shall either be completely dismantled or removed from the area or completely destroyed; all equipment shall be removed from the mines, and the mines shall be completely wrecked.

Stimson's and Hull's opposition made Roosevelt postpone his decision until the Quebec Conference. Mr Morgenthau then managed to persuade the President: he also overcame Mr Churchill's resistance by working, according to Mr Hull, on Lord Cherwell and by suggesting a big loan to Great Britain. Mr Churchill himself drafted the agreement:

> This programme for eliminating the war-making industries in the Ruhr and in the Saar is looking forward to converting Germany into a country primarily agricultural and pastoral in its character.

Mr Morgenthau had already published this document in 1946 and Mr Stimson reproduces it. At the time Mr Stimson insisted that the plan was unworkable, was a breach of the Atlantic Charter and conflicted with American principles. A few days later, Roosevelt telephoned to Stimson, "that he didn't really intend to try to make Germany a purely agricultural country, but said that his underlying motive was the very confidential one, that England was broke." He evidently hoped, that by something like the Morgenthau plan, Britain might inherit Germany's Ruhr business. He clearly did not fear the military substance of Germany's war potential, as much as the shadow of a great depression. When Stimson read out to him (October 3rd) the Quebec memorandum, "he was frankly staggered by this and said he had no idea how he could have initialled this."

This was the end of the Morgenthau plan. Unfortunately the influence of the Morgenthau clique survived in the instructions to the American military government in 1945. Nearly all the difficulties which confront Great Britain and the United States today stem from the plan. One is horrified by the levity with which great problems were handled at Washington, when one hears of the President arguing for the plan and saying "that Germany could live happily and peacefully on soup from soup kitchens." The partial attempt to bring this about has already

cost Great Britain and the United States of America 1,200 million dollars. Robert E. Sherwood's "The White House Papers of Henry Hopkins" is more fascinatingly written; Cordell Hull's Memoirs give one a more detailed view of the activities of the State Department. But Stimson's record, modestly taken down for him by his friend Mr Bundy, has a quality of its own. Only a very honest, very courageous and exceptionally clearsighted man could review the great events, in which he played no inconspicuous part, with such superb detachment.

A Melancholy Betrayal

"The Pattern of Soviet Domination." By Stanislaw Mikolajczyk. Sampson Low. 344 pages. 15s.

Mr Mikolajczyk was premier of Poland's exiled government in the years when his country's fate was the principal cause of dissension between the western allies and the Soviet Union. He then returned home to take part in a government dominated by Soviet-imposed Polish Communists, only to escape again after two years' hopeless struggle to a new exile. As the result of these experiences he possesses a wealth of knowledge of the workings of Soviet policy in eastern Europe. Some of it is in this book.

The section dealing with the war years is disappointing. It can hardly be doubted that regular officers, trained in an army dominated by Pilsudski and his successors, "the colonels' clique," or regular diplomatists appointed by Colonel Beck, held different views on many important points from those of Mikolajczyk. It was commonly believed that most of the real power was held by these men, while the cabinet ministers from the Peasant and Socialist Party were mere figureheads. No light is thrown on this question. Moreover the problem of the eastern frontier is not fairly presented. Mr Mikolajczyk shows that this was the central issue in the Polish-Soviet dispute, and that the two western Powers steadily pressed Poland to accept the Curzon line. He bitterly resented this pressure, but omits to inform his readers that the majority of the population east of the Curzon line was not Polish. Nor does he show any reluctance to accept the western territories, which both ethnically and "historically" were undeniably German.

The second half, describing the situation in Poland in 1945-47, is more useful. Mikolajczyk gives a melancholy catalogue, backed by names, dates and places, of the lies, tricks, provocations and outrages committed by the Communists against his supporters and the people of Poland. A hideous picture emerges of Wanda Wasilewska, Bierut and the rest of the servile Communist gang who in August, 1944, denied that fighting was going on in Warsaw, who decided to abandon inquiries into the Katyn massacre when it looked as if evidence embarrassing to the Soviets would be produced, and who cheerfully accepted the exploitation prices for Polish coal proposed by the Soviet "liberators." The remarkable recovery of Poland's economy has been achieved, he believes, not by but in spite of these people. The reader's curiosity is left unsatisfied on many points. What are the functions of the "secret government" which, he alleges, directs the nominal cabinet? And who is the mysterious Soviet general, Malinov, who is supposed to give the real orders? It is also a pity that there is not more about the inner workings of the Polish Socialist party and the personality of its leader Cyrankiewicz.

December Books

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In spite of these defects this book is the work not of an academic analyst but of a politician burning with a sense of the injustice done to his country. It is exasperating, but it is also deeply moving. British democrats should read it, and face up to the issues which it raises.

Commonwealth Reflections

"The British Commonwealth of Nations." Sir Ivor Jennings. Hutchinson's University Library. viii and 227 pages. 8s. 6d.

"The Commonwealth and the Nations." Professor Nicholas Mansergh. Royal Institute of International Affairs. 176 pages. 7s. 6d.

The British Commonwealth is only superficially a legal entity and because it is made up of a series of constantly altering political relationships, it can never be the subject of a definitive study. The assessment of its current shape, size and immediate future is a task that must be carried on from decade to decade, or—at present—from year to year. Sir Ivor Jennings and Professor Mansergh approach this task for two different reasons. The former, whose work as a constitutional lawyer and historian has been coupled with the virtual creation of the modern University of Ceylon, is concerned to lay bare for university students the central framework of the Commonwealth, and to explain briefly how its various special phenomena, responsible government, free association, imperial preference and so on, have originated. Professor Mansergh is not concerned in this book with a systematic treatment of the subject since he is at present preparing a successor to Professor Hancock's magnificent *Survey of British Commonwealth Affairs 1918-1936* dealing with the decade from 1939. His present book is rather a series of reflections and subjective impressions which would be inappropriate in a larger work but are nevertheless too valuable to be pigeon-holed. However, both books examine certain common subjects, in particular the retreat from the conception of a Commonwealth foreign policy, and the effect of nationalism upon the future of the Commonwealth in the East. Both books avoid the besetting sin of most literature on the Commonwealth—a complacency which believes that the Statute of Westminster patented an ideal state of bliss and which looks back to the easy days of the past rather than the difficult days of the future.

On the whole Professor Mansergh probes deeper than Sir Ivor Jennings for he is not concerned so much with exposition as with analysis. He is particularly interesting on the question of Eire, its development of the doctrine of External Association with the Commonwealth and the undoubted connection between the views of Eire and India of their possible relationship to the Commonwealth. His sketch of a solution to this problem suffers from being a little over-subtle, for in the last analysis the relation of one country to another must be sufficiently simple for the rest of the world to understand and recognise. Sir Ivor Jennings's book suffers on the other hand by having been written in the first half of 1947, while Professor Mansergh brings events up to the summer of 1948. It is a measure of the unprecedented swiftness of events that the former is already in urgent need of revision, for the rise of the Eastern Dominions, the passing of the British Nationality Act and the repeal of the Irish External Relations Act, have profoundly altered the structure of the Commonwealth.

Shorter Notice

"Estonia." By J. Hampden Jackson. Allen and Unwin. 272 pages with maps and diagrams. 12s. 6d.

"There is nothing left to destroy. Not a cock crows." This report to Peter the Great from the commander of the Russian forces in Estonia over 200 years ago inevitably haunts one's memory when considering the plight of Estonia today and in the past few years. It is the postscript on those years which chiefly distinguishes this second edition of the standard English work on Estonia from the first edition. Estonia is once again in eclipse. It would be plausible to attribute the brilliance of Estonian achievement during the brief period of independence to the contrast between it and the continuation of partial or total eclipse. But it would be untrue. The progress of the new Republic will stand comparison with that of any of its neighbours: Mr Jackson presents an exciting picture of eager social and political emancipation. Later, in the thirties, economic difficulties, it is true, bred an authoritarian regime which the growing seriousness of the international position perpetuated. Yet cultural life still flourished. The standard of living rose steadily. There was every prospect that the antagonisms of political life would be mellowed in the forties. But in 1940, as so often before, Estonia was doomed by its geographical position. Once more it lies under Russian domination. But Estonians, wherever they may be, will not forget the achievements of their short independence. The re-issue of this book should help the world also to remember them.

AMERICAN SURVEY

Escape from Malthus?

(From a Correspondent in California)

THE pessimists who prophesy permanent large-scale starvation in the world, the American neo-Malthusians whose arguments were outlined in *The Economist* of December 18th, in an article called "Malthus Goes West," can find a ray of hope if they go still farther west to the atomic research laboratories in California. Here and elsewhere in the United States, scientists are carrying out experiments which may enable mankind to produce sufficient food for all the peoples of the world for the foreseeable future. In these experiments they are attempting to control photosynthesis, the chemical sleight-of-hand by which nature maintains life on earth. The control of photosynthesis, or its duplication in the laboratory, is perhaps as close to reality as was the release of atomic energy after the discovery of uranium fission in 1939. In that year the atomic bomb was possible in theory, although it was not certain that it was possible in practice. To make the control of photosynthesis a reality will require the same sort of scientific development project, perhaps not on so grandiose a scale, as that required to make an atomic bomb. Ironically, this potential shot-in-the-arm for the human race is the result of knowledge obtained through one of the by-products of making the atomic bomb, radio-active carbon.

Photosynthesis is the process by which nature stores the energy of the sun, in the form of sugars, carbohydrates, proteins and other energy-bearing substances. In photosynthesis, green plants breathe in carbon dioxide from the air, and take in water through the roots. When the sun shines upon a plant, chemical reactions take place, largely through the connecting link of the green plant pigment, chlorophyll. In these reactions the raw materials—carbon dioxide and water and the sun's energy—are transformed into food and fuel. To insure against waste, nature has arranged that when man and animals, furnaces and automobile motors, burn these materials to obtain the stored energy, the carbon dioxide and water are released once again to the atmosphere, replenishing the supplies needed for further photosynthesis. This cycle is the hub of life on earth.

The duplication of this cycle in the laboratory or its control in natural environments has been a scientific Golden Fleece. Such knowledge could be applied in several directions: the production of foods and fuels artificially in the laboratory; the farming of the seas which cover 70 per cent of the world's surface; and the improvement of the photosynthetic process itself, which is only one per cent efficient. The implications of these applications are obvious; for example, a small improvement in the efficiency of photosynthesis would greatly increase the world's food supply. All of these things have been dreamed of by scientists who have despaired of their realisation, because knowledge of the intimate details of photosynthesis seemed to be beyond reach, in spite of a hundred years of research. Its simple raw materials were known and its complex end products, but scientists could only guess at the intermediate processes of conversion.

Radio-active carbon provided the first means of detecting them. Carbon is the most critical element of the raw materials that go into photosynthesis. A radio-active form of this element cannot be distinguished chemically from ordinary carbon and a plant reacts similarly to both. But the course of radio-active carbon can be detected by Geiger counters. The first carbon, which enabled scientists to glimpse the inner secrets of photosynthesis, had a useful radio-active life of only 20 minutes, so that scientists had literally to run from laboratory to laboratory during an experiment. Then carbon 14, which has a radio-active life of 5,000 years, was discovered. It was an ideal tool, but even using the cyclotron, at that time—1939—the most prolific source of neutrons in the world, it was possible to make it only in minute amounts, too small to be of general use in laboratories. When it seemed that nature had frustrated man again, the first atomic pile went into operation in 1942. The pile, much more prolific as a source of neutrons than the cyclotron, produced carbon 14, in quantity. With the end of the war, the United States Atomic Energy Commission began shipments of carbon 14, as well as of other radio-isotopes, to eager scientists all over the United States and photosynthetic projects were started at several universities and technical institutes.

Two scientists, Dr Melvin Calvin and Dr Andrew Benson, are working on photosynthesis in the Radiation Laboratory at the University of California under the auspices of the Atomic Energy Commission. They are using single-celled marine plants, such as algæ, because they are simple to handle in laboratory experiments and can be cultivated easily and quickly, in nutrient solutions in glass flasks. Carbon dioxide is pumped into the flasks, which are mechanically agitated so that there is a maximum exposure to the strong light trained on them. The plants are harvested when needed, then whirled in a centrifuge to obtain a high concentration of plants. Radio-active carbon dioxide is admitted to this concentration and, depending upon the experiment, photosynthesis is allowed to go on either in the dark or under a strong light, for varied lengths of time. After exposure, the plants are killed, the different fractions of organic materials are separated by chemical means, and each fraction is tested for the presence of radio-activity. When this has been done a number of times, the pieces of a jig-saw puzzle become available. For example, if a certain quantity of radio-activity is in a certain position in a certain molecule of a simple sugar after one minute of photosynthesis, this, together with other information available, helps the researchers to trace the course of photosynthetic processes from one step to the next.

Out of such experiments Dr Calvin and his colleagues established a theory to explain the intermediate steps in photosynthesis, which had previously been unknown. Dr Calvin's theory, while it is controversial, is holding up well. The theory is extremely complex but in a general way the routes taken by the raw materials to their destination as energy compounds are now known. Details have still to be filled in and the role of sunlight in photosynthesis has not yet been elucidated. How sunlight is captured, moves the process along from step to step and is finally stored, is now being studied.

*

What is the use of this information? Eventually, when all of the details of the chemical reactions are known, it should be possible to set up industrial factories not unlike many modern chemical plants, to produce by artificial photosynthesis the carbohydrates, sugars, proteins and fuels the world so badly needs. Secondly, it may be possible to tell the farmer how to alter his methods of cultivation in order to double his crops. There is a third possibility which offers almost immediate oppor-

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tunities. A number of scientists, including Dr Calvin, think that, if a large-scale applied chemical project were undertaken, almost unlimited quantities of foods and fuels could be produced in and near large bodies of either marine or fresh water.

This latter possibility first came up for serious consideration as a result of experiments by Dr Herman A. Spoehr, in the Carnegie Institution's Division of Plant Biology at Stanford University, which have shown that by altering the environment of plants it is possible to order the product of photosynthesis. This work was empirical, that is, it was a trial-by-error technique and did not provide the fundamental information upon which scientists could systematically direct plants to produce compounds to order. But the work with radio-actiye carbon is doing this and it is now theoretically possible to channel the photosynthetic process in a desired direction. Imagine an algæ which produces 50 per cent protein, 20 per cent fat, 15 per cent carbohydrates, and 15 per cent cellulose. On the basis of what radio-active carbon has helped scientists to find out, and after some detailed research on the applied level, it will be possible to direct the raw materials to form whichever end product is wanted.

Several possible methods of making food in this way have been suggested. The Gulf of California offers an environment with plenty of sunshine and protected water: part of it might conceivably be walled off, a few common minerals added to the water as needed and harvesting plants built along the shores. Or water, seeded with algæ, might perhaps be pumped through miles of huge plastic tubes, in which the conditions of atmosphere and mineral content could be easily regulated; there would be harvesting plants for the separation of the food products at various points along the tube.

While these conceptions are both dramatic and fanciful, they may be no more fantastic than the atomic bomb. The atomic bomb was successfully developed, first, because the basic principles were known; and second, because governments were ready to devote the necessary funds and the scientific personnel to the task. It is not likely that the atomic bomb project would have been undertaken had there not been a crisis in human affairs, a threat of defeat and ruin for the western democracies. There may be approaching another crisis in human affairs: permanent large-scale food shortages. Starvation and malnutrition are slow processes, and their threat seems less urgent than sudden death from bombs and bullets. At what point in this crisis the social, economic and political barriers will be breached cannot now be predicted. But scientists are ready with the knowledge needed to enable the waters of the world to come to the rescue of the overburdened land.

American Notes

CIO's Christmas Carol

Twenty inches of snow in Wall Street and record company profits provide a suitable background for the businessman's Christmas celebrations. But a Christmas feast for industry is always liable to interruption from those who stand outside the board rooms, who suspect that Christmas boxes are unfairly distributed, and who insist also that the season of goodwill should not extend to the goodwill in company balance sheets. The Christmas carol is sung by the delegates of organised labour, and more especially, the representatives of the Congress of Industrial Organisations. They believe, with more conviction than their brothers of the American Federation of Labour, that Santa Claus now resides in Washington. This year, as their customary carol reaches its crescendo of Yuletide fervour, with its appropriate blessings for those who feed the poor, the CIO delegates can rest assured that a majority of Congressmen will join their choral insistence on a prosperous New Year.

The 1948 carols are perhaps more impressive than in 1946 and 1947 simply because they are being sung more forcefully, by more voting participants, and because the policemen (in the shape of Congress and the Executive branch) who might be expected to exert a gentle pressure against boisterous behaviour, now tend to regard a Christmas bonus less as a reflection of generosity than as a form of social service.

But that is not quite the whole story of the Christmas carol. The tune may be something less than harmonious, and the clamour may be unduly loud. But the content of the message is clear, and has been composed with care, and with the help and counsel of the most respectable advisers. And the burden of the song is simply this: profits are high, and are increasing, and ought to be diminished. Did not the Council of Economic Advisers declare recently that company profits had reached a gross annual rate of $35 billion, by contrast with an average of less than $5 billion for 1935-39? Did not President Truman himself lead a campaign charge against the "racketeers" of Wall Street? Did not Mr John Snyder, Secretary to the Treasury, in high summer give his blessing to a return of the Excess Profits Tax? Did not at least one influential spokesman for the Federal Reserve Board declare in January that undistributed profits could finance expansion, and that available capital was "too much rather than too little."? There is no lack of material for the composers of Christmas carols with their insistent demand for higher wages, lower profits, and price stability.

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Accountants and Minstrels

For their early rounds the CIO minstrels believe, appropriately enough, that the committee rooms of Congress provide the best amplifier. Here—until the new Congress, to which he was not elected, convenes—may be found Mr Harold Knutson, for two years Republican chairman of the House Ways and Means Committee, and now the grudging exponent of a "profits investigation," in striking contrast to his pre-election zeal for tax relief. Here also is the able and influential Senator Flanders, Republican advocate of Government controls. Here may be found a number of economic advisers to join the songs of praise from Democratic Congressmen, who know that the call of the carollers does no more than echo the cry of the voters who brought them home.

Against this background, a special investigating committee under the chairmanship of Senator Flanders is at present preparing a report for the new Congress intended to cover all aspects of the debate on wage rates and profits. The strength of labour's charges is not in dispute. Profits are high by any comparative standard. But may they not be as misleading as they are (superficially) impressive? That is the burden of industry's answer. And to reinforce this argument, industry notes the admission by spokesmen of the Federal Government that company profits are no more substantial today, in relation to national income, than they were in earlier periods of prosperity. Furthermore, as a residual item in national income statistics, do they not exclude the very substantial charges which must be made over and above normal depreciation allowances, if industry is to maintain its real capital intact, in a time of rampant price inflation? And should not these allowances cover stocks, equally with fixed capital?

The economic argument that "replacement reserves" are needed to maintain real capital intact is denied by the Treasury and by the Securities and Exchange Commission in relation to company finance. It has not yet secured the full agreement of the professional accountants. Perhaps industry does not always realise that it is an argument which may prove double-edged if conditions change. But industry, too, has a solid case for submission to Congress. High profits are the consequence, and not the cause, of inflationary movements, although their secondary and cumulative impact may be adverse as the boom is fed by heavy capital expenditure on private account. So far as price reduction is concerned, account must surely be taken of the unprecedentedly high level of business activity, and the strong presumptive evidence that profit margins, as distinct from profit rates on equity capital, are by no means excessive in relation to business risks. And finally, when labour income is running at an annual rate of $137 billion, there is clearly no more than very modest scope for wage advances, with stability of prices, at the present level of company profits.

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In times of peace, and with a Budget surplus, the unions will make the most of certain other arguments. EPT, for example, is not the automatic feeder of inflation that it was so generally assumed to be during the "deficit financed" era of the war years. And if industry and government are to clash violently—as 1949 may conceivably show—over the distribution of steel and metal products now in such desperately short supply, there is a case for reducing the internal funds on which industry has drawn so heavily for postwar expansion. But an Excess Profits Tax would probably be one of the most capricious and inequitable ways of raising revenues. And, if the postwar boom is now past its peak, the taxation of company profits should be related to the longer-term ambitions of Mr Truman's Administration. Does it wish to stimulate an unprecedentedly high level of private capital expenditure, as the President has suggested before now? Does it seek the redistribution of national income and the "underwriting" of consumer demand, or the stimulation of Federal investment? These are questions not for the minstrel boys of the pressure groups, but for such a responsible body as the Council of Economic Advisers. But the echoes of the CIO chorus will take a long time to die down in Washington.

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Slaughter in the Lobby

There is some force in Mr Roger Slaughter's contention that political reasons explain his recent indictment for failure to register under the Lobbying Act of 1946, since he has a long-standing political feud with Mr Truman, and since much was heard during the election campaign of the matters on which he is alleged to have tried to influence Congress—the International Wheat Agreement, speculation in the commodity markets and the operations of the Commodity Credit Corporation. On the other hand, any resentment which Mr Truman may have felt against Mr Slaughter, when the investigation was opened some months ago, must now have been allayed by the fact that the votes which the Democrats drew so unexpectedly from the rural areas were largely the outcome of the farmers' disquiet at the willingness of the Republican Congress to follow the line supposedly advocated by Mr Slaughter on behalf of certain grain traders. Those grain associations are said to have paid him nearly $55,000 to forward their interests in Washington during the past year.

The first indictment under the 1946 Act, which was brought last March against a building and loan association for failing to register as a group in connection with lobbying activities, was taken as a sign that the Department of Justice intended to interpret strictly the provisions of the Act which require organisations as well as individuals engaged in lobbying to register and file financial statements. It was quickly followed by a rush of registrations from such varied groups as the Association of American Railroads and the Congress of Industrial Organisations, which had been delaying registration until the Act was clarified. They maintained, and still maintain, that lobbying is only a minor part of their work, and that under the Act details of expenditure only need to be filed if lobbying is the principal purpose of an organisation's existence.

The accredited representatives of these groups have, however, been registering details of their work, salaries and expense accounts in increasing numbers ever since the passage of the Act. The lobbyists for about 500 business, labour, religious, veteran and other organisations, together with the "free-lance" lobbyists, number well over a thousand. Some of them draw salaries of $25,000 a year, and are prepared to draft legislation and organise nation-wide "Write your Congressman" campaigns. Others hire themselves out at piecework rates of $10 to $25 a day. The increasing scope of government and the complexity of modern legislation offer them constant new opportunities, and many of the lobbyists give valuable advice and assistance to overworked Congressmen. The Lobbying Act is not intended to curtail their activities, but to ensure that the public knows what those activities are. Mr Slaughter, however, may have found one of the ways in which the Act can be side-stepped: his defence is that he represents the grain associations as a lawyer, not as a lobbyist, and is therefore not required to register. It is not always the full-time professional lobbyist who has the greatest influence on pending legislation; the most effective lobbying is often done behind the scenes by those who have been called the "invisible government." If they are to be forced into the open, the Act will probably have to be strengthened. One of Mr Truman's campaign charges against the Eightieth Congress was that it had been unduly influenced by the pressures of oil, real estate and other special interests, and he has now endorsed the suggestion that the new Congress should undertake a thorough investigation of lobbying.

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Twentieth-Century Defence

In its task of paring, pruning, and simplifying to devise a governmental machine adequate to twentieth-century responsibilities, the Hoover Commission is likely to find its greatest single challenge in the administration of defence. The Services absorb 30 per cent of the national income today, $100 from every citizen compared with $8 in 1938. A defence establishment on a scale hitherto unknown in the United States is responsible, not only for security, but for occupying enemy countries, and operating the airlift, and has a part—perhaps too large a part—to play in foreign policy. The committee whose recommendations to the Commission have just been made public (partly to forestall gossip and leaks) recognises that the present defence establishment, dating only from last year's Unification Act, is tender and comparatively untried. It also appreciates that some of the problems raised—those of the relation between civilian and military authority, of economy *versus* adequate preparedness—admit of no perfect solution. And though extravagance is charged against the Services, it is pointed out that, as over half the cost is incurred for feeding, paying, clothing, and transporting the soldiers, no major economies are possible without reducing the size of the military establishment, a question outside the group's authority.

The committee has no fault to find with the structure laid down by the Unification Act, which is not surprising, as it is headed by Mr Ferdinand Eberstadt, who was one of the chief architects of unification. Nor, in view of Service rivalries, is its prescription of more unity unexpected. More team-work is urged, not only between the Services, but between the military and other planning bodies; better intelligence and more acute evaluation of it are also required. The Committee cites the alarmist reports last spring of one department which might have led to total mobilisation had not the Central Intelligence Agency correctly evalued it in this instance (the sub-acid note is the committee's). (It might also have mentioned another error of intelligence, the "gold-plated" aircraft believed to have been built to Mr Symington's design by the Air Force for Mr Dewey's Presidential flights.)

While rejecting the plea of Mr McCloy (a former Assistant Secretary of War) for a single all-powerful Chief of Staff for all three Services, and that of Mr Patterson, formerly Secretary of War, for an outright merger of the three, the committee proposes to increase the authority of the Secretary of Defence over policy and the military budget at the expense of his three warlords, the Secretaries of the Navy, Army, and Air. Mr Forrestal would have the right to appoint a chairman of the Joint Chiefs of Staff, and a military adviser, while the posts of Assistant Secretaries would be abolished. Merger of the naval air arm with the Air Force was rejected, on the ground that the military future was too uncertain to close down any promising avenue of experiment.

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The Defence Dollar

The committee's sharpest criticism was reserved for Service waste, and accounting procedures characterised, with almost British understatement, as below the standards of an ordinary business firm. The fault is American, rather than exclusively military, "a reflection of America, a great sprawling wasteful land." But with the growth of military commitments and the squandering of resources, it must be replaced by a "consciousness of cost." Service dreams of $30 billion a year must be abandoned; the Army must never again mislay 9,000 tanks at one fell swoop. The "awful cost of reasonable security" demands economy. The fiscal procedures of all three Services are obsolete; no comparison or analysis of costs is possible because of differing budgetary practices.

More urgency is demanded in planning for mobilization, in view of the fact that time to prepare—America's privilege in the last two great wars—may not exist in a third. In particular, the Committee feels that a remedy must be found for the "deplorable" state of the stock-pile, which has suffered from divided authority, limited appropriations, and restrictions on interference with civilian demand. Stock-pile policy should be co-ordinated more effectively with the Economic Co-operation Administration. The need is urged of finding a full-time head for the Munitions Board and of laying down basic policies for the National Security Resources Board. (Mr Steelman, a prominent adviser of the President, recently was appointed to the latter, but this was due, it is thought, as much to the difficulty of finding any alternative as to his own capacity.)

The $600,000 allotted to scientific research also is felt to show few returns. There is no master plan into which the present 18,000 projects are fitted. And finally, it is urged that more attention should be devoted to civil defence, internal security, and psychological warfare.

Voluntary reform has conspicuously accompanied the attack from outside. Mr Forrestal recently announced the creation of a weapons evaluation board, half military, half civilian (but with a military head), which was the subject of an urgent recommendation by the committee; he has also released plans for unifying recruitment procedure and placing the Navy in full charge of military sea transport.

The view of the committee is that the changes should be made

quickly, if at all, and the patient then allowed a long breathing-spell for convalescence. The second operation is necessary, but most important is time to allow the Services to grow together naturally.

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Government by the People

"In Los Angeles," it is said in San Francisco, "they'll sign anything." That is perhaps why it is apparently easier in California than elsewhere for the professional organisers of "popular initiatives" to collect the signatures required before that system can be used to submit constitutional amendments or new laws directly to the voters of a State at a general election. Last month popular initiative was responsible for eight, including all the most important, of the nineteen propositions on which the voters of California had to give their opinion; the others were constitutional amendments already approved by the State legislature. The propositions dealt with liquor control, tax exemption, pensions, regulation of chiropractors, of railroad brakemen and of fishing, housing and the machinery of government. In addition, voters had to make up their minds about bond issues and charter amendments, in connection with their city or county, and had to choose a President and Vice-President, representatives in the national and State legislatures, several judges and possibly candidates for other local offices.

Legislation by popular initiative may be more necessary in California than elsewhere, because the strong body of progressive opinion in the State is reflected only dimly in the State legislature. Under the State's cross-filing system, those seeking election can offer themselves to, and are often selected by, both major parties in the primary elections at which the party candidates are chosen (Governor Warren is the classic example). It is difficult to organise effective opposition to Assemblymen and Senators who have the support of both party machines; they are fairly certain of re-election, and thus the temptation to do nothing and offend no one is very great. Then, too, party discipline in the legislature itself is undermined, and the influence of the lobbyists increased, when so many of the members have no strong political allegiance.

An unsuccessful attempt was made to get a proposition against cross-filing on the ballot in 1946, and this year a constitutional amendment to reapportion the seats in the State Senate was proposed, in the hope that it would improve the representation in the Upper House, more reactionary than the Lower. At present each county, whether city or backwoods, has only one Senator and 12 per cent of the State's population elects a majority of the Senators. The "cow counties" have not been very enlightened in their choice of Senators, and the proposed reallocation would have given more adequate representation to the cities. The trade unions worked hard for this proposition, but the voters, perhaps influenced by its place—13—on the ballot, turned it down.

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The general attitude of the voters on these propositions was negative. Those dealing with technical matters such as the qualifications of voters and the succession to the Governorship were approved, but proposals for increasing the pay of the lawmakers and exempting hide and brand inspectors of the State Department of Agriculture from the civil service system were rejected. This was perhaps due in part to distrust of the legislature, while the rejection of other propositions may have been caused by the natural inclination to say "No" to something that is not understood. Several of the propositions were very complicated; impracticability and lack of clarity are weaknesses which it is hard to avoid in legislation drafted by special interests, however public-spirited, rather than by those who will have the ultimate responsibility for it.

The proposal for a State Housing Agency was the most obvious example of this, and it was rejected in spite of the shortage of low-cost housing in California. An amendment to the State labour code dealing with the number of brakemen on trains was approved, although, or more probably because, it was a declared attack on "feather-bedding" and was opposed by labour for this reason. In fact, the only proposition on which the voters acted liberally—and in this case it was in both senses of the word—was the one which increased the maximum State assistance to old persons from $65 to $75 and for the blind from $80 to $85 a month, and eased the conditions under which such aid is given. The people of California who, contrary to all expectations, gave Mr Truman a mandate to carry out his liberal programme in Washington were surprisingly reluctant to undertake a similar programme when the responsibility rested on their own shoulders.

Shorter Notes

"Now we will have one of the greatest transit unions in America," said Mr Michael Quill, newly re-elected president of the Tranport Workers' Union, after he had used the same masterful tactics which have so often won higher wages for New York's transit workers (and higher fares for New York's travellers) to eliminate Communists and fellow-travellers from a union which had been controlled by its left-wing elements for 14 years. This was the first convention of the union since Mr Quill, formerly known as "Red Mike," realised last March that the Communist taint was becoming increasingly unhealthy. At it he used his left-wing experience to organise a purge, which any Communist might envy, of the majority of the union's officers, many of them his close associates of former days. Mr Quill has not modified his economic views to match his political ones: his 1949 goal for his transport workers is a flat wage of $2 an hour for a 40-hour week.

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The Supreme Court has ruled, by a majority vote, that the Fair Labour Standards Act, passed in 1938 to cover the United States, its territories and possessions, is applicable to the Bermuda military base, which was not leased from Britain until 1940. Since other laws have been specifically amended by Congress to include leased bases, the Court is being accused of having usurped the authority of Congress by this ruling. More serious is the fact that the decision, which has been protested by all the government agencies concerned, brings the leased bases into the category of possessions of the United States, for the purposes of this Act at least, a move which, as the State Department has pointed out, is not "calculated to improve" American relations with Britain.

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The total dollar allotments made by the Economic Co-operation Administration to European countries now amount to $4,900,200,000 which, with administrative and other incidental expenses, exhausts the initial appropriation of $5,000,000,000. Loans to the participating countries in the first year amounted to $984,000,000 and the total loan programme will run well above $1,000,000,000, since loan funds also cover guarantees to American investors abroad.

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New York hotel owners have been ordered by the City Rent Commission to refund at once $600,000 which they collected from permanent residents during October and November to cover rent increases which were tentatively allowed because of recent wage rises. The tentative increases led to an investigation by the Mayor and the resignation of two of the three Commissioners. Their successors have refused to confirm the increases.

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Far-reaching improvements are made in courts-martial procedure, for the first time in twenty years, under new regulations which come into effect on February 1st as a result of the Selective Service Act of 1948. The most important change is that enlisted men as well as officers will now be able to sit as members of courts-martial boards. A uniform code of justice for all three Services, which will incorporate these and other provisions, is being drafted and will be submitted to the new Congress soon after it convenes. It is hoped that this code will include the more fundamental reforms in the courts-martial system that legal experts find desirable.

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Mr Lester Cole, one of the ten Hollywood employees who defied the Un-American Activities Committee a year ago and was afterwards suspended, when the film companies announced their policy of not employing Communists, has won his suit against Metro-Goldwyn-Mayer Studios for reinstatement in his job as a screen-writer. The jury refused to accept the studio's view that Mr Cole's conduct in Washington had jeopardised its public relations sufficiently to violate his contract. The studio had made his reinstatement dependent upon public disavowal of membership in the Communist party. This is the first of five similar cases, involving several million dollars in salary claims; the studio is expected to appeal against the decision.

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Ocean traffic may be declining, but traffic on the Mississippi River is reaching new peaks, and it is possible that the river may regain the importance it had in the days before the railroads. The first ocean-going freighter has just arrived at St Louis from Cuba; it is hoped that this will inaugurate a regular service of ocean-river ships, but there is some doubt whether sufficient cargoes are available in the area, in spite of the industrial expansion which is going on in the Middle West.

THE WORLD OVERSEAS

Obituary of Polish Socialism

(By a Special Correspondent)

AT the joint congress which opened in Warsaw on December 15th, the Socialist (PPS) and Communist (PPR) parties of Poland were formally merged in the "United Workers' Party." With the spontaneous popular enthusiasm customary in sovietised eastern Europe, an assembly of well-selected and long-prepared puppets voted out of existence one of the great historic socialist parties of Europe.

From its foundation by exiles in Paris in 1892 until the restoration of Polish independence in 1918, the Polish Socialists suffered from many different internal quarrels. They were divided by the division of Poland itself between the Russian, Austrian and German empires. Their main strength, however, was in Russian Poland among the big industrial centres (Lodz, Warsaw and Sosnowiec). In these areas socialism remained largely conspiratorial, but in Austrian Galicia, where the political liberties customary in western Europe had spread, the Galician Socialist leaders acquired a taste for parliamentary democracy and, after 1906, were strongly represented in the Reichsrat in Vienna. The socialist organisation in German Poland was nominally separate from, but in fact kept close contact with, their colleagues in the Russian-controlled areas. Polish Socialism in Russia was divided after 1906 into three groups—PPS Revolutionary Fraction, the PPS Left and Social Democracy (SDKPL), led by Rosa Luxemburg. The Revolutionary Fraction demanded complete independence for Poland, and viewed all Russians with suspicion; the PPS Left stood for Polish autonomy within a democratic Russia and close liaison with the Russian workers; SDKPL believed in a completely centralised Russian republic, and also recognised as permanent the annexation of Western and Southern Poland by Germany and Austria. In spite of all these differences, the majority of Polish Socialists desired independence, although they did not believe it could be achieved quickly.

With the collapse of the three empires in 1917-18 and the restoration of Polish independence, these various currents were brought within one state. The Social Democrats had lost their best leaders—Rosa Luxemburg to German Communism and Radek and Dzerzhinski to Russian—but it was still a force. In December, 1918, they and the PPS Left combined to form the Communist Party of Poland. In the workers' councils which were set up during the winter of 1918-19, the Communists were strongly represented. They had a majority in the Dombrowa basin and between a third and a half in Warsaw and Lublin. In the following years they lost ground, partly through government persecution and partly because their association with Russia made them suspect to most Poles, but they still enjoyed support in the industrial centres until the Russian purges of 1937. Then their leaders, living in exile in the Soviet Union, were "unmasked" and "liquidated," and the Polish Communist Party was officially dissolved by the Comintern. It did not reappear until 1942, when it took the title "Polish Workers' Party" (PPR).

All other groups of pre-1914 Polish Socialism were united in a joint congress in Cracow in March, 1919, in a single Polish Socialist Party (PPS), which during the twenty years of Poland's independence was supported by the overwhelming majority of the rapidly increasing industrial working class. In the depression years the workers' movement became very radical, as shown by the wave of strikes, some of the "sitdown" type, in 1935-37. The outlook of most Polish Socialists was probably a good deal more to the Left than that of the PPS official leaders, but leaders and followers alike were determined to defend Poland's independence against any threat from either of its traditional enemies—Germany or Russia.

Poland After Hitler

When Hitler occupied Poland, the Polish Socialist Party (PPS) went underground, and in order for at least a short period to give some protection to its members it changed its name to WRN (the Polish initials of Liberty, Equality and Independence). The WRN was very active in the Resistance, which grew into the Home Army. In its ranks socialist workers fought side by side with Peasant Party men, right wing National Democrats and even former Pilsudskist regular officers. No other socialist organisation existed. Only some months after Hitler invaded Russia did a group appear called the Workers' Polish Socialist Party (RPPS), which did little but print a leaflet or two. About the same time the Communist Party was reconstituted as the PPR and had its own small resistance force, the "People's Army." In the last days of 1943 a body called the National Council of the Homeland (KRN) was created by the RPPS and the PPR, whose respective leaders were then Osobka-Morawski and Bierut. From KRN was formed the "Lublin Committee" which the Red Army set up as a quasi-government when the Germans had retreated beyond the Curzon Line.

When all Poland was clear of Germans, it was to be expected that the Polish Socialist Party would reappear as one of Poland's strongest parties. The Soviet authorities permitted this, but limited their consent by a "black list" of former Socialist leaders who must be excluded from politics. These included not only the exiled Socialists in London, who had enraged Moscow by refusing to accept the Curzon Line, but Puzak, president of the underground parliament of the Resistance, arrested by the Russians with 15 other Resistance leaders as a "diversionist," and other local Socialist leaders who had proved themselves capable organisers of the socialist movement. Cyrankiewicz, little known before 1939, returned from the concentration camp of Oswiecim to become General Secretary of the revived Polish Socialist Party, in which RPPS had already been merged. Though he made occasional tactical retreats, Cyrankiewicz has worked consistently for fusion with the Communist Party.

Fusion by Force

The fusion is the result of three years of pressure, purges and political pacts, which have methodically removed all power and will of the Polish Socialists to resist. The Communists from the beginning controlled the police and the ministries of Industry and Regained Territories (eastern Germany). The first enabled them to arrest anti-Communist Socialists, the second and third to put pressure on workers in the factories and to offer attractive jobs to converts. Purges continued throughout the period: it is worth mentioning those of November, 1946, June, 1947, and March, 1948, the latter including the removal of the entire Socialist executive committee in Poland's largest industrial city, Lodz. During the summer, purges and arrests further increased, and in September even such formerly pro-Communist figures as Szwalbe, Rusinek and Osobka-Morawski resigned from the central committee. It is worth recalling that during the summer a parallel purge took place in the Polish Communists (PPR) of followers of the too nationalistic Gomulka. There were three main stages towards fusion. In November, 1946, a political alliance was made, with special reference to the general elections of January, 1947, but with an undertaking by both parties to respect the independence of each other's organisations. In December, 1947, the Polish Socialist congress at Wroclaw (Breslau) accepted fusion as the goal, but Cyrankiewicz stressed that the time had not yet come. In March, 1948, after the Communist *coup d'etat* in Czechoslovakia and the purge of Socialists in Hungary, Cyrankiewicz suddenly informed the Warsaw committee of the Polish Socialist Party that fusion had been decided, and the party's executive committee was then summoned to ratify the decision.

This brief account should have made clear that there have always been trends in the Polish Socialist movement—and at certain periods very strong trends—in favour of an extreme Left policy and in favour of close co-operation with the Russian workers' movement. It is also true that Polish workers, like those of other countries, have always desired unity of their class. Since 1945, moreover, a social revolution has taken place in Poland—

imposed from above yet no less radical for that—and the workers are now privileged at least in relation to other classes. All these facts are stressed by the Communists to justify fusion and to win workers' support for the new regime.

Against them must be set the Polish workers' experience of the methods used—police terror far more ruthless than those of the Tsars or of Pilsudski and more dangerously efficient than that of Hitler; a totalitarian propaganda machine that constantly repeats the same Moscow-made slogans oversimplifying or perverting the teaching of the masters of Socialism; the system of "socialist competition" and the Pstrowski (Polish Stahanov) movement which exploit labour as prewar capitalists would not have dared; ruthless suppression of strikes (as in Lodz in 1947). Above all, they are convinced, and rightly, that Poland's independence is gone and that its rulers are once more puppets of Russia.

Soviet spokesmen denounce the Russian centralist views of Rosa Luxemburg of forty years ago, and claim that the USSR stands for equality of all nations. But the Soviets destroy national independence in the name of independence, just as they destroy democracy in the name of democracy. This is not a fusion of two Polish parties for the sake of workers' unity, but the conquest of a great Polish party by a power clique of Russian puppets. And the failure of Polish Socialism to resist the process is due far less to the divisions within its own ranks than to the overwhelming force exerted on it from outside. The Polish worker, with his sixty-year tradition of struggle for both social justice and independence, knows this. If the present regime has a generation of peace, its totalitarian police and school system may perhaps destroy the old beliefs. But for many years yet they will survive in the minds of the great majority of members of the new united party, be they former Socialists or Communists. There are also circumstances—a war, a Russian agreement with Germany, the threat of a new partition—in which this fact might be of more than academic importance. This also the Polish worker knows, and the Polish Communist leaders know it too.

Russia's Economic Revival—III

[BY A SPECIAL CORRESPONDENT]

EVER since the beginning of its planned economy Russia has had to struggle against the limitations imposed on its industrialisation by the inadequate development of its agriculture. This may sound surprising in view of the fact that Russia has been the major agricultural power in the world. It is nevertheless true. Old Russia could well be one of the great exporters of agricultural produce, because there was no need for its farms to support a vast urban population and because the peasantry consumed little. But within the last decade before the second world war Russia's urban population increased by 25 to 30 million people. An ever growing section of the rural population, hitherto self-supporting but now engaged in the exclusive production of industrial plants, added to the expanded domestic demand for food. The mass of the food-producing peasantry was undoubtedly consuming more than it had done before. And so this cumulatively growing demand tended to outstrip agricultural yields. This situation has continued after the war and, because of the losses sustained in agriculture, it has become aggravated.

In his last speech on the anniversary of the revolution Mr Molotov stated, with that studious lack of precision that belongs to the style of official pronouncements on economic matters, that "this year the gross grain harvest has already reached the level of the prewar year of 1940." Almost in the same breath he added that "the grain yield this year exceeded that of the prewar year 1940." The grain crop for 1940 was 118 million tons. This was the record harvest in the whole of Russia's agricultural history. Even if allowance is made for propagandist exaggeration in Mr Molotov's anniversary statement and if it is assumed that this year's crop has only approached the prewar peak, this would still mark an astonishing recovery especially since, as Mr Molotov said, "the crop area has not yet attained the prewar level, and the heavy loss of tractors and agricultural machines sustained in the period of enemy occupation has not yet been repaired."

The grain harvest in the years of the war was as low as 50-70 million tons, and it was only in 1944, when most of the western provinces had been recaptured from the Germans, that it actually reached 70 million tons. In 1946, the year of the disastrous drought, the grain crop for the whole of the country was between 60-70 million tons. In 1947 it was about 100 million tons. (These are not official figures, but estimates based on indications in Russian economic periodicals.)

This year's bumper harvest may be explained by a combination of causes. The great droughts in the steppes are usually followed by compensatory spells of high soil-fertility. This is the normal pattern of the climatic cycle. The re-equipment of agriculture with new machinery and fertilisers has made considerable progress. Furthermore, the new system of incentive wages in farming, which was introduced in the beginning of 1947 and under which wages were fixed in proportion not only to the work performed but also to the yield achieved, has apparently resulted in higher productivity.

Yet, in spite of all this, the agricultural output is still inadequate in relation to needs. For one thing the recovery in grain output has apparently not been matched by anything similar in cattle and dairy farming or in the cultivation of industrial crops except sugar beet. The unsatisfactory condition of cattle farming is strikingly illustrated by the following table:—

(In Millions)

	Horses	Horned Cattle	Sheep and Goats	Pigs
1929	34·6	67·1	147·0	20·4
1938	17·5	63·2	102·5	30·6
1943	8·8	31·0	61·0	7·6
1945	10·5	47·0	69·4	10·4
1950 (targets)	15·3	65·3	121·5	31·2

This decline in livestock—the result of two great slaughters, the first provoked by collectivisation and the other caused by the war—has made farming almost completely dependent for its traction power on the state-owned Machine Tractor Stations. Before collectivisation, mechanical traction amounted to only 4 per cent of the total traction power in Russian agriculture, but it increased to 70 per cent just before the last war. Animal traction power declined from 96 to 30 per cent.

But more important than the decline in livestock has been the fact that even the record grain harvest of 1940 (or of 1948) was only 50 per cent or so above Russia's crops before the revolution. Thus the rate of expansion in Russian farming has actually been inadequate even in relation to the growth of the population at large, regardless of urbanisation and industrialisation. It was only in the middle and late thirties that collectivisation was consolidated and that the basic technical improvements in farming were actually carried out. It was also in those years that the grain yield increased by 50 per cent. This was in the nature of an advanced dividend that the nation received from its heavy investments in agriculture. The main dividends were expected to come in the forties. But the second half of the forties has been taken up by an effort designed to make good the devastation suffered in the first half; the great expectations of a radical advance have been deferred until the fifties.

Here, as in some other fields, recently published information indicates by what narrow margin Russia escaped defeat in the last war. Without the relatively modest advance of the late thirties, its agricultural resources would probably not have been enough to carry it through the war. It was mainly from the increased harvests of the prewar years that the emergency food stocks were built up. About one third of the 1940 crop (that is, nearly 40 million tons of grain) was collected by the Government either by way of taxation or through purchases. This compares with government stocks for feeding the towns of 10-15 million tons before collectivisation. In the years of the war, an average of only 17 million tons was annually transferred from the farms into government channels. The total amount of grain collected by government agencies from the farmers throughout the war was 68 million tons which—as Mr Voznesensky points out—is more than three times as much as the Tsarist government had collected in the first world war. But since the non-food producing population had also increased at least three times, the actual achievement of the Soviet government was, in relation to its increased needs, not over-impressive.

One of the reasons of the collapse of Tsardom in the first world war was that it had not been able to guarantee food supplies for the urban population. The food resources which Stalin's government had at its disposal were not larger proportionately, but they were more efficiently distributed, and the much higher discipline of the totalitarian state did not allow starvation in the towns to become politically dangerous. The housewife did not this time leave the bread queue to join in revolutionary demonstrations.

Development of the Steppes

The experience of the war alone would have been enough to prompt the Soviet government to make a determined effort now to stimulate the development of agriculture as rapidly as possible. The disastrous drought of 1946 was an additional warning. And even this year's large harvest could have been larger still had it not been for the new drought on the Volga. About one third of all collective farms has been situated in the steppe area where they are affected by periodical droughts and soil erosion. This explains the great importance which the Soviet government attaches to the recently launched long-term scheme for the irrigation and afforestation of the steppes, where they intend to plant some 15 million acres of forest between 1950 and 1960-65.

The steady shift of the centres of Russian industry to the Urals and beyond has, of course, created the gravest problem of all. For it is not enough that the overall food production should increase; it is equally important that it should increase near the new industrial centres. But here agricultural policy must wrestle with nature itself. How far to the north and to the east, how far into the frosty and snowy wastes of Siberia can the cultivation of wheat and other grain be carried? Up to a point the whole future of Russia's internal colonisation depends on this. It is a political as well as an economic issue of the greatest moment. The colonising experience of no other nation offers any satisfactory parallel to the present Russian experiment, for no other nation has attempted colonisation under comparable climatic handicaps.

It is in this context that the practical, political and economic, as distinct from scientific, significance of the present Russian dispute over biological doctrines should be viewed. The spectacle of the Politbureau excommunicating a biological doctrine and dismissing its expounders from academic posts and possibly persecuting them in other ways is, of course, as bizarre and repulsive as any such revival of the practices of the Holy Inquisition can possibly be. But it would be a mistake to assume that Stalin and his associates have been indulging in ideological scholasticism and heresy hunting for its own sake. A practical national interest of the first magnitude has been at stake.

(Concluded)

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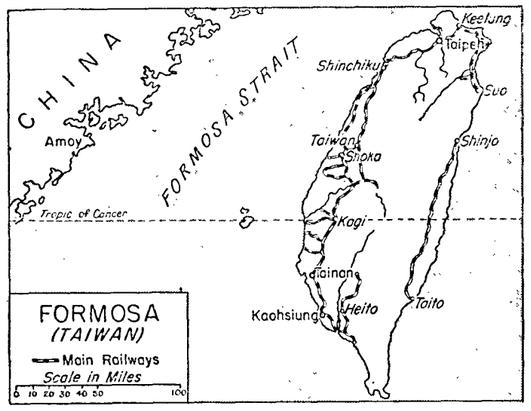
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Isle of Refuge?

[BY A SPECIAL CORRESPONDENT]

FOR some time there has been talk of President Chiang Kai-shek and his Government withdrawing to the island of Formosa if they are unable to continue resistance to the Communists in continental China. Steps indeed appear to have been taken to prepare Formosa as a base, and high government officials are reported to have been sending their families there. There is precedent in Chinese history for a last stand in Formosa, for, when the Manchus overran China in the seventeenth century, the supporters of the defeated Ming dynasty held out in Formosa for two decades after the mainland had fallen to the conquerors from the north. The precedent is not altogether a reassuring one, for the Manchus got Formosa in the end, but then the defenders had to rely entirely on their own local resources and could not expect aid from across the ocean.

The hope of preserving an anti-Communist regime in Formosa, even after a military collapse on the mainland, is, of course, based on the fact that Formosa is an island, and cannot be invaded without shipping and naval cover. It is assumed that either the Chinese navy, such as it is, will remain loyal to the Government, or else that the American navy, on account of the strategic importance of Formosa to the United States, would provide protection and bar a Communist invasion; if neither of these conditions were to be fulfilled, Formosa would be no easier to defend than any other part of China. That Formosa is of great interest to the United States Navy Department is apparent from its geographical position in the island chain fringing Asia, from Japan to the Philippines; moreover, it is already well provided with airfields which were constructed for its defence by the Japanese and the neighbouring harbour of Makung in the Pescadores islands was formerly one of the most important Japanese naval bases, their farthest south outpost towards the Philippines. If the United States were to continue to recognize a Chinese government in Formosa as legal in spite of a Communist occupation of Nanking, it would be in order to support it with naval assistance and thus keep the island from falling into the hands of an anti-American power. If, on the other hand, Washington were to decide to recognise a Communist-dominated coalition government in Nanking any separate regime in Formosa would be, in international law, a rebel authority and the Americans would be precluded from supporting it; the Communists then might get hold of Formosa and if China were to make an alliance with Russia, it would be available as an advance base for Soviet air power in time of war.



Apart from the question of naval protection, there would be the problem of economic viability for a refugee government in Formosa. In this respect the situation would be more promising, even without American aid or the bullion and American dollar reserves which the Government woud presumably be able to bring with it from the evacuation of Nanking and Shanghai. In spite of initial neglect and mismanagement after its restoration to China in 1945, it is today one of China's principal assets for foreign trade. It is not particularly well endowed with natural resources, but both its industrial and its agricultural potentialities had been efficiently exploited by the Japanese. The value of its exports to foreign countries is today approximately

one tenth of the value of all China's exports, and their volume is exceeded only by the exports being shipped out of Shanghai. The value varies from month to month, depending chiefly on the amount of sugar exported; but the total figure for this year is expected to exceed US$21 million. The island's usefulness to China may be gauged by comparing this last figure with Formosa's allocations of foreign exchange, which for the first two quarters of this year amounted to US$2,177,800 and US$1,957,800 respectively. Trade with the mainland for the first six months of this year showed an excess of exports over imports of Taiwan $13.5 million.

In terms of value, more than three-quarters of Formosa's exports to foreign countries consists of sugar, the next most important exports being tea, cement, pineapples and alcohol (a by-product of sugar). Under the Japanese there were 42 sugar mills producing, at their peak, 1,400,000 tons of sugar a year. Only eight mills were discovered intact at the end of the war, the rest having been damaged in bombing raids or allowed to fall into disrepair through neglect. Moreover, the production of sugarcane had dropped sharply, chiefly through lack of fertilisers. Only 30,000 tons of sugar were produced in 1946 and 100,000 tons in 1947. The target for this year is 268,000 tons and for 1950 800,000 tons.

Prospects for Rice

Although it does not figure in the current list of exports the next most important crop in Formosa is rice. The Japanese developed rice cultivation intensively, through irrigation and the use of fertilisers, as part of their campaign to make the Japanese empire self-sufficient in food. In the peak year before the war (1938) Formosa produced 48,711,452 bushels of rice, of which nearly half was exported to Japan. Nearly all cultivable land was under cultivation but the Japanese hoped to be able to increase production still further by more scientific methods. Although much higher than in most parts of China the Formosan crop yields were well below those in Japan. Production for 1946 and 1947 totalled 30,977,814 bushels and 38,930,032 bushels respectively, and the estimate for this year is 42,878,000 bushels. Little has been exported legitimately but there has been a considerable amount of smuggling across to the mainland.

In raising the production of sugar-cane and rice the chief limiting factor in both cases is the shortage of fertiliser. In 1938 Formosa used 650,675 tons of commercial fertiliser, including 217,300 tons of soya-bean cake. Last year the authorities were able to obtain only 80,000 tons of imported chemical fertiliser, 40,000 tons of bean cake and 20,000 tons of locally manufactured fertiliser. Up to the end of August this year only 44,000 tons of chemical fertiliser had been imported. Formosa's economy was thoroughly integrated with Japan's. Although backward economically compared with prewar Japan, Formosa is advanced both agriculturally and industrially compared with China. This shortage of fertiliser illustrates clearly the inevitable dislocation which occurs when an area is torn from one economic system, of which it forms an integral part, and attached to another. It is reliably reported that Formosa's fertiliser requirements are henceforth going to be covered by the American aid programme.

Most of the big Japanese industrial installations are now owned jointly by the Provincial Government and the National Resources Commission of the central government, being operated by the latter. The managements are being assisted by some American advisers and, especially in the sugar field, by some Japanese experts. (The only other Japanese left on the island, apart from some Japanese wives of Formosan men, are about 30 Japanese professors and lecturers at the university in Taipeh.) Three enterprises are owned and operated by the National Resources Commission alone:—the oil refineries at Kaohsiung which fuelled the Japanese navy during the war and were badly damaged by American bombers, the gold and copper mines near Keelung (currently producing only 1,500 ozs. of gold and 100 tons of copper monthly), and the aluminium works at Kaohsiung. This aluminium plant, the most elaborate single industrial installation on the island, was planned to produce 20,000 tons of unfinished aluminium ingots a year, but under the Japanese it never got beyond the stage of producing 12,000 tons. It was severely damaged by American bombing raids. Rehabilitation is still in progress and it is currently producing about 3,000 tons a year. One of the main limiting factors is shortage of electric power. The Japanese estimated that they required 42,000 Kws. to produce 12,000 tons and 60,000 Kws. to produce 20,000 tons. At present only 16,000 Kws. are available.



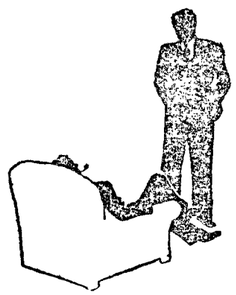
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THE BUSINESS WORLD

The Plan Examined

FOR more than a month past, the main outlines of Britain's four-year plan have been familiar. They were discussed in two articles in *The Economist* of November 27th. This week the British plan submitted to the Organisation for European Economic Co-operation on October 1st has been officially published. (Cmd 7572). It is a document which lays bare the economic anatomy of Britain for the next four years. The patient puts a good—indeed an optimistic—face on his condition, and looks forward to getting about unassisted by 1952-53. Many of the doctors are less certain of his vitality, and there are one or two surgeons who would like to make cuts to prevent him from trying to do too much. If the plan is optimistic, it is not because it exaggerates what Britain needs to do; it is rather because even the achievement of the tentative degree of independence postulated in it depends upon the fulfilment of so many favourable assumptions that it remains a mere hope, and cannot at this stage begin to enter the realm of probability. The critical margin between undue despair and over-optimism arises from the very nature of economic planning in Britain—"an economy" (as the preamble to the document emphasises) "heavily dependent upon international trade . . . a democratic nation with a high degree of individual liberty" whose economic rulers are aware of no more than the very general trends of future developments.

Thus the plan is contingent, provisional, open to quite radical adjustment, and plausibly illustrated by the best guesses that can be made at the figures as the planners would like to see them four years hence. If the plan is regarded as a piece of necessarily speculative supporting evidence about the broad character of economic policy in Britain during the next four years, rather than a rigid programme which must be persistently adhered to, no great harm need be done. But among the many limitations to this notion of planning—or half planning—one of the biggest is that the basic economic intentions behind the plan, and indeed many of the particular statements and figures, have become a matter of acute controversy within OEEC. The primary task in 1949 will be to reconcile the differences between the nineteen plans, and to weld them into some sort of integrated shape, so that co-operation and recovery in Western Europe stand some chance of becoming realities.

It is for this reason that a sober assessment of the assumptions made in the plan, and of the statements of aims and possibilities contained in its pages is needed. Broadly, the programme seeks to expand the output of industry, mining and agriculture by about one-third, compared with the prewar level and, despite a static or slightly reduced labour force, to increase the output of manufacturing industries by one-quarter compared with 1947 and by two-fifths compared with 1938. Expanding output should enable exports to be increased by nearly two-fifths above the 1947 level, while the supply of capital equipment to home industry should increase by about 15 per cent compared with 1947. If these assumptions turn out to be right, the deficit on the dollar account should be reduced to manageable dimensions and a total surplus of £100 million will be earned in 1952-53. The programme also suggests a fairly cheerful conclusion about standards of consumption, which the Chancellor of the Exchequer has lately been at some pains to discount:

> A growth of output and trade of this magnitude . . . will permit a distinct increase in home consumption per head not only beyond the somewhat meagre standards of 1947 but, in many respects, beyond prewar levels. The supply of manufactured goods for the consumer should rise 15-20 per cent above the 1947 level, with clothing and household goods somewhat above the prewar level. There should be sufficient supplies of the chief energy-producing foods and notable increases in the 1947 level of consumption per head of meat, eggs, oils and fats. The consumption of food as a whole would approach the prewar volume and the more equal distribution of the national income which has been secured in recent years would imply that the standard of food consumption of a large part of the population should be markedly better than before the war.

Sir Stafford Cripps this week has pointed out that the standard of living in 1952-53 is not something which can be determined four years in advance. Obviously, an improvement of the order of 15 to 20 per cent—whatever that may mean—is out of the question during the next four years. But the observations quoted above carry the implication that, on the best assumptions, the improvement might exceed the 5 per cent which official sources were suggesting a month ago.

This question of consumption standards is material to the whole conception of the plan. The gap between Britain's payments and receipts will in any case have to be closed without external assistance by 1953. The standard of living at which the balance is struck is for the British people and their leaders to choose for themselves, within the limits set by the economic circumstances of the country and the world outside. The limits assumed in the plan are not necessarily those which will govern the outcome of this decision. In the first place, OEEC instructed each of the nineteen countries to assume in its planning that the terms of trade—that is, the relation between import and export prices—would continue as at mid-1948. Some assumption was necessary for consistent forecasting, and against the background of history—apart from the years of world agricultural depression in the thirties—the assumption made is not unreasonable; it is at least better to proceed on the basis that there will be no gratuitous relief in the relative cost of British imports than to assume a large relative fall, which would incidentally affect the attainment of the ambitions for British exports. Secondly, each country was instructed to aim at balancing its overseas payments with its total receipts, and not to count on earning dollars from any of the other participants. Beyond these instructions, the plan is founded on the continuation of certain general policies of the Government—economic education and joint discussion between Government, management and labour; a fiscal policy designed to stem inflation and to finance the investment programme; stabilising of personal incomes; measures for the redeployment of labour; the encouragement of increased productivity; and the use of controls for "fair shares" and assistance to the export drive.

Targets for Industry

So much for the broader background. The next stage is to examine the major components of the plan in some detail. *Agriculture*, more carefully cossetted by this Government than by any of its predecessors, is once again exhorted to fulfil the

plan laid down in 1947, and to produce by 1952 the highest output ever known. The hopeful character of this expansion is obvious from the following table:—

'000 Metric Tons

	1934-38 Average	1947-48 Actual	1948-49 Programme	1952-53 Programme
Bread grains	1,751	1,716	2,284	2,764
Coarse grains	2,876	4,585	5,277	5,644
Meat and bacon	1,485	885	958	1,454
Milk and milk products†	7,305*	7,794	8,039	8,974
Potatoes	4,051*	7,893	10,100	7,750
Sugar beet (roots)	2,785*	2,932	3,650	3,650

* 1936-39. † In terms of liquid milk.

It assumes an increase in the acreage under corn from 6,052,000 acres in 1948-49 to 6,700,000 acres in 1952-53, and in linseed (that bane of all growers this year) from a mere 11,000 acres in 1946-47 to no less than 400,000 acres in 1952-53. To set the acreage of wheat in four years' time at 2,750,000 acres is, as the plan admits, "the highest that can be maintained as a permanent feature of British farming without an acute distortion of the general farming pattern and a loss of soil fertility." The revolution in farming practice which such figures imply—it is to be coupled with a considerable and welcome increase in livestock and dairy production—is likely to require something more than the provision of a favourable economic and technical environment for British farming. And even if the programme is satisfied, Britain will still draw half its food from abroad.

For *coal*, the Government has based its plans on the achievement of an annual increase of 5 per cent in productivity per man-year "a rate substantially higher than has ever been sustained for a long period by any large section of industry." It may not be impossible; but it will certainly require a tremendous effort. The aim is to meet the requirements of this country for coal and coke "at the lowest possible cost" and to ensure also that Europe's needs for solid fuel are fully met from European (largely British) supplies. But by 1952-53, it might well be that the ambition in the plan to supply 40 million metric tons of coal exports and bunkers from this country will be challenged by other suppliers. Although the National Coal Board puts its capital investment programme for the next four years as high as £150 million, it is obvious that this will cover only the preliminary stages of a longer-term programme to improve underground haulage and surface cleaning plant. Its contribution towards reduced costs and improved quality ought not to be negligible, but clearly the success of the coal mining target depends on increased physical effort, a great reduction in absenteeism, and the end of the Grimethorpe spirit.

Much is expected of the *oil* industry. It is to play a major part in converting the "invisible" account into a big earner. Seven new refineries at home and a doubling of crude oil output compared with the 1947 total of 54 million tons (including the Royal Dutch-Shell group as a British company under this heading), together with heavy capital investment in pipelines and tankers—these are familiar objectives. But in the four years 1949 to 1952, these programmes will require 3,500,000 tons of steel. The plan drops the plainest of hints that "the carrying out of the full programme in good time and the meeting of this large demand for steel will require the co-operation of other participating countries, who will so largely benefit from it." This is a good example of planning in a vacuum, for it happens that some of the other participating countries themselves have ambitious programmes for oil development and refining.

"The *steel* industry is now operating at full stretch." Output at the rate of 15¼ million ingot tons a year, which has recently been maintained, is not enough. And a review of the probable demand for steel in the 'fifties (it would be interesting to know on what assumption about prices and other factors this review was based) "indicates a total requirement for home and export in the region of 18¼ million ingot tons a year." The steel industry's plan (now estimated to cost £250 million) aims at 17 million ingot tons by 1952-53. The Government's plan assumes, without proof, that the shortage of imported semi-finished steel will prove persistent. The point is illustrated in the table below:

ACTUAL WEIGHT
'000 Metric Tons

	1935-38 Average	1947 Actual	1948-49 Programme	1952-53 Programme
Production of crude steel	11,437	12,684	14,987	17,929
Imports—crude and semi-finished steel	487	295	373	333
" finished steel	435	105	544	317
Exports—crude and semi-finished steel	22	4	6	...
" finished steel	1,411	996	1,185	1,580
Consumption of finished steel	7,444	9,630	11,032	11,860

In steel, perhaps more than in any other industry, there is an opportunity for effective European co-operation—in harmonising development programmes, in the provision of raw materials, and in the supply of steel for processing and finishing. It was not to be expected that the British plan, which was submitted with the need for such co-operation in mind, should have explored these possibilities. But it does well to recognise that British policy for the expansion of the steel industry will be reconsidered in the light of the long-term programmes submitted by other countries.

The *engineering* industries were set the task of exporting by the end of 1948 230 per cent of the volume of their exports in 1938. By 1952, production in mechanical and electrical engineering is expected to rise to about 170 per cent of the 1938 level, in vehicles to 135 per cent, and in tools and implements to 160 per cent. The aim is to export "not less than" 230 per cent of the 1938 volume in 1952, which seems, indirectly, to imply that no major expansion in exports is looked for. At any rate, the supply of machinery for home investment in 1952 is expected to increase to 40 per cent above the 1938 level (in 1947, it was 20 per cent above) and the main stress so far as exports are concerned is put on agricultural tractors, for which home demand will presently become stabilised for replacement, leaving most of the rapid increase in production for export.

The programme for *chemicals* combines two objects. One is to replace supplies of organic chemicals now drawn from dollar sources at a cost of $60 million a year, and to yield an export surplus. Another is to increase the output of basic chemicals like soda ash, caustic soda and fertilisers, mainly to enable the sterling area to supply South America and the Far East, rather than to supply Europe, which is already largely self-sufficient. This programme is estimated to cost £200 million by 1952. The export contribution from the *textile* industries is more direct in character, and on recent experience, the figures in the following table seem optimistic:—

'000 Metric Tons

	1935-38 Average	1947	1948-49	1952-53
Cotton consumption	619	368	457	473
Wool consumption	190	191	223	232
Synthetic fibres production	61·2	92·1	122	200
Exports of textile materials and products	(1938) 490	818	1,212	$ mns.* 1,452

* 1938 and 1947 at f.o.b. prices of those years; 1948-49 and 1952-53 at 1948-49 prices.

By 1952, output of cotton and rayon cloth, it is hoped, will increase by 35 to 40 per cent, compared with 1947. Production of synthetic fibres is to be doubled in the same period. Exports of cotton goods in 1952 should be "at least" 80 per cent greater than in 1947, and wool exports 60 to 80 per cent greater, while exports of staple fibre should be "at least" doubled.

The need for new and faster *ships*, specially designed for the particular trades which they serve, is acknowledged in the plan. Dry cargo tonnage is expected to reach 12.9 million tons gross by the end of 1952, compared with 12.1 million tons at the beginning of this year, and with 13.9 million tons in 1939. And this programme assumes an abnormally low rate of obsolescence, so that much of the shipping in use in 1952 will be too old to give efficient service. Yet it is expected that the better-balanced fleet will then provide a net income of about £90 million, provided that shipping is free to compete in world trade without flag discrimination. Tanker tonnage will, of course, be far higher than in 1939, but the development of the Middle Eastern oilfields will require all the tonnage that can be built in the next four years. The shipping programme as a whole will require an investment of £50-£62½ million a year, and will continue to be limited by steel supplies.

The Scale of Investment

This summary of the industrial targets will have given a Capital investment picture of the scale of investment which the Government proposes for the next four years and is, in fact, one of the constants in its economic equation. The annual programme, at current prices, is to cost £2,125 million—in other words, something very close to the present figure, and to the present proportion (about 20 per cent) which investment absorbs from the national income. The hope is that Britain, unaided in 1952, will be able to finance such a programme from its own financial resources, without drawing, as it is now drawing, on external assistance in order to make investment on this scale possible at all. The plan professes the intention to increase the rate of investment, if the national income itself expands. But it would be more realistic to demonstrate that an investment programme of this order will be achieved without inflation and without running any risk of curtailment through political pressure exerted by consumers.

As it is, the programme implies much less than is commonly supposed about the rate of net new investment in manufacturing industry. It is a gross programme, which includes provision for maintenance and repair of existing assets; the major constituents of the programme are under direct Governmental control, for they include fuel and power, transport, housing, social services and defence. Together these account for 61 per cent of the gross investment expenditure which is projected for the four years. Industry accounts for one-third of the total, but the iron and steel and shipbuilding programmes are absorbing a large share of the resources available for industrial investment. The plan contents itself with the observation that "should any additional resources become available for investment, they will be concentrated on industrial investment." Since industry's share must also contain some provision for stocks of working capital, as well as fixed assets, and since it is common ground that the majority of industrial concerns have been unable to maintain their real capital intact during a decade of rising prices and high taxation, the allocation to industry of one-third of the resources to be committed to investment is almost certainly inadequate. It may represent the most that can be done when the other claimants have been satisfied, but there is no justification in the White Paper for the proportions (including 16 per cent for housing) in which the Government has attempted to divide the total. The plan has been laid down, the shares fixed after departmental bargaining and political pressure have done their work; and these decisions are fortified by the "wide range of controls in force to ensure that investment resources are canalised in the desired direction." Between what is desirable and what is justifiable by strict economic calculation, however, there may be a wide gulf. That is particularly true of the more ambitious plans for Colonial development.

The problem of financing this volume of investment during the four years is made no clearer in the plan itself. There are, indeed, general passages describing the role which fiscal policy is playing in financing public expenditure and capital investment. The approach is rigid: public finance must aim at maintaining full employment, but must counter any inflationary pressure which will arise if voluntary savings are insufficient to cover the projected level of investment. The tentative success of this policy during the present year, however, provides no assurance that, during the next four years, it will be possible to strengthen, or indeed, to sustain it. The inherent contradictions between a policy designed to increase total output of manufacturing industry by a quarter, to throw off dependence upon external aid, to raise by taxation what will not be saved voluntarily—these contradictions can only be resolved by the use of a fiscal strait-jacket which only the boldest of chancellors dare impose, and to which only the most pliant electorate would submit. The importance of the function of saving has only been discovered now that the means of saving have largely been destroyed.

Balance in 1952?

The Government's hopes about the balance of payments in 1952 have been known in some detail for a month past, and were outlined in these pages on November 27th. To the account then given, the White Paper adds some further details. The Government believes, on "a realistic assessment of the prospects" that in the early 'fifties Britain should be able to maintain "year in, year out" exports at 150 per cent of the volume exported in 1938. The earlier ambitions of raising the percentage to 160 or 170 have been abandoned. The new target is based on a recovery in exports of solid fuel, and on a continuing expansion in exports of equipment and textiles. The detailed planning for these industries, which has already been summarised above, includes, however, several cautious references about the expansion of output and of overseas sales. To bring the external account as a whole into balance by 1952 depends upon a prodigious expansion in invisible earnings, of which the net earnings of British oil companies are destined to contribute a major part. The import programme, as a whole, is to be

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limited to 85 per cent of the prewar volume but, within this total imports of food and feeding stuffs are to be limited to 80 to 85 per cent of the prewar volume (an increase of 10 per cent compared with 1947) and raw materials will be raised to 100 to 105 per cent of the prewar volume—a decision which is clearly necessary to maintain rising production.

The balance of payments estimates are offered, in the Chancellor's words, "more by way of a possible outcome than a forecast of what will actually happen." They assume a high level of economic activity throughout the world, and particularly in the western hemisphere; a "reasonable flow" of trade between eastern and western Europe; substantial progress in European co-operation; continued aid from the United States until 1952; and no substantial increase in the need for rearmament—a point which has gained added force since the British memorandum was submitted last October. All these conditions may be satisfied, but it will be providential if they are. And even so, the balance will be precarious, not only (as the White Paper emphasises) on the dollar account, but on the total account too. It is based on the explicit assumption that the countries participating in OEEC will be short of sterling as a whole—an assumption of which much more will be heard in the next few weeks. It is based, too, on a much more purposeful approach to the multilateral use of sterling ("the United Kingdom would deprecate attempts to work towards complete bilateral balance even between broad geographical groups"). This is a meritorious ambition. But the process of offsetting surpluses against deficits throughout the non-dollar world is bound to be slow and painful. For it implies radical adjustments of the economies of western Europe so that their deficiencies of sterling are matched by their earnings from other countries with which the sterling area itself is in deficit. And several of the European participants will have different views from those of Britain about the necessity and practicability of such alterations in the pattern of their economies.

Some Broad Conclusions

This exposition and commentary on the plan cannot pretend to be exhaustive, but it suggests some broad conclusions. First, perhaps, is the reliance which it places on rising productivity—without indicating, save in the most general way, how the increase is to be won. The expansion of output as a whole by one-third assumes that productivity can be raised by 2½ per cent per annum during the next four years. The figure is realistic, in the sense that its attainment is well within the bounds of technical possibility. But by what combination of persuasion, inducement, or compulsion can its achievement be guaranteed, at a time when "a real and grave crisis in economic affairs seems remote and unreal" to the British public? By what strengthening of policy can the declining labour force of Britain be re-distributed for the most urgent tasks?

Secondly, the plan contains a number of inconsistencies. Controls are being simplified "wherever possible" and "will be abolished as soon as their advantages appear to be outweighed by their disadvantages." Yet there is no possibility, on the Government's own showing, of abandoning controls at the most critical points of the economy. The level of imports seems destined to be controlled in perpetuity; food rationing may be here to stay; the division of output between home use and exports depends largely on the effectiveness of controls on investment and home consumption. The cost is acknowledged, both in money and manpower. But it is only from the manpower unproductively employed in controls that some increase in the industrial labour force can be secured.

Thirdly, there remains the abiding dilemma between the level of consumption and the volume of new investment. The former is to increase, and perhaps appreciably if the plan works. The latter is to be kept more or less constant, and even so, only

ILLUSTRATIVE FIGURES OF THE PLAN

UK Consumption, Production, Imports and Exports in 1952-53

	Unit	Consumption	Production	Imports	Exports
I.—Agricultural Products					
Bread grains	'000 met. tons	7,674	2,764	4,925*	15
Coarse grains	,,	8,233	5,644	2,620*	31
Fats and oils (incl. butter)	,,	1,558	192	1,366	...
Meat	,,	3,003	1,468	1,535	...
Milk and dairy products (other than butter) (milk solids)	,,	1,203	1,067	133	...
II. Mineral Solid Fuels	,,	245,400	286,100	...	40,700
III. Oil and Petroleum Products					
Crude oil	,,	18,078	...	...	...
Refined products	,,	21,983	16,777	5,707	495
IV. Metals					
Crude steel	,,	...	17,020	...	...
Finished steel	,,	11,860	...	317	1,580
Copper	,,	427	...	...	...
Aluminium	,,	234	36	...	...
V. Textiles					
Raw cotton	,,	473	...	473	...
Raw wool (clean basis)	,,	252	23	264	55
Artificial fibres	,,	178	200	...	22
VI. Timber					
Sawn softwood and sawn hardwood	'000 cu. met.	8,106	448	7,658	...
VII. Electric Power	'000 kWh.	55,000	55,000	...	...

* A switch between these items is possible.

UK Balance of Payments, 1952-53

($ Million)

Items	Non-Participating Countries				Participating Countries		Total
	North and Central America	South America	Non-Participating Sterling Area	Others	Non-Sterling Area	Participating Sterling Area	
I.—Expenditure							
Imports (f.o.b.)	1,296	592	2,073	1,177	1,749	1,143	8,030
Shipping (dry cargo freights and disbursements)	227	40	103	46	303	59	778
Travel	53	2	30	4	200	91	365
Interest, profits and dividends	251	4	48	38	100	105	546
Service of debt	95	...	9	...	...	20	124
Total Expenditure	1,907	638	2,263	1,265	2,352	1,418	9,845
II.—Receipts							
Exports and re-exports (f.o.b.)	820	635	2,155	990	1,440	1,337	7,377
Shipping (dry cargo freights and disbursements)	264	87	350	47	261	128	1,137
Travel	145	5	46	5	40	19	260
Interest, profits and dividends	150	53	300	25	40	130	700
Service of debt	...	...	...	13	56	...	69
Other receipts (net)	243	−150	257	11	564	−225	700
Total Receipts	1,622	632	3,108	1,091	2,401	1,389	10,243
Debit balance (−)	−285	− 6	...	−174	...	− 29	...
Credit balance (+)	...	...	+845	...	+ 49	...	+400

UK Exports and Re-Exports, 1952-53

$ million, f.o.b., 1948-49 prices

Items	Non-Participating Countries				Participating Countries		United Kingdom Dependent Overseas Territories	Total
	North and Central America	South America	Non-Participating Sterling Area	Others	Non-Sterling area Participants and Overseas Dependants	Participating Sterling Area		
I. Agricultural products	81	12	69	40	44	16	61	323
II. Mineral solid fuels	8	37	4	23	412	28	4	521
III. Oil and petroleum products	Included in "invisible items" in balance of payments.							
IV. Ores and metals	24	77	181	81	109	12	89	573
V. Machinery and equipment	129	210	774	443	403	81	242	2,282
VI. Textile materials & products (excluding clothing)	282	113	505	121	149	52	230	1,452
VII. Other goods	271	181	612	217	233	118	369	2,001
Exports	795	630	2,145	930	1,350	307	995	7,152
Re-Exports	25	5	10	60	90	20	15	225
Total (incl. re-exports)	820	635	2,155	990	1,440	327	1,010	7,377

at the expense of a large budget surplus which in turn implies the disincentives of high taxation, and predatory fingers ever ready to grasp part of the surplus to increase the scale of current consumption.

Fourthly, the plan exposes the weakness of unilateral planning which assumes without grounds for certainty that exports can be sold in the required volume in a world where almost every country is a debtor, and only one a major creditor; where all the debtors will aim their exports at Western Hemisphere markets; and where the supplies of essential foodstuffs and raw materials available from the non-dollar countries will have to show a prodigious increase if independence from dollar sources of supply is to be even thinkable.

To draw attention to these difficulties is not to decry the plan as a whole. This, or something very much like it, will be necessary if Britain is to reach a state of economic independence with a tolerable standard of living in four years' time. The country has a free choice, not between success and failure—for success cannot be taken as a matter of certainty—but between making the effort to deserve success and courting certain disaster.

Business Notes

Administrative Law and the Steel Bill

The committee stage of the Iron and Steel Bill is to be dealt with, as the business of the Standing Committee is now arranged, in 36 sittings. The Bill contains 58 clauses. By the end of the seventh sitting, when it adjourned until next month, the Committee had finished dealing with Clause 1, in which it had corrected a few crude errors of drafting but made no substantial changes. The Minister of Supply resisted a number of attempts to fix the composition of the Corporation and the conditions of service of its members. The example of the National Coal Board (which has had to go to Parliament for authority to appoint some part-time members) supported him in insisting on the need for flexibility on these matters. Faced with an amendment to limit the number of full-time members to six, Mr Strauss explained that when the Corporation is first established it is to consist mainly of full-time members; work in the early stages will be heavy. Later the proportion may be changed as the members' work changes. He refused to be tied down to a three years' tenure of office for the Corporation members, or to accept a fixed system of retirement in rotation; but he indicated that the intention was to make appointments for not more than five years. His insistence on freedom of action provoked Mr Lyttelton to ask "Why have Bills at all?" and Lord Hinchingbrooke to protest that Parliament should not leave important matters to subsequent administrative action:

> We might just as well have a sheet of paper before us saying that the iron and steel industry shall be nationalised and leave it to the *dieit administratif* of the Minister afterwards to write in what he wants.

But there is still a suspicion that flexibility may really be essential if the Bill is not to be even more unworkable than it need be; variable factors, such as the market price of a board member or the length of tenure necessary to induce him to take the job, can be left to administrative decision.

An article in the *Statistical Bulletin* for November of the British Iron and Steel Federation discusses some points that go deeper. One of these is the extent to which the proposed Corporation is to take over the common services now rendered to the industry by the Iron and Steel Federation. The *Bulletin* points out that in nearly every branch of its productive activities beyond the ingot stage the Corporation will be in competition with some private firms, and in some of the more highly finished branches the non-nationalised sector will be a good deal larger than the nationalised sector. Beyond the stage of ingots and hot rolled steel the nationalised sector will vary from 97 per cent for wheels and axles to 16.5 per cent for drop forgings. "How in such circumstances the Corporation could possibly claim to be a suitable body for providing common services for itself and for the private companies which are its competitors it is impossible to see." An analogous point is raised with reference to the proposed price-fixing functions of the Corporation. Prices of iron and steel products are at present fixed by the Government on the advice of the Iron and Steel Board. But the Corporation, in fixing the prices of scheduled products, will be under no statutory obligation to publish price lists or consult independent authority: "There is nothing in the Bill to prevent the Corporation from undercutting its privately-owned competitors in wire, forgings and constructional engineering, or in many other products, making a loss on these sections of its business and recouping itself by exploiting its monopoly of crude steel production." These speculations may seem highly coloured now, but they arise from the Bill directly and without perversion. There seems no point in creating, unnecessarily, situations in which the Iron and Steel Corporation will be both judge and interested party.

Achievement in Exports

At least one target is nearing achievement, for in November the volume of exports reached 148 per cent of the 1938 level compared with the end-of-year target of 150 per cent. This has been assisted by a notable expansion in textile exports, particularly cotton goods. Exports in October were 142 per cent of their prewar volume and in July, which had an extra working day, 149 per cent. In value, total exports in November at £147 million were the highest ever recorded. The daily rate of exports during the month which had 26 working days was 5 per cent higher than in either October, also with 26 working days, or July the previous peak month, which had 27 working days. Exports for the past nine months adjusted to a notional month of 26 working days are as follows:

British Exports

(based on 26 working days a month)

	£ mn.		£ mn.		£ mn.
March	126	June	139	September	131
April	126½	July	140	October	140
May	135	August	135½	November	147

These figures give an encouraging picture. The upward trend in the value of exports is also reflected in the relatively steady increase in their volume over the same period.

Exports of food and raw materials in November were not very much larger than in October. Shipments of coal declined by 10 per cent in value, while exports of seed and nuts for oil were halved. These declines, however, were offset by increased exports of miscellaneous raw materials, and in particular of coal tar pitch to France. The export of manufactured goods rose by £5,400,000 and most of this was due to a sharp increase in cotton exports, which at nearly £13½ million not only exceeded their target set for the end of the year but were also the highest recorded since 1929. Shipments of cotton piece-goods amounted to £8,700,000 or £1,200,000 more than in October and exports to Canada in particular were 25 per cent higher. Woollen and worsted exports reached £9,400,000 and were the highest value attained since 1920. Machinery maintained its position as premier export group but shipments during the month increased by only £1,000,000 to £23½ million. The value of vehicle exports totalled almost £22 million and was also only slightly higher than in October.

The value of imports during November reached £181 million, a figure which has been exceeded only twice since the war—in April and July of this year. Imports of food, drink and tobacco rose to a new record of nearly £83½ million, owing to heavier arrivals of butter and meat from New Zealand, and also of cocoa, tea and wines. Raw material imports were also higher than in October and totalled £60 million. Most of this increase was due to heavier arrivals of wool. The adverse visible trade balance fell slightly during the month to £28,700,000, taking imports at their c.i.f. value. This was the lowest figure since January, 1947. The total adverse balance for the first eleven months of the year (allowing 10 per cent for insurance and freight in import values) amounted to £216 million, compared with £390 million for the same period of 1947. Details of November's trade are included in this week's issue of the *Records and Statistics* Supplement.

* * *

Disinflation for South Africa?

Last week, for the second time in recent months, Dr de Kock warned the people of South Africa of the need for restraint, declaring that the tempo of "development" must be slowed down and that consumption demands must be limited so as to provide resources for essential capital outlay. This time he gave first

teeth to the warning by announcing financial measures to reinforce the rather half-hearted efforts of the Government. In the absence of any stern budgetary policy, it is, indeed, only by financial restrictions that any genuine disinflationary pressure can be exerted. Even so, the monetary authorities apparently prefer to rely upon directives to the banks rather than upon the orthodox method of deliberately raising interest rates: the aim will be to stabilise rates at or near the higher levels recently established. Meanwhile, the banks have been asked "as a matter of positive public policy" to contract credit facilities for non-productive purposes generally and also to restrict advances for less essential and over-developed industries "with due regard to the obvious need of exercising discretion." Owing to the massive inflow of overseas capital in 1947 and early 1948, the yawning gap in the current balance of payments, so far from causing a contraction in the volume of credit internally, actually coincided with a large expansion—as, indeed, happened in Britain in the Daltonian phase. The volume of money in the Union expanded from £349 million at the end of 1945 to £412 million by October, 1947, and by a further £21 million—to £433 million—in the ensuing twelve months. Bank advances and discounts, which stood at £114 million in 1947, rose to £131 million by June last and to £152 million by October.

Despite its forthrightness at certain points, the general tone of Dr de Kock's speech was less austere than might have been expected. He does not think that South Africa ought to be expected to work out its own salvation: "it would be presumptuous to expect the Union to achieve equilibrium in its balance of payments without substantial amounts of overseas capital during the next five years." His own informal inquiries suggest that "a certain amount" could be obtained from the United States if "attractive terms" were offered; and, if necessary, it appears that he would seek dollars indirectly by borrowing in Switzerland. "We must," he said, "exert ourselves" to borrow hard currency capital, to avoid "unnecessary dislocation." If Government and people had really made an honest effort to put their own house in order, this might be a reasonable—perhaps, then, even an inevitable—attitude. But at this early stage, before most South Africans have even discovered the meaning of their crisis, it is surely an irresponsible line for a central banker to take. For the present, he would have done better to have left that to the politicians, who now may be prone to take his opinion as an excuse for inaction.

Except in the matter of overseas borrowing, the authorities apparently intend to sit back and await the results of the measures so far adopted. Dr de Kock believes that the drain of gold will stop when the import restrictions exert their full effect; in the meantime he is prepared to see the reserve ratio drop below its recently reduced (and also relaxed) minimum. He sees no solution in unilateral devaluation, because "there is little likelihood of our gold-mining industry deriving any net benefit" from such a "desperate" step.

* * *

Anglo-Swedish Trade and Payments

The unexpectedly protracted London discussions on commercial and financial questions which have occupied representatives of the British and Swedish Governments since early November yielded an agreement at the end of last week. The main issue that had to be faced by the negotiators was the disequilibrium in Anglo-Swedish payments which had occurred since the previous agreement was signed in November, 1947. It was then assumed that payments between the two parties would be kept in approximate equilibrium. That assumption has gone sadly astray. Swedish exports have been unquestionably hampered by the over-valuation of the kronor, while Swedish purchases from the sterling area have been considerably swollen by the switching of imports from dollar countries. Sweden's dollar shortage preceded its shortage of sterling and was a direct cause of the disequilibrium in payments with the sterling area. The measure of that disequilibrium was gauged in the recent intra-European payments discussions in Paris when it was discovered that in order to meet its prospective deficit with the sterling area in the twelve months to June 30, 1949, Sweden would have to draw down immobilised sterling balances by £17 million. The London negotiations were intended to devise the means by which a more satisfactory equilibrium in these payments could be restored.

In order to provide the greatest measure of room for manoeuvre the two parties undertook at the outset to waive the gold payments clause and thus leave no specific limit to the mutual overdraft facilities they might grant to each other. In the second place, Britain undertook to step up considerably its 1949 import programme with Sweden and in particular to take more iron ore, timber, pulp and newsprint. These prospective increases in Swedish sterling receipts were not, however, deemed sufficient to maintain Swedish imports from sterling countries at the level held in 1948. It was therefore decided that some of these imports should be considerably reduced. It was mainly in the selection of the classes of sterling imports to be cut that difficulties between the two parties emerged. In the end the onus of selection had to be left to the Swedish authorities and they decided to make the main cuts in textiles and machinery. During the coming year, therefore, licences for the import of such goods from the sterling countries will be appreciably reduced. The new agreement leaves Sweden in the transferable account group of countries and increases the advantages to be derived from that membership by removing the gold convertibility clauses which have in the past tended to shackle trade and payments between the two countries.

* * *

Expanding Trade Under Bilateralism

There was evidently a last-minute rush to conclude the various trade talks before Christmas. Norway has agreed to buy more British goods in 1949, even though its sterling expenditure is likely to exceed its sterling earnings. Britain is also to import more goods from Norway, including larger quantities of timber and wood pulp. Both countries have further agreed to waive the gold payments clause. Danish imports from Britain next year will be increased to about £62½ million compared with £46¼ million this year. A large part of the additional imports will be textile piece-goods. The conclusion of the Swedish trade talks, also announced last week-end, is discussed in a separate note above.

The success of these negotiations is undoubtedly connected with the success of the British export drive. If Britain can produce the type of goods which other countries want, trade is likely to expand even within the limits of bilateral agreements. For certain countries, sterling may be becoming a hard currency, but Britain's unique position as a large potential importer of many different types of goods—from raw materials and foodstuffs to manufactures—precludes any possibility of sterling becoming as scarce as dollars. A relative scarcity of sterling may even encourage Europe (as before the war) to expand production for the British market.

A new five-year trade agreement is expected to be signed with Poland this week. Total trade between the two countries will amount to £300 million during the period. Britain is to get foodstuffs, mainly bacon and eggs, in return for wool, tin, rubber, copper, cotton and certain manufactured goods. The pact had been held up over the rate of compensation to be paid for British property in Poland which has been nationalised. The agreed figure is £30 million. But according to reports from Warsaw, this will not be entirely repaid during the life of the new agreement, as the balance of trade in Poland's favour will not be sufficiently large. If these reports are correct it means that Britain has given way to the Polish demands—a move which is not easy to understand.

There are also reports that the negotiations with Jugoslavia may be concluded shortly. Here, again, the stumbling block has been the rate of compensation for British property sequestrated by the Jugoslav Government. If Britain has really waived this point with one country it can hardly maintain it against another.

* * *

Opencast Coal

No new target has been set for opencast coal production. The programme of 13 million tons in 1949 which has been mentioned this week formed part of the British coal production programme put before the Paris Conference sixteen months ago. Since this year's opencast output will not be far short of 12 million tons, the programme for next year does not represent a large productive increase. It does, however, mean an intensification of activity, for as the present workings become exhausted new fields have constantly to be found, and the search becomes gradually more difficult in spite of the more powerful equipment and bolder techniques employed in stripping off the soil. And with each year of opencast working the area of damage spreads. Clearly the sooner it is brought to an end the better.

From this point of view the four-year plan is more disquieting than the 1949 programme itself. The plan speaks of an increase by 1952-53 of some 40 million metric tons of deep-mined coal to bring about "a total production (including opencast production) of between 250-260 million metric tons." The figures are very rough, but this means that out of a total production of between 246 and 256 million long tons, less than 240 million is to come from the mines. Opencast output will be called upon to fill this gap and to make up any unforeseen deficiencies as well. It is true that the Ministry of Fuel and Power sees opencast as playing by 1952 or 1953 a declining part in British coal production. But it is not easy to see how the present dependence on opencast is to be removed. To reach the rate of deepmined output intended by 1952-53 will take a great effort—an annual increase of 5 per cent, as the four-year plan points out, in output per man-year. Whether this programme will be fulfilled is speculative; it is most unlikely to be exceeded. Home and foreign demand may prove, however, to have been overestimated, and the four-year plan, which points out the uncertainties surrounding the attempt to assess the probable course of demand, appears to have this possibility in mind. In that case the first concern must be to keep mining output up and cut down the opencast programmes. Coal users who have to endure coal of poor quality, farmers, and the local communities whose amenities are damaged, would all be glad to see it go.

* * *

Russian Coarse Grain

Although there is little likelihood of a new trade agreement with Russia in the immediate future, Britain is trying to buy further substantial quantities of coarse grains from the Soviet Union. In 1948 a total of 764,000 metric tons were received under the trade agreement signed twelve months ago; of this quantity 476,000 tons consisted of barley, 190,000 tons of maize, and 104,000 tons of oats. The quantity suggested for 1949 is 1,500,000 metric tons, or double this year's amount, and if it is forthcoming it would place Britain in a much stronger bargaining position in the prospective negotiations with Argentina. An import of this size from Russia, with additional quantities of maize from Jugoslavia and the United States, would enable Britain to maintain the current allocation of feeding-stuffs without having to buy any grain from Argentina. Supplies of grain retained by British farmers during the new season are expected to increase from 3,300,000 tons to 4,200,000 tons, but even given the increased supply of milling offals, the total available supply of feeding-stuffs to British farmers will still be only 60 per cent of its prewar level.

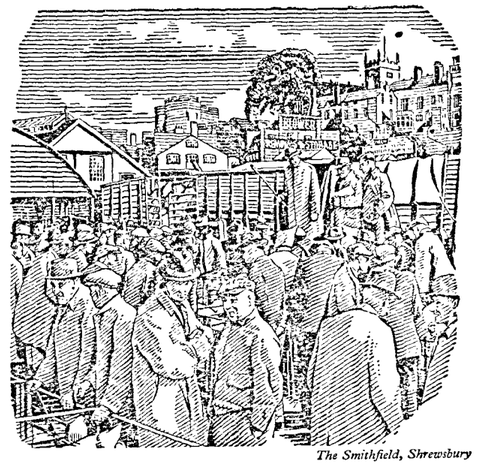
Most of the sterling which Russia earned from this year's sale of grain has been spent on buying raw materials, particularly wool and rubber. Such purchases are likely to be continued during the coming twelve months, and in addition Russia will need sterling to meet deliveries of capital equipment contracted for earlier this year.

Prices will present a difficult problem. Last year's prices were never officially divulged, but were supposed to be based on world prices. They were declared in Parliament to be "fair and reasonable." Yet, from the evidence of the Trade and Navigation Accounts, the average cif import prices of Russian grain seems to have been well above the corresponding prices in Chicago; moreover, they increased from quarter to quarter although during the same period the Chicago price fell sharply. Details of these prices were published on page 762 of *The Economist* of November 6th. The Russian selling authorities will no doubt try to exact equally favourable terms this time. Britain obviously does not want to pay too high a price, but the search for new sources of supply often succeeds only because higher prices are paid. Nevertheless there is a limit to the premium which it is worth paying in order to get coarse grain for sterling instead of for dollars.

The Three Banks

The Royal Bank of Scotland, Glyn, Mills & Co., and Williams Deacon's Bank Limited, constitute a banking group whose resources rank them sixth among the banks of Great Britain. Their resources are large enough to meet the requirements of any customer. These three banks, each with a famous banking tradition, each still retaining its individuality, can give to every customer the advantages of their pooled facilities and diverse financial experience.

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Founded 1727 Edinburgh, London & Branches
GLYN, MILLS & CO.
Founded 1753 London
WILLIAMS DEACON'S BANK LIMITED
Founded 1771 Manchester, London and Branches



The Smithfield, Shrewsbury

THE ENGLISH COUNTRY market grew up with the land and those who work on it. Produce is sold and needs are supplied through its agency and even in this age of centralisation the farmer still finds much that he values in his own market town.
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Multiple Rates for the Peseta

Spanish pride which apparently refused to tolerate a straightforward devaluation of the peseta is being safeguarded by the introduction of a differential exchange rate system the like of which has been matched by no other country, save perhaps Bizonia in the short period before the currency reform. The new system follows directly on the commercial and financial discussions with representatives of the British Government which were held in Madrid recently. The negotiations for enlarging the volume of trade between the two countries stumbled time and again on the wholly artificial valuation of the peseta at the official rate of 44 to the £. This made the prices of Spanish exports prohibitive and offered too great an inducement to imports into Spain. Instead of meeting the difficulty with a devaluation—a suggestion which apparently was held by the Spanish authorities as an affront to the régime—the Spanish exchange system has been transformed into what seems at first sight a Schachtian nightmare of unbelievable complexity. Eight foreign currencies, including sterling and the dollar, are affected by the new exchange system, which provides different exchange rates for 47 kinds of goods classified for this purpose in 13 groups. In the case of sterling the rates vary from 50.737 pesetas to the £ for imports of salt to 88.26 pesetas for books and films. The complexity of this system can only have been exceeded in exchange history by the Bizone's Joint Export-Import Agency system which, until the recent currency reform, involved a separate exchange rate for every foreign trading transaction.

* * *

Trend in Bank Advances

The tendencies shown in the latest quarterly analysis of bank advances afford a convincing answer to any suggestion that the recent large expansion of bank deposits may have been due to excessive or incautious lending by the banks to the private sector of industry. For the three months to November last, for the first time since the war, the quarterly figures show a net fall in total advances. True, it is only a fractional decline, from £1,381 million to £1,379¼ million. But, to be seen in perspective, this change needs to be contrasted with the increase of £45 million in the corresponding quarter of 1947 and with no less than £132 million in the six months to last May, since when the further expansion has amounted to only £29 million. The stability of the total in the past three months has, of course, been partly due to certain special repayments. The figures reflect the first of the repayments which the British Electricity Authority has been making out of the proceeds of its recent issue of 3 per cent stock, with the result that the Public Utilities group of bank advances declined from £33¾ million to £18½ million (to a level which is, however, still nearly £7,000,000 above that for the similar date in 1947). Similarly, the redemptions, under the National Health scheme, of indebtedness to hospitals is reflected in a further fall, by £3,000,000, in "Churches, Charities, Hospitals, etc." But, apart from these special influences, there have been net reductions in the borrowings of a number of industrial groups, the most noteworthy being those in Chemicals (down by £3,100,000 to £18.6 million), Shipping and Shipbuilding, Leather and Rubber, and each of the three textile categories. Building materials declined fractionally, while advances to builders and contractors were virtually unchanged.

The only large increase in the industrial categories occurred in Food, Drink and Tobacco, but this movement (£12.4 million) may be partly seasonal and was rather less than the corresponding increase last year. Retail Trade advances expanded further, by £2,500,000, compared with nearly £5,000,000 twelve months earlier. During the quarter, the Transport group absorbed an additional £3,000,000, Engineering, etc., £2,000,000. Iron and Steel £1,000,000; and there was also a slight expansion in Coal and Quarrying. It will be seen that, except for the possibility that the growth in the engineering category might conceivably be concentrated upon the lighter sections, these figures leave no room for the suggestion that any significant volume of funds may be flowing into inessential industry. In this connection, it is noteworthy that the large "unclassifiable" group contracted fractionally; entertainment rose fractionally (by £580,000), and the very big personal and professional group increased by a mere £3,000,000—easily its smallest quarterly movement since classified figures became available after the war. The "Other Financial" group, which includes advances to the hire purchase finance companies, property finance companies, etc., declined by £2,200,000.

* * *

Lead and Zinc Prices

American consumers are apparently no longer so willing to pay high premiums above the official prices for immediate deliveries of lead and zinc. As yet, there is little to suggest a definite decline in consumption of base metals, but it is generally expected that President Truman will introduce some system of price control. Base metals are no longer cheap, and even in Britain consumption has tended to fall slightly in recent months. At the end of November the Ministry of Supply raised the price of zinc by £14 a ton to £106, and explained that the rise "follows recent increases in market prices which affect the cost of imported zinc." This is the third increase this year. The official British selling price was raised at the end of January from £70 to £75 a ton and on October 1st to £92 a ton. Each increase followed fairly closely similar increases in the American market price. In the middle of November the American price of zinc rose from 15½ cents a lb to 17½ cents a lb—a rise equivalent to £11 a ton, from £86 to £97. Although it was realised that the British price would conform to this trend, it was generally expected that no change would be made until the end of the year.

During November the price of lead was also raised in the United States by 2 cents to 21½ cents per lb (equivalent to a rise of £11 to £119 10s. per ton), but the British price has remained at £112 a ton. In the first eleven months of this year 131,000 tons out of a total import of 147,000 tons of lead came from Commonwealth sources, largely Australia and Canada. In the same period imports of zinc amounted to 159,000 tons, of which 58,000 tons—or more than a third—came from the United States. If, as it seems, short-term contracts (three or six monthly) are made only with Commonwealth producers, while purchases in the United States are made spot, this would explain the more or less immediate rise in the British price of zinc and the postponement of the rise in the price of lead—presumably until the turn of the year or whenever the new contracts are concluded.

Negotiations are in progress in Australia which may raise the price of zinc to Australian users. Hitherto both lead and zinc have been sold on the Australian market at the controlled price of £17 12s. a ton. This price is, of course, abnormally low by world standards, and may not even cover costs of production; it is subsidised by the higher prices obtained on the export market. But whereas certain mines export all their concentrates (the Zinc Corporation at Broken Hill and the Mount Isa Mines), others (Broken Hill South and North Broken Hill) sell their concentrates on the domestic market. An attempt is now being made to introduce a quota system for all producers, so that each shares part of the loss incurred by selling on the home market. Even if the Australian price is raised, it is likely to reflect the increase in costs of production rather than the rise in the world market. The low Australian price of zinc and lead has not only tended to retard development in the Australian mines, at a time when the world is in need of both these metals, but it has also encouraged uneconomic use in the Australian market.

* * *

Timber from Finland

Negotiations between representatives of the Finnish Sawmill Owners' Association and the British Timber Control about next year's contract have temporarily broken down. Finland, it is understood, has been seeking higher prices than this year whereas the Timber Control was not even willing to pay current prices. These are, of course, the usual moves in bilateral bargaining, but in this instance the problem is more deep-rooted. Meanwhile the Finnish delegation has returned home for discussions with producers and negotiations are expected to be resumed in London in the New Year.

A month ago the Finnish representative on the Pitwood Working Party of the Economic Commission for Europe explained that both Britain and Belgium wanted only long pitprops in 1949—that is pitprops varying between 7 and 10 feet—with only a minimum quantity of pitprops of 5, 5½ and 6 feet lengths. But Finland has to make a large amount of the shorter pitprops firstly because of the cutting technique at present in use and secondly because otherwise Finland could not use a large proportion of its timber output. The Finnish delegate registered a further complaint about the thickness of pitprops. Britain wanted pitprops starting from 3½ inch whereas Finland always made them starting from 2½ inch. If Britain and other purchasers insisted on these sizes, then about one quarter of Finland's natural pitwood production would result in waste wood.

According to the Finnish representative, in order to meet the buyers' requirements, Finland would have to utilise forests which were intended for timber production and this would necessarily reduce the supply of pitwood available and increase the cost. Although this year, prices reached a new high level, Finland still claimed to be producing at a loss. The problem, of course, resolves itself into one of timber equipment. Six European timber importing countries (Britain, Belgium, Denmark, France, Italy and the Netherlands) have agreed to grant credit facilities to five European timber exporting countries (Austria, Czechoslovakia, Finland, Poland and Jugoslavia) to purchase timber cutting equipment against additional exports of timber and pitwood. Details of the plan remain to be worked. But the International Bank for Reconstruction and Development would extend credits to the timber exporters up to $6-8,000,000 and simultaneously the timber importers would provide equipment to the value of $8,000,000. In return, the $120 million worth of additional timber exports would be made available in the next two years, making total timber exports from these five countries equal to $330 million.

These schemes will help the future, but what of Britain's pitwood supplies in 1949? Hardwood could be used as a temporary substitute and is at present being used as such in French mines. For most purposes it is just as safe as softwood pitprops and very much cheaper. But it may mean having to overcome prejudice and to alter traditional routine. Failing that, Britain may have to pay Finland at least this year's prices if it insists on pitwood to its own specifications.

* * *

New Passenger Liners

The last month of the year has seen three British passenger liners of over 27,000 tons gross entering service, and a fourth, the *Caronia*, follows in the first week of 1949. Three of these are new ships; the fourth, the Shaw Savill liner *Dominion Monarch*, was new in 1939 and has undergone extensive renovation and overhaul after arduous war service. These are signs that the passenger fleets are once more approaching prewar strength. The *Edinburgh Castle* (28,705 tons gross), now on her maiden voyage to South Africa, brings the Union-Castle fleet up to prewar strength, except for one liner still refitting. The *Caronia* (35,000 tons gross), which will join the Cunard White Star liners *Mauretania* and *Britannic* in spring cruises to the Caribbean from New York, is the last passenger liner ordered for the North Atlantic fleet, although Furness, Withy and Co. have a smaller liner on order for their New York-Bermuda service, which the reconditioned *Queen of Bermuda* will shortly be resuming.

The recent report of the Commonwealth Shipping Committee discussed the need for more passenger facilities between Britain and the Eastern Caribbean. Elders and Fyffes, Ltd., have since announced that their new twin-screw turbine steamer *Golfito* will take the route Barbados-Trinidad-Jamaica, picking up a banana cargo at Jamaica for the return run. The *Golfito*, of about 7,000 tons, will have accommodation for 100 passengers; she will make her maiden voyage in May.

In the Australian and New Zealand service the Shaw Savill Line, in addition to the *Dominion Monarch*, has recently received the refrigerated cargo liners *Ceramic* and *Gothic*, each carrying 85 passengers, and the last of four ordered since the war. The *Orcades* (28,00 tons) is on her maiden voyage, which will reduce the passage time to 28 days for 1,500 passengers, and the Orient Line has only one more sister ship on the stocks. The P. and O. liner *Himalaya* was launched in October, and there remains only the *Chusan* on the stocks for this company's passenger fleet. The Royal Mail Lines' passenger programme will be completed when the *Magdalena* enters service in February.

Large passenger liners are now disappearing from the shipyards, and from the order books. There still remains a fair amount of cargo liner tonnage, but tanker tonnage is becoming preponderant. Some two million tons gross of tankers are on order or under construction, and of these more than 300,000 tons were laid down in the first ten months of this year. These will keep the yards fully occupied for two or three years, but the demand for tankers is likely to fall off suddenly, and shipbuilders, at home and overseas, will be wondering when tramp owners will begin ordering replacements. For them, cost is a paramount consideration. For ship repairing firms the end of the boom is very much nearer now that the postwar reconversion programme is within sight of completion. Wartime and subsequent pressure of repair work inflated the labour force to more than twice its normal level and the process of disinflation is likely to prove painful

* * *

Briton Ferry Steel Compensation

Critics of the Stock Exchange valuation basis for compensation in the Iron and Steel Bill have usually cited the giant companies to illustrate the gross inequity of the method. But injustices in the case of the smaller companies can be no less flagrant. Such a case has found its champion this week in Col. J. M. Bevan, of Briton Ferry Steel. In a forthright document explaining to the shareholders the effect of nationalisation on the company, Col. Bevan has given figures showing the inadequacy of the estimated compensation sum for the company, judged from two familiar and valid approaches.

After deducting £1,025,096, representing the net current assets of the group attributable to the parent company, from the total compensation payable under the provisions of the Act, only £129,430 would be left as compensation for the group's fixed assets, At April 3, 1948, fixed assets of Briton Ferry Steel, taken at cost and after writing off substantial depreciation, had a book value of £748,755. These comprise two steel works with a combined output of over 250,000 tons of steel annually, six tinplate works which last year manufactured over a million boxes of tinplate, majority interests in Neath Steel Sheet and Galvanising Company (which owns five sheet mills), Baglan Engineering Company and a large real estate property. Goodwill has been entirely written off. It is little wonder that Col. Bevan stigmatises the terms as confiscatory.

Col. Bevan proceeds to show that, on the basis of the latest group profit figures of £425,656 (including £200,000 from London Works (Barlow), which has been acquired since the date of the accounts), the estimated compensation payable to Briton Ferry Steel represents less than three years' purchase of profits. It may be open to argument whether, as Col. Bevan suggests, the integration of London Works (Barlow) with Briton Ferry has escaped the notice of the Stock Exchange, and will "not be reflected in any way" in the market value of the shares. Conceivably, the full benefit of the merger may not have been adequately discounted in the price of Briton Ferry Steel shares. Yet even on the basis of the profits of the group before the acquisition of London Works (Barlow), compensation would clearly be inadequate.

* * *

Peruvian Corporation Moratorium

The petition to obtain Court sanction to the scheme of arrangement between Peruvian Corporation and its debenture holders for an extension of the present moratorium was opposed by Mr Horace B. Samuel in the Chancery Division this week. The scheme allows for an extension of the moratorium for a further year from the date of expiry of the existing scheme on December 31, 1948, and would give power to the debenture holders' committee to prolong the period until the end of 1953. Mr Justice Vaisey proved sympathetic to the objections raised in opposition to this loose arrangement, and ruled that the moratorium should continue until December 31, 1949, with no provision for any additional period. He also declared that the directors should give serious thought to the preparation of a more permanent scheme of settlement with the debenture holders, since the representation that such a scheme was in prospect had some influence with the Court in sanctioning the previous renewal of the moratorium in 1946. This ruling has upset the calculations of even the majority of the debenture holders, who agreed on December 6th by a substantial majority to approve the latest scheme submitted by the company. But a complicating factor here has been the dual holdings of debenture and ordinary capital by some of those voting for the scheme. This had some weight in the Court's decision to limit the extension. Arrears of interest and sinking funds on the outstanding £3,946,900 6 per cent first mortgage debenture stock amounted to £2,691,879 on December 1, 1948. Interest has now been paid on the debenture stock up to April 1, 1943.

* * *

Bulgarian Debt Gesture

The Bulgarian Government's decision, announced last week, to meet interest arrears since 1940 on the Bulgarian external debt and to service the Bulgarian foreign loans in 1949 has come as a complete surprise. The terms on which the arrears are to be paid off and current payments resumed for one year may not be generous, even when measured by the treatment usually accorded to foreign bondholders nowadays. But it is a matter for grateful surprise that Bulgaria is acknowledging its foreign debt obligations and treating its creditors, if not handsomely, at least without discrimination between them.

The Bulgarian Government has unconditionally guaranteed to remit arrears of interest in 3 instalments by 1951. Arrears on the pre-1914 Bulgarian external debt will be paid off at the uniform rate

of 3s. 6d. per cent per annum (calculated by reference to the current exchange value of the Swiss franc) while arrears on the two loans issued in 1926 and 1927 under the auspices of the League of Nations will amount to 16s. Interest to be paid in 1949 will be at the rate of 4s. per cent on the loans of 1892, 1896 and 1909, 5s. per cent on the loans of 1902, 1904 and 1907, and £1 2s. 6d. on the two League loans. It is hoped that before the end of 1949 discussions towards a permanent settlement will have been undertaken.

On a number of occasions in recent months there has been evidence of informed dealing before foreign bond settlements were announced. The market in foreign bonds is quiet on most days. Thus any buying or selling of foreign bonds before an announcement affecting their prospects is readily noticeable and can influence prices appreciably. The market has recently complained to the Stock Exchange Council about two leakages. Details of the first Italian debt agreement did not remain unknown. More recently, news that the Council of Foreign Bondholders was negotiating with the Burgomaster of Saarbrücken about interest and arrears on the City of Saarbrücken 6 per cent. sterling loan of 1928, leaked out before the announcement. It may be that the Council of Foreign Bondholders is almost too concerned that nothing should become known officially until negotiations have been completed. Perhaps these embarrassments would be fewer if the Council were more ready to make interim announcements.

* * *

Investigation Into Aluminium Scrap

The investigation into the British sale of aluminium scrap to the United States is proceeding but no further charges or denials have been made. The allegations made last week by Mr Howard Bruce the deputy administrator of ECA in Washington and which were discussed on page 1029 in *The Economist* last week, have been denied by Britain, Belgium and the Netherlands. The following tables show the problem to be investigated in terms of British export figures and American import figures. Table I shows the exports of aluminium and aluminium alloys from the United Kingdom during the first eleven months of 1948. There was no export of old aluminium or scrap during this period and there was no re-export of aluminium or aluminium alloys. There was, however, an export of some 40,000 tons of aluminium compounds consisting mainly of sulphate of alumina. These latter items, however, do not come within the scope of the controversy. The United States is not mentioned as a destination and if any aluminium was sent there it would be included in "Other Foreign Countries." And in this connection it is noteworthy that from July onwards, the exports to "Other Foreign Countries" increased quite appreciably. It would seem that the maximum export to the United States under this heading would be of the order of 10-12,000 tons during the first eleven months of the year. And the chances are that most of this would consist of sheets and plates.

Table II shows the import of aluminium scrap into the United States, during the first nine months of this year. Since June imports have increased sharply, and this increase has undoubtedly been the cause of the allegations. The first imports of scrap from the United Kingdom are recorded in June when 1,400 tons were received. In July the quantity increased to 3,000 tons, in August to 4,500 tons, but imports fell in September to 3,000 tons. In all some 12,000 tons were received from Britain in the four months June to September. The American charge was that up to the end of September, Britain had resold 12,812 tons of aluminium to American firms as scrap. In addition to the import of aluminium scrap, the American trade accounts show an import of aluminium manufactures from Britain totalling well under 1,000 tons for the nine months; in fact there was again no import before June and most of the quantity arrived in September.

To dovetail the two halves of the picture together requires some conjecture. In the first place, it is inconceivable that any large quantity of aluminium scrap could have been smuggled from Britain. The discrepancy is more likely to lie in the definition of "scrap." It would seem that aluminium sheets and plates, some probably recovered from British war equipment, has been exported from Britain to the United States under the quota export scheme and rightly classified by the Customs as manufactures. On the other hand, American firms although having bought the aluminium as manufactures, no doubt intended to use them as scrap and declared them as such to the American customs in order to get a lower import duty charge. The fact that this trade did not become important until after June—when ECA funds became available—is probably a coincidence, but clearly one which might well raise suspicion in American minds. Had the export of aluminium and aluminium alloys from Britain to the United States been on a large scale at the beginning of the year, the United States would have been listed as a destination in the British trade returns alongside Iran, Iraq and Argentina.

TABLE I—EXPORTS OF ALUMINIUM AND ALUMINIUM ALLOYS FROM THE UNITED KINGDOM, 1948
(Long Tons)

	Jan.–June	July	Aug.	Sept.	Oct.	Nov.
Commonwealth Countries	9,256	2,584	2,836	3,547	3,397	4,521
European Countries	4,795	1,942	2,024	607	961	1,339
Iraq	637	23	89	71	25	41
Iran	261	34	137	59	82	89
Argentina	410	29	65	38	92	404
Other Foreign Countries	2,412	1,440	3,647	2,881	1,804	2,535
TOTAL	17,771	6,054	8,798	7,203	6,361	8,983

The official investigation being conducted by the ECA authorities with the co-operation of the Ministry of Supply and the Customs will have much more detailed information at its disposal. But it would be surprising if its conclusions were greatly different.

TABLE II—IMPORTS OF ALUMINIUM SCRAP INTO USA, 1948
(Long Tons)

	Jan.–May	June	July	Aug.	Sept.	Total Jan.–Sept.
Britain	...	1,370	2,955	4,364	3,031	11,720
Belgium	599	...	...	20	20	639
Netherlands	...	100	91	1,122	696	2,009
Germany	280	...	3,196	999	51	4,526
Italy	1,102	659	608	898	896	4,163
Sweden	1,025	...	22	...	...	1,047
Canada and Newfoundland	12,132	2,067	1,639	1,599	1,063	18,500
Australia	1,634	408	735	...	175	2,952
Other Countries	995	...	82	222	41	1,340
TOTAL	17,767	4,604	9,328	9,224	5,973	46,896

* * *

Woolwich Equitable 101st Year

Although new mortgage business transacted by Woolwich Equitable Building Society in the year to September 30, 1948, did not quite maintain the level reached in 1947-48—its centenary year—the society has made a good start to its second century of activity. New mortgage advances in 1947-48 amounted to £12,050,550 a figure only £81,593 lower than the record of the previous year. The number of mortgages outstanding at September 30th last was 64,495 compared with 65,057 a year earlier. Within these global figures, a marked change has occurred both in the size of individual advances and in the proportions of the total new mortgages taken out during the year over and under £2,000. For instance, the number of new mortgages where the amount of the advance did not exceed £2,000 actually increased from 7,688 to 10,669 in 1947-48 and the total amount involved has been nearly doubled, whereas new mortgages exceeding £2,000 fell from 3,868 to 907, valued at £3,492,935, compared with £7,734,543. This is a remarkable change; it reflects the relatively greater decline in both the turnover and value of larger properties during the year, and may also possibly denote that the society has introduced some modification of lending policy.

Any fear of falling property values—and the Woolwich Equitable makes no secret of its expectations in this respect—has now to be balanced by the search for employment not only of surplus liquid funds accumulated during the war period but for those still being attracted to the movement. The flow of funds towards the building societies appears to have abated little in the past year and the Woolwich Equitable found it necessary to fix a limit of £250 to the amount by which the balance on any existing share account might be increased and also on the amount acceptable from any new share investor during the year. Even so, in 1947-48 there was an increase of nearly £1,000,000 in amounts due to shareholders at the end of the year. In addition, repayments of advances and interest amounted to £9,939,284 (some £579,697 lower than in the previous record year) so that total funds seeking employment were greatly augmented. Yet the preference for property over alternative avenues of investment has if anything been increased, since there has been a decline in the ratio of investments to total assets from 25 per cent to 20 per cent on the year. This has resulted from a heavy net realisation of gilt-edged investments which has reduced the balance of the investment account from £10,434,869 to £9,221,916.

Shorter Note

Output of deep-mined coal in the past two weeks has been at the highest level since the summer of 1940. In the week ended December 11th deep-mined output was 4,214,000 tons; this was achieved largely by a decrease in absenteeism (from all causes) by 0.53 per cent for face workers and 0.38 per cent for all workers). Overall output per man-shift remained constant at 1.15 tons. An opencast output of 192,000 tons brought total coal production for the week ended December 11th to 4,406,000 tons. Last week an increase of 213,400 tons brought the deep-mined output to 4,427,400 tons; opencast output declined by 34,100 tons to 157,900, and the total for the week was 4,585,300 tons. At the end of 49 weeks total deep-mined output for the year was 9,454,000 tons short of the year's target of 200 million tons; the opencast target (11 million tons) had been passed by 440,000 tons.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Turner and Newall; Mitchell and Butlers; Apex (Trinidad) Oilfields.

Prices, Year 1948 Jan. 1 to Dec. 21 High	Prices, Year 1948 Jan. 1 to Dec. 21 Low	Name of Security	Price, Dec. 15, 1948	Price, Dec. 21, 1948	Net Yield, Dec. 21, 1948 (a)	Gross Yield, Dec. 21, 1948
		British Funds			£ s. d.	£ s. d.
101⅛	100⅞	War Bonds 2½% August 1, 1949-51	100⅛	100⅛	...	1 7 1e
101⅛	100⅝	Exchequer Bonds 1½% Feb. 15, 1950	100⅝	100⅝	0 3 5	1 3 10
102⅛	100⅝	War Bonds 2½% March 1, 1951-53	102⅜	102⅜	0 2 7	1 7 11e
103¼	100	War Bonds 2½% March 1, 1952-54	103¼	103¼	0 10 5	1 14 10e
104⅛	101⅛	War Loan 3½% (after Dec. 1, 1952)	103⅞	103⅝	1 0 11	2 12 4
105⅛	99⅜	War Bonds 2½% Aug. 15, 1954-56	103⅝	103⅝	0 16 7	2 0 2e
103⅛	100⅛	Funding 2½% June 15, 1952-57	102⅛	103	1 2 11	2 7 4i
106⅜	100⅛	National Def. 3% July 15, 1954-58	104⅛xd	104⅛xd	1 2 2	2 8 3i
105⅛	101⅛	War Loan 3% Oct. 15, 1955-59	105⅛	105⅛	1 2 2	2 8 11i
104⅛	100	Savings Bonds 3% Aug. 15, 1955-65	104⅜	104⅜	1 8 0	2 15 1i
102⅜	96⅛	Funding 2½% April 15, 1956-61	102	102	1 4 5	2 7 2i
101⅛	98⅛	Funding 3% April 15, 1959-69	103⅛	104⅛	1 8 8	2 15 5i
114⅜	110⅛	Funding 4% May 1, 1960-90	114⅛	114⅛	0 18 4	2 12 3e
103⅜	97⅞	Savings Bonds 3% Sept. 1, 1960-70	103⅜	103⅜	1 10 0	2 17 1i
99	92⅛	Savings Bonds 2½% May 1, 1964-67	98⅝	98⅝	1 9 6	2 12 5i
116⅜	112⅛	Victory Bonds 4% Sept. 1, 1920-76	116⅛	116⅜	1 2 6	2 15 9e
102⅛	96⅜	Savings Bonds 3% Aug. 15, 1965-75	102⅜	102⅛	1 10 11	2 18 1i
111¼	107⅛	Consols 4% (after Feb. 1, 1957)	111	111	0 18 0	2 13 11f
106⅜	102⅛	Conversion 3½% (after April 1, 1961)	106⅛	106⅞	1 7 10	2 19 0f
83⅜	74⅛	Treas. Stk. 2½% (after April 1, 1975)	79⅛	79⅛	1 14 9	3 3 4f
99	91⅛	Treas. Stk. 3% (after April 5, 1966)	97⅛	97⅛	1 13 11	3 1 10f
100⅜	93⅛	Redemp. Stk. 3% Oct. 1, 1986-96	100	100	1 13 3	3 0 7i
85⅜	74⅛	Consols 2½%	79⅜xd	79⅜xd	1 14 6	3 2 8f
103⅛	96	Brit. Elec. 3% Gtd. April 1, 1968-73	102⅜	102⅛	1 10 9	2 17 9i
101⅛	99⅛	Brit. Elec. 3% Gtd. Mar. 15, 1974-77	101⅛	101⅛	1 12 0	2 18 11i
101⅛	93⅜	Brit. Trans. 3% Gtd. July 1, 1978-88	95½xd	99⅛xd	1 13 0	3 0 0i
103⅛	95⅛	Brit. Trans. 3% Gtd. April 1, 1968-73	102⅛	102⅛	1 10 9	2 17 9i

Redemption yields on stocks optionally or finally redeemable within the next five years are worked out on the assumption that they will be repaid at the earliest date. Redemption yields on other dated stocks assume that stocks paying over 3 per cent will be redeemed at the earliest date (these are marked 'e'), and those paying 3 per cent or less will be repaid at the latest date (marked 'i'). (a) Net yields are calculated after allowing for tax at 9s. in the £. (f) Flat yield. * Assumed average life 15 years 6 months.

Prices, Year 1948 Jan. 1 to Dec. 21 High	Prices, Year 1948 Jan. 1 to Dec. 21 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Dec. 15, 1948	Price, Dec. 21, 1948	Yield, Dec. 21, 1948
		%	%		**Other Securities**			£ s. d.
106	101⅛	(d)	(d)		Australia 3½% 1965-69	106	106	2 17 0a
96	90	(d)	(d)		Birmingham 2½% 1966-71	95½	95½	2 15 3i
9⅛	6⅝	50	c	50	c Anglo-American Corp. 10s.	6	6⅜	4 6 9
10⅞	7⅝	25	b	5	a Anglo-Iranian Oil £1	8⅜	8⅛	3 8 0
87/6	69/–	10	b	5	a Assoc. Electrical Ord. £1	78/–	78/–	3 16 11
77/3	62/4	15	c	15	c Assoc. Port. Cem. Ord. Stk. £1	75/6	76/6	3 18 5
38/6	29/6	40	e	40	c Austin Motor 'A' Ord. Stk. 5s.	30/10½xr	31/10½	6 5 8
84/–	72/9	7	b	7	a Barclays Bank Ord. 'B' £1	79/–	77/3	3 12 8
10⅜	8⅜	120	b	120	a Bass Ratcliff Ord. £1	8⅜	8⅜	2 16 9†
10/–	8/–	12	b	8	a British Oxygen Ord. £1	8	8⅛	3 18 0
46/1½	36/–	2½	a	5	b Courtaulds Ord. £1	38/6	38/3	3 18 5
32/6	25/1	27½	c	7½	a Distillers Co. Ord. 4s.	29/–xd	28/9xd	3 16 6
34/10½	27/9	8	c	8	c Dorman Long Ord. £1	32/6	32/9	4 17 9
79/9	68/–	15	e	15	c Dunlop Rubber Ord. £1	76/–	75/7½	3 19 8
53/–	43/7	7	b	3	a Imp. Chem. Ind. Ord. Stk. £1	48/3	49/–	4 1 8
6⅞	4½	10½	b	13½	a Imperial Tobacco £1	5⅛	5⅛	5 16 0
48/9	40/3	10	c	10	c Lancs. Cotton Ord. Stk. £1	46/3	46/10½	4 5 4
56/6	43/9	10	c	10	c Lever & Unilever Ord. £1	51/3	51/3	3 18 1
61/3	47/6	12½	c	10	c London Brick Ord. Stk. £1	53/9	53/9	3 14 8
66/1½	47/–	31½	m	7½	b Pelan Breen Ord. Stk. 10s.	54/–xd	53.6xd	4 13 3
63/4½	49/6	12	c	12	a P. & O. Def. Stk. £1	55/–	52/–	4 12 4
35⅛	30⅛	174⅓	c	171⅓	c Prudential 'A' £1	32⅛	32⅛	2 7 6†
59/9	49/9	12½	c	12½	c Stewarts & Lloyds Def. £1	56/–	56/6	4 8 6
85/7½	71/6¾	12½	a	15	b "Shell" Transpt. Ord. Stk. £1	74/4½	75/–	2 0 0†
7⅞	5⅛	12½	a	12½	b Tube Invest. Ord. Stk. £1	6⅛	6⅜	3 16 2
90/9	72/6	11½	b	3½	a Turner & Newall Ord. Stk. £1	80/–	80/–	3 15 0
93/3	76/–	55	b	5	a Woolworth (F. W.) Ord. 5s.	83/9	83/–	4 4 4

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (e) To earliest redemption date. (i) To latest redemption date. (m) 15 months. Yield basis 25%. † Free of tax.



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COMPANY MEETINGS

ASSOCIATED TALKING PICTURES LIMITED

EALING STUDIOS' FULL YEAR

HIGH PRODUCTION COSTS

MALDISTRIBUTION OF FILM EARNINGS

MR STEPHEN L. COURTAULD ON THE POSITION

The nineteenth annual general meeting of Associated Talking Pictures Limited was held, on the 15th instant, at Ealing Studios, Ealing Green, London, W. 5, Mr Stephen L. Courtauld, M.C. (chairman of the company), presiding.

The secretary (Mr Leslie F. Baker, A.C.A.) having read the notice convening the meeting and the auditor's report,

The chairman said: Ladies and gentlemen,—The report and accounts have now been in your hands for some weeks and with your permission I will take them as read.

This year, as you will see in addition to the balance sheet of your company itself, your directors, in accordance with the provisions of the Companies Act of 1948, have placed before you a Consolidated Balance Sheet as at June 26, 1948, of your company and its subsidiary company, Ealing Studios Limited, together with a consolidated profit and loss account for the year ended on that date.

I do not propose, myself, to deal with these accounts in detail, as I am going to ask your managing director to do this when I have finished my address to you, and I will ask him at the same time to answer any questions you may have on these accounts. I will therefore confine my remarks to the general activities of your company and of its subsidiary, Ealing Studios Limited.

As you know, your company has not for some years engaged in active film production other than through its subsidiary, but has nevertheless continued to derive revenues from its past productions.

SUCCESSFUL FILMS

Dealing with current manufacturing activities, Ealing Studios Limited has again had a very full year of production. Although during the year under review only two films were actually delivered to the distributors, nevertheless, the year was a heavy one indeed as regards manufacture. The two films delivered were "It Always Rains on Sunday" and "Against the Wind," both of which were well received.

Since June 26th last, three further films have been delivered to General Film Distributors Limited, two of these, "Saraband for Dead Lovers" and "Scott of the Antarctic" being large-scale productions in Technicolor and the third a black and white film entitled "Another Shore."

Members will probably have seen from the press that an Ealing Studios Film, "Scott of the Antarctic" was selected for the Royal Command Film Performance this year. The film was very well received and the film critics were enthusiastic in their reviews. In addition, the shooting of two further films, "Passport to Pimlico" and "Whisky Galore," has been completed, and these films will be available for distribution and exhibition in the near future. A further film, "Kind Hearts and Coronets," is at present in course of production.

ACTIVITIES IN AUSTRALIA

Shareholders will doubtless remember that I advised them last year that it was proposed that Ealing Studios should continue with its production activities in Australia. During the year under review a further film, "Eureka Stockade," was produced in Australia and the final editing and completion of this film is now in progress, and it is hoped that it will be available for showing in the theatres at the beginning of the New Year.

It is proposed that further production shall be continued in Australia, where Ealing Studios have now arranged to take over a modest one-stage studio near Sydney. The first of the films at present planned for Australia will, it is hoped, go into production in the first half of the New Year.

THE NEW ACT

Regarding the general outlook for the future, I am sure shareholders will agree that it would be unwise for me to attempt to prophesy. Since we last met a new Films Act had come into operation, which provides, *inter alia*, for the showing, in cinemas of this country, of British first feature films in varying degrees. The Act, together with the Board of Trade Order which was subsequently made, provides for a proportion of the screen playing time, varying from 10 per cent. up to 45 per cent. being reserved for British first feature films. The object of the new Act is to give further stimulation and encouragement to the production of high quality British films, and the film production industry has expressed its opinion that good films in sufficient measure can be forthcoming to enable the cinemas to fulfil this quota.

It must not, however, be thought, and I stress this, that this Quota Act alone can solve many of the problems and difficulties inherent in film production. Production costs at present are far too high to enable an economic balance to be maintained in the production side of the industry by itself.

COSTS OF PRODUCTION

These high production costs have been built up over a period of years, producers relying to some extent on revenues from markets outside the domestic territory. As yet, however, we have not succeeded in making any appreciable impression on the American market, and it is unfortunately the case that several foreign territories find themselves in an uneconomic position similar to our own, which precludes anything in the nature of free importation of films; we are therefore placed in the position of having to rely mainly on our own domestic market and certain parts of the Commonwealth. Endeavours are being made to reduce production costs, but this is not the whole story, for we producers think—as pointed out in the House of Commons recently—there is a maldistribution of the moneys earned which acts against the interests of the primary producer.

The entertainment tax is far too high, and from the remaining balance we have thought for a long time that a fair proportion does not reach the producer.

GOVERNMENT'S ATTITUDE

You will have noticed that the Government are still alive to the importance of film production, this being apparent in the formation of the Film Finance Corporation and also in the fact that the President of the Board of Trade has set up a Commission of Inquiry in regard to production costs and in regard to the methods of distribution and exhibition.

You may be sure, however, that your directors will continue to use their utmost endeavours not only to maintain and, as conditions permit, improve the company's position, but also to play a full part in solving industrial problems. I will now ask the managing director to deal with the accounts and afterwards to deal with any questions which shareholders may wish to put to the directors.

MANAGING DIRECTOR'S SPEECH

The managing director (Major R. P. Baker) said: Ladies and gentlemen,—Members will no doubt remember that when I made some comments to them last year I did endeavour to give shareholders a verbal view of the consolidated position, and to recount the various steps through which it had been necessary for your directors to go to take the efforts of your company and its subsidiary up to the position which was then before us, and which today is, in a measure, revealed by the consolidated balance sheet.

I say "in a measure" advisedly, because it is my personal view, and I stress here that I speak personally—that the consolidated balance sheet, although no doubt absolutely correct academically, does not necessarily reflect the factual position of your company and its subsidiary. Point I think is given to what I say, if I mention that on the right-hand side of the consolidated balance sheet almost you will see at the bottom an item appears under the heading of "interest of minority shareholders in subsidiary company."

This interest is stated, in effect, as being an adverse balance on profit and loss account, and I would say, speaking as one of the minority shareholders; and the position is that Sir Michael Balcon and I are minority shareholders in that company; I hope that our minority interest does not represent merely a proportion of such adverse balance. This brings me to a point relating to the fixed assets which appear at the top of the balance sheet on the right-hand side, at a figure of approximately £195,000.

VALUATION OF ASSETS

In this connection I would remind shareholders that I did explain to them at last year's meeting that, after the end of the war and the bombing was finished, and these Studios had emerged with a more or less whole skin, your directors decided to have a complete inventory and valuation made with a view to ascertaining more precisely of what assets your subsidiary company was possessed, and in some detail to ascertain the current values which would reasonably attach to these assets. I did tell shareholders last year that the valuation which had been arrived at in relation to the fixed assets only, excluding any question of motor vehicles or mobile equipment, and excluding certain sound and camera equipment, was fully half a million pounds.

If, therefore, one substituted some £400,000 or £500,000 instead of the figure of some £195,000 appearing under the heading of fixed assets on the balance sheet, a somewhat different state of affairs would be revealed. I would like shareholders to know that I did discuss with your auditors the question of the adjustment in the company's books of the valuation of the fixed assets. Certain arguments for and against this course were developed, and I would here stress that whether a higher or a lower value were attached to these fixed assets, this does not in any shape or form alter the results or the prospects of the company's trading, except for one point, which is that the amount of depreciation to be provided on high values is, of course, more than that which is necessary on lower values.

I would advise shareholders, however, that it is the intention of the board to have further discussions with your auditors with a view to seeing whether or not, during the current year, some adjustment can be made to the Balance Sheet with a view possibly to reflecting, in the light of prevailing conditions, a little more accurately—if I may put it that way—the position of the assets of the company as against its liabilities.

UNSECURED LOAN

Regarding the item of £80,000 which appears under the heading of "unsecured loan," I think I ought to advise shareholders that this was purely a temporary inter-company transaction which happened to be effected during that year, but since the date of the balance sheet £60,000 of that loan has been repaid, and the remaining £20,000 will be repaid in the next few weeks.

The item appearing under the heading of "policies" relates to the endowment and sinking fund policies which were taken out when the studios were first built and covers £100,000 of endowment policies maturing in February, 1952, on which only three more premiums are payable, and a £50,000 sinking fund policy which matures in February, 1955, on which six more premiums are payable. I would also advise shareholders that, although the surrender value is stated as being approximately £107,000, we are advised that the cash value of these policies in the open market is, of course, materially higher than that. This is because the policies were taken out at a time when money rates were much higher, and the premiums were based upon those higher rates then prevailing.

FILM ASSETS

I think I should say a word about the current assets, that is the film assets, because, after all, this is really the axis upon which the whole of the company's trading turns. It has always been your company's policy, as we have pointed out before, to treat trading assets as conservatively as possible. We have not hesitated to write down current assets when the occasion, in our view, has demanded it, and we have not hesitated to carry forward what we think is right and proper at any time.

I might perhaps, in this respect, remind shareholders of what I told them last year, that substantially over £100,000 of net revenue had been received by your company from trading assets which had been completely written off by your directors. I mention this point specifically because you will doubtless have noticed that the report of your auditors calls attention to the amount which is carried forward in the balance sheet under the heading of "completed films." Your auditors were not able, at the date of the balance sheet, to confirm that this amount would be recoverable out of future revenues on those films.

I would like to add that your directors also were not able to confirm this. Indeed, if we wait to prepare the figures until we are able to confirm that certain revenues will, or will not, be received, then we shall have to defer the making up of our balance sheet for quite a number of years, because the life of a film, from the revenue earning point of view, is a very long one, and even now revenues are being received on films which are ten and twelve years old and more.

Turning to the liabilities side of the consolidated balance sheet, shareholders will note that the figures appearing do reflect the information which I endeavoured to give them last year. I did say that at its peak the borrowing of your company, and its subsidiary company, from its bankers and from the directors had exceeded the million pound mark. You will notice that the bank loans and overdrafts and loans shown on the consolidated balance sheet amounted to upwards of £790,000 as at June 26th last. Since that date this figure has increased somewhat.

PRIMARY PRODUCER'S INSUFFICIENT REWARD

On the general trading operations of your company and its subsidiary since the formation of your company in 1929, I would like to say just two or three words, if I may, because it is a subject on which I feel very keenly. Your chairman has already said that the board take the view that an insufficient proportion of the fruits of a successful picture come back to the primary producer. I think that what I am going to say does give reinforcement to the chairman's comment. Since the beginning, as I told shareholders last year, upwards of one hundred and twenty films had been made by your company or its subsidiary, or in association with them—at all events, made in these studios.

During that time I think it can be reasonably claimed that your company has had its fair measure of successful films: One has only to remember films like "Convoy," "Foreman Went to France," "San Demetrio," the seven films which were made with Gracie Fields, "Nine Men," the Will Hay comedies, the eleven films which were made with George Formby, "Frieda," "It Always Rains On Sunday," "Scott of the Antarctic," and many other films. The result of the trading operations of your company and its subsidiary are revealed in both the balance sheet of your company and the consolidated balance sheet, in the very heavy adverse balances on profit and loss account.

I, personally, am not at all satisfied that the amount which has been paid by the public to see the product of your company and its subsidiary over what is, approximately, the last 20 years, was not sufficient to pay a reasonable amount of entertainment tax to the Treasury to give a reasonable return to the retailer, that is the exhibitor, to give a reasonable return to the middleman, that is the distributor, and still enable the primary producer to stay at least on an even keel, if not to have a reasonable measure of profit.

The primary producer, however, does seem to be left to absorb all the severe shocks which are inherent in this industry, without having any of the compensating cushions which apply in the case of exhibitors and distributors; and, of course, the Treasury have a very substantial first mortgage on the takings of the films for entertainment tax, which at present absorbs more than 40 per cent. of those takings. It is to be hoped that the working party and committee of enquiry which have been set up by the Board of Trade will do something, in some measure, to adjust this situation.

BOARD'S ENDEAVOUR

I would just like to make one other point. As you will be aware, at these meetings we have, from time to time, stressed the fact that it has been the desire of your board to keep this company afloat if it were at all possible. Had we taken the advice of those who are alleged to be experts in such matters, we should, as it were, have written this company off many years ago. However, in addition to our normal obstinacy, we have a sort of sentimental attachment to this company.

If shareholders pause for a moment to reflect on the amount of money which has been obtained or subscribed by your directors —in the main, of course, by your chairman— over the long period of years, and compare this with the small amount of £34,000 which was the net amount of cash originally subscribed by shareholders they will, I am sure, realise that the directors have gone to fairly extreme lengths in their endeavours. In addition, your directors have acquired, from time to time, over a number of years, such shares as may have been put on offer and have not been taken up elsewhere.

Shareholders may think that this was an act of wisdom or an act of folly, but I mention this to show shareholders that, adverse as the position may be, and may have been for a long time, your directors have gone to some lengths to exemplify and sustain their confidence in the eventual outcome of the operations. The directors and their friends are now holding rather more than 50 per cent. of the issued share capital of the company.

DIFFICULT POSITION

I would not, however, like shareholders to attach undue optimism to what I have said in this respect. The position is acutely difficult. The rising costs of production have far outstripped the extension which it has been possible to make in the available markets of the world and it seems to your board, as your chairman has said, that in addition to reducing in production costs, it is only by the extension of markets and by the increase of revenues that the manufacture of quality pictures in this country can be sustained.

After the managing-director had replied to shareholders' questions the report and accounts were unanimously adopted. The retiring directors, Mr. R. P. Baker and Mr. G. W. G. Rayner, were re-elected.

BIRMID INDUSTRIES, LIMITED

ANOTHER SUCCESSFUL YEAR

The annual general meeting of Birmid Industries Limited was held on 17th instant, at Birmingham, Mr. Cyril C. Maudslay (the chairman) presiding.

The following is an extract from his circulated address:

Your directors are very pleased to report another year's successful working. In the consolidated balance-sheet the capital and revenue reserves amount to £2,874,612 or some 300 per cent. of the capital subscribed. In addition I would call attention to the special depreciation and obsolescence reserve, viz: £231,096, which is shown as a deduction from the fixed assets and represents some 13 per cent. of the gross value of such assets. Current assets at £3,757,461 are in excess of current liabilities (£1,081,368) by no less than £2,676,093, which I think you will agree shows a very healthy state of affairs. After charging £432,648 to cover taxation, i.e. some 41 per cent. of the total profits, the net profit for the year amounted to £301,621.

INCREASED PRODUCTION

Production has been substantially increased throughout the group factories. This circumstance reflects credit on managements, staff and workpeople alike, as industry has still many difficulties with which to contend which were absent in former days. You will be interested in the following figures, showing sales increases for 1947/48 as compared with 1946/47: Group iron foundries 41 per cent.; group aluminium foundries 18 per cent.; group magnesium foundries 70 per cent.; and light alloy wrought products 6 per cent.

Technical progress is in a way the lifeblood of our industry, and some report on this side of our work is called for. There is continual search for better alloys to suit new conditions, for more efficient methods and equipment and for new industrial designs and applications where our products can be used with advantage. Work of this kind is inevitably slow in producing results, and only a few of the many trails explored lead to a worthwhile goal. Notwithstanding, each year brings some useful successes.

Export is a subject of paramount importance to the nation in these times. The products of your factories, being semi-fabricated products, are in the main not suitable for direct export. As suppliers of important

components of finished products, however, we play a leading part in such major exporting industries as the motor trade—now in the lead of exports. In fact, the products of your foundries eventually go overseas to the extent of 75 per cent. to 80 per cent. of their total output.

Indirect exports of wrought light alloys is not so high, owing to the smaller proportion of sheet and sections taken by the motor and other exporting industries. In compensation however, a much higher percentage of Birmetals products is directly exported.

EXPANSION OF EXPORTS

Prior to 1946, Birmetals had virtually no export business. A long-term policy for examining export possibilities in different parts of the world was adopted. As a result, agencies and representatives were established as time went on in Belgium, Holland, Denmark, Sweden and Norway in Europe, Argentina in South America, New Zealand and French West Africa. Negotiations are progressing for agencies in other territories and to all those mentioned, regular and increasing supplies are sent. This export drive has been so successful that from practically nil at the beginning of 1946, Birmetals at the present time export direct over 20 per cent. of their total output.

An important factor in this success is our will and ability to give expert technical service in design particularly for marine applications—and tuition in fabrication methods. Experience shows that service of this kind is valued even more than a slight advantage in the price of material. Birmetals showed their range of products, with typical applications, at the recent Anglo-Danish Exhibition at Copenhagen. Their display was of outstanding merit and attraction and received exceptionally favourable notice from all commentators.

The report was adopted.

TANGANYIKA CONCESSIONS, LIMITED

INTERESTS REVIEWED

The annual general meeting of Tanganyika Concessions, Limited, was held on 16th instant, in London. The chairman Mr Maurice Hely-Hutchinson, M.C., presided.

The following is a résumé of his circulated statement:—

After crediting an amount of £522,339 received from the Union Miniere Company, in respect of dividends and royalties for 1947 and £200,830 in respect of amount received from the Benguela Railway Company, on account of redemption of 4 per cent. income debentures for 1947 and after providing £360,000 for taxation, the surplus on profit and loss account was £287,203, appropriated as to £126,818 for dividend on the preference stock at the rate of 10 per cent., less tax, and £138,146 for dividend on the ordinary stock at the rate of 8 per cent., less tax, the balance of £126,936 being carried forward.

Gross operating receipts of the Benguela Railway for 1947 amounted to £1,128,354 as against £653,175 in 1946, and after transferring £360,000 to renewal reserve account, the excess of income over expenditure, set aside towards redemption of debentures was £250,860, as compared with £86,800.

Gold production by the Geita Gold Mining Company, Limited, for the year ended June 30, 1948, was 17,440 ozs. Since the end of June, however, there has been a gradual improvement in operating results. Development on No. 7 Level at the Geita Mine reveals a considerable improvement in the grade of ore over the mine average, with greatly increased tonnage estimates. The estimated ore reserves at June 30, 1948, showed a total of 1,307,025 tons of an average grade of 3.94 dwts. per ton.

The report was adopted.

HORROCKSES, CREWDSON AND COMPANY, LIMITED

SATISFACTORY RESULTS

TAXATION AND RE-EQUIPMENT

The annual general meeting of Horrockses, Crewdson and Company, Limited, was held, on the 22nd instant, at the registered office, Yard Works, Stanley Street, Preston.

Lt.-Col. T. M. Brooks (chairman) presided.

Before commencing the business of the meeting, the chairman referred to the sudden death of one of the directors, Mr L. W. Brown, which occurred after the report and accounts had been issued. The chairman wished to record the deep regret of the members of the board at the loss of so young and valued a colleague.

The following is the directors' report which was circulated to shareholders with the report and accounts:—

The directors submit the audited accounts for the year ended August 31, 1948.

The combined net profit of the company and its subsidiary companies for the year, after deducting all working expenses, but before taking account of taxation, amounts to £511,909, compared with £298,829 for the previous year.

PROFIT AND DIVIDEND

The liability for profits tax and income tax on the profit for the year amounts to £273,042, against £197,563 last year. After this provision there remains a combined net profit of the company and its subsidiary companies of £238,867, compared with £101,266 last year.

After allowing for profits retained by the subsidiary companies, and additional provision for taxation by recently acquired subsidiaries, the net profit taken up by the company is £175,717 as against £60,473 last year.

Your directors recommend a dividend of 10 per cent. and a bonus of 5 per cent., requiring £41,030 after deduction of tax. Of the remaining balance they have transferred £50,000 to the re-equipment reserve, and £50,000 to the general reserve, leaving £34,687 to be added to the balance brought in, thereby increasing the amount to be carried forward to £134,718.

The Companies Act, 1948, was, to some extent, anticipated in the method of presenting the accounts last year, and the accounts this year are, therefore, in the most part capable of comparison with those of twelve months ago.

Stockholders will, however, observe that the fixed assets are given in greater detail—buildings, plant and machinery, etc., are shown under separate headings at values based on the 1935 reconstruction scheme, with subsequent additions and sales at cost. Cumulative depreciation, based on the written down value, is shown as a deduction and has been taken out of the provision for renewals, depreciation and modernisation. The balance of this provision now appears as a re-equipment reserve, the inadequacy of which is referred to later in this report.

SATISFACTORY RESULTS OF SUBSIDIARY COMPANIES

We are happy to report that all our subsidiary companies made profits during the year, and it is pleasing to record the progress made by Horrockses Fashions Limited. The demand for our fashions during the year, both at home and abroad, has fully confirmed the views expressed on previous occasions that cotton is still the most popular material for ready-to-wear garments tastefully designed and properly styled.

It is a matter of regret to your directors that the company has been unable to increase its productive capacity to any material extent during the year, nor to make any substantial recovery from the drastic concentration scheme to which it was subjected in 1941. The fact remains that the running plant at the moment is still considerably less than that in operation in 1939, a position which obviously has seriously retarded efforts to re-establish trade in markets which, of necessity, were neglected during the war.

ADVERSE RESULTS OF GOVERNMENT BUYING

We have, so far, found little or no difficulty in disposing of our products, particularly in the export markets, but the astronomical increases in the price of Egyptian cotton, and the frequent substantial falls in recent months, have made forward-selling difficult; so much for the Government claim that State buying of cotton would stabilise prices. On several occasions in the past we have referred to the dangers of discarding the services of the Liverpool Cotton Market. Events have proved, and are proving, that our fears were not unjustified.

It was hoped that our new factory in Northern Ireland would be ready to start by the end of 1948. Unfortunately, the forecast was too optimistic, but we hope to commence installing machinery in the spring of next year. The increased production will be of great benefit to the company, but it must be understood that it will be some time before our operatives can be trained and the factory put on a remunerative basis. It was to meet a contingency such as this that your directors have increased so far as possible the company's general reserve.

PROBLEM OF RE-EQUIPMENT RESERVES

With the question of reserves in mind, we wish to draw the attention of stockholders to one important feature which is causing your directors grave concern. In last year's report we published an analysis of the company's disbursements and it was shown that the balance remaining for reserves and the payment of dividend was only 8d. out of every £ received from our customers. This, however, is not the complete picture. The depreciation charged in the accounts, which is necessarily calculated upon the amount at which the fixed assets stand in the books, is approximately the same as the amount of the annual allowance which the company obtains for taxation purposes. As we have pointed out in our reports of recent years the cost of replacing our fixed assets as and when they fall to be renewed is far in excess of their book value. We, as a company, have done our best out of profits to prepare to meet the financial stringency with which we are bound to be faced when our re-equipment programme is able to take effect. It is for this reason that substantial amounts have been set aside to the re-equipment reserve, but no corresponding allowances have been obtained or are obtainable in respect of the excessive burden of taxation.

COST OF REPLACEMENTS

According to up-to-date figures, the replacement cost of our fixed assets at today's prices would be roughly ten times the amounts at which they stand in the books. It is true that we do not, and will not in the immediate future, need to replace the whole of our fixed assets, but if the company is to progress it is essential that we should be enabled to refit ourselves with the most modern equipment as soon as supplies become available. This means that we must face very considerable expenditure during the next few years in order to maintain our output capacity at a reasonable level and apart altogether from the development of new lines and activities.

BURDEN OF TAXATION

Your board is averse to raising new capital merely for the purpose of maintaining the capacity of the business, and considers that the provision of the funds necessary for this purpose should come out of the profits which are being earned. The burden of taxation on those profits under present conditions is, however, so severe that the ability of the company to set aside the necessary provisions is greatly restricted. According to the best estimates which can now be made, the company requires to set aside a sum approaching £150,000 per annum in order to make provision in the way indicated; the allowances for taxation purposes are approximately one-fifth of this amount, and the balance, if it is to be provided, must come out of profits which have been subjected not only to profits tax at the rate of 10 per cent., but also to income tax at the rate of 9s. in the £. In other words, in order to provide the additional sum of about £120,000 per annum for the purpose of maintaining its business, the company needs to earn profits for this purpose alone approximating to £250,000. This is apart altogether from providing a modest return to those who have invested their capital in the company.

In common with other boards of directors, your directors would urge the Government to recognise the facts of the existing situation and not to continue to levy what is, in effect, penal taxation, which can only in the long run discourage enterprise and deter the re-equipment of industry at the very time when maximum efficiency is essential.

The following analysis relative to the parent company only may help to make the position clear:—

	£
Current replacement value of the parent company's assets only	5,800,000
Annual depreciation required to write off replacement value over following periods: buildings 100 yrs., plant & machinery 40 yrs.	142,000
Annual depreciation based on 1935 valuation and subsequent cost actually provided in parent co's. accounts	28,500
Depreciation allowed for taxation purposes	30,000

BOARD CHANGES

During the year Mr R. M. Perry and Mr L. W. Brown, departmental directors of the company, were co-opted members of the board.

Mr Perry, who has been associated with the company for many years, will continue to be responsible for the sale of our products, particularly in the export markets, which he has visited on our behalf on many occasions.

Mr Brown is in control of our subsidiary company, Horrockses Fashions Limited, and its associated companies, the success of which this year is reflected in the consolidated accounts.

Your directors are confident that these gentlemen will be valuable acquisitions to the board.

We wish again to record our thanks to the management and employees who by their individual and collective efforts have contributed so much to the success of our operations during the past year. It is with their help and co-operation we can look forward with confidence to the future.

The report and accounts were adopted. The dividend of 10 per cent. plus bonus of 5 per cent. were sanctioned. The retiring directors Mr P. T. Stevenson, Mr R. R. Crewdson, and Mr R. M. Perry were re-elected and the auditors Messrs Price Waterhouse and Company, were re-appointed.

ANSELLS BREWERY, LIMITED

SATISFACTORY YEAR'S TRADING

The forty-eighth ordinary general meeting of Ansells Brewery, Limited, was held, on 17th instant, at Birmingham.

Mr A. E. Wiley (chairman and joint managing director) said that they felt the stockholders would be well satisfied with the year's trading. The trading profits of the group amounted to £1,871,566, an increase over the previous year of £112,811. After deducting items of expense, the resulting net profit for the year was £652,501, showing an increase over that of the previous year of £32,181.

INCREASED FINANCIAL STRENGTH

The consolidated balance sheet showed that the total fixed assets at £8,929,196 had increased during the year by £322,230, caused by the purchase of additional licensed properties and renewal of plant, machinery and vehicles. The current assets, amounting to £4,310,783, gave an excess over current liabilities of £1,928,936, an increase over last year of £234,746. From those figures it would be observed that the financial strength of the group continued to grow.

There had been two budgets during their financial year, both of which had severely affected trade by still further increasing the beer duty and consequently the selling price of their products. In addition to that, the Government since January had reduced the permitted barrelage of each brewery from 85 per cent. to 82 per cent. of the barrelage produced by them in the period 1945-46 and no regard was given to fluctuations in trade since. The result had been a falling off in demand due to the price being prohibitive to many people, so that in some cases brewers were now producing less beer than their permitted materials would allow. However, in industrial areas such as theirs, although the demand had fallen off, it still exceeded the amount they were allowed to brew, so that they were unable to keep many of their licensed houses supplied for the full permitted hours.

THE LICENSING BILL

Last month the brewing trade had received a severe shock when the Licensing Bill was introduced in the House of Commons. Its effect on their company could not yet be foreseen, but they were bound to view it with the gravest concern. It appeared to him that that was another step in the present Government's campaign of nationalisation, and a preparative towards the nationalisation of the brewing industry. The directors were convinced that in structure and management the licensed houses owned by the company were superior to those in the State managed districts. They felt that both the public and the trade itself had benefited from the healthy competition that existed between brewers.

Mr W. Scott, J.P. (deputy-chairman and joint managing director) said that the maximum price of malting barley had been fixed at 15s. per quarter above that of last year, which would materially raise their cost of production. The Catering Wages Act would also affect them in a similar direction. A member of the Government had commented on "the awful lot of profit" the brewers had made since 1939. In that connection it was interesting to note that their ordinary stockholders had gone through all the war years without any increase whatever in the rate of dividend. Since 1946 they had had a 5 per cent. increase but, in spite of that their net "pick-up" this year was £247,500, which was £6,250 less than they had received in 1939.

The report was adopted.

MONTAGUE L. MEYER, LIMITED

LARGER TURNOVER AND PROFIT

The annual general meeting of Montague L. Meyer, Limited, was held on 17th instant at Charing Cross Hotel, London, W.C., Mr Montague L. Meyer, the chairman, presiding.

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

The trading profit of the parent company and its subsidiaries amounts to £355,753. This large increase is attributable to the considerable expansion of turnover, but the average rate of profit is lower than last year owing to the reduced remuneration on certain classes of goods in which we deal.

I am pleased to be able to report a continued development in our imported hardwood business, the purchase of which was announced in my address last year. Our well-equipped sawmills dealing with home-grown timber have, under energetic local management, again contributed to the results we are able to show.

EXTENSIVE BUSINESS ABROAD

Another satisfactory aspect of our trading is the extensive business which has been done abroad. This has not only proved of value to the company but has been the means of earning foreign currency for the country's needs.

A further point which should be mentioned is the question of control. Imported softwood, the largest section of the timber trade, is still strictly controlled. All purchases are made by the Government, and re-selling only permitted against licence. Centralised buying has been criticised in some quarters, but one must not lose sight of the fact that this continuation of control is principally caused by scarcity of certain currencies, and, until financial restrictions are removed, allowing purchases to be made in any market and at any time, Government buying, in my opinion, must remain. We are an anxious for our trade to be free from restrictions, but, until world conditions are such that we can buy where we like, and sell as we choose, we have to rest content with the present situation.

The cost of imported timber still remains at a high level, but the lessening demand from consuming countries will, it is hoped, gradually reduce prices to a stable basis, and, if this desirable situation coincides with the restoration of full freedom to trade, the Government can rest assured that the needs of the country will be fully catered for by the members of the timber trade.

ADDITIONS TO RESERVE

The directors propose to increase the general reserve by £50,000, bringing the group total under this heading to £175,000, and also to commence with the sum of £10,000 a reserve account for the redemption of the cumulative redeemable second preference shares. They further consider that the contingency reserve of £10,000 is no longer required, and propose that this be credited to profit and loss account. The final dividend recommended on the ordinary capital is 1s. per share, less tax, which, with the interim dividend paid on May 12, 1948, amounts to 1s. 6d. per share, less tax, the same as the previous year.

The financial strength of your group of companies is evident, as, after allowing for the recommended transfers and payment of all dividends for the year, the consolidated profit and loss account balance will be £227,888, which is £47,717 higher than last year. The addition of the group reserves (excluding that of £123,000 for future taxation) to this balance makes a total of £455,288, which is almost equal to the paid up capital of the company. While record profits are not always maintainable, I feel that you will have no reason to be disappointed with the next balance sheet.

The report was adopted.

RHOKANA CORPORATION, LIMITED

INCREASED PRODUCTION

The twenty-sixth annual general meeting of the Rhokana Corporation, Limited, was held, on the 21st instant, in London.

Mr S. S. Taylor, C.M.G., D.S.O. (the deputy chairman), having dealt with the changes which had been made in the accounts in order to comply with the Companies Act, 1948, said:

Quite apart from the fact that the methods we have adopted in framing the balance-sheet conform with the new law, they have the advantage of showing with greater clarity than before the amount of stockholders' money that has been expended on those assets which are still employed in the corporation's business. It will be all to the good if this has the effect of emphasising the fallacy to which I have often drawn attention before of considering the amount received by ordinary stockholders by way of dividends as having been earned by the employment of the nominal amount of the issued ordinary capital.

Our production for the year shows an increase of over 3,000 long tons compared with the previous year. This increase would have been greater had it not been for the shortage of coal deliveries which caused a total or partial shut-down of the plant on a number of occasions. We can, however, congratulate ourselves on the results for the year.

The revenue from the sale of metals, after making adjustment for opening and closing stocks, was £8,655,599, compared with £6,336,740 for the previous year, an increase of £2,318,859.

On the other side of the account operating costs have increased by £777,659. This sum has been absorbed in higher wages and supplies, increased cost of stores and other expenses. This leaves the operating profit, before providing for depreciation, at a figure approximately £1,540,000 higher than the previous year. Of this sum no less than £1,152,000 is absorbed by an increase over the amount set aside last year for taxation.

DIVIDEND AND RESERVES

The amounts set aside for depreciation and reserves have been increased by £236,000, leaving only about £141,000 available out of the additional operating profit to increase the net dividends to the ordinary stockholders. The net amount received by the corporation by way of dividends and interest was, however, approximately £65,000 more than in the previous year, so that £206,000 is available for increasing the ordinary dividend, equivalent to 15 per cent. net on the nominal value of the ordinary stock.

The total amount set aside for taxation on the profit for the year is £2,571,000 and there is a small adjustment of just over £2,000 in respect of earlier years. Your directors have decided to appropriate to general reserve the sum of £668,488, compared with £600,000 last year. The directors recommend that a final dividend of 75 per cent., equivalent to 15s. per unit of stock, be paid.

There is no indication at the present time of any impending fall in the world price of copper. When considering the prospects of the corporation you, of course, take into consideration our investments in Mufulira Copper Mines, Limited, and Nchanga Consolidated Copper Mines, Limited. Both these mines are potentially great profit-earners, although Nchanga has still to complete its expansion programmes. Arrangements have been made to sell to the Ministry of Supply the larger portion of the corporation's output for 1949.

The report was adopted

HARRISONS AND CROSFIELD

A SOUND POSITION

At the annual general meeting of Harrisons and Crosfield, Limited, held, on the 21st instant, in London, the Chairman, Mr H. Eric Miller, in reviewing the balance sheet and accounts, said: The available profit for the year amounts to £603,213 before U.K. taxation, and is the highest figure recorded in the company's 40 year existence. Provision for income-tax and profits-tax in the U.K. alone absorbs £344,730, and in addition, considerable sums for taxation have had to be provided by our overseas branches and subsidiary companies.

The balance sheet shows a strong and liquid position. Investments and current assets together exceed current liabilities by nearly two and a half millions sterling. The first item to catch the eye in the consolidated balance sheet is "Revenue Reserves and undistributed profits" standing at over £1,500,000. Sundry stocks £1,632,000 and sundry debtors and bills receivable, £3,396,000, give an indication of the wider trading activities of the organisation as a whole.

TRIBUTE TO STAFF

This seems to me the appropriate moment once again to pay a wholehearted tribute to the staff of the parent, subsidiary and associated companies, without whose talented and loyal co-operation we could not be presenting accounts which give so much cause for thankful satisfaction. We have, indeed, first-class teams representing us in many territories, and may well be proud of the manner in which they are upholding the best traditions of our race.

Mr Miller gave his usual review of conditions in the territories where the company is established overseas and of the position in the tea- and rubber-producing industries, in the course of which he said: Since our last meeting there has been no change in the method of purchasing tea for this country, the Ministry of Food continuing to enter into contracts with producers in India, Ceylon and East Africa, but there is evidence of a desire to get back to private trading.

The outstanding feature is, I think, the wonderful recuperative power shown by the plantation rubber industry which, despite disturbances in the principal producing territories, is now turning out natural rubber at about the same rate as in the peak year, 1941. World consumption of natural rubber and synthetics is now running at the rate of 1,850,000 tons per annum, virtually double the rate of consumption in 1938. Production of synthetic rubber, which in the peak year, 1944, amounted to 900,000 tons, is now running at the rate of 530,000 tons per annum, which is appreciably higher than the operative in the middle of 1947.

STEADY EXPANSION

With minor fluctuations the record of the rubber industry is one of steady, almost phenomenal, expansion, and I for one refuse to take a pessimistic view of its future progress in the service of mankind. Violent fluctuations in price are, however, thoroughly detrimental to producers, manufacturers and consumers. The International Rubber Regulation Agreement of 1934, which operated until the Japanese overran the Far East, showed how fluctuations can be kept within reasonable bounds, and it seems to me that the best interests of world trade would be served by the adoption of some such measure within the terms of the I.T.O. Charter.

The report was adopted and a final dividend of 20 per cent. (making 25 per cent. for the year) on the deferred ordinary stock was approved.

At the ensuing extra-ordinary general meeting, special resolutions were passed with reference to age limit and provision of pensions for directors.

KLINGER MANUFACTURING COMPANY, LIMITED

EXPANSION PROGRAMME

The 35th annual general meeting of the Klinger Manufacturing Company, Limited, was held, on the 17th instant, in London, Mr J. L. Callow, the chairman, presiding.

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

DIVIDEND MAINTAINED

On this occasion the report and accounts now before you cover a period of eleven months only. As this change will not result in any material alteration in the date on which the dividend will be paid, your board have thought it to be only fair to shareholders to recommend the maintenance of the dividend at 25 per cent., tax free, for the period, the same amount as paid for the previous year. As you will see from the comparative figures set out in the accounts, the net profit for the eleven months period is £80,320, against £73,490 for the previous twelve months.

The provision for taxation charged in the accounts consists of profits tax for eleven months, having regard to the dividend now proposed, together with income tax on the balance of profits adjusted for calculation for a complete year. The general reserve has been increased by a transfer from profit and loss appropriation account of a further £25,000, thus bringing its total to £125,000, and £3,529 has been placed to investment reserve. If you approve the proposed dividend there will remain £66,697 to be carried forward to next year, against £50,212 brought in.

The paid-up capital of the company remains unchanged at £141,224, but, as I reminded you last year, the effective capital actually employed in the business includes the reserves shown in the balance sheet, and these now amount to £347,085, making a total of £488,309.

MODERNISATION WORK

I referred last year to the programme of expansion and modernisation which was being pursued by your board. During the year we have spent £78,395 on new plant and machinery, of the latest types. The outstanding contracts for capital expenditure of £185,000 referred to on the balance sheet are for delivery over the next two to three years.

When embarking on this programme your board was conscious of the necessity for keeping in close touch with the latest developments in the design of machinery for the manufacture of hosiery, and with this object two of your directors have recently visited both the U.S.A. and Switzerland in order to investigate the latest types of knitting machines. We are satisfied that our new plant is well up to the highest standards, as regards productivity, technical efficiency and operatives' output per machine, and that our factory will continue to be equipped with the latest and most efficient machinery available.

WIDE RANGE OF PRODUCTS

Our present range of output covers all grades of fine gauge ladies' stockings. In addition to a large production of utility styles in pure silk, rayon and lisle, we have a steadily increasing output of Klingsil nylon stockings, both seam-free and fully-fashioned, which are finished by our own patented process. Our full-fashioned production is now getting well into its stride.

Our export trade has developed satisfactorily during the year with encouraging results in hard currency markets, though I am sorry to say that this has resulted in the diversion from the home market of the whole of our nylon production. We can only look forward to the day when we shall be able to supply our home trade customers with their full requirements.

The report and accounts were unanimously adopted.

Statistical Summary

GOVERNMENT RETURNS

For the week ended December 18, 1948, total ordinary revenue was £52,502,000, against ordinary expenditure of £90,673,000 and issues to sinking funds £110,000. Thus, including sinking fund allocations of £11,693,000, the surplus accrued since April 1st is £235,166,568 against £194,402,638 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1948–49	Receipts into the Exchequer (£ thousand) April 1 to Dec. 20, 1947	April 1 to Dec. 18, 1948	Week ended Dec. 20, 1947	Week ended Dec. 18, 1948
ORDINARY REVENUE					
Income Tax	1309150	498,865	569,285	15,763	14,514
Sur-tax	80,000	27,105	34,150	1,700	1,200
Estate, etc., Duties	160,000	119,570	121,150	4,500	3,480
Stamps	55,000	37,490	40,513	950	1,200
Profits Tax	253,000	24,920	133,340	500	4,500
E.P.T.		166,585	69,225	4,000	555
Other Inland Rev.	1,000	120	115	...	10
Special Contributn.	50,000	...	23,400	...	1,000
Total Inland Rev.	1915150	893,754	944,218	27,413	27,679
Customs	820,000	573,555	600,115	12,658	17,448
Excise	726,550	422,200	524,000	4,100	5,600
Total Customs & Excise	1547150	995,755	1124115	16,758	23,048
Motor Duties	50,000	13,325	12,354	...	...
Surplus War Stores	102,000	132,972	96,522	572	254
Surplus Receipts from Trading	57,000	50,175	4,826	10,000	...
P.O. (Net Receipts)	...	...	...	Dr980	...
Wireless Licences	11,000	6,370	6,505	...	...
Crown Lands	1,000	670	600	...	...
Receipts from Sundry Loans	14,000	19,261	11,344	15	267
Miscell. Receipts	68,000	196,003	111,234	1,964	1,254
Total Ord. Rev.	3765200	2308292	2292119	51,753	52,502
SELF-BALANCING					
Post Office	150,200	101,180	108,000	6,980	2,600
Income Tax on E.P.T. Refunds	16,000	16,488	6,307	269	220
Total	3931500	2425960	2406426	59,002	55,322

Expenditure	Estimate, 1948–49	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Dec. 20, 1947	April 1 to Dec. 18, 1948	Week ended Dec. 20, 1947	Week ended Dec. 18, 1948
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	500,000	362,006	343,263	4,050	873
Payments to N. Ireland	26,000	14,540	15,976	...	...
Other Cons. Fund Services	8,000	4,218	3,945	339	...
Total	534,000	380,764	363,184	4,389	873
Supply Services	2442657	1720315	1682467	61,220	89,800
Total Ord. Expd.	2976657	2102779	2045251	65,609	90,673
Sinking Funds	...	...	11,695	...	110
SELF-BALANCING					
Post Office	150,200	101,180	108,000	6,980	2,600
Income Tax on E.P.T. Refunds	16,000	16,488	6,307	269	220
Total	3142857	2220447	2171250	72,858	93,603

After increasing Exchequer balances by £228,166 to £3,246,940 the other operations for the week decreased the gross National Debt by £62,192,568 to £25,787 million.

NET RECEIPTS (£ thousand)

Building materials and Housing Act, 1945, sec. 4(1)	250
Local Authorities Loans Act, 1945, sec. 3(4)	1,349
	1,599

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Acts, 1946 and 1948	560
E.P.T. Refunds	268
Overseas Trade Guarantees Act, 1939, sec. 4(1)	10
Housing (Temp. Accommodation) Act, 1944, sec. 8(1)	1,000
Local Authorities Loans Act, 1945, sec. 3(1)	7,900
Cotton (Centralised Buying) Act, 1947, sec. 21(1)	7,000
Overseas Resources Development Act, 1948, sec. 17(1): Colonial Development	200
War Damage: War Damage Commission	3,000
Civil Contingencies Fund	5,000
Finance Acts, 1946 and 1947, Post-war credits	333
	25,271

CHANGES IN DEBT (£ thousand)

Net Receipts		Net Repayments	
2½% Def. Bonds	304	Treasury Bills	53,355
3% Ter. Annuities	48,687	Nat. Savings Certs.	400
Tax Reserve Certs.	1,782	3% Def. Bonds	387
Other Debt:—		Other Debt:—	
Internal	6	External	5
Ways & Means Advances	10,060		
Treasury Deposits	55,500		
	116,339		54,147

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits, by Banks	Total Floating Debt
1947						
Dec. 20	2250·0	2605·4	306·6	6·3	1377·0	6545·2
1948						
Sept. 4	2210·0	2292·0	294·2	...	1455·5	6351·8
,, 11	2210·0	2378·1	297·0	2·0	1460·5	6348·2
,, 18	2210·0	2399·7	302·5	18·8	1460·5	6359·4
,, 30	4537·5		256·5	...	1449·5	6343·3
Oct. 9	2220·0	2415·5	274·1	8·0	1452·0	6370·0
,, 16	2210·0	2443·7	277·5	5·5	1425·5	6365·3
,, 23	2250·0	2446·5	282·1	0·5	1438·0	6416·9
,, 30	2250·0	2424·8	278·5	...	1435·1	6388·1
Nov. 6	2250·0	2394·8	284·7	...	1436·0	6364·5
,, 13	2250·0	2402·5	278·0	5·8	1419·0	6355·2
,, 20	2250·0	2414·7	272·6	1·0	1430·5	6368·8
,, 27	2250·0	2385·5	283·1	7·0	1432·0	6357·5
Dec. 4	2250·0	2390·3	256·6	8·5	1447·0	6392·4
,, 11	2250·0	2395·0	283·7	17·8	1447·5	6395·9
,, 18	2250·0	2341·6	296·0	15·5	1503·0	6406·1

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1947					
Dec. 19	170·0	274·7	170·0	10 2·89	50
1948					
Sept. 17	170·0	263·3	170·0	10 3·31	56
,, 24	170·0	273·5	170·0	10 3·14	52
Oct. 1	180·0	277 5	180·0	10 1·72	54
,, 8	190·0	269·2	190·0	10 1·90	62
,, 15	180·0	289·4	180·0	10 2·09	59
,, 22	170·0	285·2	170·0	10 1·57	48
,, 29	170·0	291·1	170·0	10 1·46	43
Nov. 5	170·0	291·9	170·0	10 1·58	44
,, 12	170·0	272·9	170·0	10 1·97	53
,, 19	170·0	274 1	170·0	10 1·89	52
,, 26	170·0	275·8	170·0	10 4·35	48
Dec. 3	170·0	320·8	170·0	10 3·34	31
,, 10	170·0	308·1	170·0	10 3·83	38
,, 17	170·0	271·4	170·0	10 4·39	52

On December 17th applications for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 52 per cent of the amount applied for at £99 17s. 6d. and applications at higher prices were accepted in full. Applications for bills to be paid on Monday were accepted at £99 17s. 6d. and above in full. £170 million (maximum) of Treasury Bills are being offered for December 24th. For the week ended December 25th the Banks will be asked for Treasury deposits to the amount of £40 million (maximum).

NATIONAL SAVINGS

(£ thousand)

	Week Ended: Dec. 13, 1947	Week Ended: Dec. 11, 1948	Totals, Apr. 1 to Dec. 11, 1948
Savings Certificates:—			
Receipts	5,000	2,250	18,900
Repayments	2,500	2,900	91,700
Net Savings	2,500	Dr 650	Dr 72,800
Defence Bonds:—			
Receipts	1,295	800	47,950
Repayments	563	847	33,230
Net Savings	732	Dr 47	Dr 5,240
P.O. and Trustee Savings Banks:—			
Receipts	14,626	13,724	440,487
Repayments	14,299	15,364	437,614
Net Savings	327	Dr1,640	[illegible]
Total Net Savings	3,559	Dr2,227	[illegible]
Interest on certificates repaid	450	522	[illegible]
Interest accrued on savings remaining invested	2,242	2,345	[illegible]

BANK OF ENGLAND RETURNS

DECEMBER 15, 1948

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1286,940,490	Other Govt. Securities	1288,273,611
In Bankg. Department	13,307,343	Other Secs.	704,274
		Coin (other than gold)	7,015
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 172s. 3d. per oz. fine)	247,833
	1300,247,833		1300,247,833

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	370,643,941
Rest	3,508,445	Other Secs.	45,071,140
Public Deps.:—	22,302,730	*Discounts and Advances*	*21,150,050*
*Public Accts.**	*8,015,553*	*Securities*	*23,921,090*
H.M. Treas. Special Acct.	*14,287,177*		
Other Deps.:—	392,138,846		
Bankers	*301,087,225*	Notes	13,307,343
Other Accts.	*91,051,621*	Coin	3,480,597
	432,503,021		432,503,021

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

COMPARATIVE ANALYSIS

(£ million)

	1947	1948		
	Dec. 17	Dec. 2	Dec. 9	Dec. 16
Issue Dept.:—				
Notes in circulation	1363·1	1242·0	1250·2	1286·9
Notes in banking department	87·1	58·3	40·0	13·3
Government debt and securities*	1449·2	1299·1	1299·3	1299·3
Other securities	0·8	0·8	0·7	0·7
Gold	0·2	0·2	0·2	0·2
Value at s. per fine oz.	*172/3*	*172/3*	*172/3*	*172/3*
Banking Dept.:—				
Deposits:—				
Public Accounts	12·4	10·9	9·8	8·0
Treasury Special Account		14·3	14·3	14·3
Bankers	304·0	313·4	308·7	301·1
Others	93·9	91·9	89·8	91·1
Total	409·8	430·5	422·6	414·5
Securities:—				
Government	316·4	332·7	355·8	370·6
Discounts, etc.	4·9	22·9	17·7	21·2
Other	18·9	31·8	23·0	23·9
Total	340·2	387·1	397·4	415·7
Banking dep. res.	87·6	61·3	43·2	16·8
	%	%	%	%
"Proportion"	21·3	14·2	10·2	4·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,350 million to £1,300 million on March 4, 1948.

GOLD AND SILVER

The Bank of England's Official buying price for gold remained at 172s. 3d. per fine ounce throughout the week. Spot cash prices were as follows:—

	Silver			Gold
	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
1948	d.	c.	Rs. a.	Rs. a.
Dec. 16	42¼	70	179 0	113 2
,, 17	42¼	70¼	178 14	112 11
,, 18	Market	Closed	179 7	112 14
,, 20	42¼	70	180 0	112 8
,, 21	42¼	70	...	...

SERVICE

Founded over a century ago. The Union Bank of Australia, at its Branches throughout Australia and New Zealand, offers a comprehensive Banking Service covering every modern requirement.

This extensive organisation is placed at the disposal of visitors desirous of transacting any description of banking business.

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Established 1837

Head Office: 71, CORNHILL, LONDON E.C.3.

Branches throughout Australia and New Zealand.

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NATIONAL BANK OF EGYPT

Incorporated in Egypt. Liability of Members is Limited.

Head Office - - - CAIRO

Commercial Register No. 1 Cairo.

FULLY PAID CAPITAL - - £3,000,000

RESERVE FUND - - - £3,000,000

London Office:

6 & 7 King William Street, E.C.4.

Branches in all the Principal Towns in EGYPT and the SUDAN

AGGREGATE ASSETS at 31st March 1949, £98,485,139.

Established nearly 90 years

BANK of NEW ZEALAND

Incorporated with Limited liability in New Zealand

Represented at over 260 points in New Zealand and at Melbourne, Victoria, Sydney, New South Wales; Suva, Fiji; Apia, Samoa.

London Office: 1, Queen Victoria St., E.C.4. O. M. Samuel, Manager.

Head Office: WELLINGTON, N.Z. P. L. Porter, General Manager

REFUGE ASSURANCE COMPANY, LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS	£17,500,000
ASSETS EXCEED	£102,000,000
CLAIMS PAID EXCEED	£169,000,000

(1947 Accounts)

UNIVERSITY OF LONDON.—The Senate invite applications for the Readership in Demography tenable at the London School of Economics and Political Science (salary £800-£1,000-£1,200). Applications (10 copies) must be received not later than January 20, 1949, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY COLLEGE, IBADAN, NIGERIA

INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

Applications are invited for the post of Director of the above Institute. The appointment will be for a period of five years in the first instance and will carry a salary, depending on the qualifications and experience of the holder, of £1,500 per annum plus £250 per annum expatriation allowance with the status of professor or a salary in the range £1,000 to £1,350 per annum, plus £300 to £500 expatriation allowance with the status of Senior Lecturer, together with free passages to and from Nigeria, annual leave in the United Kingdom with passages paid, and payment of contributions to any approved superannuation scheme to which the holder belongs. The primary responsibilities of the holder will be to initiate and organise the Institute and to plan and conduct social and economic research in British West Africa, but he may be required later to undertake some teaching duties. Applications, giving particulars of age, academic qualifications and published writings, together with the names of three referees who can speak from personal knowledge of the character and ability of the candidate, should be sent not later than March 31, 1949, to the Under Secretary of State, Research Department, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1, from whom further particulars regarding the appointment can be obtained.

THE BRITISH BOOT, Shoe and Allied Trades Research Association require an Economist or Statistician for operational research on productivity in the shoe manufacturing industry. A man with a few years' research experience will be preferred. The post is expected to be a permanent one, and is eligible for superannuation under F.S.S.U. Applications to the Director, Satra House, Rockingham Road, Kettering.

STATISTICIAN required for expanding statistical department of large company. Applicants should have had at least 5 years' experience in the industrial applications of statistics. Age 30/40. A good salary will be paid to selected applicant which will be consistent with qualifications and experience. Write, in confidence, giving fullest details of career to date, to "Statistician," Fisons Ltd., Harvest House, Ipswich.

AN International Company distributing high quality foods, desires further to develop their Market Research Department. They offer an opportunity to a student graduating in July next, with a University degree in Statistics, to join them in enlarging this Department.—Box 919.

Postal Tuition for B.Sc. ECON.

The London University B.Sc. Econ. [illegible] qualification for posts in statistical, research and welfare work in commerce and industry, banking, administrative posts in the Civil Service, Education authorities, etc. The [illegible] open to all, whether University residents or not. You may prepare for the three examinations at home under the expert guidance of Wolsey Hall (est. 1894): moderate fees payable by instalments; if desired.

Prospectus from: [illegible], 117, WOLSEY HALL, OXFORD

DENBIGHSHIRE EDUCATION COMMITTEE

DENBIGHSHIRE TECHNICAL COLLEGE, WREXHAM

Principal: D. CECIL MORGAN, B.Sc., F.R.I.C.

Applications are invited for the post of Lecturer in Commerce, Law and Economics. Candidates should be graduates in Commerce or Economics and previous teaching and business experience will be a recommendation.

Applications (no forms issued), stating age, education, qualifications and experience, with dates, together with copies of two testimonials and the names of two referees, should reach the undersigned on or before Friday, December 24, 1948.

EDWARD REES, Director of Education

Education Offices, Ruthin. December 15, 1948.

THE Civil Service Commissioners invite applications for the following appointments in Government Departments to be filled during 1949, by competitive interview. Interviews will be held throughout 1949 beginning in January. Successful candidates may be appointed immediately.

(1) *Senior Scientific Officers.* Candidates must be at least 26 and under 31 years of age on August 1, 1949. They must have obtained a university degree in a Scientific subject (including Engineering) or in Mathematics with first or second class honours or an equivalent qualification, or possess high professional attainments, and must have had at least three years' appropriate post-graduate or other approved experience.

(2) *Scientific Officers.* Candidates must be at least 21 and under 25 years of age on August 1, 1949. They must have obtained a university degree in a Scientific subject (including Engineering) or in Mathematics with first or second class honours or an equivalent qualification, or possess high professional attainments. Candidates sitting for their degrees in 1949 may be admitted to the competition before the result of their degree examination is known.

The appointments announced in (1) and (2) cover a wide range of Scientific research and development in most of the major fields of fundamental and applied science. They will be held in various Government Departments (Ministry of Supply, Admiralty, Department of Scientific and Industrial Research, Air Ministry, Ministry of Agriculture and Fisheries, Ministry of Civil Aviation, Scottish Home Department, Home Office, Ministry of Works, War Office) and the places of work are spread throughout Great Britain. Each candidate is given the fullest opportunity to express his preference in the subject of work and the Government Department and particular establishment to which he wishes to be appointed.

Inclusive London salary scales for men are:—

Senior Scientific Officer £700 x 25—£900

Scientific Officer £400 x 25—£650

Rates for women are somewhat lower.

Further particulars and application forms from the Secretary, Scientific Branch, 27, Grosvenor Square, London, W.1, quoting No. 2351. Completed applications forms should be returned as soon as possible.

THE Civil Service Commissioners invite applications for about 120 vacancies for Professional Accountants in the permanent establishment of the Home Civil Service.

Candidates must be at least 25 and under 35 years of age on January 1, 1949; time served on a regular engagement in H.M. Forces may be deducted from actual age.

Candidates must have had wide professional experience and be members of one or more of the following bodies:—

Institute of Chartered Accountants in England and Wales.
Society of Incorporated Accountants and Auditors.
Society of Accountants in Edinburgh.
Institute of Accountants and Actuaries in Glasgow.
Society of Accountants in Aberdeen.
Institute of Chartered Accountants in Ireland.
Association of Certified and Corporate Accountants.

The salary scale for men in London is £475 x £25-£750. Starting pay according to age. Prospects of promotion. The rates for women and for posts in the Provinces will be somewhat lower.

Particulars and application forms from Secretary, Civil Service Commission, 6, Burlington Gardens London, W.1, quoting No. 2356; completed application forms must be received by him by January 13, 1949.

FRENCH-ITALIAN tuition, conversation.—Robert[illegible], T.C.[illegible] home; Gladstone 2892.

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